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LEAKE COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2011

LEAKE COUNTY SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

LEAKE COUNTY SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Leake County School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Leake County School District as of and for the year ended June 30, 2011, which collectively comprise the Leake County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Leake County School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Leake County School District, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2012, on our consideration of the Leake County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Leake County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Leake County School District's basic financial statements. The other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Suzanne E. Smith

Suzanne E. Smith, CPA
October 10, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

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The following discussion and analysis of Leake County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net assets for 2011 increased $1,164,493, including a prior period adjustment of ($29,728), which represents a 9% increase from fiscal year 2010. Total net assets for 2010 increased $522,071, including a prior period adjustment of ($10,992), which represents a 3.85% increase from fiscal year 2009.

- General revenues amounted to $19,305,427 and $19,566,764, or 76% and 75% of all revenues for fiscal years 2011 and 2010, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for $6,181,243, or 24% of total revenues for 2011, and $6,614,303, or 25% of total revenues for 2010.

- The District had $24,292,449 and $25,648,004 in expenses for fiscal years 2011 and 2010; only $6,181,243 for 2011 and $6,614,303 for 2010 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of $19,305,427 for 2011 and $19,566,764 for 2010 were adequate to provide for these programs.

- Among major funds, the General Fund had $17,231,165 in revenues and $16,211,093 in expenditures for 2011, and $17,070,936 in revenues and $17,250,645 in expenditures in 2010. The General Fund's fund balance increased by $617,532, including a prior period adjustment of ($2,427) from 2010 to 2011, and decreased by $642,743, including a prior period adjustment of ($991), from 2009 to 2010.

- Capital assets, net of accumulated depreciation, decreased by $85,881 for 2011 and decreased by $315,235 for 2010. The decrease for 2011 was caused by the combination of assets being disposed of and the current year's depreciation expense.

- Long-term debt, including the liability for compensated absences and unamortized bond discount, increased by $4,341,107 for 2011 and decreased by $551,455 for 2010. This increase for 2011 was due primarily to the issuance of $5,275,000 in other loans payable. The liability for compensated absences increased by a net of $71,107, including a prior period adjustment of $27,301, for 2011 and decreased by $16,455 for 2010.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the District's basic financial statements, which include government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains required supplemental information, supplemental information, and other information.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the District's finances. These statements consist of the Statement of Net Assets and the Statement of Activities, which are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets presents information on all the District's nonfiduciary assets and liabilities, with the differences between the two reported as "net assets." Over time, increases or decreases in the District's net assets may serve as a useful indicator of whether its financial position is improving or deteriorating.

The Statement of Activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, non-instructional, sixteenth section and interest on long-term liabilities.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds – Most of the District's general activities are reported in its governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental funds are accounted for using the modified accrual basis of accounting and the flow of current financial resources measurement focus. The approach focuses on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at year end. The governmental fund statements provide a detailed view of the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may gain a better understanding of the long-term impact of the District's near-term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Assets, and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities to facilitate this comparison between governmental funds and governmental activities.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts*. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All non-major funds are combined and presented in these reports as other governmental funds.

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. These funds are reported using the accrual basis of accounting. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

Reconciliation of Government-wide and Fund Financial Statements

The financial statements include two schedules that reconcile the amounts reported on the governmental funds financial statements (modified accrual basis of accounting) with government-wide financial statements (accrual basis of accounting). The following summarizes the major differences between the two statements:

Capital assets used in governmental activities are not reported on governmental funds financial statements.

Capital outlay spending results in capital assets on government-wide financial statements, but is reported as expenditures on the governmental funds financial statements.

Bond and note proceeds result in liabilities on government-wide financial statements, but are recorded as other financing sources on the governmental funds financial statements.

Certain other outflows represent either increases or decreases in liabilities on the government-wide financial statements, but are reported as expenditures on the governmental funds financial statements.

Notes to the financial statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Required Supplemental Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplemental information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board.

Supplemental Information

Additionally, a Schedule of Expenditures of Federal Awards as required by OMB Circular A-133 and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

Other Information

Although not a required part of the basic financial statements, the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets

Net assets may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by $15,255,386 as of June 30, 2011.

The District's financial position is a product of several financial transactions including the net result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

Table 1 presents a summary of the District's net assets at June 30, 2011 and June 30, 2010.

Table 1
Condensed Statement of Net Assets

	June 30, 2011	June 30, 2010	Percentage Change
Current assets	$ 11,601,832	$ 6,278,173	84.80%
Restricted assets	738,054	476,125	55.01%
Capital assets, net	12,159,016	12,244,897	-0.70%
Total assets	**24,498,902**	**18,999,195**	**28.95%**
Current liabilities	173,472	179,365	-3.29%
Long-term debt outstanding	9,070,044	4,728,937	91.80%
Total liabilities	**9,243,516**	**4,908,302**	**88.32%**
Net Assets:			
Invested in capital assets, net of related debt	8,170,058	7,807,624	4.64%
Restricted	4,463,445	4,387,135	1.74%
Unrestricted	2,621,883	1,896,134	38.28%
Total net assets	$ **15,255,386**	$ **14,090,893**	**8.26%**

The following are significant current year transactions that have had an impact on the Statement of Net Assets.

- Decrease in net capital assets in the amount of $85,881.
- The issuance of $5,275,000 in other loans payable.
- The principal retirement of $1,005,000 of long-term debt.
- The increase in current assets of $5,323,659, caused when debt was issued close to the end of the year.
- The increase in restricted assets of $261,929 caused by an increase in fund balance in the 16th Section Principal Fund (permanent fund) and the MAEP Debt Service Fund (debt service fund).

Changes in net assets

The District's total revenues for the fiscal years ended June 30, 2011 and June 30, 2010 were $25,486,670 and $26,181,067, respectively. The total cost of all programs and services was $24,292,449 for 2011and $25,648,004 for 2010.

Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2011 and June 30, 2010.

Table 2
Changes in Net Assets

	Year Ended June 30, 2011	Year Ended June 30 ,2010	Percentage Change
Revenues:			
Program revenues:			
Charges for services	$ 604,758	$ 712,243	(15.09) %
Operating grants and contributions	5,576,485	5,902,060	(5.52) %
General revenues:			
Property taxes	3,752,034	3,672,261	2.17 %
Grants and contributions not restricted	14,949,403	15,013,368	(0.43) %
Investment earnings	86,665	113,797	(23.84) %
Sixteenth section sources	406,324	724,008	(43.88) %
Other	111,001	43,330	156.18 %
Total revenues	**25,486,670**	**26,181,067**	**(2.65) %**
Expenses:			
Instruction	12,814,939	14,167,932	(9.55) %
Support services	9,205,437	9,322,444	(1.26) %
Non-instructional	1,921,380	1,882,251	2.08 %
Sixteenth section	137,342	65,611	109.33 %
Interest on long-term liabilities	213,351	209,766	1.71 %
Total expenses	24,292,449	25,648,004	(5.29) %
Increase (decrease) in net assets	1,194,221	533,063	124.03 %
Net assets, July 1, as originally reported	14,090,893	13,568,822	3.85 %
Prior Period Adjustment	(29,728)	(10,992)	170.45 %
Net assets, July 1, as restated	14,061,165	13,557,830	3.71 %
Net assets, June 30	$ **15,255,386**	$ **14,090,893**	**8.26 %**

Governmental activities

The following table presents the cost of five major District functional activities: instruction, support services, non-instructional, sixteenth section, and interest on long-term liabilities. The table also shows each functional activity's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost presents the financial burden that was placed on the State and District's taxpayers by each of these functions.

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage
	2011	**2010**	**Change**
Instruction	$ 12,814,939	$ 14,167,932	(9.55) %
Support services	9,205,437	9,322,444	(1.26) %
Non-instructional	1,921,380	1,882,251	2.08 %
Sixteenth section	137,342	65,611	109.33 %
Interest on long-term liabilities	213,351	209,766	1.71 %
Total expenses	**$ 24,292,449**	**$ 25,648,004**	**(5.29) %**

	Net (Expense) Revenue		Percentage
	2011	**2010**	**Change**
Instruction	$ (10,762,224)	$ (9,849,522)	9.27 %
Support services	(7,052,344)	(9,211,517)	(23.44) %
Non-instructional	6,966	200,425	(96.52) %
Sixteenth section	(90,253)	36,679	(346.06) %
Interest on long-term liabilities	(213,351)	(209,766)	1.71 %
Total net (expense) revenue	**$ (18,111,206)**	**$ (19,033,701)**	**(4.85) %**

- Net cost of governmental activities [($18,111,206) for 2011 and ($19,033,701) for 2010] was financed by general revenue, which is primarily made up of property taxes ($3,752,034 for 2011 and $3,672,261 for 2010) and state and federal revenues ($14,949,403 for 2011 and $15,013,368 for 2010). In addition, there was $406,324 and $724,008 in Sixteenth Section sources for 2011 and 2010, respectively.

