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Leland School District

Audited Financial Statements
June 30, 2011

Fortenberry & Ballard, PC
Certified Public Accountants

Leland School District
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FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Superintendent and School Board
Leland School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Leland School District as of and for the year ended June 30, 2011, which collectively comprise the Leland School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Leland 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 Leland School District, as of June 30, 2011, and the respective changes in financial position thereof for the year 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 January 11, 2012, on our consideration of the Leland 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

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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 Leland 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 Leland 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.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
January 11, 2012

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

Leland School District
Management's Discussion and Analysis
For the Year Ended June 30, 2011

The following discussion and analysis of Leland 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 decreased $256,442, including a prior period adjustment of $14, which represents a 6% decrease from fiscal year 2010. Total net assets for 2010 decreased $171,752, including a prior period adjustment of $(2,623) which represents a 4% decrease from fiscal year 2009.

- General revenues amounted to $7,218,445 and $7,287,442, or 71% and 70% 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 $2,909,795, or 29% of total revenues for 2011, and $3,100,773, or 30% of total revenues for 2010.

- The District had $10,384,696 and $10,557,344 in expenses for fiscal years 2011 and 2010; only $2,909,795 for 2011 and $3,100,773 for 2010 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of $7,218,445 for 2011 and $7,287,442 for 2010 were not adequate to provide for these programs.

- Among the major funds, the General Fund had $6,219,465 in revenues and $6,310,487 in expenditures for 2011, and $6,703,602 in revenues and $6,739,176 in expenditures for 2010. The General Fund's fund balance decreased by $606,283 from 2010 to 2011 and decreased by $442,845 from 2009 to 2010, including a prior period adjustment of $(2,623).

- Capital assets, net of accumulated depreciation, increased by $526,276 for 2011 and increased by $426,788 for 2010. The increase for 2011 was mainly due to the additions in construction in progress during the year.

- Long-term debt decreased by $251,062 for 2011 and increased by $1,525,871 for 2010. This decrease was due primarily to principal payments on outstanding long-term debt. In addition, the liability for compensated absences decreased by $11,993 for 2011 and increased by $10,366 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 difference 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 to 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 $3,983,726 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	$	4,819,156	6,144,224	-22%
Restricted assets		1,367,615	1,074,507	27%
Capital assets, net		3,245,999	2,719,723	19%
Total assets		9,432,770	9,938,454	-5%
Current liabilities		139,526	125,713	11%
Long-term debt outstanding		5,309,518	5,572,573	-5%
Total liabilities		5,449,044	5,698,286	-4%
Net assets:				
Invested in capital assets, net of related debt		56,304	(692,464)	108%
Restricted		4,304,619	4,744,110	-9%
Unrestricted		(377,197)	188,522	-300%
Total net assets	$	3,983,726	4,240,168	-6%

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

- Increase in net capital assets in the amount of $526,276.
- The principal retirement of $251,048 of long-term debt.

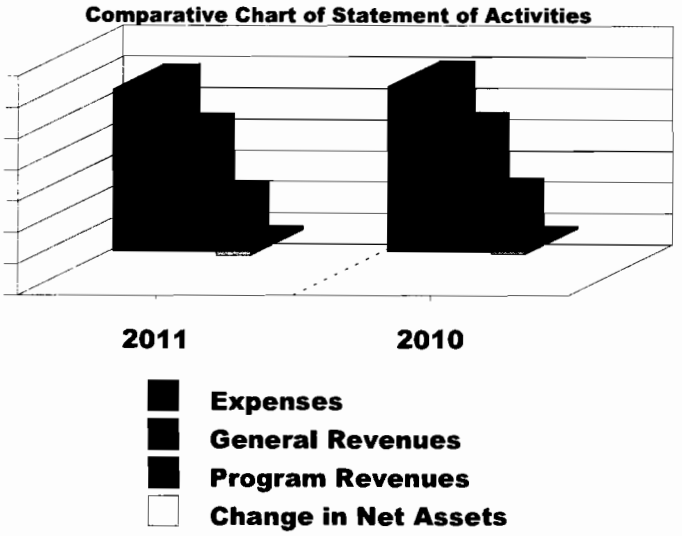
Changes in net assets

The District's total revenues for the fiscal years ended June 30, 2011 and June 30, 2010 were $10,128,240 and $10,388,215, respectively. The total cost of all programs and services was $10,384,696 for 2011 and $10,557,344 for 2010.

Table 2 presents a summary of the changes in net assets for the fiscal year 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	$	192,073	236,070	-19%
Operating grants and contributions		2,717,722	2,864,703	-5%
Total program revenues		2,909,795	3,100,773	-6%
General revenues:				
Property taxes		1,681,013	1,875,676	-10%
Grants and contributions not restricted		4,802,713	4,654,828	3%
Gaming revenue		69,029	69,541	-1%
Unrestricted investment earnings		117,020	134,685	-13%
Sixteenth section sources		283,160	399,258	-29%
Other		265,510	153,454	73%
Total general revenues		7,218,445	7,287,442	-1%
Total revenues		10,128,240	10,388,215	-3%
Expenses:				
Instruction		5,280,192	5,370,351	-2%
Support services		3,897,951	4,259,403	-8%
Non-instructional		1,055,711	797,120	32%
Sixteenth section		78,662	49,188	60%
Interest on long-term debt		72,180	81,282	-11%
Total expenses		10,384,696	10,557,344	-2%
Increase (Decrease) in net assets		(256,456)	(169,129)	-52%
Net Assets, July 1, as originally reported		4,240,168	4,411,920	-4%
Prior Period Adjustment		14	(2,623)	101%
Net Assets, July 1, as restated		4,240,182	4,409,297	-4%
Net Assets, June 30	$	3,983,726	4,240,168	-6%



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 debt. 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.

