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LEAKE COUNTY SCHOOL DISTRICT

Audited Financial Statements  
For the Year Ended June 30, 2013

LEAKE COUNTY SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board  
Leake County School District

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Leake County School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Leake County School District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Leake County School District, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6-15 and 43-49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Leake County School District's financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2014 on our consideration of the Leake County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Leake County School District's internal control over financial reporting and compliance.

Watkins, Ward and Stafford, PLLC  
Philadelphia, Mississippi  
November 24, 2014

*Watkins Ward and Stafford, PLLC*

MANAGEMENT'S DISCUSSION AND ANALYSIS

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LEAKE COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013

The following discussion and analysis of Leake County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2013. 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 position for 2013 increased \$917,799, which represents a 6% increase from fiscal year 2012. Total net position for 2012 increased \$1,283,459, including a prior period adjustment of \$(9,397), which represents an 8% increase from fiscal year 2011.
- General revenues amounted to \$18,645,063 and \$19,473,768, or 76% and 74% of all revenues for fiscal years 2013 and 2012, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5,750,218, or 24% of total revenues for 2013, and \$6,926,739, or 26 % of total revenues for 2012.
- The District had \$23,477,482 and \$25,107,651 in expenses for fiscal years 2013 and 2012; only \$5,750,218 for 2013 and \$6,926,739 for 2012 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$18,645,063 for 2013 and \$19,473,768 for 2012 were adequate to provide for these programs.
- Among major funds, the General Fund had \$17,325,767 in revenues and \$16,916,029 in expenditures for 2013, and \$17,620,903 in revenues and \$17,059,053 in expenditures in 2012. The General Fund's fund balance decreased by \$60,563 from 2012 to 2013, and increased by \$292,553, including a prior period adjustment of (\$3,684) from 2011 to 2012.
- Capital assets, net of accumulated depreciation, decreased by \$278,133 for 2013 and increased by \$1,958,636 for 2012. The decrease for 2013 was due primarily to the increase in accumulated depreciation.
- Long-term debt, including the liability for compensated absences and unamortized bond discount, decreased by \$646,460 for 2013 and decreased by \$390,157 for 2012. This decrease for 2013 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$42,605 for 2013 and decreased by \$1,537 for 2012.

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

LEAKE COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013

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

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

### **Fund Financial Statements**

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

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

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

LEAKE COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013

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 Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplementary 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.

**Supplementary 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 position**

Net position may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$17,456,644 as of June 30, 2013.

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.

LEAKE COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013

Table 1 presents a summary of the District's net position at June 30, 2013 and June 30, 2012.

**Table 1**  
**Condensed Statement of Net Position**

	June 30, 2013	June 30, 2012	Percentage Change
Current assets	\$ 11,283,135	\$ 10,930,065	3.23 %
Restricted assets	516,092	507,672	1.66 %
Capital assets, net	13,839,519	14,117,652	-1.97 %
<b>Total assets</b>	<b>25,638,746</b>	<b>25,555,389</b>	<b>0.33 %</b>
Current liabilities	148,675	336,657	-55.84 %
Long-term debt outstanding	8,033,427	8,679,887	-7.45 %
<b>Total liabilities</b>	<b>8,182,102</b>	<b>9,016,544</b>	<b>-9.25 %</b>
<b>Net position:</b>			
Net investment in capital assets	5,971,994	5,646,272	5.77 %
Restricted	8,629,627	8,433,866	2.32 %
Unrestricted	2,855,023	2,458,707	16.12 %
<b>Total net position</b>	<b>\$ 17,456,644</b>	<b>\$ 16,538,845</b>	<b>5.55 %</b>

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

- Decrease in net capital assets in the amount of \$278,133.
- The principal retirement of \$603,855 of long-term debt.

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2013 and June 30, 2012 were \$24,395,281 and \$26,400,507, respectively. The total cost of all programs and services was \$23,477,482 for 2013 and \$25,107,651 for 2012.

LEAKE COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2013 and June 30, 2012.