- Investment earnings amounted to $86,665 for 2011 and $113,797 for 2010.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of $12,084,820, an increase of $5,594,785, which includes a prior period adjustment of ($2,427) and an decrease in inventory of $8,309. $2,093,022 or 18% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of $9,991,798 or 82% is either nonspendable, restricted, or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was $617,532, including a prior period adjustment of ($2,427). The fund balance of Other Governmental Funds showed a decrease in the amount of $180,066, which includes a decrease in reserve for inventory of $8,309. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
Title I Fund	No change
Title II Fund	No change
ARRA Title I Fund	No change
IDEA PL 94-142 Fund	No change
16th Section Interest Fund	$290,197
2011 Note Construction Fund	$4,867,122

BUDGETARY HIGHLIGHTS

During the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School District.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and major special revenue funds is provided in this report as required supplemental information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2011, the District's total capital assets were $22,335,265, including land, construction in progress, school buildings, improvements other than buildings, buses, other school vehicles, and furniture and equipment. This amount represents an increase of $257,506 from 2010. Total accumulated depreciation as of June 30, 2011, was $10,176,249 and total depreciation expense for the year was $526,479, resulting in total net capital assets of $12,159,016.

Table 4
Capital Assets, Net of Accumulated Depreciation

	June 30, 2011	June 30, 2010	Percentage Change
Land	$ 459,075	459,075	0.00 %
Construction in progress	230,528	-	N/A
Buildings	9,826,135	10,067,188	(2.39) %
Improvements other than buildings	200,055	211,582	(5.45) %
Mobile equipment	1,174,106	1,191,640	(1.47) %
Furniture and equipment	269,117	315,412	(14.68) %
Total	**$ 12,159,016**	**$ 12,244,897**	**(0.70) %**

Additional information on the District's capital assets can be found in Note 5 included in this report.

Debt Administration. At June 30, 2011, the District had $9,070,044 in outstanding long-term debt (which includes $210,044 in compensated absences payable), of which $540,000 is due within one year. The liability for compensated absences increased $71,107 from the prior year, including a prior period adjustment of $27,301. The District issued $5,275,000 in other notes payable. The district made other principal payments on long-term debt of $1,005,000.

The District maintains an AA bond rating.

Table 5
Outstanding Long-Term Debt

	June 30, 2011	June 30, 2010	Percentage Change
General obligation bonds payable	$ 355,000	$ 435,000	(18.39) %
Limited obligation bonds payable	3,230,000	3,565,000	(9.40) %
Other loans payable	5,275,000	590,000	794.07 %
Compensated absences payable	210,044	138,937	51.18 %
Total	**$ 9,070,044**	**$ 4,728,937**	**91.80 %**

Additional information on the District's long-term debt can be found in Note 6 included in this report.

CURRENT ISSUES

The Leake County School District is financially stable. The District is proud of its community support of the public schools.

The District has committed itself to financial excellence for many years. The District's system of financial planning, budgeting and internal financial controls is well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

The District is proud of its community support of the public schools and is enjoying a steady enrollment and continued academic progress of its students.

Enrollment for the 2010-2011 year decreased by 4% to 3,233 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Leake County School District, 123 Main St, Carthage, Mississippi 39051.

FINANCIAL STATEMENTS

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Statement of Net Assets **Exhibit A**

June 30, 2011

		Governmental Activities
Assets		
Cash and cash equivalents	$	10,399,559
Investments		81,505
Due from other governments		900,398
Inventories		36,563
Deferred charges		179,324
Restricted assets		738,054
Other receivables		4,483
Capital assets, net of accumulated depreciation		12,159,016
Total Assets		24,498,902
Liabilities		
Accounts payable and accrued liabilities		75,742
Interest payable on long-term liabilities		97,730
Long-term liabilities, due within one year:		
Capital related liabilities		540,000
Non-capital related liabilities		-
Long-term liabilities, due beyond one year:		
Capital related liabilities		8,320,000
Non-capital related liabilities		210,044
Total Liabilities		9,243,516
Net Assets		
Invested in capital assets, net of related debt		8,170,058
Restricted for:		
Expendable:		
School-based activities		3,164,222
Capital projects		77,585
Debt service		709,053
Forestry improvement		165,281
Unemployment benefits		56,712
Non-expendable:		
Sixteenth section		290,592
Unrestricted		2,621,883
Total Net Assets	$	15,255,386

The notes to the financial statements are an integral part of this statement.

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Statement of Activities
For the Year Ended June 30, 2011

Exhibit B

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities
Governmental Activities:					
Instruction	$ 12,814,939	244,554	1,808,161		(10,762,224)
Support services	9,205,437		2,153,093		(7,052,344)
Non-instructional	1,921,380	313,115	1,615,231		6,966
Sixteenth section	137,342	47,089			(90,253)
Interest on long-term liabilities	213,351				(213,351)
Total Governmental Activities	$ 24,292,449	604,758	5,576,485	0	(18,111,206)

General Revenues:	
Taxes:	
General purpose levies	3,439,639
Debt purpose levies	312,395
Unrestricted grants and contributions:	
State	13,778,125
Federal	1,171,278
Unrestricted investment earnings	86,665
Sixteenth section sources	406,324
Other	111,001
Total General Revenues	19,305,427
Change in Net Assets	1,194,221
Net Assets - Beginning, as originally reported	14,090,893
Prior Period Adjustments	(29,728)
Net Assets - Beginning, as restated	14,061,165
Net Assets - Ending	$ 15,255,386

The notes to the financial statements are an integral part of this statement.

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Leake County School District

Governmental Funds

Balance Sheet **Exhibit C**

June 30, 2011

	Major Funds								
	General Fund	Title I Fund	Title II Fund	ARRA Title I Fund	IDEA PL 94-142 Fund	16th Section Interest Fund	2011 Note Construction Fund	Other Governmental Funds	Total Governmental Funds
Assets									
Cash and cash equivalents	$ 1,831,653		119			2,858,516	4,871,042	1,128,821	10,690,151
Investments								290,466	290,466
Due from other governments	414,000	179,168	56,305	84,182	64,508			340,736	1,138,899
Due from other funds	422,442					1,115		9,492	433,049
Other receivables	51					4,354		78	4,483
Inventories								36,563	36,563
Total assets	2,668,146	179,168	56,424	84,182	64,508	2,863,985	4,871,042	1,806,156	12,593,611
Liabilities and Fund Balances									
Liabilities:									
Accounts payable and accrued liabilities	15,543	15,027		3,626		20,000	3,920	17,626	75,742
Due to other funds		164,141	56,424	80,556	64,508	8,556		58,864	433,049
Total Liabilities	15,543	179,168	56,424	84,182	64,508	28,556	3,920	76,490	508,791
Fund Balances:									
Nonspendable:									
Inventory								36,563	36,563
Permanent fund principal								290,592	290,592
Restricted:									
Debt service								806,783	806,783
Capital projects							4,867,122	81,505	4,948,627
Forestry services								165,281	165,281
Unemployment benefits								56,712	56,712
Grant activities								282,941	282,941
Assigned									
Student activities	559,581								559,581
Vocational								9,289	9,289
Other						2,835,429			2,835,429
Unassigned	2,093,022								2,093,022
Total Fund Balances	2,652,603	0	0	0	0	2,835,429	4,867,122	1,729,666	12,084,820
Total Liabilities and Fund Balances	$ 2,668,146	179,168	56,424	84,182	64,508	2,863,985	4,871,042	1,806,156	12,593,611

The notes to the financial statements are an integral part of this statement.

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Leake County School District

Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets **Exhibit C-1**

June 30, 2011

Total fund balances for governmental funds		$ 12,084,820
Amounts reported for governmental activities in the statement of net assets are different because:		
1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Land	$ 459,075	
Construction in progress	230,528	
Buildings	16,798,348	
Improvements other than buildings	288,176	
Mobile equipment	3,439,466	
Furniture and equipment	1,119,672	
Accumulated depreciation	(10,176,249)	12,159,016
2. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	$ (355,000)	
Limited obligation bonds	(3,230,000)	
Other loans payable	(5,275,000)	
Compensated absences payable	(210,044)	
Accrued interest payable	(97,730)	
Deferred charges	179,324	
		(8,988,450)
Net assets of governmental activities		$ 15,255,386

The notes to the financial statements are an integral part of this statement.