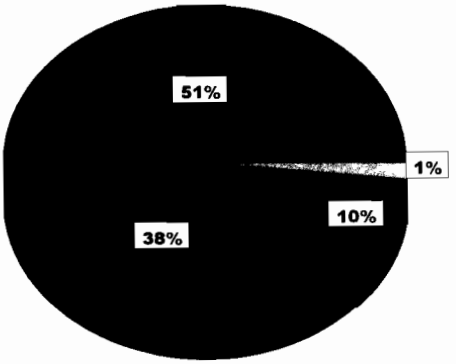
Table 3
Net Cost of Governmental Activities

	Total Expenses		
	2011	2010	Percentage Change
Instruction	$ 5,280,192	5,370,351	-2%
Support services	3,897,951	4,259,403	-8%
Non-instructional	1,055,711	797,120	32%
Sixteenth section	78,662	49,188	60%
Interest on long-term liabilities	72,180	81,282	-11%
Total expenses	$ 10,384,696	10,557,344	-2%

Net (Expense) Revenue

		2011	2010	Percentage Change
Instruction	$	(3,921,947)	(3,930,395)	0%
Support services		(3,043,441)	(3,486,690)	-13%
Non-instructional		(358,671)	(124,597)	188%
Sixteenth section		(78,662)	(49,188)	60%
Interest on long-term liabilities		(72,180)	134,299	-154%
Total net (expense) revenue	$	(7,474,901)	(7,456,571)	0%

Expenses per Statement of Activities



- Instruction
- Support Services
- Non-Instructional
- Interest on Long Term Liabilities & Sixteenth Section

- Net cost of governmental activities ($7,474,901 for 2011 and $7,456,571 for 2010) was financed by general revenue, which is primarily made up of property taxes ($1,681,013 for 2011 and $1,875,676 for 2010) and state and federal revenues ($4,802,713 for 2011 and $4,654,828 for 2010). In addition, there was $283,160 and $399,258 in Sixteenth Section sources for 2011 and 2010 respectively.

- Investment earnings amounted to $117,020 for 2011 and $134,685 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 $6,079,278, a decrease of $1,037,214, which includes the decrease in inventory of $8,412. $1,582,405 or 26% 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 $4,496,873 or 74% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was $606,283. The fund balance of Other Governmental Funds showed a decrease in the amount of $875,606, which includes a decrease in reserve for inventory of $8,412, due primarily to the recording of the change in inventory during the year. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund		Increase (Decrease)
Title I A Basic Fund		no increase or decrease
ARRA Part B Fund		no increase or decrease
IDEA Part B Fund		no increase or decrease
Sixteenth Section Interest Fund	$	264,176
QZAB Debt Repayment Fund	$	180,499

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.

- Revenues from local, state and federal sources in the General Fund were decreased as original amounts were overestimated.
- Revenues from federal sources as well as expenditures for instructional, support services, noninstructional expenditures were decreased in the Title I Fund to reflect actual revenues and expenditures. Amounts originally budgeted were overestimated.

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 $7,732,767, including land, construction in progress, school buildings, building improvements, improvements other than buildings, buses, other school vehicles, and furniture and equipment. This amount represents an increase of $620,731 from 2010. Total accumulated depreciation as of June 30, 2011, was $4,486,768, and total depreciation expense for the year was $202,098, resulting in total net capital assets of $3,245,999.

Table 4
Capital Assets, Net of Accumulated Depreciation

		June 30, 2011	June 30, 2010	Percentage Change
Land	$	42,864	42,864	0%
Construction in progress		945,610	601,096	57%
Buildings		989,174	676,748	46%
Building improvements		869,739	951,657	-9%
Improvements other than buildings		22,716	23,912	-5%
Mobile equipment		253,423	300,846	-16%
Furniture and equipment		122,473	122,600	0%
Total	$	3,245,999	2,719,723	19%

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 $5,309,518 in outstanding long-term debt, of which $263,042 is due within one year. The liability for compensated absences decreased $11,993 from the prior year.

Table 5
Outstanding Long-Term Debt

		June 30, 2011	June 30, 2010	Percentage Change
Limited obligation bonds payable	$	1,290,000	1,450,000	-11%
Transportation loans payable		199,695	262,187	-24%
Qualified zone academy bonds payable		2,000,000	2,000,000	0%
Qualified school construction bonds		1,700,000	1,700,000	0%
Other loans payable		42,642	71,212	-40%
Compensated absences		77,181	89,174	-13%
Total	$	5,309,518	5,572,573	-5%

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

CURRENT ISSUES AND OTHER INFORMATION

The Leland 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. In addition, the District's system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

The District pursues grant funding to supplement the local, state and federal revenues.

Enrollment for the 2010-2011 year decreased by 5% to 971 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Leland School District, 408 E. 4th Street, Leland, MS 38756.

FINANCIAL STATEMENTS

EXHIBIT A

LELAND SCHOOL DISTRICT

STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities
Assets	
Cash and cash equivalents	$ 4,430,813
Due from other governments	308,514
Other receivables, net	19,212
Inventories	10,398
Prepaid items	50,219
Restricted assets	1,367,615
Capital assets, non-depreciable:	
Land	42,864
Construction in progress	945,610
Capital assets, net of accumulated depreciation:	
Buildings	989,174
Building improvements	869,739
Improvements other than buildings	22,716
Mobile equipment	253,423
Furniture and equipment	122,473
Total Assets	9,432,770
Liabilities	
Accounts payable and accrued liabilities	65,119
Unearned revenue	42,374
Interest payable on long-term liabilities	32,033
Long-term liabilities (due within one year):	
Capital related liabilities	234,486
Non-capital related liabilities	28,556
Long-term liabilities (due beyond one year)	
Capital related liabilities	2,955,209
Non-capital related liabilities	2,091,267
Total Liabilities	5,449,044
Net Assets	
Invested in Capital Assets, Net of Related Debt	56,304
Restricted:	
Expendable:	
School-based activities	2,228,615
Debt service	1,426,764
Capital improvements	605,507
Unemployment benefits	26,577
Non-expendable:	
Sixteenth section	17,156
Unrestricted	(377,197)
Total Net Assets	$ 3,983,726

The accompanying notes are an integral part of this statement.

