



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.



LEFLORE COUNTY SCHOOL DISTRICT

Audited Financial Statements  
For the Year Ended June 30, 2011

Kimberly T. May, CPA  
Madison, MS

This page left blank intentionally.

TABLE OF CONTENTS

FINANCIAL AUDIT REPORT.....	1
Independent Auditor’s Report on the Basic Financial Statements and Supplemental Information...	3
MANAGEMENT’S DISCUSSION AND ANALYSIS.....	5
FINANCIAL STATEMENTS.....	13
Statement of Net Assets.....	15
Statement of Activities.....	16
Balance Sheet – Governmental Funds.....	17
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets.....	18
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	19
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities.....	20
Statement of Fiduciary Assets and Liabilities.....	21
Notes to the Financial Statements.....	23
REQUIRED SUPPLEMENTAL INFORMATION.....	37
Budgetary Comparison Schedule for the General Fund.....	39
Budgetary Comparison Schedule for the Major Special Revenue Fund - School Food Service Fund	40
Budgetary Comparison Schedule for the Major Special Revenue Fund - Title I Fund.....	41
Budgetary Comparison Schedule for the Major Special Revenue Fund - 16 <sup>th</sup> Section Interest Fund	42
Notes to the Required Supplemental Information.....	43
SUPPLEMENTAL INFORMATION.....	45
Schedule of Expenditures of Federal Awards.....	47
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds .....	49
OTHER SUPPLEMENTAL INFORMATION.....	51
Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund,	
Last Four Years.....	53
Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds,	
Last Four Years.....	54
REPORTS ON INTERNAL CONTROLS AND COMPLIANCE.....	55
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	57
Independent Auditor’s Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB CircularA-133 .....	59
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	61
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	65
AUDITEE’S CORRECTIVE ACTION PLAN.....	69

This page left blank intentionally.

FINANCIAL AUDIT REPORT

This page left blank intentionally.

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

Superintendent and School Board  
Leflore County School District

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

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinions.

In my 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 Leflore County School District as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated March 8, 2013, on my consideration of the Leflore County School District's internal control over financial reporting and on my 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 my 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 my audit.

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

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Leflore County 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 my 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, I express no opinion on it.

*Kimberly J. May, CPA*

Madison, MS  
March 8, 2013

This page left blank intentionally.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This page left blank intentionally.

LEFLORE COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011

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

#### FINANCIAL HIGHLIGHTS

- Total net assets for 2011 increased \$480,416, including a prior period adjustment of (\$6,695), which represents a 4.0% increase from fiscal year 2010. Total net assets for 2010 increased \$24,965 which represents a 0.2% increase from fiscal year 2009.
- General revenues amounted to \$16,178,444 and \$16,072,069, or 57.6% and 62.2% of all revenues for fiscal years 2011 and 2010, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$11,895,244, or 42.4% of total revenues for 2011, and \$9,750,283, or 37.8% of total revenues for 2010.
- The District had \$27,586,577 and \$25,797,387 in expenses for fiscal years 2011 and 2010; only \$11,895,244 for 2011 and \$9,750,283 for 2010 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$16,178,444 for 2011 and \$16,072,069 for 2010 were adequate to provide for these programs.
- Among major funds, the General Fund had \$15,114,724 in revenues and \$15,158,152 in expenditures for 2011, and \$15,075,916 in revenues and \$16,153,044 in expenditures in 2010. The General Fund's fund balance decreased by \$611,129 from 2010 to 2011, and decreased by \$1,154,308 from 2009 to 2010.
- Capital assets, net of accumulated depreciation, increased by \$1,106,648 for 2011 and decreased by \$119,313 for 2010. The increase for 2011 was due to the addition construction in progress and mobile equipment of \$1,388,032 coupled with the increase in accumulated depreciation.
- Long-term debt increased by \$3,216,736 for 2011 and decreased by \$290,000 for 2010. This increase for 2011 was due primarily to the issuance of general long-term debt. The liability for compensated absences decreased by \$23,264 for 2011 and decreased by \$40,043 for 2010.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

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

##### Government-wide Financial Statements

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

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

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

The government-wide financial statements outline functions of the District that are principally supported by property taxes

and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, non-instructional, sixteenth section and interest and other expenses on long-term liabilities.

### **Fund Financial Statements**

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

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

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

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

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

### **Reconciliation of Government-wide and Fund Financial Statements**

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

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

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

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

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

### **Notes to the financial statements**

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

### **Required Supplemental Information**

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison

schedules as required supplemental information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board.

### Supplemental Information

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

### Other Information

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### Net assets

Net assets may serve over time as a useful indicator of the District’s financial position. Assets exceeded liabilities by \$12,333,252 as of June 30, 2011.

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

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

**Table 1**  
**Condensed Statement of Net Assets**

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Current assets	\$ 8,157,336	\$ 9,655,433	-15.52 %
Restricted assets	4,039,068	518,590	678.86 %
Capital assets, net	4,364,734	3,258,086	33.97 %
<b>Total assets</b>	<b><u>16,561,138</u></b>	<b><u>13,432,109</u></b>	<b>23.30 %</b>
Current liabilities	487,865	1,055,988	-53.80 %
Long-term debt outstanding	3,740,021	523,285	614.72 %
<b>Total liabilities</b>	<b><u>4,227,886</u></b>	<b><u>1,579,273</u></b>	<b>167.71 %</b>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	3,493,640	2,948,086	18.51 %
Restricted	780,379	5,794,228	-86.53 %
Unrestricted	8,059,233	3,110,522	159.10 %
<b>Total net assets</b>	<b><u>\$ 12,333,252</u></b>	<b><u>\$ 11,852,836</u></b>	<b>4.05 %</b>

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

- Increase in net capital assets in the amount of \$1,106,648.
- Issuance of debt of \$3,550,000 and the principal retirement of \$310,000 of long-term debt.

### Changes in net assets

The District’s total revenues for the fiscal years ended June 30, 2011 and June 30, 2010 were \$28,073,688 and \$25,822,352, respectively. The total cost of all programs and services was \$27,586,577 for 2011 and \$25,797,387 for 2010.