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Leake County School District

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances **Exhibit D**

For the Year Ended June 30, 2011

	Major Funds								
	General Fund	Title I Fund	Title II Fund	ARRA Title I Fund	IDEA PL 94-142 Fund	16th Section Interest Fund	2011 Note Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues:									
Local sources	$ 3,812,403						18,819	647,478	4,478,700
State sources	13,168,649							1,340,728	14,509,377
Federal sources	250,113	1,320,247	343,117	250,966	664,093			3,187,974	6,016,510
Sixteenth section sources						388,523		64,891	453,414
Total Revenues	17,231,165	1,320,247	343,117	250,966	664,093	388,523	18,819	5,241,071	25,458,001
Expenditures:									
Instruction	9,710,187	592,838	814	217,551	289,528			1,895,117	12,706,035
Support services	6,412,369	642,843	342,303	31,365	365,978		148,077	980,898	8,923,833
Noninstructional services	88,537	70,359		2,050				1,765,399	1,926,345
Sixteenth section						758		36,584	137,342
Facilities acquisition and construction							230,528		230,528
Debt service:									
Principal								1,005,000	1,005,000
Interest								183,450	183,450
Other								48,093	48,093
Total Expenditures	16,211,093	1,306,040	343,117	250,966	655,506	758	378,605	6,014,541	25,160,626
Excess (Deficiency) of Revenues over (under) Expenditures	1,020,072	14,207	0	0	8,587	387,765	(359,786)	(773,470)	297,375
Other Financing Sources (Uses):									
Proceeds of loans							5,275,000		5,275,000
Insurance loss recoveries	28,669								28,669
Sale of equipment	4,477								4,477
Operating transfers in	30,048					2,432		608,968	641,448
Operating transfers out	(463,307)	(14,207)			(8,587)	(100,000)	(48,092)	(7,255)	(641,448)
Total Other Financing Sources (Uses)	(400,113)	(14,207)	0	0	(8,587)	(97,568)	5,226,908	601,713	5,308,146
Net Change in Fund Balances	619,959	0	0	0	0	290,197	4,867,122	(171,757)	5,605,521
Fund Balances:									
July 1, 2010, as originally reported	2,035,071	0	0	0	0	2,545,232	0	1,909,732	6,490,035
									0
Prior period adjustments	(2,427)								(2,427)
July 1, 2010, as restated	2,032,644	0	0	0	0	2,545,232	0	1,909,732	6,487,608
Decrease in reserve for inventory								(8,309)	(8,309)
June 30, 2011	$ 2,652,603	0	0	0	0	2,835,429	4,867,122	1,729,666	12,084,820

The notes to the financial statements are an integral part of this statement.

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Leake County School District

Governmental Funds

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities For the Year Ended June 30, 2011

Exhibit D-1

Net change in fund balances - total governmental funds			$ 5,605,521
Amounts reported for governmental activities in the statement of activities are different because:			
1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:			
Capital outlay	$	474,793	
Depreciation expense		(526,479)	(51,686)
2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold.			(34,195)
3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:			
Issuance of other loans payable	$	(5,275,000)	
Payments of debt principal		1,005,000	
Deferred charges associated with issuance of debt		48,093	
Amortization of deferred charges		(21,496)	
Accrued interest payable		(29,901)	(4,273,304)
4. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:			
Change in compensated absences	$	(43,806)	
Change in inventory reserve		(8,309)	(52,115)
Change in net assets of governmental activities			$ 1,194,221

The notes to the financial statements are an integral part of this statement.

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Leake County School District

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities **Exhibit E**

June 30, 2011

		Agency Funds
Assets		
Cash and cash equivalents	$	878,430
Other receivables		1,268
Total Assets		879,698
Liabilities		
Accrued payroll/salary benefits payable		806,423
Due to other funds		73,275
Total Liabilities	$	879,698

The notes to the financial statements are an integral part of this statement.

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Note 1 – Summary of Significant Accounting Policies

The accompanying financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the School District's accounting policies are described below.

A. Basis of Presentation

In February 2009, the GASB issued GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement No. 54. As a result, amounts previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, assigned, or unassigned.

B. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the School District is considered a "primary government." The School District is governed by a five member board to which each member is elected by citizens of each defined county district.

For financial reporting purposes, Leake County School District has included all funds and organizations. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

C. Government-wide and Fund Financial Statements

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

1. Invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

2. Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

3. Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly

benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

The School District reports the following major governmental funds:

General Fund – This is the school district's primary operating fund. All general tax revenues and other unrestricted revenues are accounted for in this fund. The general operating expenditures of the district, including instructional, support, and other costs, are paid from this fund.

Title I Fund – This special revenue fund accounts for the revenues and expenditures associated with the Title I, Low Federal award.

Title II Fund – This special revenue fund accounts for the revenues and expenditures associated with the Improving Teacher Quality Federal grant award.

ARRA Title I Fund – A special revenue fund, this fund accounts for expenditures and related revenues of the Title I grant award funded by the Recovery Act.

IDEA PL 94-142 Fund – A special revenue fund, this fund accounts for expenditures and related revenues associated with a Federal award that provides supplemental services for special needs students.

16th Section Interest Fund – This fund, a special revenue fund, accounts for the expendable revenues earned on the School District's Sixteenth Section trust lands.

2011 Note Construction Fund – A capital projects fund, this fund accounts for the proceeds of a loan issued for capital improvement projects and the expenditures related to those projects.

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental funds column of the fund financial statements.

The District's fiduciary funds include the following:

Payroll Clearing Fund – This is a clearing fund used to clear payroll transactions flowing into an imprest clearing account.

Accounts Payable Clearing Fund – This is a clearing fund used to clear accounts payable transactions flowing into an imprest clearing account.

Student Club Funds – The District has student club funds that account for the assets and liabilities associated with student club activities.

Additionally, the School District reports the following fund types:

GOVERNMENTAL FUNDS

Special Revenue Funds - Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital Projects Funds - Capital Projects Funds are used to account for and report financial resources that

are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Debt Service Funds - Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.
Permanent Funds - Permanent Funds are used to account for and report resources that are restricted to the extent that only earnings, and not the principal, may be used for purposes that support the District's programs.

FIDUCIARY FUNDS

Agency Funds - Agency Funds are used to report resources held by the District in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting, as are the Fiduciary Fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

Federal grants and assistance awards made on the basis of entitlement periods are recorded as receivables and revenues when entitlement occurs. Federal reimbursement type grants are recorded as revenues when the related expenditures are recognized. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.

Property taxes, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual.

Ad valorem property taxes are levied by the governing authority of the county on behalf of the School District based upon an order adopted by the School Board of the School District requesting an ad valorem tax effort in dollars. Since the taxes are not levied and collected by the School District, the revenues to be generated by the annual levies are not recognized until the taxes are actually collected by the tax levying authority.

Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The effect of inter-fund activity has been eliminated from the government-wide statements.

Revenues from the Mississippi Adequate Education Program are appropriated on a fiscal year basis and are recorded at the time the revenues are received from the State of Mississippi.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2005 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2003*, issued by the U.S. Department of Education.

E. Encumbrances

An encumbrance system is maintained to account for commitments or assignments resulting from approved purchase orders, work orders and contracts. However, the School District attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are not reported within committed or assigned fund balances.

F. Assets, liabilities, and net assets/fund balances

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The School District deposits excess funds in the financial institutions selected by the School Board. State statutes specify how these depositories are to be selected.

Investments

The School District can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann. (1972), in interest-bearing deposits or other obligations of the types described in Section 27-105-33, Miss. Code Ann. (1972), or in any other type investment in which any other agency, instrumentality or subdivision of the State of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

For accounting purposes, certificates of deposit are classified as investments if they have an original maturity greater than three months when acquired. Investments for the district are reported at fair market value.

2. Receivables and payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds"(i.e. the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. Due from Other Governments

Due from other governments represents amounts due from the State of Mississippi and various grants and reimbursements from other governments.

4. Inventories and Prepaid Items

Donated commodities are received from the USDA and are valued at USDA cost. Other inventories are valued at cost (calculated on the first-in, first-out basis). The costs of governmental fund type inventories are reported as expenditures when purchased.
Prepaid items, such as prepaid insurance, are not reported for governmental fund types since the costs of such items are accounted for as expenditures in the period of acquisition.

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Assets because their use is limited by applicable debt statutes, e.g. qualified zone academy bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

Capital acquisition and construction are reflected as expenditures in the Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements.

Depreciation is calculated on the straight-line basis for all assets, except land.

The following schedule details the capitalization thresholds:

	Capitalization Policy	Estimated Useful Life
Land	$ 0	0
Buildings	50,000	40 years
Building improvements	25,000	20 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

(*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 5 for details.

7. Compensated Absences

Employees of the School District accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by School District policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. Some employees are allowed

personal leave and/or vacation leave in accordance with School District policy. The District pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).The liability for these compensated absences is recorded as a long-term liability in the government-wide statements. The current portion of this liability is estimated based on historical trends. In the fund financial statements, governmental funds report the liability for compensated absences from expendable available financial resources only if the payable has matured, for example, an employee retires.

8. Long-term Liabilities, Deferred Debt Expense, and Bond Discounts/Premiums

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. See Note 6 for details.

9. Fund Balances

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. Following are descriptions of fund classifications used by the District:

Nonspendable fund balance includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, committed, or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is the official approval of the commitment spread upon the School Board's minutes. Currently there is no committed fund balance for the School District.