LELAND SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities
Governmental Activities:				
Instruction	5,280,192	119,564	1,238,681	(3,921,947)
Support services	3,897,951	--	854,510	(3,043,441)
Noninstructional services	1,055,711	72,509	624,531	(358,671)
Sixteenth section	78,662	--	--	(78,662)
Interest on long-term liabilities	72,180	--	--	(72,180)
Total Governmental Activities	$ 10,384,696	$ 192,073	$ 2,717,722	(7,474,901)

General Revenues:	
Taxes:	
General purpose levies	1,606,160
Debt purpose levies	74,853
Gaming	69,029
Unrestricted grants and contributions:	
State	4,431,797
Federal	370,916
Unrestricted investment earnings	117,020
Sixteenth section sources	283,160
Other	265,510
Total General Revenues	7,218,445
Change in Net Assets	(256,456)
Net Assets - Beginning, as originally reported	4,240,168
Prior Period Adjustment	14
Net Assets - Beginning, as restated	4,240,182
Net Assets - Ending	$ 3,983,726

The accompanying notes are an integral part of this statement.

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LELAND SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2011

	General Fund	Title I A Basic Fund	ARRA Part B Fund
Assets			
Cash and cash equivalents	$ 1,520,225	$ --	$ --
Cash with fiscal agents	--	--	--
Investments	--	--	--
Due from other governments	67,751	60,751	32,158
Other receivables, net	18,777	--	--
Due from other funds	127,396	--	--
Inventories	--	--	--
Prepaid items	50,219	--	--
Total Assets	$ 1,784,368	$ 60,751	$ 32,158
Liabilities and Fund Balance			
Liabilities:			
Accounts payable and accrued liabilities	$ 41,742	$ 10,327	$ 22
Due to other funds	--	50,424	32,136
Unearned revenue	--	--	--
Total Liabilities	41,742	60,751	32,158
Fund balances:			
Nonspendable:			
Permanent fund principal	--	--	--
Inventory	--	--	--
Prepaid items	50,219	--	--
Restricted for:			
Unemployment benefits	--	--	--
Capital projects	--	--	--
Debt service	--	--	--
Grant activities	--	--	--
Food service	--	--	--
Sixteenth Section Interest	--	--	--
Committed to:			
Capital projects	--	--	--
Assigned to:			
General Activity	110,002	--	--
Other purposes	--	--	--
Unassigned	1,582,405	--	--
Total Fund Balances	1,742,626	--	--
Total Liabilities and Fund Balances	$ 1,784,368	$ 60,751	$ 32,158

The accompanying notes are an integral part of this statement.

IDEA Part B Fund	Sixteenth Section Interest	QZAB Debt Repayment	Other Governmental Funds	Total Governmental Funds
$ 41,224	$ 2,161,733	$ --	$ 775,592	$ 4,498,774
--	--	1,237,850	50,002	1,287,852
--	--	--	11,802	11,802
--	--	--	147,854	308,514
--	--	--	435	19,212
--	--	--	5,203	132,599
--	--	--	10,398	10,398
--	--	--	--	50,219
$ 41,224	$ 2,161,733	$ 1,237,850	$ 1,001,286	$ 6,319,370
$ 80	$ --	$ --	$ 12,948	$ 65,119
--	--	--	50,039	132,599
41,144	--	--	1,230	42,374
41,224	--	--	64,217	240,092
--	--	--	17,156	17,156
--	--	--	10,398	10,398
--	--	--	--	50,219
--	--	--	26,577	26,577
--	--	--	555,718	555,718
--	--	1,237,850	220,947	1,458,797
--	--	--	37,806	37,806
--	--	--	5,952	5,952
--	2,161,733	--	--	2,161,733
--	--	--	49,789	49,789
--	--	--	--	110,002
--	--	--	12,726	12,726
--	--	--	--	1,582,405
--	2,161,733	1,237,850	937,069	6,079,278
$ 41,224	$ 2,161,733	$ 1,237,850	$ 1,001,286	$ 6,319,370

EXHIBIT C-1

LELAND SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

Total fund balances for governmental funds	$	6,079,278
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not reported in the funds.		3,245,999
Liabilities due in one year are not reported in the funds.		(263,042)
Payables for bond principal which are not due in the current period are not reported in the funds.		(4,820,000)
Payables for bond interest which are not due in the current period are not reported in the funds.		(32,033)
Payables for notes which are not due in the current period are not reported in the funds.		(135,209)
Payables for compensated absences not due in the current period are not reported in the funds.		(77,181)
Other long-term liabilities not due and payable in the current period are not reported in the funds.		(14,086)
Net assets of governmental activities	$	3,983,726

The accompanying notes are an integral part of this statement.

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LELAND SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2011

	General Fund	Title I A Basic Fund	ARRA Part B Fund
Revenues:			
Local sources	$ 1,856,595	$ --	$ --
State sources	4,269,691	--	--
Federal sources	93,179	683,281	157,193
Sixteenth section sources	--	--	--
Total Revenues	6,219,465	683,281	157,193
Expenditures:			
Instruction	3,304,271	186,360	95,862
Support services	2,801,938	376,199	60,009
Noninstructional services	104,853	107,263	1,322
Sixteenth section	--	--	--
Facilities acquisition and construction	--	--	--
Debt service:			
Principal	91,061	--	--
Interest	8,364	--	--
Total Expenditures	6,310,487	669,822	157,193
Excess (Deficiency) of Revenues Over (Under) Expenditures	(91,022)	13,459	--
Other Financing Sources (Uses):			
Insurance loss recoveries	431	--	--
Transfers in	63,842	--	--
Other financing sources	--	--	--
Transfers out	(579,534)	(13,459)	--
Other financing uses	--	--	--
Total Other Financing Sources (Uses)	(515,261)	(13,459)	--
Net Change in Fund Balances	(606,283)	--	--
Fund Balances:			
July 1, 2010	2,348,909	--	--
Increase (decrease) in reserve for inventory	--	--	--
June 30, 2011	$ 1,742,626	$ --	$ --

The accompanying notes are an integral part of this statement.