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

**Table 2**  
**Changes in Net Assets**

	<u>Year Ended</u> <u>June 30, 2011</u>	<u>Year Ended</u> <u>June 30, 2010</u>	<u>Percentage</u> <u>Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 243,107	\$ 173,276	40.30 %
Operating grants and contributions	11,652,137	9,577,007	21.67 %
General revenues:			
Property taxes	3,888,144	3,380,277	15.02 %
Grants and contributions not restricted	11,281,402	11,693,347	(3.52) %
Investment earnings	36,334	61,457	(40.88) %
Sixteenth section sources	947,481	936,988	1.12 %
Other	25,083		N/A
<b>Total revenues</b>	<b>28,073,688</b>	<b>25,822,352</b>	<b>8.72 %</b>
<b>Expenses:</b>			
Instruction	14,812,129	14,437,856	2.59 %
Support services	10,208,846	9,001,278	13.42 %
Non-instructional	2,398,756	2,282,923	5.07 %
Sixteenth section	48,870	48,660	0.43 %
Interest and other expenses on long-term liabilities	117,976	26,670	342.35 %
<b>Total expenses</b>	<b>27,586,577</b>	<b>25,797,387</b>	<b>6.94 %</b>
<b>Increase (Decrease) in net assets</b>	<b>487,111</b>	<b>24,965</b>	<b>1,851.18 %</b>
<b>Net Assets, July 1, as originally reported</b>	<b>11,852,836</b>	<b>11,827,871</b>	<b>0.21 %</b>
<b>Prior Period Adjustment</b>	<b>(6,695)</b>		N/A
<b>Net Assets, July 1, as restated</b>	<b>11,846,141</b>	<b>11,827,871</b>	<b>0.15 %</b>
<b>Net Assets, June 30</b>	<b>\$ 12,333,252</b>	<b>\$ 11,852,836</b>	<b>4.05 %</b>

**Governmental activities**

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

**Table 3**  
**Net Cost of Governmental Activities**

	<u>Total Expenses</u>		<u>Percentage</u> <u>Change</u>
	<u>2011</u>	<u>2010</u>	
Instruction	\$ 14,812,129	\$ 14,437,856	2.59 %
Support services	10,208,846	9,001,278	13.42 %
Non-instructional	2,398,756	2,282,923	5.07 %
Sixteenth section	48,870	48,660	0.40 %
Interest and other expenses on long-term liabilities	117,976	26,670	342.35 %
<b>Total expenses</b>	<b>\$ 27,586,577</b>	<b>\$ 25,797,387</b>	<b>6.90 %</b>

	Net (Expense) Revenue		Percentage Change
	2011	2010	
Instruction	\$ (8,972,491)	\$ (9,457,825)	(5.13) %
Support services	(6,334,094)	(4,574,488)	38.47 %
Non-instructional	(217,902)	(1,939,461)	(88.76) %
Sixteenth section	(48,870)	(48,660)	0.43 %
Interest and other expenses on long-term liabilities	(117,976)	(26,670)	342.35 %
<b>Total net (expense) revenue</b>	<b>\$ (15,691,333)</b>	<b>\$ (16,047,104)</b>	<b>(2.22) %</b>

- Net cost of governmental activities (\$15,691,333 for 2011 and \$16,047,104 for 2010) was financed by general revenue, which is primarily made up of property taxes (\$3,888,144 for 2011 and \$3,380,277 for 2010) and state and federal revenues (\$11,281,402 for 2011 and \$11,693,347 for 2010). In addition, there was \$947,481 and \$936,988 in Sixteenth Section sources for 2011 and 2010, respectively.
- Investment earnings amounted to \$36,334 for 2011 and \$61,457 for 2010.

### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$11,376,918, an increase of \$2,516,847, which includes an increase in inventory of \$13,818. \$2,434,121 or 21.4% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$8,942,797 or 78.6% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$611,129. The fund balance of Other Governmental Funds showed an increase in the amount of \$14,790. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
School food service fund	\$ 25,857
Title I fund	no increase or decrease
16th section interest fund	\$ 740,239
GHS building fund	\$ 2,347,090

### BUDGETARY HIGHLIGHTS

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

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

### CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of June 30, 2011, the District's total capital assets were \$11,094,849, including land, construction in progress, school buildings, building improvements, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$1,113,813 from 2010. Total accumulated depreciation as of June 30, 2011, was \$6,730,115, and total depreciation expense for the year was \$237,413, resulting in total net capital assets of \$4,364,734.

**Table 4**  
**Capital Assets, Net of Accumulated Depreciation**

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Land	\$ 149,099	\$ 149,099	0.00 %
Construction in Progress	884,269		N/A
Buildings	2,358,606	2,429,081	(2.90) %
Building improvements	9,718	9,718	0.00 %
Mobile equipment	816,931	419,169	94.89 %
Furniture and equipment	146,111	251,019	(41.79) %
<b>Total</b>	<b>\$ 4,364,734</b>	<b>\$ 3,258,086</b>	<b>33.97 %</b>

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

**Debt Administration.** At June 30, 2011, the District had \$3,740,021 in outstanding long-term debt, of which \$194,202 is due within one year. The liability for compensated absences decreased \$23,264 from the prior year.

The District maintains an excellent bond rating with Moody's Investment Services.

**Table 5**  
**Outstanding Long-Term Debt**

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
General obligation refunding bonds payable		310,000	(100.00) %
Three mill notes payable	550,000		N/A
Qualified school construction bonds payable	3,000,000		N/A
Compensated absences payable	190,021	213,285	(10.91) %
<b>Total</b>	<b>\$ 3,740,021</b>	<b>\$ 523,285</b>	<b>614.72 %</b>

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

## CURRENT ISSUES

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

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

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

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Leflore County School District, 1901 Hwy 82 West, Greenwood, MS 38930.

FINANCIAL STATEMENTS

This page left blank intentionally.

Leflore County School District  
Statement of Net Assets  
June 30, 2011

Exhibit A

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 5,661,712
Due from other governments	1,995,599
Lease receivables, net (Note 13)	436,680
Other receivable, net	37,945
Inventories	25,400
Restricted assets (Note 4)	4,039,068
Non-depreciable capital assets (Note 5)	1,033,368
Depreciable capital assets, net (Note 5)	3,331,366
<b>Total Assets</b>	<u>16,561,138</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	360,838
Unearned revenue	3,805
Interest payable on long-term liabilities	105,059
Other payables	18,163
Long-term liabilities (Due within one year) (Note 6)	
Capital related liabilities	179,000
Non-capital related liabilities	15,202
Long-term liabilities (Due beyond one year) (Note 6)	
Capital related liabilities	3,371,000
Non-capital related liabilities	174,819
<b>Total Liabilities</b>	<u>4,227,886</u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	3,493,640
Restricted net assets	
Expendable	
School-based activities	229,728
Debt service	62,861
Forestry improvements	11,579
Unemployment benefits	109,353
Non-expendable	
Sixteenth section	366,858
Unrestricted	<u>8,059,233</u>
<b>Total Net Assets</b>	<u>\$ 12,333,252</u>

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

Leflore County School District  
Statement of Activities  
For the Year Ended June 30, 2011

