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Leland School District
Audited Financial Statements
June 30, 2009

Fortenberry & Ballard, PC
Certified Public Accountants

**Leland School District
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FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, P.C.

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, 2009, 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 basic 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 above 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, 2009, 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 November 16, 2009, on our consideration of the Leland School District's internal control over financial reporting and 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 the 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.

The Management's Discussion and Analysis on pages 7 through 16 and the Budgetary Comparison Schedule and corresponding notes on pages 47 through 52 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

AICPA & MSCPA

1929 Spillway Road, Suite B, Brandon, MS 39047, Telephone (601) 992-5292

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 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative, and Other Expenditures - Governmental Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The other supplemental 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 express no opinion on it.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
November 16, 2009

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

**LELAND SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009**

The discussion and analysis of Leland School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2009. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

FINANCIAL HIGHLIGHTS

- Total net assets increased \$139,470, which represents 3% increase from fiscal year 2008.
- General revenues amounted to \$7,477,483 and \$8,087,597, or 75% and 76% of all revenues for fiscal years 2009 and 2008, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,515,198 or 25% of total revenues for 2009, and \$2,610,580, or 24% of total revenues for 2008.
- The District had \$9,853,211 and \$9,928,670 in expenses for fiscal years 2009 and 2008; only \$2,515,198 for 2009 and \$2,610,580 for 2008 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$7,477,483 for 2009 and \$8,087,597 for 2008 were adequate to provide these programs.
- Among major funds, the General Fund had \$7,137,632 in revenues and \$6,741,924 in expenditures for 2009, and \$7,610,287 in revenues and \$6,651,675 in expenditures in 2008. The General Fund's fund balance increased by \$188,138 from 2008 to 2009, and increased by \$478,932 from 2007 to 2008.
- Capital assets, net of accumulated depreciation, increased by \$95,417 for 2009 and decreased by \$152,869 for 2008. The increase for 2009 was due to the addition to mobile equipment.
- Long-term debt increased by \$159,180 for 2009 and decreased by \$215,912 for 2008. This increase was due to the issuance of a transportation note. In addition, the liability for compensated absences increased by \$3,123 for 2009 and increased by \$13,433 for 2008.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting and include all assets and liabilities.

The statement of net assets presents information on all the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District 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 years.

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. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's current financing requirements. Governmental Funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can be easily converted to cash. The Governmental Funds Statements provide a detailed short-term view of the School District's operations.

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, readers may better understand the long-term impact of the District's current financing decisions. The governmental fund's balance sheet is reconciled to the statement of net assets, and the governmental fund's 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 fund's balance sheet and in the governmental fund's statement of revenues, expenditures, and changes in fund balances for all major funds. All other 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. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

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.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information concerning the District's budget process.

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 special revenue major fund.

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.

Also, included in the other supplemental information section are 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. This information 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$4,411,920 as of June 30,

2009.

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 for the fiscal year ended June 30, 2009, and June 30, 2008.

Table 1
Condensed Statement of Net Assets

	June 30, 2009	June 30, 2008	Percentage Change
Current assets	\$ 6,082,091	6,014,813	1%
Restricted assets	184,140	17,156	973%
Capital assets, net	2,292,935	2,197,518	4%
Total	8,559,166	8,229,487	4%
Current liabilities	110,910	83,004	34%
Long-term debt	4,036,336	3,874,033	4%
Total liabilities	4,147,246	3,957,037	5%
Net assets:			
Invested in capital assets, net of related debt	435,187	527,518	(18)%
Restricted	3,363,567	3,345,349	1%
Unrestricted	613,166	399,583	53%
Total net assets	\$ 4,411,920	4,272,450	3%

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

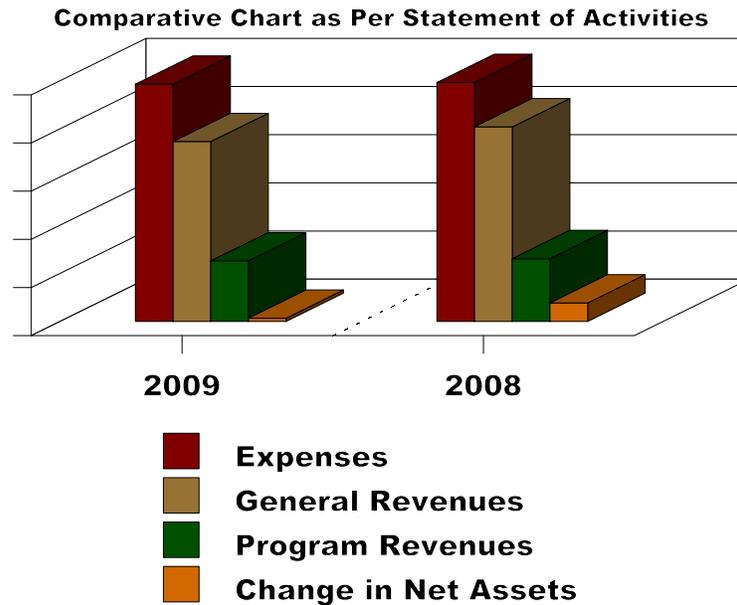
- The principal retirement of \$163,568 of long-term debt.
- Capital assets increased by \$95,417 from the previous year due to additions to mobile equipment.
- Long-Term debt increased by \$162,303 due primarily to the issuance of a transportation note.

Changes in net assets. The District's total revenues for the fiscal years ended June 30, 2009 and June 30, 2008 were \$9,992,681 and \$10,698,177, respectively. The total cost of all programs and services was \$9,853,211 for 2009 and \$9,928,670 for 2008. Table 2 presents a summary of the

changes in net assets for the fiscal years ended June 30, 2009 and June 30, 2008.

Table 2
Changes in Net Assets

	<u>Year Ended June 30, 2009</u>	<u>Year Ended June 30, 2008</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 132,006	118,596	11%
Operating grants and contributions	2,353,422	2,456,509	(4)%
Capital grants and contributions	<u>29,770</u>	<u>35,475</u>	(16)%
Total program revenues	2,515,198	2,610,580	(4)%
General revenues:			
Property taxes	1,662,358	1,707,219	(3)%
Grants and contributions not restricted	5,439,080	5,816,340	(6)%
Unrestricted investment earnings	91,495	164,799	(44)%
Sixteenth section sources	241,697	282,090	(14)%
Other	<u>42,853</u>	<u>117,149</u>	(63)%
Total general revenues	<u>7,477,483</u>	<u>8,087,597</u>	(8)%
Total revenues	<u>9,992,681</u>	<u>10,698,177</u>	(7)%
Expenses:			
Instruction	4,836,630	5,224,411	(7)%
Support services	4,143,357	3,855,708	7%
Non-instructional	744,663	719,666	3%
Sixteenth section sources	48,241	46,978	3%
Interest on long-term debt	<u>80,320</u>	<u>81,907</u>	(2)%
Total expenses	<u>9,853,211</u>	<u>9,928,670</u>	(1)%
Increase (decrease) in net assets	139,470	769,507	(82)%
Net Assets, July 1	<u>4,272,450</u>	<u>3,502,943</u>	22%
Net Assets, June 30	<u>\$ 4,411,920</u>	<u>4,272,450</u>	3%



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 shows the financial burden that was placed on the State and District's taxpayers by each of these functions.