IDEA Part B Fund	Sixteenth Section Interest	QZAB Debt Repayment	Other Governmental Funds	Total Governmental Funds
$ --	$ --	$ --	$ 198,336	$ 2,054,931
--	--	--	459,654	4,729,345
222,690	--	--	1,634,747	2,791,090
--	321,613	--	329	321,942
222,690	321,613	--	2,293,066	9,897,308
109,700	--	--	1,503,250	5,199,443
111,165	--	--	505,102	3,854,413
300	--	--	590,447	804,185
--	57,437	--	21,225	78,662
--	--	--	682,767	682,767
--	--	--	159,987	251,048
--	--	--	55,256	63,620
221,165	57,437	--	3,518,034	10,934,138
1,525	264,176	--	(1,224,968)	(1,036,830)
--	--	--	--	431
--	--	--	594,834	658,676
--	--	180,499	50,002	230,501
(1,525)	--	--	(64,158)	(658,676)
--	--	--	(222,904)	(222,904)
(1,525)	--	180,499	357,774	8,028
--	264,176	180,499	(867,194)	(1,028,802)
--	1,897,557	1,057,351	1,812,675	7,116,492
--	--	--	(8,412)	(8,412)
$ --	$ 2,161,733	$ 1,237,850	$ 937,069	$ 6,079,278

EXHIBIT D-1

LELAND SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds	$ (1,028,802)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	733,222
The depreciation of capital assets used in governmental activities is not reported in the funds.	(202,098)
Trade-in or disposal of capital assets decrease net assets in the SOA but not in the funds.	(4,848)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	160,000
Repayment of principal is an expenditure in the funds but is not an expense in the SOA.	91,048
(Increase) decrease in accrued interest from beginning of period to end of period.	(8,560)
Change in inventory is an adjustment to fund balance in the funds but affects expense in the SOA.	(8,412)
Compensated absences are reported as amount earned in SOA but as amount paid in the funds.	11,993
Rounding difference	1
Change in net assets of governmental activities	$ (256,456)

The accompanying notes are an integral part of this statement.

LELAND SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

	Private-Purpose Trust Fund	Agency Fund
Assets		
Cash and other deposits	$ 2,623	$ 334,008
Total Assets	$ 2,623	$ 334,008
Liabilities		
Accounts payable and accrued liabilities		$ 334,008
Total Liabilities		$ 334,008
Net Assets		
Reserved for endowments	$ 2,623	
Total Net Assets	$ 2,623	

The accompanying notes are an integral part of this statement.

EXHIBIT F

LELAND SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Private-Purpose Trust Fund
Additions:	
Contributions	$ 3,000
Total Additions	3,000
Deductions:	
Administrative Expenses	(3,000)
Total Deductions	(3,000)
Change in Net Assets	0
Net Assets	
July 1, 2010	$ 2,623
June 30, 2011	$ 2,623

The accompanying notes are an integral part of this statement.

Notes to the Financial Statements

For the year ended
June 30, 2011

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 the citizens of each defined county district.

For financial reporting purposes, Leland 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. The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

Title I A Basic Fund - This is the school district's fund that accounts for the

monies received from the Title I program, which serves to fund remedial math and reading services to low-income, program eligible students.

ARRA Part B Fund - This fund accounts for the Recovery Act resources related to the education of children with disabilities.

IDEA Part B Fund - This fund accounts for the resources related to the education of children with disabilities.

Sixteenth Section Interest Fund - This fund accounts for investment activity financed through Sixteenth Section property rental activity and timber sales less expenditures or maintenance and improvements to said property.

QZAB Debt Repayment Fund - This is a debt service fund that accounts for the revenues and expenditures associated with the repayment of the Qualified Zone Academy Bond issue.

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

The school district also reports fiduciary funds which focus on net assets and changes in net assets.

The District's fiduciary fund include the following:

Payroll Clearing Fund - This fund serves as a clearing fund for payroll type transactions.

Scholarship Funds - These are private purpose trust funds that serve to report all trust arrangements.

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

Private-purpose Trust Funds - Private-purpose trust funds are used to report all trust arrangements, other than those properly reported elsewhere, in which the principal and income benefit individuals, private organizations or other governments.

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 not maintained to account for commitments resulting from approved purchase orders, work orders and contracts.

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 Bonds 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 governmental column 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 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 issue cost, 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.

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 Superintendent and Business Manager pursuant to authorization established by the policy adopted by the school district.

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 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 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, Cash with Fiscal Agents 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 deposits or 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 $4,498,774 and $336,631, respectively. The carrying amount of deposits reported in government-wide statements was: cash and cash equivalents $4,430,813. In addition to this amount, $67,961 is reported as restricted assets on Exhibit A. The bank balance was $5,232,545.

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 $5,232,545 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was $1,287,852. This amount is shown as restricted assets on Exhibit A.

Investments

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

Investment Type	Maturities (in years)	Fair Value
Federated US Treasury Fund	less than a year	$ 11,802

This amount is shown as Restricted Assets on Exhibit A.

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 Sections 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 investments choices or one that addresses credit risk.

Custodial Credit Risk - Investments. Custodial credit risk is defined as 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. Disclosures of investments 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. As of June 30, 2011, the district had the following investment:

Issuer	Fair Value	% of Total Investments
Federated US Treasury Fund	$ 11,802	100%

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 A Basic Fund	$	50,424
	ARRA Part B Fund		32,136
	Other Governmental Funds		44,836
Other Governmental Funds	Other Governmental Funds		5,203
Total		$	132,599

Interfund loans exist primarily to cover deficit cash balances. All balances are expected to be repaid within one year from the date of the financial statements.

B. Inter-fund Transfers

Transfer In	Transfer Out		Amount
General Fund	Title I A Basic Fund	$	12,513
	IDEA Part B Fund		1,000
	Other Governmental Funds		50,329
Other Governmental Funds	General Fund		579,534
	Title I A Basic Fund		946
	IDEA Part B Fund		525
	Other Governmental Funds		13,829
Total		$	658,676

The purpose of the transfers was to provide funds for general operating activities. All transfers were routine and consistent with the fund making the transfer.