Exhibit B

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Instruction	\$ 14,812,129	210,322	5,629,316	(8,972,491)
Support services	10,208,846		3,874,752	(6,334,094)
Non-instructional	2,398,756	32,785	2,148,069	(217,902)
Sixteenth section	48,870			(48,870)
Interest and other expenses on long-term liabilities	117,976			(117,976)
<b>Total Governmental Activities</b>	<u>27,586,577</u>	<u>243,107</u>	<u>11,652,137</u>	<u>(15,691,333)</u>
<b>General Revenues</b>				
Taxes				
				3,560,724
				327,420
Unrestricted grants and contributions				
				11,076,795
				204,607
				36,334
				947,481
				25,083
				<u>16,178,444</u>
Changes in Net Assets				
				<u>487,111</u>
Net Assets - Beginning , as originally reported				
				11,852,836
Prior Period Adjustments (Note 9)				
				(6,695)
Net Assets - Beginning -as restated				
				<u>11,846,141</u>
Net Assets - Ending				
				<u>\$ 12,333,252</u>

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

	Major Funds					Other Governmental Funds	Total Governmental Funds
	General Fund	School Food Service Fund	Title 1 Fund	16th Section Interest Fund	GHS Building Fund		
<b>Assets</b>							
Cash and cash equivalents (Note 2)	\$ 253,620	219,423		5,171,476	2,687,335	781,120	9,112,974
Investments (Note 2)						587,806	587,806
Due from other governments	165,852		770,911			1,058,836	1,995,599
Lease receivables, net (Note 13)				436,680			436,680
Due from other funds (Note 3)	2,047,252	106,564					2,153,816
Advances to other funds (Note 3)	17,000						17,000
Inventories		25,400					25,400
<b>Total Assets</b>	<b>2,483,724</b>	<b>351,387</b>	<b>770,911</b>	<b>5,608,156</b>	<b>2,687,335</b>	<b>2,427,762</b>	<b>14,329,275</b>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities</b>							
Accounts payable & accrued liabilities	14,440	210	2,225		340,245	3,718	360,838
Due to other funds (Note 3)	18,163	325,000	768,686			1,039,185	2,151,034
Unearned revenue				436,680		3,805	440,485
<b>Total Liabilities</b>	<b>32,603</b>	<b>325,210</b>	<b>770,911</b>	<b>436,680</b>	<b>340,245</b>	<b>1,046,708</b>	<b>2,952,357</b>
<b>Fund Balances</b>							
<b>Nonexpendable</b>							
Inventory		25,400					25,400
Permanent fund principal						366,858	366,858
Advances	17,000						17,000
<b>Restricted</b>							
Debt service						167,920	167,920
Capital projects					2,347,090	331,816	2,678,906
Forestry improvements						11,579	11,579
Unemployment benefits						109,353	109,353
Grant activities		777				203,551	204,328
<b>Assigned</b>							
Other purposes				5,171,476		189,977	5,361,453
Unassigned	2,434,121						2,434,121
<b>Total Fund Balances</b>	<b>2,451,121</b>	<b>26,177</b>	<b>0</b>	<b>5,171,476</b>	<b>2,347,090</b>	<b>1,381,054</b>	<b>11,376,918</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,483,724</b>	<b>351,387</b>	<b>770,911</b>	<b>5,608,156</b>	<b>2,687,335</b>	<b>2,427,762</b>	<b>14,329,275</b>

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

Leflore County School District  
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets  
 June 30, 2011

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 11,376,918
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the governmental funds, net of accumulated depreciation of \$6,730,115.	4,364,734
Sixteenth section lease receivable, which was measurable but not available, is reported as deferred revenue in the governmental funds but are included in net assets of the governmental activities	436,680
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	(3,740,021)
Governmental funds recognize interest on long-term debt when it becomes due, however the Statement of Net Assets recognizes interest as it accrues.	<u>(105,059)</u>
Total Net Assets - Governmental Activities	<u><u>\$ 12,333,252</u></u>

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

Leflore County School District  
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended June 30, 2011

Exhibit D

	Major Funds						Total Governmental Funds
	General Fund	School Food Service Fund	Title I Fund	16th Section Interest Fund	GHS Building Fund	Other Governmental Funds	
<b>Revenues</b>							
Local sources	\$ 3,691,305	34,264			10,230	334,474	4,070,273
State sources	11,218,812	16,739				843,552	12,079,103
Federal sources	204,607	1,729,464	2,764,620			6,278,140	10,976,831
Sixteenth section sources				769,314		3,044	772,358
<b>Total Revenues</b>	<b>15,114,724</b>	<b>1,780,467</b>	<b>2,764,620</b>	<b>769,314</b>	<b>10,230</b>	<b>7,459,210</b>	<b>27,898,565</b>
<b>Expenditures</b>							
Instruction	8,640,248		1,418,055			4,632,302	14,690,605
Support services	6,404,048		1,268,991			2,924,733	10,597,772
Noninstructional services	113,856	1,864,828	52,253			366,573	2,397,510
Sixteenth section				29,075		19,795	48,870
Facilities acquisition and construction					663,140	221,129	884,269
Debt service							
Principal (Note 6)						310,000	310,000
Interest						14,570	14,570
Other						1,940	1,940
<b>Total Expenditures</b>	<b>15,158,152</b>	<b>1,864,828</b>	<b>2,739,299</b>	<b>29,075</b>	<b>663,140</b>	<b>8,491,042</b>	<b>28,945,536</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(43,428)</b>	<b>(84,361)</b>	<b>25,321</b>	<b>740,239</b>	<b>(652,910)</b>	<b>(1,031,832)</b>	<b>(1,046,971)</b>
<b>Other Financing Sources (Uses)</b>							
Proceeds of loans (Note 6)					3,000,000	550,000	3,550,000
Operating transfers in (Note 3)	77,497	96,400				548,798	722,695
Operating transfers out (Note 3)	(645,198)		(25,321)			(52,176)	(722,695)
<b>Total Other Financing Sources (Uses)</b>	<b>(567,701)</b>	<b>96,400</b>	<b>(25,321)</b>	<b>0</b>	<b>3,000,000</b>	<b>1,046,622</b>	<b>3,550,000</b>
<b>Net Change in Fund Balances</b>	<b>(611,129)</b>	<b>12,039</b>	<b>0</b>	<b>740,239</b>	<b>2,347,090</b>	<b>14,790</b>	<b>2,503,029</b>
<b>Fund Balances</b>							
July 1, 2010	3,062,250	320	0	4,431,237	0	1,366,264	8,860,071
Increase in reserve for inventory		13,818					13,818
June 30, 2011	<b>\$ 2,451,121</b>	<b>26,177</b>	<b>0</b>	<b>5,171,476</b>	<b>2,347,090</b>	<b>1,381,054</b>	<b>11,376,918</b>