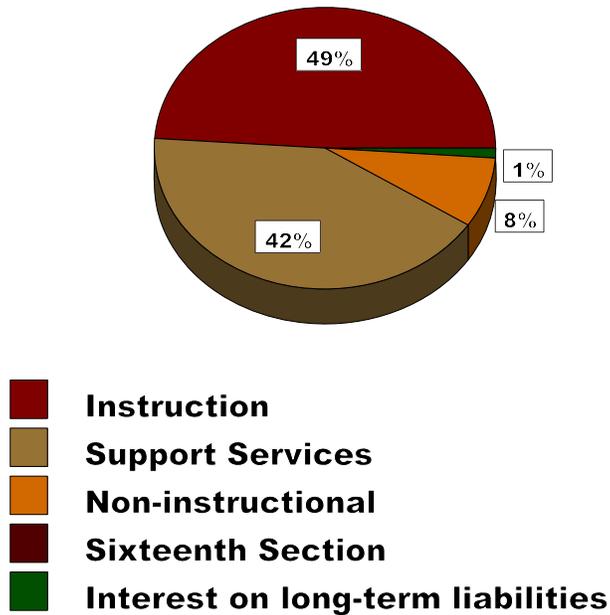
Table 3
Net Cost of Governmental Activities

	Total Expenses		
	2009	2008	Percentage Change
Instruction	\$ 4,836,630	5,224,411	(7)%
Support services	4,143,357	3,855,708	7%
Non-instructional	744,663	719,666	3%
Sixteenth section	48,241	46,978	3%
Interest on long-term liabilities	80,320	81,907	(2)%
Net Expenses	\$ 9,853,211	9,928,670	(1)%

Net (Expense) Revenue

	<u>2009</u>	<u>2008</u>	<u>Percentage Change</u>
Instruction	\$ (3,563,514)	(3,997,891)	(11)%
Support services	(3,602,832)	(3,108,239)	16%
Non-instructional	(43,106)	(83,075)	(48)%
Sixteenth section	(48,241)	(46,978)	3%
Interest on long-term liabilities	<u>(80,320)</u>	<u>(81,907)</u>	<u>(2)%</u>
Total net (expenses) revenue	\$ <u>(7,338,013)</u>	<u>(7,318,090)</u>	<u>0%</u>

Chart of Expenses as per Statement of Activities



- Net cost of governmental activities, (\$7,338,013 for 2009 and \$7,318,090 for 2008) was financed by general revenue, which is made up primarily property taxes of (\$1,662,358 for 2009 and \$1,707,219 for 2008) and state and federal revenues of (\$5,439,080 for 2009 and \$5,816,340 for 2008). In addition, there was \$241,697 and \$282,090 in Sixteenth Section sources for 2009 and 2008, respectively.
- Investment earnings amounted to \$91,495 for 2009 and \$164,799 for 2008.

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, unreserved 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 \$6,195,597, an increase of \$207,823, which includes the increase in inventory of \$2,889. \$4,426,958 or 71% of the fund balance represents unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$1,768,639 or 29% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$188,138. The fund balance of Other Governmental Funds showed a decrease in the amount of \$92,976, which includes an increase in reserve for inventory of \$2,889 due primarily to reflect the actual inventory for the current fiscal year. The other increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
Title I Fund	\$ no increase or decrease
EEF - Buildings and Buses Fund	no increase or decrease
Sixteenth Section Interest Fund	(36,265)
QZAB Debt Retirement Fund	148,926

BUDGETARY HIGHLIGHTS

During the year, the District revised the annual operating budget.

- Actual amounts for General Fund Instructional and Non-instructional decreased to accurately reflect expenditures incurred during the fiscal year. Amounts originally budgeted were overstated.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2009, the District's total capital assets were \$6,491,414, including land, school buildings, building improvements, buses, other school vehicles, improvements other than buildings, mobile equipment, and furniture and equipment. This amount represents an increase of \$84,780 from 2008. Total accumulated depreciation as of June 30, 2009, was \$4,198,479, and total depreciation expense for the year was \$207,853, resulting in total net capital assets of \$2,292,935.

**Table 4
Capital Assets**

	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>Percentage Change</u>	
Land	\$ 42,864	42,864	0%	0
Buildings	699,456	722,164	(3)%	(22,708)
Building improvements	1,020,169	1,088,682	(6)%	(68,513)
Improvements other than buildings	25,108	26,303	(5)%	(1,195)
Mobile equipment	348,269	96,323	262%	251,946
Furniture and equipment	157,069	221,182	(29)%	(64,113)
Total	<u>\$ 2,292,935</u>	<u>2,197,518</u>	4%	95,417

Debt Administration. At June 30, 2009, the District had \$4,036,336 in outstanding long-term debt, of which \$229,117 is due within one year. In addition, the liability for compensated absences increased from the prior year.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>Percentage Change</u>	
Limited obligation bonds	\$ 1,535,000	1,670,000	(8)%	(135,000)
QZAB bonds payable	2,000,000	2,000,000	0%	0
Other loans payable	99,780	128,348	(22)%	(28,568)
Transportation Note	322,748	0	100%	322,748
Compensated absences	78,808	75,685	4%	3,123
Total	<u>\$ 4,036,336</u>	<u>3,874,033</u>	4%	162,303

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

CURRENT ISSUES

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

Enrollment for the 2008-2009 year increased by 9% to 1,157 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. Fourth Street, Leland, MS 38756.