Assigned fund balance includes amounts that are constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the School District business manager pursuant to authorization established by official School Board policy.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the District's general policy to use

restricted resources first. When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the District's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

Note 2 – Cash and Cash Equivalents and Investments

The District follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Restrictions on deposits and investments are imposed by statutes as follows:

Deposits. The School Board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the School District's deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the School Board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposit interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with maturities of thirty days or longer ; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or other interests in, any open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed twenty percent of invested excess funds. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of $100 or more of any fund must be credited to that fund. Investment income of less than $100 can be credited to the General Fund.

Cash and Cash Equivalents

The carrying amount of the School District's deposits with financial institutions reported in the governmental funds and fiduciary funds was $10,690,151 and $878,430, respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the District. As of June 30, 2011, none of the District's bank balance of $13,455,815 was exposed to custodial credit risk.

Investments

As of June 30, 2011, the District had the following investments.

Investment Type	Rating	Maturities in Years	Fair Value
Federated U. S. Treasury Cash Reserve	AAAm	Less than 1	$ 81,505
U. S. Treasury Securities - DDA	AAA	Daily	208,961
Total Investments			$ 290,466

Interest Rate Risk. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments to those prescribed in Section 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972). The District does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

Custodial Credit Risk – Investments. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a formal investment policy that addresses custodial credit risk.

Concentration of Credit Risk. Disclosure of investment by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments.

Note 3 – Inter-fund Receivables, Payables and Transfers

The following is a summary of inter-fund transactions and balances:

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Title I Fund	$ 164,141
	Title II Fund	56,424
	ARRA Title I Fund	80,556
	IDEA PL 94-142 Fund	64,508
	Other governmental funds	56,813
16th Section Interest Fund	Other governmental funds	1,115
Other governmental funds	16th Section Interest	8,556
	Other governmental funds	936
Total		$ 433,049

The primary purposes of the interfund balances is to eliminate deficit cash balances in certain special revenue funds caused by negative federal award program cash flows and to show the effects of board approved operating transfers and the resulting interfund balances caused by those approved transfers.

B. Inter-fund Transfers

Transfers Out	Transfers In		Amount
General Fund	16th Section Interest Fund	$	2,432
	Other governmental funds		460,875
Title I Fund	General Fund		14,207
IDEA PL 94-142 Fund	General fund		8,587
16th Section Interest Fund	Other governmental funds		100,000
2011 Note Construction Fund	Other governmental funds		48,092
Other governmental funds	General Fund		7,254
	Other governmental funds		1
Total		$	641,448

Transfers from the General Fund to the other governmental funds were made for operating purposes, while the transfers from the Title I Fund, the IDEA PL 94-142 Fund, and certain other governmental funds to the General Fund were made to move indirect costs from the special revenue funds to the General Fund. Transfers from the 16th Section Interest Fund represent expendable revenues transferred during the year to the Forestry Escrow Fund upon approval of the school board.

Note 4 – Restricted Assets

The restricted assets represent the cash balance ($290,592) of the 16th Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the District's programs; the investment balance ($208,961) and the amounts due from other governments ($238,501) of the MAEP Debt Service Fund, which are legally restricted and may not be used for purposes that support the District's programs. Total restricted assets reported on the Statement of Net Assets is $738,054.

Note 5 – Capital Assets

The following is a summary of changes in capital assets for governmental activities:

	Balance 7/1/2010	Increases	Decreases	Balance 6/30/2011
Governmental Activities:				
Non-depreciable capital assets:				
Land	$ 459,075	-		459,075
Construction in progress	-	230,528		230,528
Total non-depreciable capital assets	459,075	230,528	-	689,603
Depreciable capital assets:				
Buildings	16,798,348			16,798,348
Improvements other than buildings	288,176			288,176
Mobile equipment	3,367,832	152,570	(80,936)	3,439,466
Furniture and equipment	1,164,328	91,695	(136,351)	1,119,672
Total depreciable capital assets	21,618,684	244,265	(217,287)	21,645,662
Less accumulated depreciation for:				
Buildings	6,731,160	241,053		6,972,213
Improvements other than buildings	76,594	11,527		88,121
Mobile equipment	2,176,192	162,010	(72,842)	2,265,360
Furniture and equipment	848,916	111,889	(110,250)	850,555
Total accumulated depreciation	9,832,862	526,479	(183,092)	10,176,249
Total depreciable capital assets, net	11,785,822	(282,214)	(34,195)	11,469,413
Governmental activities capital assets, net	$ 12,244,897	(51,686)	(34,195)	12,159,016

Depreciation expense was charged to the following governmental functions:

Governmental activities:	
Instruction	$ 130,860
Support services	376,945
Non-instructional	18,674
Total depreciation expense - Governmental activities	$ 526,479

The capital assets above include significant amounts of Buildings, which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition.

Construction in progress is composed of:

	Spent to June 30, 2011	Remaining Commitment
Governmental Activities:		
Classroom addition - Carthage Elementary	$ 226,248	2,187,672
Bus Terminal	4,280	78,052
Total governmental activities	$ 230,528	$ 2,265,724

Note 6 – Long-term Liabilities

The following is a summary of changes in long-term liabilities and other obligations for governmental activities:

		Balance 7/1/2010	Additions	Reductions	Adjustments	Balance 6/30/2011	Amounts due within one year
A. General obligation bonds payable	$	435,000		80,000		355,000	85,000
B. Limited obligation bonds payable		3,565,000		335,000		3,230,000	350,000
C. Other loans payable		590,000	5,275,000	590,000		5,275,000	105,000
D. Compensated absences payable		138,937	43,806		27,301	210,044	
Total	$	4,728,937	5,318,806	1,005,000	27,301	9,070,044	540,000

A. General obligation bonds payable.

General obligation bonds are direct obligations and pledge the full faith and credit of the School District.

General obligation bonds currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date		Amount Issued		Amount Outstanding
General obligation refunding bonds, Series 2011	3.0-4.6%	1-Sep-01	15-Jan-15	$	1,060,000	$	355,000
Total				$	1,060,000	$	355,000

The following is a schedule by years of the total payments due on this debt:

Year Ending June 30		Principal	Interest	Total
2012	$	85,000	15,858	100,858
2013		85,000	12,160	97,160
2014		90,000	8,420	98,420
2015		95,000	4,370	99,370
Total	$	355,000	40,808	395,808

This debt will be retired from the Buildings and Buses Fund (special revenue fund).

The general obligation refunding bonds, Series 2001, are secured by an irrevocable pledge of the District's Education Enhancement Funds ("EEF" Funds) that are received from the State of Mississippi pursuant to Section 37-61-33 Mississippi Code Ann. (1972). The refunding bonds are payable solely from such future revenues and are payable through January 15, 2015. Annual principal and interest payments on the bonds are expected to require ninety-eight (98) percent of such state revenues. The total principal and interest remaining to be paid on the bonds is $395,808. Principal and interest paid for the current year and total state Education Enhancement Funds for buildings and buses were $99,298 and $101,817, respectively.

The amount of bonded indebtedness that can be incurred by the School District is limited by Section 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972), have been met. As of June 30, 2011, the amount of outstanding bonded indebtedness was equal to 0.3% of property assessments as of October 1, 2010.

B. Limited Obligation Bonds Payable.

Limited obligation bonds are direct obligations and pledge the full faith and credit of the School District.

Limited obligation bonds currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement refunding bonds	3.55 - 4.00%	1-Dec-06	1-Feb-18	$ 3,850,000	$ 3,230,000
Total				$ 3,850,000	$ 3,230,000

The following is a schedule by years of the total payments due on this debt:

Year Ending June 30	Principal	Interest	Total
2012	$ 350,000	114,813	464,813
2013	365,000	100,513	465,513
2014	380,000	85,613	465,613
2015	395,000	71,001	466,001
2016	410,000	56,610	466,610
2017-2018	1,330,000	44,051	1,374,051
Total	$ 3,230,000	472,601	3,702,601

This debt will be retired from the MAEP Debt Service Fund (debt service fund).

The state aid capital improvement refunding bonds are secured by an irrevocable pledge of certain revenues the District receives from the State of Mississippi pursuant to the Mississippi Accountability and Adequate Education Program Act, Sections 37-151-1 through 37-151-7, Miss. Code Ann. (1972). The state aid capital improvement bonds are not included in the computation of the debt limited percentage. The refunding bonds are payable solely from such future revenues and are payable through February 1, 2018. Annual principal and interest payments on the bonds are expected to require three (3) percent of such state revenues. The total principal and interest remaining to be paid on the bonds is $3,702,601. Principal and interest paid for the current year and total state Minimum Adequate Education Program revenues were $463,513 and $13,481,022, respectively.

C. Other loans payable.

The School District has issued debt instruments granted under the authority of Section 37-59-101, Miss. Code Ann. (972).