Note 4 - Restricted Assets

The restricted assets represent the cash balance totaling $67,961 in one of the QZAB Debt Retirement Funds. In addition, the restricted assets represent the investment balance totaling $11,802 of the MAEP Limited Obligation Bond Fund. The rest of the restricted assets represent the cash with fiscal agents balance totaling $1,237,850 and $50,002, respectively, of the QZAB Debt Repayment Fund and QSCB Sinking Fund.

Note 5 - Capital Assets

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

Leland School District

Notes to the Financial Statements
For the Year Ended June 30, 2011

	Balance 7-1-2010	Additions	Retirements	Completed Construction	Balance 6-30-2011
Non-depreciable capital assets:					
Land	$ 42,864				42,864
Construction in progress	601,096	679,648		(335,134)	945,610
Total non-depreciable capital assets	643,960	679,648	0	(335,134)	988,474
Depreciable capital assets:					
Buildings	2,826,380			335,134	3,161,514
Building improvements	1,859,454				1,859,454
Improvements other than buildings	29,890				29,890
Mobile equipment	779,639				779,639
Furniture and equipment	972,713	53,574	112,491		913,796
Total depreciable capital assets	6,468,076	53,574	112,491	335,134	6,744,293
Less accumulated depreciation for:					
Buildings	2,149,632	22,708			2,172,340
Building improvements	907,797	81,918			989,715
Improvements other than buildings	5,978	1,196			7,174
Mobile equipment	478,793	47,423			526,216
Furniture and equipment	850,113	48,853	107,643		791,323
Total accumulated depreciation	4,392,313	202,098	107,643	0	4,486,768
Total depreciable capital assets, net	2,075,763	(148,524)	4,848	335,134	2,257,525
Governmental activities capital assets, net	$ 2,719,723	531,124	4,848	0	3,245,999

Depreciation expense was charged to the following governmental functions:

		Amount
Instruction	$	141,468
Support services		40,420
Non-instructional		20,210
Total depreciation expense	$	202,098

Commitments under construction contracts at June 30, 2011, are summarized as follows:

		Spent to June 30, 2011	Remaining Commitment
Governmental Activities:			
Leland High School	$	945,610	49,769

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	Reductions	Adjustments	Balance 6-30-2011	Amounts due within one year
A. Limited obligation bonds	$	1,450,000	160,000		1,290,000	170,000
B. Transportation notes payable		262,187	62,492		199,695	64,486
C. Qualified zone academy bonds		2,000,000			2,000,000	
D. Qualified school construction bonds payable		1,700,000			1,700,000	
E. Other loans payable		71,212	28,556	(14)	42,642	28,556
F. Compensated absences payable		89,174	11,993		77,181	
Total	$	5,572,573	263,041	(14)	5,309,518	263,042

The adjustment to debt was made to accurately reflect the outstanding balance of other loans payable at year end.

A. Limited obligation bonds payable

Limited obligation bonds are direct obligations and pledge the full faith and credit of the school district. Limited obligation bond currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date		Amount Issued	Amount Outstanding
State Aid Capital Improvement Refunding Bonds	3.28%	07-01-09	02-01-18	$	1,557,000	1,290,000

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

Year Ending June 30		Principal	Interest	Total
2012	$	170,000	42,312	212,312
2013		175,000	32,736	207,736
2014		175,000	31,160	206,160
2015		185,000	25,420	210,420
2016		195,000	23,394	218,394
2017-2018		390,000	19,238	409,238
Total	$	1,290,000	174,260	1,464,260

This debt will be retired from the MAEP Retirement Fund.

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues the district receives from the State of Mississippi pursuant to the Mississippi Accountability and the Adequate Education 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 limit percentage.

B. Transportation notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date		Amount Issued	Amount Outstanding
Transportation Note - 2009	3.190%	01-23-09	01-23-14	$	322,748	199,695

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

Year Ending June 30		Principal	Interest	Total
2012	$	64,486	6,370	70,856
2013		66,543	4,313	70,856
2014		68,666	2,190	70,856
Total	$	199,695	12,873	212,568

This debt will be retired from the District Maintenance Fund.

C. Qualified zone academy bonds payable

As more fully explained in Note 11, debt has been issued by the school district that qualifies as Qualified Zone Academy bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date		Amount Issued	Amount Outstanding
Qualified Zone Academy bond, Series 2001	0.00%	06-26-01	06-25-14	$	1,000,000	1,000,000
Qualified Zone Academy bond, Series 2005	0.00%	11-17-05	11-17-15		1,000,000	1,000,000
Total				$	2,000,000	2,000,000

D. Qualified school construction bonds payable

As more fully explained in Note 12, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
QSCB Series 2009	0.94%	12-29-09	09-15-24	$ 1,700,000	1,700,000

E. Other loans payable

The school district has issued debt instruments granted under the authority of Section 37-59-101 of the Miss. Code Ann. (1972).

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1995 EPA Loan	0.0%	05-31-95	11-30-12	$ 514,231	42,642

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

Year Ending June 30		Principal
2012	$	28,556
2013		14,086
Total	$	42,642

This debt will be retired from the District Maintenance Fund.

F. 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

Commitments under construction contracts are described in Note 5.

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 the 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 $638,030, $698,755, and $614,525, 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 therefrom 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	$	273,087
2013		255,522
2014		180,372
2015		180,372
2016		180,372
2017 - 2021		130,745
2022 - 2026		875
2027 - 2031		875
2032 - 2036		875
2037 - 2041		700
Total	$	1,203,795

Note 10 - 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 member's 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 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 up 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 was assessed an additional assessment of $4,331. The balance of the additional assessment as of June 30, 2011 was $0. This was paid on December 29, 2010.

Note 11 - Qualified Zone Academy Bonds

Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34) provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the establishment of special academic programs from kindergarten through secondary school, in partnership with the business community. The school district, in agreement with First Union National Bank and Trustmark National Bank has entered into such an arrangement dated June 26, 2001 and November 15, 2005, respectively.