FINANCIAL STATEMENTS

LELAND SCHOOL DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2009

	Governmental Activities
Assets	
<i>Cash and cash equivalents</i>	\$ 5,007,591
<i>Cash with fiscal agents</i>	516,429
<i>Investments</i>	336,914
<i>Due from other governments</i>	204,003
<i>Inventories</i>	17,154
<i>Restricted assets</i>	184,140
<i>Capital assets, non-depreciable:</i>	
<i>Land</i>	42,864
<i>Capital assets, net of accumulated depreciation:</i>	
<i>Buildings</i>	699,456
<i>Building improvements</i>	1,020,169
<i>Improvements other than buildings</i>	25,108
<i>Mobile equipment</i>	348,269
<i>Furniture and equipment</i>	157,069
Total Assets	<u>8,559,166</u>
Liabilities	
<i>Accounts payable and accrued liabilities</i>	32,021
<i>Unearned revenue</i>	37,898
<i>Other payables</i>	715
<i>Interest payable on long-term liabilities</i>	40,276
Long-term liabilities (due within one year):	
<i>Capital related liabilities</i>	200,561
<i>Non-capital related liabilities</i>	28,556
Long-term liabilities (due beyond one year)	
<i>Capital related liabilities</i>	1,657,187
<i>Non-capital related liabilities</i>	2,150,032
Total Liabilities	<u>4,147,246</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	435,187
Restricted Net Assets:	
Expendable:	
School Based Activities	1,652,358
Debt Service	1,088,134
Capital Improvements	573,840
Forestry Improvements	3,135
Unemployment Benefits	28,944
Non-expendable:	
Sixteenth Section	17,156
Unrestricted	613,166
Total Net Assets	<u>\$ 4,411,920</u>

The accompanying notes are an integral part of this statement.

LELAND SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Governmental Activities:				Governmental Activities	
<i>Instruction</i>	4,836,630	131,879	1,111,467	29,770	(3,563,514)
<i>Support services</i>	4,143,357	--	540,525	--	(3,602,832)
<i>Noninstructional services</i>	744,663	127	701,430	--	(43,106)
<i>Sixteenth section</i>	48,241	--	--	--	(48,241)
<i>Interest on long-term liabilities</i>	80,320	--	--	--	(80,320)
Total Governmental Activities	<u>\$ 9,853,211</u>	<u>\$ 132,006</u>	<u>\$ 2,353,422</u>	<u>\$ 29,770</u>	<u>(7,338,013)</u>
General Revenues:					
Taxes:					
					1,589,188
					73,170
Unrestricted grants and contributions:					
					5,260,558
					178,522
					91,495
					241,697
					42,853
					<u>7,477,483</u>
					<u>139,470</u>
					<u>4,272,450</u>
					<u>\$ 4,411,920</u>

The accompanying notes are an integral part of this statement.

LELAND SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2009

	General Fund	Title I Fund	EEF - Buildings and Buses Fund
ASSETS	<u> </u>	<u> </u>	<u> </u>
<i>Cash and cash equivalents</i>	\$ 2,724,040	\$ 32,276	\$ 6,710
<i>Cash with fiscal agents</i>	--	--	--
<i>Investments</i>	--	--	--
<i>Due from other governments</i>	86,505	--	1,324
<i>Due from other funds</i>	3,369	--	--
<i>Inventories</i>	--	--	--
Total Assets	<u>\$ 2,813,914</u>	<u>\$ 32,276</u>	<u>\$ 8,034</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
<i>Accounts payable and accrued liabilities</i>	\$ 21,445	\$ 1,412	\$ 6,710
<i>Due to other funds</i>	--	--	1,324
<i>Unearned revenue</i>	--	30,864	--
<i>Other payables</i>	715	--	--
Total Liabilities	<u>22,160</u>	<u>32,276</u>	<u>8,034</u>
Fund balances:			
Reserved for:			
<i>Inventory</i>	--	--	--
<i>Unemployment</i>	--	--	--
<i>Forestry</i>	--	--	--
<i>Capital projects funds</i>	--	--	--
<i>Debt service funds</i>	--	--	--
<i>Permanent funds</i>	--	--	--
Unreserved, undesignated, reported in:			
<i>General fund</i>	2,791,754	--	--
<i>Special Revenue funds</i>	--	--	--
Total Fund Balances	<u>2,791,754</u>	<u>--</u>	<u>--</u>
Total Liabilities and Fund Balances	<u>\$ 2,813,914</u>	<u>\$ 32,276</u>	<u>\$ 8,034</u>

The accompanying notes are an integral part of this statement.

Sixteenth Section Interest	QZAB Debt Retirement Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,604,971	\$ --	\$ 656,750	\$ 5,024,747
--	516,429	166,984	683,413
--	336,914	--	336,914
--	--	116,174	204,003
--	--	--	3,369
--	--	17,154	17,154
<u>\$ 1,604,971</u>	<u>\$ 853,343</u>	<u>\$ 957,062</u>	<u>\$ 6,269,600</u>
\$ --	\$ --	\$ 2,454	\$ 32,021
--	--	2,045	3,369
--	--	7,034	37,898
--	--	--	715
<u>--</u>	<u>--</u>	<u>11,533</u>	<u>74,003</u>
--	--	17,154	17,154
--	--	28,944	28,944
--	--	3,135	3,135
--	--	573,840	573,840
--	853,343	275,067	1,128,410
--	--	17,156	17,156
--	--	--	2,791,754
<u>1,604,971</u>	<u>--</u>	<u>30,233</u>	<u>1,635,204</u>
<u>1,604,971</u>	<u>853,343</u>	<u>945,529</u>	<u>6,195,597</u>
<u>\$ 1,604,971</u>	<u>\$ 853,343</u>	<u>\$ 957,062</u>	<u>\$ 6,269,600</u>

LELAND SCHOOL DISTRICT

*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009*

Total fund balances - governmental funds balance sheet	\$ 6,195,597
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.	2,292,935
Liabilities due in one year.	(229,117)
Payables for bond principal which are not due in the current period are not reported in the funds.	(3,395,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(40,276)
Payables for notes which are not due in the current period are not reported in the funds.	(262,187)
Payables for compensated absences not due in the current period are not reported in the funds.	(78,808)
Other long-term liabilities not due and payable in the current period are not reported in the funds.	<u>(71,224)</u>
Net assets of governmental activities - statement of net assets	<u>\$ 4,411,920</u>