**Table 2**  
**Changes in Net Position**

	<u>Year Ended</u> <u>June 30, 2013</u>	<u>Year Ended</u> <u>June 30, 2012</u>	<u>Percentage</u> <u>Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 457,714	\$ 638,699	(28.34) %
Operating grants and contributions	5,292,504	6,288,040	(15.83) %
General revenues:			
Property taxes	4,186,912	3,976,862	5.28 %
Grants and contributions not restricted	14,011,981	14,448,618	(3.02) %
Investment earnings	34,421	25,151	36.86 %
Sixteenth section sources	364,660	991,116	(63.21) %
Other	47,089	32,021	47.06 %
<b>Total revenues</b>	<b>24,395,281</b>	<b>26,400,507</b>	<b>(7.60) %</b>
<b>Expenses:</b>			
Instruction	12,472,736	12,814,736	(2.67) %
Support services	8,837,708	9,984,202	(11.48) %
Non-instructional	1,791,400	1,898,472	(5.64) %
Sixteenth section	63,379	47,947	32.19 %
Interest on long-term liabilities	312,259	362,294	(13.81) %
<b>Total expenses</b>	<b>23,477,482</b>	<b>25,107,651</b>	<b>(6.49) %</b>
<b>Increase (Decrease) in net position</b>	<b>917,799</b>	<b>1,292,856</b>	<b>(29.01) %</b>
<b>Net Position, July 1, as previously reported</b>	<b>16,538,845</b>	<b>15,255,386</b>	8.41 %
<b>Prior Period Adjustment</b>		<b>(9,397)</b>	(100.00) %
<b>Net Position, July 1, as restated</b>	<b>16,538,845</b>	<b>15,245,989</b>	<b>8.48 %</b>
<b>Net Position, June 30</b>	<b>\$ 17,456,644</b>	<b>\$ 16,538,845</b>	<b>5.55 %</b>

**Governmental activities**

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

LEAKE COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013

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

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2013</u>	<u>2012</u>	
Instruction	\$ 12,472,736	\$ 12,814,736	(2.67) %
Support services	8,837,708	9,984,202	(11.48) %
Non-instructional	1,791,400	1,898,472	(5.64) %
Sixteenth section	63,379	47,947	32.19 %
Interest on long-term liabilities	312,259	362,294	(13.81) %
<b>Total expenses</b>	<b>\$ 23,477,482</b>	<b>\$ 25,107,651</b>	<b>(6.49) %</b>

	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2013</u>	<u>2012</u>	
Instruction	\$ (10,839,708)	\$ (8,219,619)	31.88 %
Support services	(6,767,247)	(9,842,567)	(31.25) %
Non-instructional	204,401	133,402	53.22 %
Sixteenth section	(12,451)	110,166	(111.30) %
Interest on long-term liabilities	(312,259)	(362,294)	(13.81) %
<b>Total net (expense) revenue</b>	<b>\$ (17,727,264)</b>	<b>\$ (18,180,912)</b>	<b>(2.50) %</b>

- Net cost of governmental activities (\$17,727,264 for 2013 and \$18,180,912 for 2012) was financed by general revenue, which is primarily made up of property taxes (\$4,186,912 for 2013 and \$3,976,862 for 2012) and state and federal revenues (\$14,011,981 for 2013 and \$14,448,618 for 2012). In addition, there was \$364,660 and \$991,116 in Sixteenth Section sources for 2013 and 2012, respectively.
- Investment earnings amounted to \$34,421 for 2013 and \$25,151 for 2012.

### 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 \$11,577,575, an increase of \$537,296, which includes an increase in inventory of \$6,797. \$2,599,283 or 22% 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 \$8,978,292 or 78% is either nonspendable, restricted, or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted or assigned.

LEAKE COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013

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 \$60,563. The fund balance of Other Governmental Funds showed an increase in the amount of \$225,193, which includes an increase in reserve for inventory of \$6,797. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I Fund	no increase or decrease
Title II Fund	no increase or decrease
IDEA PL 94-142 Fund	no increase or decrease
16th Section Interest Fund     \$	376,797
2011 Note Construction Fund   \$	(4,131)

**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 supplementary information.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2013, the District's total capital assets were \$24,956,378, including land, construction in progress, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$169,020 from 2012. Total accumulated depreciation as of June 30, 2013, was \$11,116,859, and total depreciation expense for the year was \$593,091, resulting in total net capital assets of \$13,839,519.