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

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

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balance - Governmental Funds	\$ 2,503,029
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to \$1,388,032 and the depreciation expense amounted to \$237,413.	1,150,619
Delinquent sixteenth section lease receivables, which are measurable but not available, are reported as revenue in the changes in net assets of governmental activities but are not included in the revenue of the governmental funds	175,123
The repayment of the principal on long-term debt consumes current financial resources of governmental funds but has no effect on net assets.	310,000
The issuance of long-term debt provides current financial resources to governmental funds but has no effect on net assets.	(3,550,000)
Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due.	(101,466)
The sale and/or disposal of capital assets is reported as other financing sources in the governmental funds but is reported as a reduction of net capital assets on the Statement of Activities, along with any gain or loss.	(37,276)
An increase in the inventory reserve is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenses are decreased in the Statement of Activities.	13,818
Expenses for compensated absences reported in the Statement of Activities do not require use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	<u>23,264</u>
Changes in Net Assets of Governmental Activities	<u>\$ 487,111</u>

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

Leflore County School District  
Statement of Fiduciary Assets and Liabilities  
June 30, 2011

Exhibit E

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents (Note 2)	\$ 897,818
Due from other funds (Note 3)	<u>18,163</u>
Total Assets	<u><u>915,981</u></u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	878,036
Due to other funds (Note 3)	20,945
Advances From Other Funds (Note 3)	<u>17,000</u>
Total Liabilities	<u><u>\$ 915,981</u></u>

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

This page left blank intentionally.

Leflore County School District  
Notes to Financial Statements  
For the Year Ended June 30, 2011

**Note 1 – Summary of Significant Accounting Policies**

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

**A. Basis of Presentation**

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

**B. Financial Reporting Entity**

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

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

**C. Government-wide and Fund Financial Statements**

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

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

1. Invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

Leflore County School District  
Notes to Financial Statements  
For the Year Ended June 30, 2011

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not included among program revenues are reported instead as general revenues.

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

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

School Food Service Fund - This special revenue fund is financed with federal, state and local funds and is used to account for the activities associated with the federal Child Nutrition Program.

Title I Fund - This special revenue fund is financed with federal funds and is used to account for the activities associated with educationally deprived children.

16<sup>th</sup> Section Interest Fund - This fund is used to account for the expendable financial resources generated from the use of sixteenth section trust lands. Available funds may be transferred to the General Fund or Construction Funds and may be used for appropriate purposes.

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 District's fiduciary funds include the following:

Payroll Clearing Fund - This fund is used as a clearing account for payroll and payroll related transactions.

Accounts Payable Clearing - This fund is used as a clearing account for non-payroll transactions.

Additionally, the school district reports the following fund types:

#### GOVERNMENTAL FUNDS

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

Capital Projects Funds - Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Debt Service Funds - Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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

Leflore County School District  
Notes to Financial Statements  
For the Year Ended June 30, 2011

FIDUCIARY FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

Leflore County School District  
Notes to Financial Statements  
For the Year Ended June 30, 2011

**E. Encumbrances**

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

For accounting purposes, certificates of deposit are classified as investments if they have an original maturity greater than three months when acquired.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

Donated commodities are received from the USDA and are valued at USDA cost. Other inventories are valued at cost (calculated on the first-in, first-out basis). The costs of governmental fund type inventories are reported as expenditures when purchased.

Prepaid items, such as prepaid insurance, are not reported for governmental fund types since the costs of such items are accounted for as expenditures in the period of acquisition.

Leflore County School District  
Notes to Financial Statements  
For the Year Ended June 30, 2011

5. Restricted Assets

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

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

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

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

(\*\*) The estimated useful life is based on the district's specific intangible asset(s). There is no mandated maximum amortization period. Intangible assets with indefinite useful lives should not be amortized.

7. Compensated Absences

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

Leflore County School District  
Notes to Financial Statements  
For the Year Ended June 30, 2011

vacation leave in accordance with school district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

The liability for these compensated absences is recorded as a long-term liability in the government-wide statements. The current portion of this liability is estimated based on historical trends. In the fund financial statements, governmental funds report the liability for compensated absences from expendable available financial resources only if the payable has matured, for example, an employee retires.

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

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

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

9. Fund Balances

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

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

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

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

*Committed fund balance* includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is documented in the board minutes of the School Board. Currently there are no committed fund balances.

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

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

Leflore County School District  
Notes to Financial Statements  
For the Year Ended June 30, 2011

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

**Note 2 – Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments**

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

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

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

**Cash and Cash Equivalents**

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$9,700,780 (which includes \$587,806 of certificates of deposit with original maturities beyond three months and reported on the Balance Sheet as investments) and \$897,818 respectively.

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district.

**Investments**

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

Leflore County School District  
Notes to Financial Statements  
For the Year Ended June 30, 2011

Investment Type	Rating	Maturities (in years)	Fair Value
Certificates of deposit	N/A	1 to 5 years	<u>\$ 587,806</u>

*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. As of June 30, 2011, the district did not have any investments to which this would apply.

*Concentration of Credit Risk.* Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2011, the district had the following investments:

Issuer	Fair Value	% of Total Investments
Regions Bank - Certificate of deposit	\$ 35,288	6.0%
Planters Banks and Trust - Certificate of deposit	43,665	7.4%
Trustmark Bank - Certificate of deposit	508,853	86.6%
	<u>\$ 587,806</u>	

**Note 3 – Inter-fund Receivables, Payables and Transfers**

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

**A. Due From/To Other Funds**

Receivable Fund	Payable Fund	Amount
General Fund	Major fund - Title I Fund	\$ 768,686
	Major fund - School Food Service Fund	325,000
	Other governmental funds	932,621
	Fiduciary funds	20,945
Major fund - School Food Service Fund	Other governmental funds	106,564
Fiduciary funds	General Fund	<u>18,163</u>
Total		<u>\$ 2,171,979</u>

The purpose of the more significant interfund loans was to eliminate deficit cash balances in certain federal programs as part of the normal year end closing adjustments.

Leflore County School District  
Notes to Financial Statements  
For the Year Ended June 30, 2011

**B. Advances To/From Other Funds**

Receivable Fund	Payable Fund	Amount
General Fund	Fiduciary funds	\$ <u>17,000</u>

The advance represents the accumulated cash in the clearing accounts that is due to the General Fund.

**C. Inter-fund Transfers**

Transfers Out	Transfers In	Amount
General Fund	Major fund - School Food Service Fund	\$ 96,400
	Other governmental funds	548,798
Major fund - Title I Fund	General Fund	25,321
Other governmental funds	General Fund	<u>52,176</u>
Total		<u>\$ 722,695</u>

The transfer out of the General fund was for the purpose of financing the school food service fund and the vocational program in the other governmental funds. The transfer out of the Title I Fund and the other governmental funds was for indirect cost transferred to the General Fund.

**Note 4 – Restricted Assets**

The restricted assets represent the legally restricted cash and investment balances of the following funds which may not be used for purposes that support the district's programs.