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, 2009

	General Fund	Title I Fund	EEF - Buildings and Buses Fund
Revenue:			
<i>Local sources</i>	\$ 1,852,073	\$ 32	\$ --
<i>State sources</i>	5,107,037	--	29,770
<i>Federal sources</i>	178,522	769,490	--
<i>Sixteenth section sources</i>	--	--	--
Total revenues	<u>7,137,632</u>	<u>769,522</u>	<u>29,770</u>
Expenditures:			
Instruction	3,632,492	460,033	--
Support services	3,048,851	184,947	29,770
Noninstructional services	32,013	103,285	--
Sixteenth section	--	--	--
Debt service:			
<i>Principal</i>	28,568	--	--
<i>Interest</i>	--	--	--
<i>Other</i>	--	--	--
Total expenditures	<u>6,741,924</u>	<u>748,265</u>	<u>29,770</u>
Excess (deficiency) of revenues (over) expenditures	395,708	21,257	--
Other financing sources (uses):			
Proceeds of loans	322,748	--	--
Sale of other property	5,204	--	--
Operating transfers in	70,023	--	--
Other financing sources	--	--	--
Operating transfers out	(605,545)	(21,257)	--
Other financing uses	--	--	--
Total other financing sources (uses)	<u>(207,570)</u>	<u>(21,257)</u>	<u>--</u>
Net change in fund balance	188,138	--	--
Fund Balances:			
July 1, 2008	2,603,616	--	--
Increase (decrease) in reserve for inventory	--	--	--
June 30, 2009	<u>\$ 2,791,754</u>	<u>\$ --</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

Sixteenth Section Interest	QZAB Debt Retirement Fund	Other Governmental Funds	Total Governmental Funds
\$ --	\$ --	\$ 146,478	\$ 1,998,583
--	--	440,950	5,577,757
--	--	1,221,428	2,169,440
241,454	--	243	241,697
<u>241,454</u>	<u>--</u>	<u>1,809,099</u>	<u>9,987,477</u>
--	--	898,755	4,991,280
--	--	838,218	4,101,786
--	--	582,531	717,829
48,241	--	--	48,241
--	--	135,000	163,568
--	--	77,618	77,618
--	--	1,235	1,235
<u>48,241</u>	<u>--</u>	<u>2,533,357</u>	<u>10,101,557</u>
193,213	--	(724,258)	(114,080)
--	--	--	322,748
--	--	--	5,204
--	--	837,206	907,229
--	157,864	--	157,864
(229,478)	--	(50,949)	(907,229)
--	(8,938)	(157,864)	(166,802)
<u>(229,478)</u>	<u>148,926</u>	<u>628,393</u>	<u>319,014</u>
(36,265)	148,926	(95,865)	204,934
1,641,236	704,417	1,038,505	5,987,774
--	--	2,889	2,889
<u>\$ 1,604,971</u>	<u>\$ 853,343</u>	<u>\$ 945,529</u>	<u>\$ 6,195,597</u>

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, 2009*

Net change in fund balances - total governmental funds	\$ 204,934
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	322,748
The depreciation of capital assets used in governmental activities is not reported in the funds.	(207,853)
Trade-in or disposal of capital assets decrease net assets in the SOA but not in the funds.	(19,478)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	163,568
(Increase) decrease in accrued interest from beginning of period to end of period.	(1,467)
Change in inventory is an adjustment to fund balance in the funds but affects expense in the SOA.	2,889
Compensated absences are reported as amount earned in SOA but as amount paid in the funds.	(3,123)
Proceeds of notes do not provide revenue in the SOA, but are reported as current resources in the funds.	<u>(322,748)</u>
Change in net assets of governmental activities - statement of activities	<u>\$ 139,470</u>

The accompanying notes are an integral part of this statement.

LELAND SCHOOL DISTRICT

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

FIDUCIARY FUNDS

JUNE 30, 2009

	Agency Fund
	Payroll Clearing Fund
ASSETS	
Assets:	
<i>Cash and other deposits</i>	\$ 366,513
Total Assets	\$ 366,513
LIABILITIES	
Liabilities:	
<i>Accounts payable and accrued liabilities</i>	\$ 366,513
Total Liabilities	\$ 366,513

The accompanying notes are an integral part of this statement.

Leland School District

Notes to the Financial Statements
June 30, 2009

Leland School District

Notes to the Financial Statements
For the Year Ended June 30, 2009

(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. 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.

B. Basis of Presentation.

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 interfund 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.

Leland School District

Notes to the Financial Statements For the Year Ended June 30, 2009

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 tax and other items not properly 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 as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support, and other costs.

Title I Fund - This fund accounts for the financial resources of the district's Title I program.

EEF - Buildings and Buses Fund - This special revenue fund is used to account for Educational Enhancement Funds (EEF) received from the state and for the debt service expenditures for which the funds are pledged.

Sixteenth Section Interest Fund - This fund is used to account for maintaining and improving sixteenth section lands.

QZAB Debt Retirement Fund - This fund accounts for the transactions required to pay a Qualified Zone Academy Bond debt.

Leland School District

Notes to the Financial Statements For the Year Ended June 30, 2009

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 reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted for specific expenditure purposes.

Capital Projects Funds - Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Permanent Funds - Permanent Funds are used to account for resources that are legally restricted to the extent that only earnings, and not the principal, may be used for purposes that support the district's programs.

C. Measurement Focus and Basis of Accounting.

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

Leland School District

Notes to the Financial Statements For the Year Ended June 30, 2009

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 tax, 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.

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.

D. Account Classifications.

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

E. Encumbrances.

An encumbrance system is maintained to account for commitments resulting from purchase orders, work orders, and contracts during the fiscal year. However, the school district attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are not reported as reservations of fund balances.

F. Assets, liabilities, and net assets or equity.

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

Leland School District

Notes to the Financial Statements For the Year Ended June 30, 2009

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 Sections 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

Activity 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 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

Leland School District

Notes to the Financial Statements For the Year Ended June 30, 2009

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. 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 account.

6. Capital Assets

Capital assets, which include property, plant, furniture and equipment, are reported in the applicable governmental activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the following table and estimated useful lives in excess of two years.

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	Estimated
	<u>Policy</u>	<u>Useful Life</u>
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.

Leland School District

Notes to the Financial Statements
For the Year Ended June 30, 2009

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 long-term liabilities 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 compensated absence liability payable from expendable available financial resources only if the payable has matured, for example, an employee retires.

8. Long-term Liabilities, Deferred Debt Expenses, 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 equity.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved classified as designated and undesignated.

Fund reserves are portions of fund equity that are legally segregated for a specific future use or are not available for current operations. Following are descriptions of fund reserves used by the district:

Leland School District

Notes to the Financial Statements For the Year Ended June 30, 2009

Reserved for inventory - An account that represents a portion of the fund balance which indicates that inventories do not represent available spendable resources even though they are a component of net current assets.