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

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage</u> <u>Change</u>
Land	\$ 459,075	\$ 459,075	0.00 %
Construction in Progress	13,125	2,421,713	(99.46) %
Buildings	11,790,109	9,661,441	22.03 %
Improvements other than buildings	177,001	188,528	(6.11) %
Mobile equipment	1,238,898	1,187,028	4.37 %
Furniture and equipment	161,311	199,867	(19.29) %
<b>Total</b>	<b>\$ 13,839,519</b>	<b>\$ 14,117,652</b>	<b>(1.97) %</b>

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

LEAKE COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013

**Debt Administration.** At June 30, 2013, the District had \$8,033,427 in outstanding long-term debt, of which \$630,443 is due within one year. The liability for compensated absences decreased \$42,605 from the prior year. The District had a reduction of overall debt by principal payments in the amount of \$603,855.

The District maintains an AA bond rating.

**Table 5  
Outstanding Long-Term Debt**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 185,000	\$ 270,000	(31.48) %
Limited obligation bonds payable	2,515,000	2,880,000	(12.67) %
Shortfall notes payable	102,525	151,380	(32.27) %
Other loans payable	5,065,000	5,170,000	(2.03) %
Compensated absences payable	165,902	208,507	(20.43) %
<b>Total</b>	<b><u>\$ 8,033,427</u></b>	<b><u>\$ 8,679,887</u></b>	<b>(7.45) %</b>

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

### **CURRENT ISSUES**

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

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

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

Enrollment for the 2012-2013 year decreased by 8% to 2,771 students.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

FINANCIAL STATEMENTS

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**Leake County School District**  
**Statement of Net Position**  
**June 30, 2013**

**Exhibit A**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 10,190,990
Due from other governments	900,711
Other receivables, net	6,812
Inventories	48,290
Deferred debt issuance costs	136,332
Restricted assets	516,092
Capital assets, non-depreciable:	
Land	459,075
Construction in progress	13,125
Capital assets, net of accumulated depreciation:	
Buildings	11,790,109
Improvements other than buildings	177,001
Mobile equipment	1,238,898
Furniture and equipment	161,311
Total Assets	<u>25,638,746</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	84,742
Unearned revenue	578
Interest payable on long-term liabilities	63,355
Long-term liabilities, due within one year:	
Capital related liabilities	630,443
Long-term liabilities, due beyond one year:	
Capital related liabilities	7,237,082
Non-capital related liabilities	165,902
Total Liabilities	<u>8,182,102</u>
<b>Net Position</b>	
Net Investment in capital assets	5,971,994
Restricted for:	
Expendable:	
School-based activities	4,795,230
Debt service	892,554
Capital improvements	2,330,114
Forestry improvements	270,513
Unemployment benefits	48,385
Non-expendable:	
Sixteenth section	292,831
Unrestricted	2,855,023
Total Net Position	<u>\$ 17,456,644</u>

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

Leake County School District  
Statement of Activities  
For The Fiscal Year Ended June 30, 2013

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 12,472,736	\$ 166,669	\$ 1,466,359		\$ (10,839,708)
Support services	8,837,708		2,070,461		(6,767,247)
Non-instructional	1,791,400	240,117	1,755,684		204,401
Sixteenth section	63,379	50,928			(12,451)
Interest on long-term liabilities	312,259				(312,259)
<b>Total Governmental Activities</b>	<b>\$ 23,477,482</b>	<b>\$ 457,714</b>	<b>\$ 5,292,504</b>		<b>\$ (17,727,264)</b>

General Revenues:

Taxes:

General purpose levies	3,812,975
Debt purpose levies	373,937

Unrestricted grants and contributions:

State	13,655,014
Federal	356,967
Unrestricted investment earnings	34,421
Sixteenth section sources	364,660
Other	47,089

Total General Revenues 18,645,063

Change in Net Position 917,799

Net Position - Beginning 16,538,845

Net Position - Ending \$ 17,456,644

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

Leake County School District  
 Governmental Funds  
 Balance Sheet  
 June 30, 2013