Funds with Restrictd Balances	Account	Amount
GHS building fund	Cash	\$ 2,687,335
EEF building and bus fund	Cash	123,481
EEF instructional supply fund	Cash	56,331
Workers compensation fund	Cash	74,066
Forestry escrow fund	Cash	11,579
Building fund	Cash	331,816
Debt service fund	Cash	162,337
16th section principal fund	Cash	4,317
Workers compensation fund	Investment	35,288
16th section principal fund	Investment	<u>552,518</u>
Total		<u>\$ 4,039,068</u>

**Note 5 – Capital Assets**

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

Leflore County School District  
Notes to Financial Statements  
For the Year Ended June 30, 2011

	Balance 7/1/2010	Increases	Decreases	Adjustments	Balance 6/30/2011
<b>Governmental Activities:</b>					
<u>Non-depreciable capital assets:</u>					
Land	\$ 149,099				149,099
Construction in progress	0	884,269			884,269
Total non-depreciable capital assets	<u>149,099</u>	<u>884,269</u>	<u>0</u>	<u>0</u>	<u>1,033,368</u>
<u>Depreciable capital assets:</u>					
Buildings	7,043,013				7,043,013
Building improvements	48,593				48,593
Mobile equipment	1,650,657	503,763	(255,556)	28,608	1,927,472
Furniture and equipment	1,089,674		(11,968)	(35,303)	1,042,403
Total depreciable capital assets	<u>9,831,937</u>	<u>503,763</u>	<u>(267,524)</u>	<u>(6,695)</u>	<u>10,061,481</u>
<u>Less accumulated depreciation for:</u>					
Buildings	4,613,932	70,475			4,684,407
Building improvements	38,875				38,875
Mobile equipment	1,231,488	97,453	(218,400)		1,110,541
Furniture and equipment	838,655	69,485	(11,848)		896,292
Total accumulated depreciation	<u>6,722,950</u>	<u>237,413</u>	<u>(230,248)</u>	<u>0</u>	<u>6,730,115</u>
Total depreciable capital assets, net	<u>3,108,987</u>	<u>266,350</u>	<u>(37,276)</u>	<u>(6,695)</u>	<u>3,331,366</u>
Governmental activities capital assets, net	<u>\$ 3,258,086</u>	<u>1,150,619</u>	<u>(37,276)</u>	<u>(6,695)</u>	<u>4,364,734</u>

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 121,404
Support services	100,945
Non-instructional	15,064
Total depreciation expense - Governmental activities	<u>\$ 237,413</u>

Construction in progress is composed of:

	Spent to June 30, 2011	Remaining Commitment
<b>Governmental Activities:</b>		
Leflore County Elementary School	\$ 353,245	\$ 1,070,445
Amanda Elzy Elementary School	531,024	1,608,461
Total construction in progress	<u>\$ 884,269</u>	<u>\$ 2,678,906</u>

Construction projects included in governmental activities are funded with the proceeds of debt.

**Note 6 – Long-term Liabilities**

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

Leflore County School District  
Notes to Financial Statements  
For the Year Ended June 30, 2011

	Balance 7/1/2010	Additions	Reductions	Balance 6/30/2011	Amounts due within one year
A. General obligation refunding bonds payable	\$ 310,000		310,000	0	
B. Three mill notes payable		550,000		550,000	179,000
C. Qualified school construction bonds payable		3,000,000		3,000,000	0
D. Compensated absences payable	213,285		23,264	190,021	15,202
<b>Total</b>	<u>\$ 523,285</u>	<u>3,550,000</u>	<u>333,264</u>	<u>3,740,021</u>	<u>194,202</u>

**A. General obligation bonds payable**

The general obligation refunding bonds were paid in full during the fiscal year.

**B. Three mill notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three mill notes payable, series 2010	1.9	11/1/2010	11/1/2013	\$ <u>550,000</u>	\$ <u>550,000</u>

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 179,000	\$ 10,450	\$ 189,450
2013	183,000	7,049	190,049
2014	<u>188,000</u>	<u>3,572</u>	<u>191,572</u>
<b>Total</b>	<u>\$ 550,000</u>	<u>\$ 21,071</u>	<u>\$ 571,071</u>

This debt will be retired from the Three Mill Debt Service Fund.

**C. Qualified school construction bonds payable**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified School Construction Bonds Payable	6.01	12/1/2010	12/1/2025	\$ <u>3,000,000</u>	\$ <u>3,000,000</u>

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

Leflore County School District  
Notes to Financial Statements  
For the Year Ended June 30, 2011

Year Ending June 30	Principal	Interest	Total
2012	\$	\$ 172,287	\$ 172,287
2013		180,300	180,300
2014		180,300	180,300
2015		180,300	180,300
2016		180,300	180,300
2017 – 2021		901,500	901,500
2022 – 2026	3,000,000	901,500	3,901,500
Total	\$ 3,000,000	\$ 2,696,487	\$ 5,696,487

This debt will be retired from the Debt Service Fund.

**D. Compensated absences payable**

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

**Note 7 – Defined Benefit Pension Plan**

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

**Funding Policy.** PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2011 was 12.00% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2011, 2010 and 2009 were \$1,641,661, \$1,780,145 and \$1,665,329, respectively, which equaled the required contributions for each year.

**Note 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.

Leflore County School District  
Notes to Financial Statements  
For the Year Ended June 30, 2011

Year Ending June 30	Amount
2012	\$ 912,844
2013	867,494
2014	792,693
2015	601,550
2016	134,900
2017 – 2021	210,450
2022 – 2026	205,175
2027 – 2031	196,525
2032 – 2036	124,450
Total	<u>\$ 4,046,081</u>

**Note 9 – Prior Period Adjustments**

A summary of significant fund balance adjustments is as follows:

Exhibit B - Statement of Activities

Explanation	Amount
Correction of accumulated depreciation on capital assets	\$ <u>(6,695)</u>

**Note 10 – Contingencies**

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

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

**Note 11 – Risk Management**

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

**Participation in Public Entity Risk Pool**

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 72 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers

Leflore County School District  
Notes to Financial Statements  
For the Year Ended June 30, 2011

comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

**Note 12 – Qualified School Construction Bonds**

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs.

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2011 was \$-0-. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2012	\$ 80,000
2013	80,000
2014	237,000
2015	237,000
2016	237,000
2017 – 2021	1,185,000
2022 – 2025	944,000
<b>Total</b>	<b>\$ 3,000,000</b>

**Note 13 – Lease Receivable, Net / Deferred Revenue**

The lease receivable, net / deferred revenue (\$436,680) is the result of leases of trust lands whose lease payment are past due as of the close of the fiscal year, thus they are considered measurable but not available. The board of education has addressed the past due leases and anticipates collections on the lease payments.

**Note 14 – Subsequently Discovered Facts That Become Known to the Auditor after the Release of the Report**

Subsequent to the release of the auditor's report dated January 22, 2012, management became aware that the School Improvement Grant and the ARRA-School Improvement Grant, Recovery Act were not reported as a cluster on the Schedule of Expenditures of Federal Awards nor on the Schedule of Findings and Questioned Costs. Management's decision to correct this matter has resulted in the reissuance of auditor's report which is now dated March 8, 2013.