Reserved for unemployment benefits - An account that represents a portion of the fund balance that is legally restricted for the payment of unemployment benefits.

Reserved for forestry improvements purposes - An account that represents a portion of the fund balance that is legally restricted for improving sixteenth section forest lands.

Reserved for capital projects - An account that represents that portion of fund balance in the Capital Projects Fund which is legally restricted and not available for spending for any other purpose than that for which it is restricted.

Reserved for debt service - An account that represents that portion of fund balance in the Debt Service Fund which is legally restricted and not available for spending for any other purpose than that for which it is restricted.

Reserved for permanent fund purposes - An account that represents a portion of the fund balance that is legally restricted for investment purposes or borrowing by the school board for capital purposes.

Unreserved, undesignated - An account that represent portions of fund balance that is expendable available financial resources.

(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 districts' 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.

Leland School District

Notes to the Financial Statements For the Year Ended June 30, 2009

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest surplus 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 and 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, the principal and interest of which are fully guaranteed by the government or enumerated agency of the United States; (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 interest in, and open-end or closed-end any management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration. 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. Amount 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 \$5,024,747 and \$366,513, respectively. The carrying amount of deposits reported in government-wide statements was: cash and cash equivalents \$5,007,591. The bank balance was \$5,790,704.

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, 2009, none of the district's bank balance of \$5,790,704 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 \$683,413. Of this amount, \$166,984 is shown as restricted assets on Exhibit A.

Investments.

As of June 30, 2009 the district had the following investments. All investments are in an internal investment pool.

Leland School District

Notes to the Financial Statements
For the Year Ended June 30, 2009

Investment Type	Maturities (in years)	Fair Value	Rating
U.S. Government Issues -			
Federal National Mortgage Association	2	\$ 69,739	AAA
U.S. Treas Sec Stripped Int Pmt	Less than 1	5,375	AAA
Federal Home Loan Bank		261,800	Not rated
Total Investments		\$ 336,914	

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 investment 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. Of the district's investments \$336,914 of underlying securities are held by the investment's counterparty, not in the name of the district.

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, 2009, the district had the following investments:

<u>Issuer</u>	<u>Fair Value</u>	<u>% of Total Investments</u>
Federal National Mortgage Association	\$ 69,739	21%
U.S. Treas Sec Stripped Int Pmt	5,375	1%
Federal Home Loan Bank	261,800	78%
	\$ 336,914	100%

(3) Interfund Receivables, Payables, and Transfers.

The following is a summary of interfund transactions and balances:

Leland School District

Notes to the Financial Statements
For the Year Ended June 30, 2009

A. Due From/To Other Funds.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	EEF Buildings and Buses Fund	\$ 1,324
	Other Governmental Funds	<u>2,045</u>
Total		\$ <u><u>3,369</u></u>

The purpose of the Due From/To other funds balances was to cover deficit cash balances. All balances are expected to be repaid within one year from the date of the financial statements.

B. Interfund Transfers.

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 49,066
	Title I Fund	20,957
Other Governmental Funds	General Fund	605,545
	16 th Section Interest Fund	229,478
	Other Governmental Funds	1,883
	Title I Fund	<u>300</u>
Total		\$ <u><u>907,229</u></u>

Transfers were made for indirect cost transfers and budgetary allocations. All transfers were routine and consistent with the fund making the transfer.

(4) Restricted Assets.

The restricted assets represent the cash balance, totaling \$17,156, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets represent cash with fiscal agents balance, totaling \$166,984 of the MAEP Limited Obligation Bond/Note Fund.

(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, 2009

	Balance 7-1-2008	Additions	Retirements	Balance 6-30-2009
<u>Non-depreciable capital assets:</u>				
Land	\$ 42,864			42,864
Total non-depreciable capital assets	42,864	0	0	42,864
<u>Depreciable capital assets:</u>				
Buildings	2,826,380			2,826,380
Building improvements	1,859,454			1,859,454
Improvements other than buildings	29,890			29,890
Mobile equipment	646,873	322,748	189,982	779,639
Furniture and equipment	1,001,173		47,986	953,187
Total depreciable capital assets	6,363,770	322,748	237,968	6,448,550
<u>Less accumulated depreciation for :</u>				
Buildings	2,104,216	22,708		2,126,924
Building improvements	770,772	68,513		839,285
Improvements other than buildings	3,587	1,195		4,782
Mobile equipment	550,550	51,804	170,984	431,370
Furniture and equipment	779,991	63,633	47,506	796,118
Total accumulated depreciation	4,209,116	207,853	218,490	4,198,479
Total depreciable capital assets, net	2,154,654	114,895	19,478	2,250,071
Governmental activities capital assets, net	\$ 2,197,518	114,895	19,478	2,292,935

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 145,497
Support services	41,571
Non-Instructional	<u>20,785</u>
Total Depreciation expense	<u>\$ 207,853</u>

(6) Long-term liabilities.

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

	Balance 7-1-2008	Additions	Reductions	Balance 6-30-2009	Amounts due within one year
A. Limited obligation bonds payable	\$ 1,670,000		135,000	1,535,000	140,000
B. QZAB payable	2,000,000			2,000,000	
C. Other loans payable	128,348		28,568	99,780	28,556
D. Transportation Note	0	322,748		322,748	60,561
E. Compensated absences payable	75,685	3,123		78,808	
Total	\$ <u>3,874,033</u>	<u>325,871</u>	<u>163,568</u>	<u>4,036,336</u>	<u>229,117</u>

Leland School District

Notes to the Financial Statements
For the Year Ended June 30, 2009

A. Limited obligations bonds.

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, Series 1998	4.3% - 7.5%	01-01-98	01-01-18	\$ 2,555,000	1,535,000
Total				\$ <u>2,555,000</u>	<u>1,535,000</u>

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

Year Ending June 30	Principal	Interest	Total
2010	\$ 140,000	71,543	211,543
2011	150,000	65,243	215,243
2012	155,000	58,493	213,493
2013	160,000	51,363	211,363
2014	170,000	44,003	214,003
2015-2019	760,000	92,537	852,537
Total	\$ <u>1,535,000</u>	<u>383,182</u>	<u>1,918,182</u>

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues from the State of Mississippi pursuant to the Mississippi Accountability and the Adequate Education Act, Sections 37-151-1 through 37-151-7 of the Mississippi Code Ann. (1972). The state aid capital improvement bonds are not included in the computation of the debt limit percentage. This debt will be retired from the MAEP Debt Service Fund (#4041).