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited Tax Notes	3.25%-4.25%	15-Apr-11	15-Apr-31	5,275,000	5,275,000
Total				$ 5,275,000	$ 5,275,000

The following is a schedule by years of the total payments due on this debt:

Year Ending June 30		Principal	Interest	Total
2012	$	105,000	207,969	312,969
2013		105,000	203,506	308,506
2014		110,000	199,044	309,044
2015		130,000	194,369	324,369
2016		225,000	188,844	413,844
2017-2021		1,270,000	799,068	2,069,068
2022-2026		1,505,000	552,695	2,057,695
2027-2031		1,825,000	233,205	2,058,205
Total	$	5,275,000	2,578,700	7,853,700

The limited tax notes (other loans payable) are secured by an irrevocable pledge of the District's Education Enhancement Funds ("EEF" Funds) that are received from the State of Mississippi pursuant to Section 37-61-33 Mississippi Code Ann. (1972). The pledge is subject to a prior pledge of the EEF funds for the repayment of refunded general obligation bonds that will mature January 15, 2015. The limited tax notes (other loans payable) are partially payable from such future revenues and are payable through April 15, 2031. Annual principal and interest payments on the bonds are expected to require all of such state EEF revenues and from the avails of a special, continuing ad valorem tax, not to exceed three mills, to be levied on all the taxable property within the District. The total principal and interest remaining to be paid on the bonds is $7,853,700. There were no principal and interest payments made on this debt during the year ended June 30, 2011. This debt will be retired from the Buildings and Buses Fund and the 2011 Note Fund.

D. Compensated absences payable.

As more fully explained in Note 1(F)(7), compensated absences payable is adjusted on an annual basis as required by Section 37-7-307(5), Miss. Code Ann. (1972). Compensated absences will be paid from the fund from which the employees' salaries were paid.

Note 7 – Other Commitments

Operating leases:

The School District has several operating leases for the following:

1. Copier

2. Neopost digital mailing system

Lease expenditures for the year ended June 30, 2011, amounted to $3,615. Future lease payments for these leases are as follows:

Year		Amount
2012	$	1,158
2013	$	868
	$	2,026

Note 8 – Defined Benefit Pension Plan

Plan Description. The School District contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the School District is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2011 was 12.00% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The School District's contributions to PERS for the fiscal years ending June 30, 2011, 2010 and 2009 were $1,603,601, $1,765,602 and $1,719,722, respectively, which equaled the required contributions for each year.

Note 9 – Sixteenth Section Lands

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The School Board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the School Board to manage the school trust lands and all funds arising there from as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the School District for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

Year Ending June 30		Amount
2012	$	68,410
2013		67,130
2014		38,756
2015		35,023
2016		34,163
2017 – 2021		170,429
2022 – 2026		168,647
2027 – 2031		107,074
Thereafter		72,767
Total	$	762,399

Note 10 – Prior Period Adjustments

A summary of significant net asset/fund balance adjustments is as follows:

Exhibit B - Statement of Activities

	Explanation		Amount
1.	An error in recording a prior period asset or liability	$	(2,427)
2.	A prior period adjustment to compensated absences payable		(27,301)
		$	(29,728)

Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances

Fund	Explanation		Amount
General Fund	An error in recording a prior year asset	$	(2,427)

Note 11 – Contingencies

Federal Grants – The School District has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowances resulting from the grantor audit may become a liability of the School District.

Litigation – The School District is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome or liability, if any, of the School District with respect to the various proceedings. However, the School District's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the School District.

Note 12– Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Except as described below, the District carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Participation in Public Entity Risk Pool

The School District is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 72 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each member of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to $750,000. For a claim exceeding $750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

REQUIRED SUPPLEMENTAL INFORMATION

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Leake County School District

Required Supplemental Information

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Local sources	$ 5,610,678	5,871,583	3,812,403	260,905	(2,059,180)
State sources	13,147,239	14,148,112	13,168,649	1,000,873	(979,463)
Federal sources	187,090	187,268	250,113	178	62,845
Total Revenues	18,945,007	20,206,963	17,231,165	1,261,956	(2,975,798)
Expenditures:					
Instruction	11,286,189	11,542,841	9,710,187	(256,652)	1,832,654
Support services	7,135,474	7,307,581	6,412,369	(172,107)	895,212
Noninstructional	38,650	38,650	88,537	0	(49,887)
Total Expenditures	18,460,313	18,889,072	16,211,093	(428,759)	2,677,979
Excess (Deficiency) of Revenues over (under) Expenditures	484,694	1,317,891	1,020,072	833,197	(297,819)
Other Financing Sources (Uses):					
Insurance loss recoveries	5,000	8,276	28,669	3,276	20,393
Sale of equipment	7,100	7,100	4,477	0	(2,623)
Operating transfers in	1,289,457	1,696,516	30,048	407,059	(1,666,468)
Other financing sources	1,000	1,000	0	0	(1,000)
Operating transfers out	(1,006,700)	(1,006,700)	(463,307)	0	543,393
Othe financing uses	(8,500)	(8,500)	0	0	8,500
Total Other Financing Sources (Uses)	287,357	697,692	(400,113)	410,335	(1,097,805)
Net Change in Fund Balances	772,051	2,015,583	619,959	1,243,532	(1,395,624)
Fund Balances:					
July 1, 2010, as originally reported	2,085,071	2,085,071	2,035,071	0	(50,000)
Prior period adjustments	(50,000)	(50,000)	(2,427)	0	47,573
July 1, 2010, as restated	2,035,071	2,035,071	2,032,644	0	(2,427)
June 30, 2011	$ 2,807,122	4,050,654	2,652,603	1,243,532	(1,398,051)

The notes to the required supplemental information are an integral part of this statement.

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Leake County School District

Required Supplemental Information

Budgetary Comparison Schedule
Title I Fund
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Federal sources	$ 1,494,242	1,817,021	1,320,247	322,779	(496,774)
Total Revenues	1,494,242	1,817,021	1,320,247	322,779	(496,774)
Expenditures:					
Instruction	375,096	859,432	592,838	(484,336)	266,594
Support services	1,007,249	840,570	642,843	166,679	197,727
Noninstructional services	91,897	97,019	70,359	(5,122)	26,660
Total Expenditures	1,474,242	1,797,021	1,306,040	(322,779)	490,981
Excess (Deficiency) of Revenues over (under) Expenditures	20,000	20,000	14,207	0	(5,793)
Other Financing Sources (Uses):					
Operating transfers in	0	0	0	0	0
Operating transfers out	(20,000)	(20,000)	(14,207)	0	5,793
Total Other Financing Sources (Uses)	(20,000)	(20,000)	(14,207)	0	5,793
Net Change in Fund Balances	0	0	0	0	0
Fund Balances:					
July 1, 2010	0	0	0	0	0
June 30, 2011	$ 0	0	0	0	0

The notes to the required supplemental information are an integral part of this statement.

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Leake County School District

Required Supplemental Information

Budgetary Comparison Schedule
Title II Fund
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Federal sources	$ 352,442	392,433	343,117	39,991	(49,316)
Total Revenues	352,442	392,433	343,117	39,991	(49,316)
Expenditures:					
Instruction	10,089	8,089	814	2,000	7,275
Support services	342,353	384,344	342,303	(41,991)	42,041
Total Expenditures	352,442	392,433	343,117	(39,991)	49,316
Excess (Deficiency) of Revenues over (under) Expenditures	0	0	0	0	0
Other Financing Sources (Uses):					
Total Other Financing Sources (Uses)	0	0	0	0	0
Net Change in Fund Balances	0	0	0	0	0
Fund Balances:					
July 1, 2010	0	0	0	0	0
June 30, 2011	$ 0	0	0	0	0

The notes to the required supplemental information are an integral part of this statement.

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Leake County School District

Required Supplemental Information

Budgetary Comparison Schedule
ARRA Title I Fund
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Federal sources	$ 300,882	276,867	250,966	(24,015)	(25,901)
Total Revenues	300,882	276,867	250,966	(24,015)	(25,901)
Expenditures:					
Instruction	265,252	228,177	217,551	37,075	10,626
Support services	31,034	43,714	31,365	(12,680)	12,349
Noninstructional services	4,596	4,976	2,050	(380)	2,926
Total Expenditures	300,882	276,867	250,966	24,015	25,901
Excess (Deficiency) of Revenues over (under) Expenditures	0	0	0	0	0
Other Financing Sources (Uses):					
Total Other Financing Sources (Uses)	0	0	0	0	0
Net Change in Fund Balances	0	0	0	0	0
Fund Balances:					
July 1, 2010	0	0	0	0	0
June 30, 2011	$ 0	0	0	0	0

The notes to the required supplemental information are an integral part of this statement.