REQUIRED SUPPLEMENTAL INFORMATION

This page left blank intentionally.

Leflore County School District  
 Budgetary Comparison Schedule for the General Fund  
 For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues</b>					
Local sources	\$ 3,679,256	3,679,256	3,691,305	0	12,049
State sources	12,019,026	12,019,026	11,218,812	0	(800,214)
Federal sources	0	0	204,607	0	204,607
<b>Total Revenues</b>	<b>15,698,282</b>	<b>15,698,282</b>	<b>15,114,724</b>	<b>0</b>	<b>(583,558)</b>
<b>Expenditures</b>					
Instruction	11,046,332	11,046,332	8,640,248	0	2,406,084
Support services	6,226,532	6,226,532	6,404,048	0	(177,516)
Noninstructional services	0	0	113,856	0	(113,856)
<b>Total Expenditures</b>	<b>17,272,864</b>	<b>17,272,864</b>	<b>15,158,152</b>	<b>0</b>	<b>2,114,712</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(1,574,582)</b>	<b>(1,574,582)</b>	<b>(43,428)</b>	<b>0</b>	<b>1,531,154</b>
<b>Other Financing Sources (Uses)</b>					
Operating transfers in	2,242,422	2,242,422	77,497	0	(2,164,925)
Operating transfers out	(1,402,422)	(1,402,422)	(645,198)	0	757,224
<b>Total Other Financing Sources (Uses)</b>	<b>840,000</b>	<b>840,000</b>	<b>(567,701)</b>	<b>0</b>	<b>(1,407,701)</b>
<b>Net Change in Fund Balances</b>	<b>(734,582)</b>	<b>(734,582)</b>	<b>(611,129)</b>	<b>0</b>	<b>123,453</b>
<b>Fund Balances</b>					
July 1, 2010			3,062,250		
June 30, 2011			\$ 2,451,121		

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

Leflore County School District  
 Budgetary Comparison Schedule for the Major Special Revenue Fund - School Food Service Fund  
 For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Local sources	\$ 55,000	55,000	34,264	0	(20,736)
State sources	18,000	18,000	16,739	0	(1,261)
Federal sources	1,820,000	1,820,000	1,729,464	0	(90,536)
Total Revenues	<u>1,893,000</u>	<u>1,893,000</u>	<u>1,780,467</u>	<u>0</u>	<u>(112,533)</u>
Expenditures					
Noninstructional services	1,854,685	1,854,685	1,864,828	0	(10,143)
Total Expenditures	<u>1,854,685</u>	<u>1,854,685</u>	<u>1,864,828</u>	<u>0</u>	<u>(10,143)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>38,315</u>	<u>38,315</u>	<u>(84,361)</u>	<u>0</u>	<u>(122,676)</u>
Other Financing Sources (Uses)					
Operating transfers in	0	0	96,400	0	96,400
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>96,400</u>	<u>0</u>	<u>96,400</u>
Net Change in Fund Balances	<u>38,315</u>	<u>38,315</u>	<u>12,039</u>	<u>0</u>	<u>(26,276)</u>
Fund Balances					
July 1, 2010			320		
Increase in reserve for inventory			<u>13,818</u>		
June 30, 2011			<u>\$ 26,177</u>		

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

Leflore County School District  
 Budgetary Comparison Schedule for the Major Special Revenue Fund - Title I Fund  
 For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
	Revenues				
Federal sources	\$ 2,745,042	2,745,042	2,764,620	0	19,578
Total Revenues	<u>2,745,042</u>	<u>2,745,042</u>	<u>2,764,620</u>	<u>0</u>	<u>19,578</u>
Expenditures					
Instruction	1,576,633	1,576,633	1,418,055	0	158,578
Support services	1,688,715	1,688,715	1,268,991	0	419,724
Noninstructional services	117,453	117,453	52,253	0	65,200
Total Expenditures	<u>3,382,801</u>	<u>3,382,801</u>	<u>2,739,299</u>	<u>0</u>	<u>643,502</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(637,759)</u>	<u>(637,759)</u>	<u>25,321</u>	<u>0</u>	<u>663,080</u>
Other Financing Sources (Uses)					
Operating transfers out	(25,321)	(25,321)	(25,321)	0	0
Total Other Financing Sources (Uses)	<u>(25,321)</u>	<u>(25,321)</u>	<u>(25,321)</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	<u>(663,080)</u>	<u>(663,080)</u>	<u>0</u>	<u>0</u>	<u>663,080</u>
Fund Balances					
July 1, 2010			<u>0</u>		
June 30, 2011			<u>\$ 0</u>		

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

Leflore County School District  
 Budgetary Comparison Schedule for the Major Special Revenue Fund - 16th Section Interest Fund  
 For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues</b>					
Sixteenth section sources	\$ 717,220	717,220	769,314	0	52,094
<b>Total Revenues</b>	<u>717,220</u>	<u>717,220</u>	<u>769,314</u>	<u>0</u>	<u>52,094</u>
<b>Expenditures</b>					
Sixteenth section	55,000	55,000	29,075	0	25,925
<b>Total Expenditures</b>	<u>55,000</u>	<u>55,000</u>	<u>29,075</u>	<u>0</u>	<u>25,925</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>662,220</u>	<u>662,220</u>	<u>740,239</u>	<u>0</u>	<u>78,019</u>
<b>Other Financing Sources (Uses)</b>					
Operating transfers out	(950,000)	(950,000)	0	0	950,000
<b>Total Other Financing Sources (Uses)</b>	<u>(950,000)</u>	<u>(950,000)</u>	<u>0</u>	<u>0</u>	<u>950,000</u>
<b>Net Change in Fund Balances</b>	<u>(287,780)</u>	<u>(287,780)</u>	<u>740,239</u>	<u>0</u>	<u>1,028,019</u>
<b>Fund Balances</b>					
July 1, 2010			<u>4,431,237</u>		
June 30, 2011			<u>\$ 5,171,476</u>		

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

Leflore County School District  
Notes to the Required Supplemental Information  
For the Year Ended June 30, 2011

(1) Basis of Presentation.

The Budgetary Comparison Schedules present the original 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 following the end of the fiscal year. A budgetary comparison is presented for the general fund and each major special revenue fund on the same basis of accounting as the budget which is consistent with accounting principles generally accepted in the United States of America.

(3) Excess Expenditures over Budget.

The district elected to not amend the budgets of individual funds at or close to year end. Numerous individual funds have an excess of expenditures over budget. This excess of expenditures over budget is not considered a violation of state law since all fund expenditures were within available resources.

This page left blank intentionally.

SUPPLEMENTAL INFORMATION

This page left blank intentionally.