This agreement establishes a method of repayment for a qualified interest-free debt instrument. The agreement requires the school district to deposit funds annually into a sinking fund account on or before June 25th and November 1st of each year. The amount on deposit at June 30, 2011 was $1,237,850. The amount accumulated in the sinking fund at the end of the twelve and ten year period, respectively, will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30		Amount
2012	$	157,864
2013		157,864
2014		157,864
2015		157,864
2016		80,941
Total	$	712,397

Note 12 - Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2010 provides for a source of capital at no at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs.

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2011 was $50,002. The amount accumulated in the sinking fund at the end of the fifteen-

year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30		Principal
2012	$	49,000
2013		49,000
2014		49,000
2015		130,000
2016		130,000
2017 - 2021		650,000
2022 - 2026		390,000
Total	$	1,447,000

Note 12 - Insurance Loss Recoveries

The Leland School District received $431 in insurance loss recoveries related to damage during the 2010-2011 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as miscellaneous revenues.

Note 13 - Prior Period Adjustments/Exhibits

A summary of significant fund balance adjustments is as follows:

Exhibit B - Statement of Activities

	Explanation		Amount
1	To accurately present outstanding debt balance at year end.	$	14

REQUIRED SUPPLEMENTAL INFORMATION

LELAND SCHOOL DISTRICT **Exhibit 1**

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	$ 1,866,231	1,852,814	1,856,595	(13,417)	3,781
State sources	4,277,030	4,269,690	4,269,691	(7,340)	1
Federal sources	135,000	93,179	93,179	(41,821)	0
Total Revenues	6,278,261	6,215,683	6,219,465	(62,578)	3,782
Expenditures:					
Instruction	3,523,994	3,234,930	3,304,271	289,064	(69,341)
Support services	2,908,596	2,734,937	2,801,938	173,659	(67,001)
Noninstructional services	45,403	41,232	104,853	4,171	(63,621)
Debt service:					
Principal	89,129	91,061	91,061	(1,932)	0
Interest	10,296	8,364	8,364	1,932	0
Other	650			650	0
Total Expenditures	6,578,068	6,110,524	6,310,487	467,544	(199,963)
Excess (Deficiency) of Revenues Over Under Expenditures	(299,807)	105,159	(91,022)	404,966	(196,181)
Other Financing Sources (Uses):					
Insurance Loss Recoveries		431	431	431	0
Transfers In	930,970	951,972	63,842	21,002	(888,130)
Transfers Out	(1,345,363)	(1,467,663)	(579,534)	(122,300)	888,129
Total Other Financing Sources (Uses)	(414,393)	(515,260)	(515,261)	(100,867)	(1)
Net Change in Fund Balances	(714,200)	(410,101)	(606,283)	304,099	(196,182)
Fund Balances:					
July 1, 2010	2,324,163	2,351,532	2,348,909	27,369	(2,623)
June 30, 2011	$ 1,609,963	1,941,431	1,742,626	331,468	(198,805)

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

LELAND SCHOOL DISTRICT **Exhibit 2**

Budgetary Comparison Schedule

Title I A Basic 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	$ 853,764	683,281	683,281	(170,483)	0
Total Revenues	853,764	683,281	683,281	(170,483)	0
Expenditures:					
Instruction	256,051	186,361	186,360	69,690	1
Support services	448,990	376,199	376,199	72,791	0
Noninstructional services	133,331	107,262	107,263		(1)
Total Expenditures	838,372	669,822	669,822	168,550	0
Excess (Deficiency) of Revenues Over Under Expenditures	15,392	13,459	13,459	(1,933)	0
Other Financing Sources (Uses):					
Operating transfers out	(15,392)	(13,459)	(13,459)	1,933	0
Total Other Financing Sources (Uses)	(15,392)	(13,459)	(13,459)	1,933	0
Net Change in Fund Balances	0	0	0	0	0
Fund Balances:					
July 1, 2010			0	0	0
June 30, 2011	$ 0	0	0	0	0

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

LELAND SCHOOL DISTRICT **Exhibit 3**

Budgetary Comparison Schedule
ARRA Part B 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	$ 166,674	157,193	157,193	(9,481)	0
Total Revenues	166,674	157,193	157,193	(9,481)	0
Expenditures:					
Instruction	128,089	95,861	95,862	32,228	(1)
Support services	36,573	60,010	60,009	(23,437)	1
Noninstructional services	1,012	1,322	1,322		0
Total Expenditures	165,674	157,193	157,193	8,481	0
Excess (Deficiency) of Revenues Over Under Expenditures	1,000	0	0	(1,000)	0
Other Financing Sources (Uses):					
Operating transfers out	(1,000)			1,000	
Total Other Financing Sources (Uses)	(1,000)	0	0	1,000	
Net Change in Fund Balances	0	0	0	0	0
Fund Balances:					
July 1, 2010			0	0	0
June 30, 2011	$ 0	0	0	0	0

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

LELAND SCHOOL DISTRICT **Exhibit 4**

Budgetary Comparison Schedule

IDEA Part B 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	$ 326,679	222,690	222,690	(103,989)	0
Total Revenues	326,679	222,690	222,690	(103,989)	0
Expenditures:					
Instruction	148,049	109,700	109,700	38,349	0
Support services	175,880	111,165	111,165	64,715	0
Noninstructional services	500	300	300	200	0
Total Expenditures	324,429	221,165	221,165	103,264	0
Excess (Deficiency) of Revenues Over Under Expenditures	2,250	1,525	1,525	(725)	0
Other Financing Sources (Uses):					
Transfers out	(2,250)	(1,525)	(1,525)	725	0
Total Other Financing Sources (Uses)	(2,250)	(1,525)	(1,525)	725	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 supplementary information are an integral part of this statement.