B. Qualified Zone Academy Bonds Payable.

As more fully explained in Note 10, 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
QZAB Bonds, Series 2005	none	11-17-05	11-17-15	\$ 1,000,000	1,000,000
Series 2001	none	06-26-01	06-25-14	1,000,000	1,000,000
Total				\$ <u>2,000,000</u>	<u>2,000,000</u>

Leland School District

Notes to the Financial Statements
For the Year Ended June 30, 2009

This debt will be retired from the Bond Repayment Fund (Fund 4091) and District Maintenance Fund, respectively.

C. Other Loans Payable.

The school district has issued debt instruments granted under the authority of Section 37-59-101 of the Mississippi State Code.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1995 EPA Loan	0%	05-31-95	11-30-12	\$ 514,231	99,780
Total				\$ 514,231	99,780

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

Year Ending June 30	Principal
2010	\$ 28,556
2011	28,556
2012	28,556
2013	14,112
Total	\$ 99,780

This debt will be retired from the District Maintenance Fund.

D. Transportation Note.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Transportation Note - 2009	3.19%	01-23-09	01-23-14	\$ 322,748	322,748
Total				\$ 322,748	322,748

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

Year Ending June 30	Principal	Interest	Total
2010	\$ 60,561	10,296	70,857
2011	62,492	8,364	70,856
2012	64,486	6,370	70,856
2013	66,543	4,313	70,856
2014	68,666	2,190	70,856
Total	\$ 322,748	31,533	354,281

Leland School District

Notes to the Financial Statements
For the Year Ended June 30, 2009

This debt will be retired from the General Fund.

E. 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.

(7) 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 7.25% 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, 2009 was 11.85% 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, 2009, 2008 and 2007 were \$614,525, \$625,321 and \$563,702, respectively, which equaled the required contributions for each year.

(8) 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.

Leland School District

Notes to the Financial Statements For the Year Ended June 30, 2009

Year Ending June 30	Amount
2010	\$ 208,861
2011	101,816
2012	99,816
2013	82,250
2014	9,600
2015-2019	38,400
Total	\$ <u>540,743</u>

(9) 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 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.

(10) 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 or 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.

Leland School District

Notes to the Financial Statements For the Year Ended June 30, 2009

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 each year starting in 2002 and 2005 and ending in 2014, and 2015, respectively. The amount accumulated in the sinking fund at the end of the ten-year period will be sufficient to retire the debt. The amount of \$157,864 went into the sinking fund of QZAB Debt Retirement Fund. \$157,864 was shown as other financing uses in the other governmental funds column of Exhibit D and as other financing sources in the QZAB Debt Retirement Fund. The following schedule reports the yearly deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2010	\$ 157,864
2011	157,864
2012	157,864
2013	157,864
2014	157,864
2015	157,864
2016	80,941
Total	\$ <u>1,028,125</u>

(11) Subsequent Events.

On September 14, 2009, the district issued a Three Mill note related to Qualified School Construction in the amount of \$2,000,000.

On July 1, 2009, the district issued State Aid Capital Improvement Refunding Bonds, Series 2009 in the amount of \$1,557,000 in order to refund State Aid Capital Improvement Series 1998. State Aid Capital Improvement Refunding Bond Series 2009 will mature on February 1, 2018 at 3.28% interest rate.

REQUIRED SUPPLEMENTARY INFORMATION

LELAND SCHOOL DISTRICT

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2009

Exhibit 1

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 1,863,623	1,852,070	1,852,073	(11,553)	3
State sources	5,374,855	5,107,037	5,107,037	(267,818)	0
Federal sources	203,535	178,522	178,522	(25,013)	0
Total Revenues	<u>7,442,013</u>	<u>7,137,629</u>	<u>7,137,632</u>	<u>(304,384)</u>	<u>3</u>
Expenditures:					
Instruction	3,894,690	3,660,728	3,632,492	233,962	28,236
Support services	3,008,143	3,048,850	3,048,851	(40,707)	(1)
Noninstructional services	56,322	32,014	32,013	24,308	1
Debt Service				0	
Principal	28,568	28,568	28,568	0	0
Other	650			650	0
Total Expenditures	<u>6,988,373</u>	<u>6,770,160</u>	<u>6,741,924</u>	<u>218,213</u>	<u>28,236</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>453,640</u>	<u>367,469</u>	<u>395,708</u>	<u>(86,171)</u>	<u>28,239</u>
Other Financing Sources (Uses):					
Proceeds of loans		322,748	322,748	322,748	0
Insurance Loss Recoveries		1,563		1,563	(1,563)
Sale of other property		5,204	5,204	5,204	0
Transfers In	814,733	966,040	70,023	151,307	(896,017)
Transfers Out	(1,280,656)	(1,501,562)	(605,545)	(220,906)	896,017
Other financing uses	(137,717)			137,717	0
Total Other Financing Sources (Uses)	<u>(603,640)</u>	<u>(206,007)</u>	<u>(207,570)</u>	<u>397,633</u>	<u>(1,563)</u>
Net Change in Fund Balances	<u>(150,000)</u>	<u>161,462</u>	<u>188,138</u>	<u>311,462</u>	<u>26,676</u>
Fund Balances:					
July 1, 2008	2,129,735	2,603,617	2,603,616	473,882	(1)
Prior Period adjustments		26,674		26,674	(26,674)
July 1, 2008, restated	<u>2,129,735</u>	<u>2,630,291</u>	<u>2,603,616</u>	<u>500,556</u>	<u>(26,675)</u>
June 30, 2009	<u>\$ 1,979,735</u>	<u>2,791,753</u>	<u>2,791,754</u>	<u>812,018</u>	<u>1</u>

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

LELAND SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Title I Fund
 For the Year Ended June 30, 2009

Exhibit 2

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$	31	32	31	1
Federal sources	895,431	769,490	769,490	(125,941)	0
Total Revenues	<u>895,431</u>	<u>769,521</u>	<u>769,522</u>	<u>(125,910)</u>	<u>1</u>
Expenditures:					
Instruction	504,848	460,033	460,033	44,815	0
Support services	253,531	184,947	184,947	68,584	0
Non-Instructional	115,837	103,285	103,285	12,552	0
Total Expenditures	<u>874,216</u>	<u>748,265</u>	<u>748,265</u>	<u>125,951</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>21,215</u>	<u>21,256</u>	<u>21,257</u>	<u>41</u>	<u>1</u>
Other Financing Sources (Uses):					
Transfers Out	<u>(21,215)</u>	<u>(21,257)</u>	<u>(21,257)</u>	<u>(42)</u>	<u>(0)</u>
Total Other Financing Sources (Uses)	<u>(21,215)</u>	<u>(21,257)</u>	<u>(21,257)</u>	<u>(42)</u>	<u>(0)</u>
Net Change in Fund Balances	<u>(0)</u>	<u>(1)</u>	<u>0</u>	<u>(1)</u>	<u>1</u>
Fund Balances:					
July 1, 2008	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
June 30, 2009	<u><u>\$ (0)</u></u>	<u><u>(1)</u></u>	<u><u>0</u></u>	<u><u>(1)</u></u>	<u><u>1</u></u>