Leflore County School District  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2011

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 563,917
National school lunch program	10.555	1,287,094
Summer food service program for children	10.559	132,068
Total child nutrition cluster		<u>1,983,079</u>
Child Nutrition Discretionary Grants Limited Availability	10.579	<u>37,032</u>
Total U.S. Department of Agriculture		<u>2,020,111</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The school and libraries program of the universal service fund	32.XXX	<u>204,607</u>
Total Federal Communications Commission		<u>204,607</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Career and technical education - basic grants to states	84.048	62,814
Safe and drug-free schools and communities - state grants	84.186	16,783
Even start - state educational agencies	84.213	722
Twenty first century community learning centers	84.287	262,074
Rural education	84.358	112,781
Improving teacher quality - state grants	84.367	355,225
ARRA – homeless education, recovery act	84.387	10,424
Total		<u>820,823</u>
Education technology state grants cluster:		
Education technology - state grants	84.318	27,518
ARRA - education technology - state grants, recovery act	84.386	58,773
Total education technology state grants cluster		<u>86,291</u>
State fiscal stabilization cluster:		
ARRA - State fiscal stabilization fund - education state grants, recovery act	84.394	755,948
Total state fiscal stabilization cluster		<u>755,948</u>
Title I cluster:		
Title I - grants to local educational agencies	84.010	2,764,620
ARRA - Title I - grants to local educational agencies, recovery act	84.389	1,350,474
Total title I cluster		<u>4,115,094</u>
School improvement grants cluster:		
School improvement grants	84.377	51,529
ARRA – school improvement grants, recovery act	84.388	1,432,741
		<u>1,484,270</u>

Leflore County School District  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2011

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
Special education cluster:		
Special education - grants to states	84.027	689,367
Special education - preschool grants	84.173	41,923
ARRA - Special education - grants to states, recovery act	84.391	308,655
ARRA - Special education - preschool grants, recovery act	84.392	<u>14,155</u>
Total special education cluster		<u>1,054,100</u>
Education jobs fund	84.410	<u>564,496</u>
Total U.S. Department of Education		<u>8,881,022</u>
 <u>U.S. Department of Health and Human Services</u>		
Passed-through Mississippi Department of Health and Human Services:		
Temporary assistance for needy families	93.558	<u>85,016</u>
Total U.S. Department of Health and Human Services		<u>85,016</u>
 Total for All Federal Awards		 \$ <u>11,190,756</u>

NOTES TO SCHEDULE

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

Leflore County School District  
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds  
 For the Year Ended June 30, 2011

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administrative</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 19,988,389	\$ 15,138,724	\$ 771,464	\$ 1,084,112	\$ 2,994,089
Other	\$ 8,957,147	\$ 3,633,388	\$ 658,976	\$ 26,800	\$ 4,637,983
Total	<u>\$ 28,945,536</u>	<u>\$ 18,772,112</u>	<u>\$ 1,430,440</u>	<u>\$ 1,110,912</u>	<u>\$ 7,632,072</u>
Total number of students	<u>2,594</u>				
Cost per student	<u>\$ 11,158</u>	<u>\$ 7,237</u>	<u>\$ 551</u>	<u>\$ 428</u>	<u>\$ 2,942</u>

Notes to the schedule.

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

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

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

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

Total number of students - the ADA report submission for month 9, which is the final submission for the school year.

This page left blank intentionally.

OTHER SUPPLEMENTAL INFORMATION

This page left blank intentionally.

Leflore County School District  
Statement of Revenues, Expenditures and Changes in Fund Balances  
General Fund  
Last Four Years

UNAUDITED

	2011	2010*	2009*	2008*
Revenues				
Local sources	\$ 3,691,305	3,311,830	3,445,021	3,401,488
State sources	11,218,812	11,611,195	13,369,660	13,704,639
Federal sources	204,607	152,891	223,973	387,153
Total Revenues	<u>15,114,724</u>	<u>15,075,916</u>	<u>17,038,654</u>	<u>17,493,280</u>
Expenditures				
Instruction	8,640,248	9,792,509	10,834,262	10,674,783
Support services	6,404,048	6,360,535	6,939,659	6,683,864
Noninstructional services	113,856	0	0	0
Total Expenditures	<u>15,158,152</u>	<u>16,153,044</u>	<u>17,773,921</u>	<u>17,358,647</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(43,428)</u>	<u>(1,077,128)</u>	<u>(735,267)</u>	<u>134,633</u>
Other Financing Sources (Uses)				
Operating transfers in	77,497	91,817	698,240	52,033
Operating transfers out	(645,198)	(168,997)	(323,084)	(193,588)
Total Other Financing Sources (Uses)	<u>(567,701)</u>	<u>(77,180)</u>	<u>375,156</u>	<u>(141,555)</u>
Net Change in Fund Balances	<u>(611,129)</u>	<u>(1,154,308)</u>	<u>(360,111)</u>	<u>(6,922)</u>
Fund Balances				
July 1	<u>3,062,250</u>	<u>4,216,558</u>	<u>4,576,669</u>	<u>4,583,591</u>
June 30	<u>\$ 2,451,121</u>	<u>3,062,250</u>	<u>4,216,558</u>	<u>4,576,669</u>

\* Source - Prior year audit reports.

Leflore County School District  
Statement of Revenues, Expenditures and Changes in Fund Balances  
All Governmental Funds  
Last Four Years

UNAUDITED

	2011	2010*	2009*	2008*
<b>Revenues</b>				
Local sources	\$ 4,070,273	3,686,083	3,836,514	3,815,948
State sources	12,079,103	12,539,919	14,736,265	15,128,721
Federal sources	10,976,831	8,653,321	5,881,737	6,034,205
Sixteenth section sources	772,358	832,897	753,733	675,101
<b>Total Revenues</b>	<u>27,898,565</u>	<u>25,712,220</u>	<u>25,208,249</u>	<u>25,653,975</u>
<b>Expenditures</b>				
Instruction	14,690,605	14,408,203	14,170,939	14,066,834
Support services	10,597,772	8,953,593	8,922,362	8,626,601
Noninstructional services	2,397,510	2,275,545	2,239,469	2,085,866
Sixteenth section	48,870	48,660	75,863	23,775
Facilities acquisition and construction	884,269	0	0	0
Debt service				
Principal	310,000	290,000	275,000	265,000
Interest	14,570	28,055	40,705	52,763
Other	1,940	1,940	1,939	1,940
<b>Total Expenditures</b>	<u>28,945,536</u>	<u>26,005,996</u>	<u>25,726,277</u>	<u>25,122,779</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(1,046,971)</u>	<u>(293,776)</u>	<u>(518,028)</u>	<u>531,196</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds of loans	3,550,000	0	0	0
Operating transfers in	722,695	270,367	1,021,324	245,620
Operating transfers out	(722,695)	(270,367)	(1,021,324)	(245,620)
<b>Total Other Financing Sources (Uses)</b>	<u>3,550,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net Change in Fund Balances</b>	<u>2,503,029</u>	<u>(293,776)</u>	<u>(518,028)</u>	<u>531,196</u>
<b>Fund Balances</b>				
July 1, as originally reported	8,860,071	9,159,293	9,708,980	9,160,563
July 1, as restated	<u>8,860,071</u>	<u>9,159,293</u>	<u>9,708,980</u>	<u>9,160,563</u>
Increase (Decrease) in reserve for inventory	<u>13,818</u>	<u>(5,446)</u>	<u>(31,659)</u>	<u>17,221</u>
June 30	<u>\$ 11,376,918</u>	<u>8,860,071</u>	<u>9,159,293</u>	<u>9,708,980</u>

\* Source - Prior year audit reports.