LELAND SCHOOL DISTRICT **Exhibit 5**

Budgetary Comparison Schedule

Sixteenth 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 sources	$ 272,752	321,613	321,613	48,861	0
Total Revenues	272,752	321,613	321,613	48,861	0
Expenditures:					
Sixteenth section	49,175	57,438	57,437	(8,263)	1
Total Expenditures	49,175	57,438	57,437	(8,263)	1
Excess (Deficiency) of Revenues Over Under Expenditures	223,577	264,175	264,176	40,598	1
0					
Net Change in Fund Balances	223,577	264,175	264,176	40,598	1
Fund Balances:					
July 1, 2010	1,587,237	1,897,558	1,897,557	310,321	(1)
June 30, 2011	$ 1,810,814	2,161,733	2,161,733	350,919	0

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

Leland School District

Notes to the Required Supplemental Information
For the Year Ended June 30, 2011

Budgetary Comparison Schedules

(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.

SUPPLEMENTAL INFORMATION

Leland School District **Schedule 1**

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 Number	Federal Expenditures
U.S. Department of Agriculture		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	$ 126,171
National School Lunch Program	10.555	429,277
Summer Food Service Program for Children	10.559	27,557
Total child nutrition cluster		583,005
Total passed-through the Mississippi Department of Education		583,005
Total U.S. Department of Agriculture		583,005
Federal Communications Commission		
Administered through Universal Service Administrative Company:		
The Schools and Libraries Program of the Universal Service Fund	32.xxx	69,649
Total Federal Communications Commission		69,649
U.S. Department of Education		
Passed-through the Mississippi Department of Education:		
Title I Cluster:		
Title I Grants to Local Educational Agencies	84.010	683,281
ARRA - Title I Grants to Local Educational Agencies - Recovery Act	84.389	308,704
Total Title I cluster		991,985
Career and Technical Education - Basic Grants to States	84.048	52,336
Safe and Drug Free Schools and Communities - State Grants	84.186	7,087
Gaining Early Awareness and Readiness in Undergraduate Programs	84.334	319
Rural Education	84.358	23,955
Improving Teacher Quality State Grants	84.367	162,124
ARRA - State Fiscal Stabilization Fund - Education State Grants - Recovery Act	84.394	277,737
Education Jobs Fund	84.410	207,397
Sub-total		730,955
Special Education Cluster:		
Special Education - Grants to States	84.027	222,690
Special Education - Preschool Grants	84.173	4,944
ARRA - Special Education - Grants to States - Recovery Act	84.391	157,193
ARRA - Special Education - Preschool Grants - Recovery Act	84.392	7,139
Total special education cluster		391,966
Total passed-through the Mississippi Department of Education		2,114,906
Total U.S. Department of Education		2,114,906
TOTAL FOR ALL FEDERAL AWARDS		$ 2,767,560

Notes to Schedule

1. This schedule was prepared using the same basis of accounting and 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.

Leland School District **Schedule 2**

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	$	7,463,429	5,536,045	593,988	504,614	828,782
Other		3,470,709	1,254,958	114,588	3,766	2,097,397
Total	$	10,934,138	6,791,003	708,576	508,380	2,926,179
Total number of students *		971				
Cost per student	$	11,261	6,994	730	524	3,013

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 functions: 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.

OTHER INFORMATION

LELAND SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances "UNAUDITED"

General Fund

Last Four Years

		2011	2010*	2009*	2008*
Revenues:					
Local sources	$	1,856,595	2,048,773	1,852,073	1,952,621
State sources		4,269,691	4,529,854	5,107,037	5,368,298
Federal sources		93,179	124,975	178,522	289,368
Total Revenues		6,219,465	6,703,602	7,137,632	7,610,287
Expenditures:					
Instruction		3,304,271	3,508,217	3,632,492	3,716,441
Support services		2,801,938	3,038,580	3,048,851	2,809,578
Noninstructional services		104,853	92,954	32,013	38,449
Facilities acquisition and construction					
Debt service:					
Principal		91,061	89,129	28,568	85,912
Interest		8,364	10,296		1,295
Total Expenditures		6,310,487	6,739,176	6,741,924	6,651,675
Excess (Deficiency) of Revenues Over (Under) Expenditures		(91,022)	(35,574)	395,708	958,612
Other Financing Sources (Uses):					
Insurance loss recoveries		431			
Proceeds of loans				322,748	
Sale of other property				5,204	
Operating transfers in		63,842	301,272	70,023	
Operating transfers out		(579,534)	(705,920)	(605,545)	(402,757)
Other financing uses					(76,923)
Total Other Financing Sources (Uses)		(515,261)	(404,648)	(207,570)	(479,680)
Net Change in Fund Balances		(606,283)	(440,222)	188,138	478,932
Fund Balances:					
July 1,		2,348,909	2,791,754	2,603,616	2,124,684
Prior period adjustment			(2,623)		
July 1, as restated		2,348,909	2,789,131	2,603,616	2,124,684
June 30,	$	1,742,626	2,348,909	2,791,754	2,603,616

*SOURCE - PRIOR YEAR AUDIT REPORTS

LELAND SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances "UNAUDITED"