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Budgetary Comparison Schedule
IDEA PL 94-142 Fund
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Federal sources	$ 769,141	772,684	664,093	3,543	(108,591)
Total Revenues	769,141	772,684	664,093	3,543	(108,591)
Expenditures:					
Instruction	346,386	311,647	289,528	34,739	22,119
Support services	414,169	449,730	365,978	(35,561)	83,752
Total Expenditures	760,555	761,377	655,506	(822)	105,871
Excess (Deficiency) of Revenues over (under) Expenditures	8,586	11,307	8,587	2,721	(2,720)
Other Financing Sources (Uses):					
Operating transfers in	0	0	0	0	0
Operating transfers out	(8,586)	(11,307)	(8,587)	(2,721)	2,720
Total Other Financing Sources (Uses)	(8,586)	(11,307)	(8,587)	(2,721)	2,720
Net Change in Fund Balances	0	0	0	0	0
Fund Balances:					
July 1, 2010	0	0	0	0	0
June 30, 2011	$ 0	0	0	0	0

The notes to the required supplemental information are an integral part of this statement.

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Budgetary Comparison Schedule
16th Section Interest Fund
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Sixteenth section	$ 425,000	425,000	388,523	0	(36,477)
Total Revenues	425,000	425,000	388,523	0	(36,477)
Expenditures:					
Sixteenth section	14,000	39,000	758	(25,000)	38,242
Total Expenditures	14,000	39,000	758	(25,000)	38,242
Excess (Deficiency) of Revenues over (under) Expenditures	411,000	386,000	387,765	(25,000)	1,765
Other Financing Sources (Uses):					
Operating transfers in	2,432	2,432	2,432	0	0
Operating transfers out	(500,000)	(475,000)	(100,000)	25,000	375,000
Total Other Financing Sources (Uses)	(497,568)	(472,568)	(97,568)	25,000	375,000
Net Change in Fund Balances	(86,568)	(86,568)	290,197	0	376,765
Fund Balances:					
July 1, 2010	2,594,261	2,594,261	2,545,232	0	(49,029)
Prior period adjustments	0	(49,029)	0	(49,029)	49,029
July 1, 2010, as restated	2,594,261	2,545,232	2,545,232	(49,029)	0
June 30, 2011	$ 2,507,693	2,458,664	2,835,429	(49,029)	376,765

The notes to the required supplemental information are an integral part of this statement.

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Budgetary Comparison Schedule

(1) Basis of Presentation

The Budgetary Comparison Schedules present the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP basis, variances between the original budget and the final budget, and variances between the final budget and the actual data.

(2) Budget Amendments and Revisions

The budget is adopted by the School Board and filed with the taxing authority. Amendments can be made on the approval of the School Board. By statute, final budget revisions must be approved on or before October 15. A budgetary comparison is presented for the General Fund and each major special revenue fund consistent with accounting principles generally accepted in the United States of America.

LEAKE COUNTY SCHOOL DISTRICT

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SUPPLEMENTAL INFORMATION

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Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
U.S. Department of Agriculture		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	$ 515,339
National school lunch program	10.555	1,325,159
National school lunch program - commodities	10.555	112,309
Summer food service program for children	10.559	17,449
Total child nutrition cluster		1,970,256
Fresh fruit and vegetable program	10.582	18,589
Total U.S. Department of Agriculture		1,988,845
Federal Communications Commission		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	155,631
Total Federal Communications Commission		155,631
U.S. Department of Education		
Passed-through Mississippi Department of Education:		
Career and technical education - basic grants to states	84.048	59,686
Drug free schools and communities	84.186	28,574
Gaining early awareness and readiness in undergraduate programs	84.334	36,658
Rural education	84.358	152,261
English language acquisition state grants	84.365	32,863
Improving teacher quality - state grants	84.367	343,117
Subtotal		653,159
Education technology state grants cluster:		
Education technology state grants	84.318	11,589
ARRA - Education technology state grants, Recovery Act	84.386	23,031
Total Educatioal technology state grants cluster		34,620
Title I cluster:		
Title I grants to local educational agencies	84.010	1,404,640
ARRA - Title I grants to local educational agencies, Recovery Act	84.389	250,966
Total Title I cluster		1,655,606
Special education cluster:		
Special education - grants to states	84.027	664,093
Special education - preschool grants	84.173	34,395
ARRA - Special education grants to states, Recovery Act	84.391	40,347
ARRA - Special education - preschool grants, Recovery Act	84.392	8,426
Total special education cluster		747,261
State Fiscal Stabilization Fund cluster:		
ARRA - State Fiscal Stabilization Fund - Education state grants, Recovery Act	84.394	925,263
Total State Fiscal Stabilization Fund cluster		925,263
Total U.S. Department of Education		4,015,909
Total for All Federal Awards		$ 6,160,385

LEAKE COUNTY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies; as applicable, used for the financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the School District.

Leake County School District

Supplemental Information

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds

For the Year Ended June 30, 2011

Expenditures		Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	$	18,432,996	12,778,444	1,205,794	1,489,961	2,958,797
Other		6,727,630	1,118,218	347,652	226,446	5,035,314
Total	$	25,160,626	13,896,662	1,553,446	1,716,407	7,994,111
Total number of students *		3,233				
Cost per student	$	7,782	4,298	480	531	2,473

For purposes of this schedule, the following columnar descriptions are applicable:

Instruction and Other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type.

General Administration - includes expenditures for the following functions: Support Services - General Administration and Support Services - Business.

School Administration - includes expenditures for the following function: Support Services - School Administration.

Other - includes all expenditure functions not included in Instruction or Administration Categories.

* includes the number of students reported on the ADA report submission for month 9, which is the final submission for the fiscal year.

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OTHER INFORMATION

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Leake County School District

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2011	2010*	2009*	2008*
Revenues:				
Local sources	$ 3,812,403	3,746,269	3,761,705	4,003,237
State sources	13,168,649	12,970,158	14,478,045	14,682,380
Federal sources	250,113	354,509	319,713	364,142
Total Revenues	17,231,165	17,070,936	18,559,463	19,049,759
Expenditures:				
Instruction	9,710,187	10,616,866	12,355,363	11,456,800
Support services	6,412,369	6,614,836	7,296,978	7,010,742
Noninstructional services	88,537	18,943	36,773	53,950
Total Expenditures	16,211,093	17,250,645	19,689,114	18,521,492
Excess (Deficiency) of Revenues over (under) Expenditures	1,020,072	(179,709)	(1,129,651)	528,267
Other Financing Sources (Uses):				
Insurance loss recoveries	28,669		18,430	
Sale of equipment	4,477			5,805
Sale of other property		145	679	730
Operating transfers in	30,048	74,579	118,397	292,352
Operating transfers out	(463,307)	(536,767)	(338,584)	(478,508)
Other financing uses			(2,000)	(5,800)
Total Other Financing Sources (Uses)	(400,113)	(462,043)	(203,078)	(185,421)
Net Change in Fund Balances	619,959	(641,752)	(1,332,729)	342,846
Fund Balances:				
Beginning of period, as originally reported	2,035,071	2,677,814	4,023,935	3,681,089
Prior period adjustments	(2,427)	(991)	(13,392)	
Beginning of period, as restated	2,032,644	2,676,823	4,010,543	3,681,089
End of Period	$ 2,652,603	2,035,071	2,677,814	4,023,935

*SOURCE - PRIOR YEAR AUDIT REPORTS

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Leake County School District

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

UNAUDITED

	2011	2010*	2009*	2008*
Revenues:				
Local sources	$ 4,478,700	4,439,195	4,470,935	4,878,361
State sources	14,509,377	14,155,843	15,891,734	16,007,230
Federal sources	6,016,510	6,759,585	4,549,536	4,442,315
Sixteenth section sources	453,414	826,298	183,684	166,155
Total Revenues	25,458,001	26,180,921	25,095,889	25,494,061
Expenditures:				
Instruction	12,706,035	14,119,879	14,308,575	13,479,855
Support services	8,923,833	9,082,996	9,293,840	8,889,851
Noninstructional services	1,926,345	1,872,124	1,884,118	1,740,672
Sixteenth section	137,342	65,611	23,532	28,646
Facilities acquisition and construction	230,528		626,201	79,408
Debt service:				
Principal	1,005,000	535,000	510,000	520,000
Interest	183,450	195,581	217,253	415,359
Other	48,093	4,573	5,520	4,786
Total Expenditures	25,160,626	25,875,764	26,869,039	25,158,577
Excess (Deficiency) of Revenues over (under) Expenditures	297,375	305,157	(1,773,150)	335,484
Other Financing Sources (Uses):				
Proceeds of loans	5,275,000			
Insurance loss recoveries	28,669		18,430	
Sale of equipment	4,477			5,805
Sale of other property		145	679	730
Operating transfers in	641,448	611,346	576,640	785,063
Operating transfers out	(641,448)	(611,346)	(576,640)	(785,063)
Other financing uses			(2,000)	(5,800)
Total Other Financing Sources (Uses)	5,308,146	145	17,109	735
Net Change in Fund Balances	5,605,521	305,302	(1,756,041)	336,219
Fund Balances:				
Beginning of period, as originally reported	6,490,035	6,194,573	7,955,992	7,647,701
Prior period adjustments	(2,427)	(10,992)	(15,969)	(19,224)
Beginning of period, as restated	6,487,608	6,183,581	7,940,023	7,628,477
Increase (Decrease) in reserve for inventory	(8,309)	1,152	10,591	(8,704)
End of Period	$ 12,084,820	6,490,035	6,194,573	7,955,992

*SOURCE - PRIOR YEAR AUDIT REPORTS

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REPORTS ON INTERNAL CONTROL AND COMPLIANCE

LEAKE COUNTY SCHOOL DISTRICT

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the School Board
Leake County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Leake County School District, as of and for the year ended June 30, 2011, which collectively comprise the Leake County School District's basic financial statements and have issued our report thereon dated October 10, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Leake County School District is responsible for establishing and maintaining effective Internal Control over financial reporting. In planning and performing our audit, we considered Leake County School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Leake County School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Leake County School District's internal control over financial reporting.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and correctly on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously. However, we identified certain deficiencies in internal control over financial reporting, described in the companying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies in internal control over financial reporting (**Findings 2011-01 and 2011-02**). A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Leake County School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Leake County School District in a separate letter dated October 10, 2012, which is included in this report.