Exhibit C

	Major Funds							Total Governmental Funds
	General Fund	Title I Fund	Title II Fund	EHA Part B Grant Fund	16th Section Interest Fund	2011 Note Construction Fund	Other Governmental Funds	
<b>Assets</b>								
Cash and cash equivalents	\$ 2,300,330	\$	\$	\$	\$ 4,239,163	\$ 2,330,114	\$ 1,614,214	\$ 10,483,821
Investments							223,261	223,261
Due from other governments	257,571	186,855	55,313	67,441			333,531	900,711
Other receivables, net	309				6,385		118	6,812
Due from other funds	362,570							362,570
Advance to other funds							7,440	7,440
Inventories							48,290	48,290
<b>Total assets</b>	<b>2,920,780</b>	<b>186,855</b>	<b>55,313</b>	<b>67,441</b>	<b>4,245,548</b>	<b>2,330,114</b>	<b>2,226,854</b>	<b>12,032,905</b>
<b>Liabilities and Fund Balances</b>								
<b>Liabilities:</b>								
Accounts payable and accrued liabilities	36,187	30		2,277	39,575		6,673	84,742
Due to other funds		186,825	55,313	65,164			55,268	362,570
Advances from other funds					7,440			7,440
Unearned revenue							578	578
<b>Total Liabilities</b>	<b>36,187</b>	<b>186,855</b>	<b>55,313</b>	<b>67,441</b>	<b>\$ 47,015</b>		<b>62,519</b>	<b>455,330</b>
<b>Fund Balances:</b>								
<b>Nonspendable:</b>								
Inventory							48,290	48,290
Permanent fund principal							292,831	292,831
Advances							7,440	7,440
<b>Restricted:</b>								
Debt service							955,909	955,909
Capital projects						2,330,114		2,330,114
Forestry improvement purposes							263,073	263,073
Grant activities							548,407	548,407
Unemployment benefits							48,385	48,385
16th section interest					4,198,533			4,198,533
<b>Assigned:</b>								
Student activities	285,310							285,310
<b>Unassigned</b>								
Total Fund Balances	2,599,283							2,599,283
Total Liabilities and Fund Balances	\$ 2,920,780	\$ 186,855	\$ 55,313	\$ 67,441	\$ 4,245,548	\$ 2,330,114	\$ 2,226,854	\$ 12,032,905

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

Leake County School District  
 Governmental Funds  
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
 June 30, 2013

Exhibit C-1

**Total fund balances for governmental funds** \$ 11,577,575

Amounts reported for governmental activities in the statement of net position are different because:

1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:

Land	\$ 459,075	
Construction in progress	13,125	
Buildings	19,296,256	
Improvements other than buildings	288,176	
Mobile equipment	3,824,366	
Furniture and equipment	1,075,380	
Accumulated depreciation	<u>(11,116,859)</u>	13,839,519

2. Bond issuance costs are capitalized and amortized in the Statement of Net Position but are not reported in the funds: 136,332

3. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:

General obligation bonds	(185,000)	
Limited obligation bonds	(2,515,000)	
Notes payable	(5,065,000)	
Shortfall notes payable	(102,525)	
Compensated absences	(165,902)	
Accrued interest payable	<u>(63,355)</u>	(8,096,782)

**Net position of governmental activities** \$ 17,456,644

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

Leake County School District  
 Governmental Funds  
 Statement of Revenues, Expenditures and Changes in Fund Balances  
 For The Year Ended June 30, 2013