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

LELAND SCHOOL DISTRICT
 Budgetary Comparison Schedule
 EEF-Buildings and Buses Fund
 For the Year Ended June 30, 2009

Exhibit 3

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
	Revenues:				
State sources	\$ 35,221	29,770	29,770	(5,451)	0
Total Revenues	<u>35,221</u>	<u>29,770</u>	<u>29,770</u>	<u>(5,451)</u>	<u>0</u>
Expenditures:					
Support Services	35,221	29,770	29,770	5,451	0
Total Expenditures	<u>35,221</u>	<u>29,770</u>	<u>29,770</u>	<u>5,451</u>	<u>0</u>
Fund Balances:					
July 1, 2008	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
June 30, 2009	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

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

LELAND SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Sixteenth Section Interest Fund
 For the Year Ended June 30, 2009

Exhibit 4

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
	Revenues:				
Sixteenth Section Sources	\$ 284,266	241,454	241,454	(42,812)	0
Total Revenues	284,266	241,454	241,454	(42,812)	0
Expenditures:					
Sixteenth Section	49,175	48,241	48,241	934	0
Total Expenditures	49,175	48,241	48,241	934	0
Excess (Deficiency) of Revenues Over Expenditures	235,091	193,213	193,213	(41,878)	0
Other Financing Sources (Uses):					
Operating Transfers Out		(229,478)	(229,478)	(229,478)	0
Total Other Financing Sources (Uses)	0	(229,478)	(229,478)	(229,478)	0
Net Change in Fund Balances	235,091	(36,265)	(36,265)	(271,356)	0
Fund Balances:					
July 1, 2008	1,641,278	1,641,236	1,641,236	(42)	0
June 30, 2009	\$ 1,876,369	1,604,971	1,604,971	(271,398)	0

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Leland School District

Notes to the Required Supplementary Information
For the Year Ended June 30, 2009

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget amendments and revisions.

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

SUPPLEMENTAL INFORMATION

Leland School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2009

Schedule 1

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Federal <u>Expenditures</u>
U. S. DEPARTMENT OF AGRICULTURE/ Passed-through the Mississippi Department of Education: Child Nutrition Cluster:		
School Breakfast Program	10.553	145,185
National School Lunch Program	10.555	452,413
Summer Food Service Program for Children	10.559	10,380
Total child nutrition cluster		<u>607,978</u>
Total passed-through the MDE		<u>607,978</u>
TOTAL U. S. DEPARTMENT OF AGRICULTURE		<u>607,978</u>
FEDERAL COMMUNICATION COMMISSION Administered through Universal Service Administrative Company: The school and libraries program of the Universal Service Fund		
Total Federal Communication Commission	32.xxx	<u>156,166</u>
U. S. DEPARTMENT OF EDUCATION/ Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	769,522
Career and Technical Education - Basic Grants to States	84.048	24,407
Safe and Drug Free Schools and Communities - State Grants	84.186	11,383
Education Technology State Grants	84.318	5,988
Rural Education	84.358	30,456
Improving Teacher Quality - State Grants	84.367	196,130
Special Education Cluster:		
Special Education - Grants to States	84.027	330,533
Special Education - Preschool Grants	84.173	10,999
Total special education cluster		<u>341,532</u>
Total passed-through the MDE		<u>1,379,418</u>
TOTAL U. S. DEPARTMENT OF EDUCATION		<u>1,379,418</u>
TOTAL FOR ALL FEDERAL AWARDS		<u><u>\$2,143,562</u></u>

Notes to Schedule

1. This schedule was prepared using the same basis of accounting and significant accounting policies, as applicable, used for the general purpose 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 of Instructional, Administrative and Other Expenditures - Governmental Funds
 For the Year Ended June 30, 2009

Schedule 2

Expenditures	Total	Instruction and Other Instructional	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 7,369,943	5,557,467	535,005	481,307	796,164
Other	<u>2,731,614</u>	<u>810,389</u>	<u>150,008</u>	<u>3,946</u>	<u>1,767,271</u>
Total	\$ 10,101,557	6,367,856	685,013	485,253	2,563,435
Total number of students *	1,157				
Cost per student	\$ 8,731	5,504	592	419	2,216

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. (all the 1000, 2100 & 2200 functional codes)

General Administration - includes expenditures for the following functions: Support Services - General Administration (2300s); Support Services - Business (2500s)

School Administration - includes expenditures for the following functions: Support Services - School Administration (2400s)

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.

Note: includes 100 and 200 range object codes on the "Salaries and fringe benefits" line; all other expenditures on the "Other" line

OTHER SUPPLEMENTAL INFORMATION

LELAND SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

General Fund

Last Four Years

	<u>2009</u>	<u>2008*</u>	<u>2007*</u>	<u>2006*</u>
Revenues:				
Local sources	\$ 1,852,073	1,952,621	1,846,421	1,825,214
State sources	5,107,037	5,368,298	5,125,959	4,976,149
Federal sources	178,522	289,368	210,574	514,703
Total Revenues	<u>7,137,632</u>	<u>7,610,287</u>	<u>7,182,954</u>	<u>7,316,066</u>
Expenditures:				
Instruction	3,632,492	3,716,441	3,538,924	3,610,904
Support services	3,048,851	2,809,578	2,489,474	2,763,181
Noninstructional services	32,013	38,449	43,825	35,200
Debt service:				
Principal	28,568	85,912	84,137	107,910
Interest		1,295	3,118	7,040
Total Expenditures	<u>6,741,924</u>	<u>6,651,675</u>	<u>6,159,478</u>	<u>6,524,235</u>
Excess (Deficiency) of Revenues over Expenditures	<u>395,708</u>	<u>958,612</u>	<u>1,023,476</u>	<u>791,831</u>
Other Financing Sources (Uses):				
Proceeds of loans	322,748			
Sale of transportation equipment				100
Sale of other property	5,204			
Operating transfers in	70,023			709,346
Operating transfers out	(605,545)	(402,757)	(457,347)	(1,141,942)
Other financing uses		(76,923)		(76,923)
Total Other Financing Sources (Uses)	<u>(207,570)</u>	<u>(479,680)</u>	<u>(457,347)</u>	<u>(509,419)</u>
Net Change in Fund Balances	<u>188,138</u>	<u>478,932</u>	<u>566,129</u>	<u>282,412</u>
Fund Balances:				
July 1,	2,603,616	2,124,684	1,560,248	1,277,836
Prior period adjustments			(1,693)	
July 1,	<u>2,603,616</u>	<u>2,124,684</u>	<u>1,558,555</u>	<u>1,277,836</u>
June 30,	<u>\$ 2,791,754</u>	<u>2,603,616</u>	<u>2,124,684</u>	<u>1,560,248</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