Leake County School District's response to the findings identified in our audit are described in the accompanying Corrective Action Plan. We did not audit Leake County School District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, School Board, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Suzanne E. Smith

Suzanne E. Smith, CPA

October 10, 2012

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Member MSCPA

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the School Board
Leake County School District

Compliance

We have audited Leake County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Leake County School District's major federal programs for the year ended June 30, 2011. Leake County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Leake County School District's management. Our responsibility is to express an opinion on Leake County School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Leake County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Leake County School District's compliance with those requirements.

In our opinion, Leake County School District, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and are described in the accompanying schedule of findings and questioned costs as **Finding 2011-03, Finding 2011-04, Finding 2011-05, and Finding 2011-06.**

Internal Control over Compliance

Management of Leake County School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Leake County School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Leake County School District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent,

or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items **Finding 2011-03, Finding 2011-04, Finding 2011-05, and 2011-06**. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The Leake County School Districts responses to the findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. We did not audit the Leake County School District's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the School Board, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Suzanne E. Smith

Suzanne E. Smith, CPA

October 10, 2012

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

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INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Superintendent and School Board
Leake County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Leake County School District as of and for the year ended June 30, 2011, which collectively comprise Leake County School District's basic financial statements and have issued our report thereon dated October 10, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the School District is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed the following instance of noncompliance. The noncompliance is reported in finding number **SL2011-A** below. The district reported $91,774 of classroom supply funds carried over from previous years.

Section 37-9-18(3)(b), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the School District."

The results of our procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instances of noncompliance with other state laws and regulations. The findings are presented as **SL2011-B, SL2011-C, and SL2011-D** below. Our findings and recommendations and your responses are as follows:

This report is intended solely for the information and use of the School Board and management, entities with accreditation overview, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Finding SL2011-A: Allocation of Education Enhancement Funds for Classroom Supplies/Materials

Finding: Code Section 37-61-33(3)(a)(iii), Mississippi Code Ann. (1972), sets forth requirements governing the distribution and use of Education Enhancement Funds for classroom supplies/materials. Carry forward amounts not reserved in an approved spending plan and the new year allocation should be pooled and distributed to all qualifying teachers in the district in an equal amount per qualifying teacher. The school district failed to allocate all available amounts. Each qualifying teacher should have received $54.54 more in total allocation for the 2010-2011 year. This occurred when the district failed to consider all carry forward amounts that were not encumbered in an approved spending plan.

Recommendation: We recommend that the district allocate Education Enhancement Funds in accordance with state law.

District Response: The district has implemented a process in which the remaining funds in the EEF Fund are equally distributed among all eligible teaching staff. Senate Bill 2761, effective July 1, 2012, has since provided that districts may issue procurement cards to eligible teachers. Our school district will issue such cards for all dates forward.

Finding SL2011-B: Surety Bond Coverage

Finding: Section 37-9-31, Miss. Code Ann. (1972), states that all school principals must provide adequate surety bond coverage in an amount not less than $50,000. Principals were bonded at an amount that was less than required by law ($25,000) for the 2010-2011 year. This was caused by an oversight of new state law requirements in this area, and the district has corrected this oversight.

Recommendation: We recommend that the district bond all school principals in a penal sum not less than $50,000 in accordance with state law.

District Response: The district has ensured that all employees who are to be bonded are bonded in the amount that is regulated by state law.

Finding SL2011-C: Financial Statements Furnished to the Board

Finding: Code Section 37-9-18, Miss. Code Ann. (1972), requires that financial reports be furnished to the school board each month, covering the previous month. We noted four instances during the 2010-2011 year when financial reports were submitted later than required by state statute.

Recommendation: We recommend that the district provide timely financial reports to the school board as required by state statute.

District Response: The district has implemented a process to ensure that all monthly financial reports to the board are submitted in a timely basis in accordance with state law.

Finding SL2011-D: Amended Budget

Finding: Code Section 37-61-19, Mississippi Code Ann. (1972), places a requirement that the final amended budget of a fiscal year be approved by the school board on or before October 15 of the subsequent year. The school district did not approve the final amended budget until November 9, 2011.

Recommendation: We recommend that the school district provide the school board with a final amendment by October 15 for the preceding fiscal year in accordance with state law.

District Response: The district will ensure that the final amended budget will be submitted to the board before October 15th in accordance with state law.

Suzanne E. Smith

Suzanne E. Smith, CPA

October 10, 2012

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I: Summary of Auditor's Results

Financial Statements:

1.	Type of auditor's report issued:	Unqualified
2.	Internal control over financial reporting:	
	a. Material weakness(es) identified? (Yes/No)	No
	b. Significant deficiency(ies) identified? (Yes/None reported)	Yes
3.	Noncompliance material to financial statements noted? (Yes/No)	No

Federal Awards:

4.	Internal control over major programs:	
	a. Material weakness(es) identified? (Yes/No)	No
	b. Significant deficiency(ies) identified? (Yes/None reported)	Yes
5.	Type of auditor's report issued on compliance for major programs:	Unqualified
6.	Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? (Yes/No)	Yes

7. Identification of major programs:

CFDA Number	Award
Title I Cluster:	
84.010	Title I grants to local educational agencies
84.389	Title I grants to local educational agencies, recovery act
Special Education Cluster:	
84.027	Special education – grants to states
84.173	Special education – preschool grants
84.391	Special education – grants to states, recovery act
84.392	Special education – preschool grants, recovery act
State Fiscal Stabilization Fund (SFSF) Cluster:	
84.394	State fiscal stabilization fund – education state grants, recovery act
84.367	Improving teacher quality – state grants

8.	Dollar threshold used to distinguish between type A and type B programs:	$300,000
9.	Auditee qualified as low-risk auditee? (yes/no)	No

Section II: Financial Statement Findings

Deficiencies Identified as Significant Deficiencies in Controls over Reporting

Finding 2011-01: Control Deficiencies Surrounding Athletic Gate Receipts

Finding: The school district is charged with developing a control system that will provide safeguards over district assets and ensure that financial accounting records are accurate and complete. Out of a sample of nine (9) athletic events tested, five (5) events were not supported by a gate receipt reconciliation that would serve to substantiate the receipts collected and reconcile the receipts collected to the number of tickets sold. There were no compensating controls at the time of the athletic events that would have alerted district management to the lack of documentation surrounding this phase of the receipt/revenue cycle.

Recommendation: We recommend that the district develop a system of control procedures that would require the gate ticket sales are expected to exceed $100. We further recommend that the procedures include a way to ensure early identification of missing or incorrectly completed athletic event forms by central administration.

Finding 2011-02: Control Deficiencies Surrounding Non-Payroll Expenditures and Related Liabilities

Finding: The school district is charged with developing a control system that will provide safeguards over district assets, that will ensure all transactions are properly authorized, that will verify goods and/or services are actually received, and that will ensure transactions are properly classified and accounted for in the appropriate accounting period. Out of a sample size of 181 non-payroll expenditure transactions tested, the following deviations from identified controls were noted:

- 10 instances where the appropriate authorizing signature was not evidenced on the purchase requisition, purchase order, or travel authorization form;
- 18 instances where appropriate receiving documentation was not evidenced in the paid claims packet for specific transactions.

These control deficiencies increase the risk that unauthorized transactions may be processed within the transaction cycle and that goods and/or services not received by the district may be paid for.

Recommendation: We recommend that all transactions in the form of travel authorizations and purchase orders be issued only after all appropriate approvals, including approval of federal program administrators when applicable, have been secured. Further, we recommend that all paid claims be evidenced by receiving documentation prior to the time that the claim is presented to the school board for payment authorization.