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

This page left blank intentionally.

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

Superintendent and School Board  
Leflore County School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Leflore County School District as of and for the year ended June 30, 2011, which collectively comprise the district's basic financial statements and have issued my report thereon dated March 8, 2013. I conducted my 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 my audit, I considered the school district's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my 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, I do not express an opinion on the effectiveness of the school district's internal control over financial reporting.

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

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 district's school board and management, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Kimberly J. May, CPA*

Madison, MS  
March 8, 2013

This page left blank intentionally.

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

Superintendent and School Board  
Leflore County School District

Compliance

I have audited the compliance of the Leflore County 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The district's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the school district's management. My responsibility is to express an opinion on the school district's compliance based on my audit.

I conducted my 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 I 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 I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the school district's compliance with those requirements.

In my opinion, the School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of the Leflore County School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I 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 my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the school district's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above. However, I identified a certain deficiency in internal control over compliance that I consider to be a significant deficiency as described in the accompanying Schedule of Findings and Questioned Costs as Finding 2011-01. A significant deficiency in internal control over compliance is a deficiency, or a

combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The school district's response to the finding identified in my audit is described in the accompanying Auditee's Corrective Action Plan. I did not audit the school district's response and, accordingly, I express no opinion on it.

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

*Kimberly J. May, CPA*

Madison, MS  
March 8, 2013

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

This page left blank intentionally.

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

Superintendent and School Board  
Leflore County School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements and have issued my report thereon dated March 8, 2013. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, I 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 my audit and, accordingly, I do not express such an opinion.

The results of my procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$56,331 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 my 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, I 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 my audit and, accordingly, I do not express such an opinion.

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

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.

*Kimberly S. May, CPA*

Madison, MS  
March 8, 2013

This page left blank intentionally.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

This page left blank intentionally.

Leflore County School District  
 Schedule of Findings and Questioned Costs  
 June 30, 2011

Section I: Summary of Auditor's Results

**Financial Statements:**

- |    |   |               |
|----|---|---------------|
| 1. | Type of auditor's report issued on the basic financial statements:                      | Unqualified   |
| 2. | Noncompliance material to the basic financial statements noted?                         | No            |
| 3. | Internal control over financial reporting:  |               |
|    | a. Material weaknesses identified?  | No            |
|    | b. Significant deficiency identified that are not considered to be material weaknesses? | None Reported |

**Federal Awards:**

- |     |  |             |
|-----|--|-------------|
| 4.  | Type of auditor's report issued on compliance for major federal programs:  | Unqualified |
| 5.  | Internal control over major programs:  |             |
|     | a. Material weaknesses identified?   | No          |
|     | b. Significant deficiency identified that are not considered to be material weaknesses?  | Yes         |
| 6.  | Any audit finding(s) disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?   | Yes         |
| 7.  | Federal program identified as major program:   |             |
|     | a. Child nutrition cluster   |             |
|     | CFDA #: 10.553   |             |
|     | CFDA #: 10.555   |             |
|     | CFDA #: 10.559   |             |
|     | b. Title I grants to local educational agencies cluster  |             |
|     | CFDA #: 84.010   |             |
|     | CFDA #: 84.389   |             |
|     | c. Special education cluster   |             |
|     | CFDA #: 84.027   |             |
|     | CFDA #: 84.173   |             |
|     | CFDA #: 84.391   |             |
|     | CFDA #: 84.392   |             |
|     | d. State fiscal stabilization fund - education state grants, recovery act  |             |
|     | CFDA #: 84.394   |             |
|     | e. Education jobs fund   |             |
|     | CFDA #: 84.410   |             |
|     | f. School improvement grants cluster:  |             |
|     | CFDA #: 84.377   |             |
|     | CFDA #: 84.388   |             |
| 8.  | The dollar threshold used to distinguish between type A and type B programs:   | \$335,723   |
| 9.  | Auditee qualified as a low-risk auditee?   | No          |
| 10. | Prior fiscal year audit findings and questioned costs 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          |

Leflore County School District  
Schedule of Findings and Questioned Costs  
June 30, 2011

Section II: Financial Statement Findings

The results of my tests did not disclose any findings and questioned costs related to the financial statements that are required to be reported under the *Government Auditing Standards*.

Section III: Federal Award Findings and Questioned Costs

Significant deficiencies identified that are not considered to be material weaknesses.

**Finding 2011-01**

Program: Title I – Grants to Local Educational Agencies Cluster, CFDA# 84.010, 84.389; US Department of Education; Passed through the Mississippi Department of Education  
  
Special Education Cluster; CFDA# 84.027, 84.173, 84.391, 84.392; US Department of Education; Passed through the Mississippi Department of Education

Compliance Requirement: Procurement, Suspension and Debarment

CONDITION: The client did not maintain documentation supporting verification of vendors for whom contracts of \$25,000 or more were entered into through the Excluded Parties List System (EPLS).

CRITERIA: The federal procurement standards require all such contractors (vendors) be verified to ensure they are neither suspended nor debarred and that documentation be maintained supporting the verification.

EFFECT OF CONDITION: The absence of documentation supporting the verification by the client indicates the client has an internal control deficiency relating to compliance with this federal requirement.

CAUSE OF CONDITION: The cause of the condition was a failure by management to maintain the required documentation.

PERSPECTIVE OF CONDITION: This is considered an isolated incident.

RECOMMENDATION: It is recommended that the client maintain documentation supporting verification of vendors through the EPLS.

AUDITEE'S CORRECTIVE ACTION PLAN

This page left blank intentionally.

**LEFLORE COUNTY SCHOOL DISTRICT**

1901 HIGHWAY 82 WEST

GREENWOOD, MS 38930

Tel. 662-453-9656

Fax 662-455-2703

January 13, 2012

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

Finding 2011-01

Corrective Action Plan

a. Contact person responsible for corrective action

Byron Haynes

b. Description of corrective action to be taken

The Leflore County School District will maintain documentation supporting verification of vendors through the EPLS.

c. Anticipated completion date of corrective action

Immediately

Sincerely,



Director of Finance

This page left blank intentionally.