LELAND SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

All Governmental Funds

Last Four Years

	2009	2008*	2007*	2006*
Revenues:				
Local sources	\$ 1,998,583	2,112,052	1,992,113	1,964,275
Intermediate sources	5,577,757	5,863,798	5,616,435	5,487,829
State sources	2,169,440	2,377,432	2,223,734	2,524,061
Federal sources	241,697	275,685	287,787	255,271
Total Revenues	9,987,477	10,628,967	10,120,069	10,231,436
Expenditures:				
Instruction	4,991,280	5,039,976	4,918,825	4,824,284
Support services	4,101,786	3,816,905	3,579,880	3,836,618
Noninstructional services	717,829	689,946	737,515	696,890
Sixteenth section	48,241	46,978	26,281	19,971
Debt service:				
Principal	163,568	215,912	209,137	248,994
Interest	77,618	84,633	91,956	101,038
Other	1,235			
Total Expenditures	10,101,557	9,894,350	9,563,594	9,727,795
Excess (Deficiency) of Revenues over Expenditures	(114,080)	734,617	556,475	503,641
Other Financing Sources (Uses):				
Proceeds of general obligation bonds				1,000,000
Proceeds of loans	322,748			
Sale of transportation equipment				100
Sale of other property	5,204		1,198	
Operating transfers in	907,229	527,399	529,548	1,203,123
Other financing sources	157,864	62,805	156,941	1,223
Operating transfers out	(907,229)	(527,399)	(529,548)	(1,203,123)
Other financing uses	(166,802)	(76,923)	(157,864)	(76,923)
Total Other Financing Sources (Uses)	319,014	(14,118)	275	924,400
Net Change in Fund Balances	204,934	720,499	556,750	1,428,041
Fund Balances:				
July 1,	5,987,774	5,277,593	4,718,036	3,289,448
Prior period adjustments			(1,633)	
July 1, as restated	5,987,774	5,277,593	4,716,403	3,289,448
Increase (Decrease) in reserve for inventory	2,889	(10,318)	4,440	547
June 30,	\$ 6,195,597	5,987,774	5,277,593	4,718,036

*SOURCE - PRIOR YEAR AUDIT REPORTS

INTERNAL CONTROL AND COMPLIANCE REPORTS

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 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, 2009, which collectively comprise the Leland School District's basic financial statements and have issued our report thereon dated November 16, 2009. 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

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.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Leland School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the school district's financial statements that is more than inconsequential will not be prevented or detected by the school district's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the school district's internal control.

Our consideration of the internal control over financial reporting was for the limited purposes described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

AICPA & MSCPA

1929 Spillway Road, Suite B, Brandon, MS 39047, Telephone (601) 992-5292

As part of obtaining reasonable assurance about whether the 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*.

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. However, this report is a matter of public record and its distribution is not limited.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
November 16, 2009

Certified Public Accountants

FORTENBERRY & BALLARD, PC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND 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 U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The 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, contract 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 are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The 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 the 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 our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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. However, this report is a matter of public record and its distribution is not limited.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
November 16, 2009

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, 2009, which collectively comprise Leland School District's basic financial statements and have issued our report thereon dated November 16, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(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 state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our procedures performed to test compliance with the requirements of Section 37-61-33 (3)(a)(iii), Miss. Code Ann. (1972), disclosed the following instance of noncompliance. The noncompliance is reported in finding number 1 below. The district reported \$6,112 of classroom supply funds carried over from previous years.

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements did not disclose any instances of noncompliance with other state laws and regulations.

AICPA & MSCPA

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Finding 1

Section 37-61-33, Miss. Code Ann. (1972), requires that Mississippi Public School Districts allocate Education Enhancement Funds (EEF) for classroom supplies equally among all classroom teachers in the school district. Section 37-61-33, Miss. Code Ann. (1972), further defines “teacher” for this statute and specifically excludes all federally-funded teachers from being included in the allocation process. Leland School District allocated classroom supplies to two (2) teachers that were federally funded classroom teachers.

Recommendation:

The District should comply with Section 37-61-33, Miss. Code Ann. (1972), which requires the district to allocate Education Enhancement Funds (EEF) classroom supply funds equally among all classroom teachers but to preclude allocation to federally-funded teachers.

Response:

The District will comply with Section 37-61-33, Miss. Code Ann. (1972).

The Office of the State or a public accounting firm will review, on the subsequent year’s audit engagement, the finding in this report to insure that corrective action has been taken.

The Leland School District’s response to the finding included in this report was not audited 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. However, this report is a matter of public record and its distribution is not limited.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
November 16, 2009

Certified Public Accountants

FINDINGS, CORRECTIVE ACTION PLAN AND AUDIT FOLLOW-UP

Leland School District

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2009

Section 1: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued on the financial statements: Unqualified.
2. Material noncompliance relating to the financial statements? No.
3. Internal control over financial reporting:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency(ies) identified that are not considered to be material weaknesses? No.

Federal Awards:

4. Type of auditor's report issued on compliance for major federal programs: Unqualified.
5. Internal control over major programs:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency(ies) identified that are not considered to be material weaknesses? No.
6. Any audit finding(s) reported as required by Section ____.510(a) of OMB Circular A-133?
No.
7. Federal programs identified as major programs:
 - a. Child Nutrition Cluster:
CFDA# 10.553
CFDA# 10.555
 - b. Special Education Cluster:
CFDA# 84.027
CFDA# 84.173
8. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
9. Auditee qualified as a low-risk auditee? Yes.
10. Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as

discussed in Section __.315(b) of OMB Circular A-133? No.

Section 2: Findings Relating to the Financial Statements

The results of our tests did not disclose any findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

Section 3: Findings and Questioned Costs for Federal Awards

The results of our tests did not disclose any findings and questioned costs related to the federal awards.