Section III: Federal Award Findings and Questioned Costs

Significant Deficiencies in Internal Control Over Compliance and Noncompliance Not Considered to be Material

Finding 2011-03: Allowable Costs and Cost Principles
CFDA Title and number: Title I Cluster (84.010 and 84.389)
Award Year: 2010-2011
Federal Agency: United States Department of Education
Pass-through Entity: Mississippi Department of Education
Pass-through Number: Not Assigned
Criteria: OMB Circular A-87 establishes principles and standards for determining costs for Federal award carried out through grants, cost reimbursement contracts, and other agreement with state and local governments and other federally recognized governmental units. To be allowable under Federal awards, costs must be authorized and be adequately documented. Authorization of Federal award costs should come from a person with the responsibility for the administration of the Federal award and with the knowledge of allowable program costs.
Condition: Out of 41 Title 1 Cluster transactions tested, four (4) transactions did not show approval from the administrator responsible for Federal award expenditures. Eight (8) transactions did not show receiving documentation for goods/services received.

Effect: The deviations noted in the control system surrounding the non-payroll expenditure transaction cycle increase the risk that unauthorized transactions may be processed within the transaction cycle and that goods and/or services not received by the district may be paid for.
Recommendation: We recommend that all transactions in the form of travel authorizations and purchase orders be issued only after all appropriate approvals, including approval of federal program administrators when applicable, have been secured. Further, we recommend that all paid claims be evidenced by receiving documentation prior to the time that the claim is presented to the school board for payment authorization.

Finding 2011-04: Allowable Costs and Cost Principles
CFDA Title and number: Title I Cluster (84.010 and 84.389) and Special Education Cluster (84.027, 84.173, 84.391, and 84.392).
Award Year: 2010-2011
Federal Agency: United States Department of Education
Pass-through Entity: Mississippi Department of Education
Pass-through Number: Not Assigned
Criteria: OMB Circular A-87 establishes principles and standards for determining costs for Federal award carried out through grants, cost reimbursement contracts, and other agreement with state and local governments and other federally recognized governmental units. An employee who works on a single cost objective must furnish a semi-annual certification that he/she has been engaged solely in activities of that cost objective. The certifications must be signed by the employee or a supervisory official having first-hand knowledge of the work performed by the employee in accordance with OMB Circular A-87, Attachment B, paragraph 8.h.(3). An employee who works on a single cost objective and in part on a Federal program and on activities funded from other revenue sources must maintain time and effort distribution records in accordance with OMB Circular A-87, Attachment B, paragraphs 8.h.(4),(5), and (6).
Condition: The time of some employees sampled was not supported by semi-annual certifications or other time and effort distribution records. Five (5) employees paid from the Title I Cluster of awards and six (6) employees paid from the Special Education Cluster of awards were found to be missing such documentation. Other program employees' time sampled showed the appropriate documentation.
Effect: The effect of this noncompliance is that the required cost documentation to support allowable payroll expenditures is missing or incomplete on employees paid with federal award dollars. The control system designed to capture the required time documentation is inadequate to ensure compliance in this area.
Recommendation: We recommend that the district review the control procedures and make the necessary adjustments to ensure that all personnel paid from federal award programs are subject to the required documentation requirements.

Finding 2011-05: Cash Management
CFDA Title and number: Title I Cluster (84.010)
Award Year: 2010-2011
Federal Agency: United States Department of Education
Pass-through Entity: Mississippi Department of Education
Pass-through Number: Not Assigned
Criteria: Primary recipients (Mississippi Department of Education) must establish procedures for school districts to minimize the time elapsing between the transfer of funds from the primary recipient to the school district.
Condition: Testing revealed seven months where cash draws were considered excessive. The average monthly excess balance of cash in Fund 2211 (Title I, Low – 84.010) was $2,205.22. The district earned 1.6257% interest on these excess funds for a computed annual interest earned of $36. No costs will be questioned.
Effect: The effect of this noncompliance means that the district is requesting funds in advance of the disbursement of those funds. The controls surrounding compliance with cash management requirements for this award are not functioning to ensure that cash is not requested in excess amounts.
Recommendation: We recommend that the district fine tune procedures to minimize the time elapsing between the draw down of funds for this grant and the actual disbursement of the funds.

Finding 2011-06: Allowable Costs and Cost Principles
CFDA Title and number: Special Education Cluster (84.027, 84.391, 84.392)
Award Year: 2010-2011
Federal Agency: United States Department of Education
Pass-through Entity: Mississippi Department of Education
Pass-through Number: Not Assigned
Criteria: OMB Circular A-87 establishes principles and standards for determining costs for Federal award carried out through grants, cost reimbursement contracts, and other agreement with state and local governments and other

federally recognized governmental units. Indirect costs may be charged to a federal award program at a percentage of total award expenditures subject to approval of the indirect cost plan by the pass-through entity and the federal award agency. The applicable cost principles, set forth in 2 CFR Part 225 (OMB Circular A-87), require that indirect costs be transferred one or after expenditures have been incurred.

Condition: During our testing of Special Education Cluster transfers of indirect costs, we noted that the indirect cost was transferred for the total amount of the award instead of total allowable expenditures, causing the district to draw excess indirect costs in the amount of $1,415.46.

Questioned Cost: $1,415.46

The Mississippi Department of Education, the pass-through entity, for this award, will make the final decision as to the questioned cost.

Effect: The effect of this noncompliance is that the district drew more indirect costs than were allowable. The likely cause is a misunderstanding of the method to be used for computing indirect costs.

Recommendation: We recommend that the district review the proper method to be used when assessing indirect costs. We further recommend that a second review level be put in place to review all indirect cost computations before amounts are drawn against the federal award programs.

AUDITEE'S CORRECTIVE ACTION PLAN

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Leake County
Department of Education
The mission of the Leake County School District is to provide a high quality education that will increase the learning of all students.
Post Office Drawer 478
Carthage, Mississippi 39051
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As required by Section _____.315(c) of OMB Circular A-133, the Leake County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Cost for the year ended June 30, 2010:

Finding	District Response:	
2011-01	A.	District has implemented a system of control procedures which include: creating a District-wide used Activity/Agency Manual, develop cash verification and other forms, and put processes in place to ensure that duties are segregated. To assist in identifying early discrepancies the District has implemented a process in which schools will submit copies of event forms and deposit slips following each activity.
	B.	Superintendent, Business Manager, School Administrators, and Clerical Staff
	C.	Plan was implement July 2011.
2011-02	A.	All expenditures paid shall contain documentation that indicates the receipt of goods and approval by an administrator. Accounts Payable Officer will be responsible for ensuring that paperwork is properly documented prior to processing for payment. Also, all travel reimbursements shall be approved by a supervisor and signed by the Superintendent.
	B.	Superintendent, Program Administrator, Business Manager and Accounts Payable Officer
	C.	Plan was implemented October 2011.

B. Federal Programs Director, Federal Programs Bookkeeper, Accounts Payable Officer and Business Manager

C. Plan was implemented October 2011.

2011-04 A. The Federal Program offices shall ensure that accurate documentation is kept to support allowable payroll expenditures and that controls are put into place.

B. Federal Programs Directors, Federal Programs bookkeepers, and Payroll Supervisor

C. Plan was implemented October 2011.

2011-05 A. The District has ceased requesting funds for projected expenditures each month for all federal programs. The District instead makes request based on what is expended each month.

B. Federal Programs Bookkeeper and Business Manager

C. Plan was implement October 2011.

2011-06 A. The District will ensure that indirect cost will be transferred using the calculated allowable cost instead of the budgeted amount. A second review will be put in place to ensure computations are correct.

B. Federal Programs Directors, Federal Programs Bookkeepers and Business Manager

C. Plan will be implemented October 2012.

SUMMARY OF PRIOR YEAR FINDINGS

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Leake County
Department of Education
The mission of the Leake County School District is to provide a high quality education that will increase the learning of all students.
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SUMMARY OF PRIOR YEAR FINDINGS

Federal Award Findings and Questioned Costs

Finding 10-5: Internal Control Procedures Surrounding Special Education Allowable Cost/Cost Principles Should be Strengthened

Program: Special Education Cluster CFDA# 84.207, 84.173, 84.391, and 84.392

Follow up: Current Year Finding at 2011-06.

Finding 10-6: Internal Control Procedures over Suspension and Debarment

Programs: Special Education Cluster CFDA# 84.207, 84.173, 84.391, and 84.392
Title I Cluster CFDA# 84.010, 84.389

Follow up: Corrective action is complete. Control is in place prior to the time a purchase order is issued for goods/services.

Finding 10-7: Internal Controls Surrounding Approval of Federal Expenditures Should be Strengthened

Programs: Title I Cluster CFDA# 84.010, 84.389
Improving Teacher Quality State Grants CFDA #84.367
Special Education Cluster CFDA# 84.027, 84.173, 84.391, 84.392

Follow up: Current Year Finding at 2011-03.

Finding 10-8: ARRA Reports Should Agree with Financial Records

Programs: Title I Cluster CFDA# 84.010, 84.389
Special Education Cluster CFDA# 84.027, 84.173, 84.391, 84.392

Follow up: Reports for Recovery Funds now tie to the financial records. No further corrective action is needed.