All Governmental Funds

Last Four Years

		2011	2010*	2009*	2008*
Revenues:					
Local sources	$	2,054,931	2,348,456	1,998,583	2,097,934
State sources		4,729,345	4,971,090	5,577,757	5,863,798
Federal sources		2,791,090	2,669,411	2,169,440	2,377,432
Sixteenth section sources		321,942	399,258	241,697	275,685
Total Revenues		9,897,308	10,388,215	9,987,477	10,614,849
Expenditures:					
Instruction		5,199,443	5,233,569	4,991,280	5,039,976
Support services		3,854,413	4,231,505	4,101,786	3,816,905
Noninstructional services		804,185	778,781	717,829	689,946
Sixteenth section		78,662	49,188	48,241	46,978
Facilities acquisition and construction		682,767	601,096		
Debt service:					
Principal		251,048	196,129	163,568	215,912
Interest		63,620	76,085	77,618	84,633
Other			22,000	1,235	
Total Expenditures		10,934,138	11,188,353	10,101,557	9,894,350
Excess (Deficiency) of Revenues Over (Under) Expenditures		(1,036,830)	(800,138)	(114,080)	720,499
Other Financing Sources (Uses):					
Proceeds of bonds					
Proceeds of loans			1,700,000	322,748	
Proceeds of refunding bonds			1,557,000		
Insurance loss recoveries		431			
Sale of transportation equipment					
Sale of other property				5,204	
Other financing sources		230,501	157,864	157,864	76,923
Operating transfers in		658,676	1,009,933	907,229	527,399
Operating transfers out		(658,676)	(1,009,933)	(907,229)	(527,399)
Other financing uses		(222,904)	(1,692,864)	(166,802)	(76,923)
Total Other Financing Sources (Uses)		8,028	1,722,000	319,014	-
Net Change in Fund Balances		(1,028,802)	921,862	204,934	720,499
Fund Balances:					
July 1,		7,116,492	6,195,597	5,987,774	5,277,593
Prior period adjustment			(2,623)		
July 1, as restated		7,116,492	6,192,974	5,987,774	5,277,593
Increase (Decrease) in reserve for inventory		(8,412)	1,656	2,889	(10,318)
June 30,	$	6,079,278	7,116,492	6,195,597	5,987,774

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Leland School District

We have audited the financial statements of Leland School District as of and for the year ended June 30, 2011, and have issued our report thereon dated January 11, 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 Leland School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the school district's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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 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 corrected on a timely basis. We consider the deficiency described in the accompanying schedule of finding and questioned costs to be a material weakness. [Finding *2011-1*] A significant deficiency is a deficiency, or 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Leland 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*.

Leland School District's response to the finding identified in our audit is described in the accompanying Auditee's Corrective Action Plan. We did not audit Leland School District's response and, accordingly, we express no opinion on it.

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.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC — Certified Public Accountants
January 11, 2012

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Leland School District

Compliance

We have audited the compliance of the Leland School District 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 Leland School District's major federal programs for the year ended June 30, 2011. The Leland School District's major federal programs are identified in the summary of the 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 the school district's management. Our responsibility is to express an opinion on the 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 the 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 on the school district's compliance with those requirements.

In our opinion, the Leland School District complied, in all material respects, with the 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.

Internal Control Over Compliance

Management of the Leland School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Leland School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order 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

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opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 the 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. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as Finding *2011-2*. 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.

Leland School District's response to the finding identified in our audit is described in the accompanying Auditee's Corrective Action Plan. We did not audit Leland School District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the school board and management, others within the entity, 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.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
January 11, 2012

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Leland School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Leland School District as of and for the year ended June 30, 2011, which collectively comprise Leland School District's basic financial statements and have issued our report thereon dated January 11, 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 ensure 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 no instances of noncompliance. The district reported $4,303 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 ensure 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 did not disclose any instances of noncompliance with other state laws and regulations.

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FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
January 11, 2012

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Leland School District

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

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
   b. Significant deficiency(ies) identified? None reported.

3. Noncompliance material to financial statements noted? No.

Federal Awards:

4. Internal control over major programs:

   a. Material weakness(es) identified? No.
   b. Significant deficiency(ies) identified? 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 501(a) of OMB Circular A-133? Yes.

7. Identification of major program:

CFDA Numbers	Name of Federal Program or Cluster
84.010 & 84.389	Title I Cluster
84.027, 84.173, 84.391 & 84.392	Special Education Cluster
84.410	Education Jobs Fund

8. Dollar threshold used to distinguish between type A and type B programs: $300,000.

9. Auditee qualified as low-risk auditee? No.

Section II: Financial Statements Findings

The results of our tests disclosed the following finding related to the financial statements that is required to be reported by *Government Auditing Standards.*

Material Weakness

Finding 2011-1:
During our audit we noticed a couple of instances where improper recording of cash took place. One account related to MAEP was overposted by $159,545 and one sinking fund related to Qualified School Construction Bonds was not posted by $50,002.

Recommendation:
All cash accounts should be properly reflected on the general ledger.

Section III: Federal Award Findings and Questioned Costs

The results of our tests disclosed the following finding and questioned cost related to the federal awards.

Significant Deficiency

Program : Special Education Cluster, Passed through the Mississippi Department of Education
CFDA# 84.027, 84.173, 84.391 & 84.392
Grantor: United States Department of Education

Compliance Requirement: Allowable Costs/Cost Principles

Finding 2011-2:
Office of Management and Budget (OMB) Circular A-87 requires documentation to support the time and effort of employees who are paid from federal award programs. The school district does not consolidate Federal funds with state and local funds in a consolidated schoolwide pool. Therefore, an employee who works solely on a single cost objective must furnish a semi-annual certification that he/she has been engaged solely in the activities of the program. The certifications must be signed by the employee or a supervisory official having first-hand knowledge of the work performed by the employee.

An employee who works on multiple activities or cost objectives must maintain time and effort distribution records in accordance with OMB Circular A-87, Attachment B.

The school district did not require semi-annual certifications or time and effort distribution records from its SPED employees. Failure to develop a system and adequately document the time and effort associated with payroll expenditures for these employees constitutes a deficiency in control over compliance.

Recommendation:
We recommend that the district develop a system for documenting the time and effort of SPED employees by requiring that each employee furnish a semi-annual certification or time and distribution records as required by OMB Circular A-87.

Leland School District
408 E. South Street
Leland, MS 38756
Dr. Janice Monroe - Superintendent
Linda Clark - Business Manager

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section ___.315(c) of OMB Circular A-133, the Leland School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2011:

Finding	Corrective Action Plan Details
2011-1	a. Name of Contact Person Responsible for Corrective Action Name: Linda Clark Phone Number: 662-686-5000 b. Corrective Action Planned: The district will modify its process for cash in order for it to be properly recorded.
2011-2	a. Name of Contact Person Responsible for Corrective Action Name: Linda Clark Phone Number: 662-686-5000 b. Corrective Action Planned: The district will develop a system for documenting the time and effort of SPED employees by requiring that each employee furnish a semi-annual certification or time and distribution records as required by OMB Circular A-87.