Exhibit D

	Major Funds							Total Governmental Funds
	General Fund	Title I Fund	Title II Fund	EHA Part B Grant Fund	16th Section Interest Fund	2011 Note Construction Fund	Other Governmental Funds	
<b>Revenues:</b>								
Local sources	\$ 4,022,816	\$ 1,504	\$ 1,868	\$ 48	\$	\$ 7,113	\$ 627,653	\$ 4,661,002
State sources	12,945,984						1,332,631	14,278,615
Federal sources	356,967	1,392,583	158,799	909,393			2,208,129	5,025,871
Sixteenth section sources					377,206		52,587	429,793
<b>Total Revenues</b>	<b>17,325,767</b>	<b>1,394,087</b>	<b>160,667</b>	<b>909,441</b>	<b>377,206</b>	<b>7,113</b>	<b>4,221,000</b>	<b>24,395,281</b>
<b>Expenditures:</b>								
Instruction	10,271,084	567,225	375	282,380			1,031,295	12,152,359
Support services	6,594,912	744,729	160,292	618,361			775,102	8,893,396
Noninstructional services	50,033	78,633					1,687,448	1,816,114
Sixteenth section					409		62,970	63,379
Facilities acquisition and construction						11,244		11,244
Debt service:								
Principal							603,855	603,855
Interest							319,229	319,229
Other							5,206	5,206
<b>Total Expenditures</b>	<b>16,916,029</b>	<b>1,390,587</b>	<b>160,667</b>	<b>900,741</b>	<b>409</b>	<b>11,244</b>	<b>4,485,105</b>	<b>23,864,782</b>
Excess (Deficiency) of Revenues over (under) Expenditures	409,738	3,500		8,700	376,797	(4,131)	(264,105)	530,499
<b>Other Financing Sources (Uses):</b>								
Operating transfers in	15,503						485,804	501,307
Operating transfers out	(485,804)	(3,500)		(8,700)			(3,303)	(501,307)
<b>Total Other Financing Sources (Uses)</b>	<b>(470,301)</b>	<b>(3,500)</b>		<b>(8,700)</b>			<b>482,501</b>	
<b>Net Change in Fund Balances</b>	<b>(60,563)</b>				<b>376,797</b>	<b>(4,131)</b>	<b>218,396</b>	<b>530,499</b>
<b>Fund Balances:</b>								
July 1, 2012	2,945,156				3,821,736	2,334,245	1,939,142	11,040,279
Increase (Decrease) in reserve for inventory							6,797	6,797
<b>June 30, 2013</b>	<b>\$ 2,884,593</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$ 4,198,533</b>	<b>\$ 2,330,114</b>	<b>\$ 2,164,335</b>	<b>\$ 11,577,575</b>

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

Leake County School District  
 Governmental Funds  
 Reconciliation of the Governmental Funds Statement of Revenues,  
 Expenditures and Changes in Fund Balances to the Statement of Activities  
 For the Year Ended June 30, 2013

Exhibit D-1

Net change in fund balances - total governmental funds \$ 530,499

Amounts reported for governmental activities in the statement of activities are different because:

1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 324,487	
Depreciation expense	<u>(593,091)</u>	(268,604)

2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the assets sold. (9,529)

3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:

Payments of debt principal	603,855	
Accrued interest payable	<u>33,672</u>	637,527

4. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:

Change in compensated absences	42,605	
Change in inventory reserve	6,797	
Amortization of deferred debt cost	<u>(21,496)</u>	27,906

Change in net position of governmental activities \$ 917,799

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

**Leake County School District**  
**Fiduciary Funds**  
**Statement of Fiduciary Assets and Liabilities**  
**6/30/2013**

**Exhibit E**

	Agency Funds
	<u>                    </u>
<b>Assets</b>	
Cash and cash equivalents	\$ 817,765
Other receivables	1,891
Total Assets	<u>\$ 819,656</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 739,696
Due to student clubs	79,960
Total Liabilities	<u>\$ 819,656</u>

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

# LEAKE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2013

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

### B. Government-wide and Fund Financial Statements

Government-wide Financial Statements – The Statement of Net Position 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 Position presents the District's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

1. Net investment in capital assets 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 position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

## LEAKE COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2013

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

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

The school district reports the following major governmental funds:

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

Title I Fund – This special revenue fund accounts for the revenues and expenditures associated with the Title I grants to local education agencies programs.

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

IDEA , Part B Grant Fund – A special revenue fund, this fund accounts for expenditures and related revenues associated with a Federal award that provides supplemental services for special needs students.

16<sup>th</sup> Section Interest Fund – This fund, a special revenue fund, accounts for the expendable revenues earned on the school district's sixteenth section trust lands.

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

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

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

The District's fiduciary funds include the following:

Payroll Clearing Fund – This is the District's clearing fund used to payments of payroll and benefits.

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

Accounts Payable Clearing Fund – This is the District's clearing fund used to pay accounts payable transactions.

LEAKE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2013

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

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

In the government-wide Statement of Net Position 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.

## LEAKE COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2013

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 is both restricted and unrestricted net position 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 2012 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.

#### **D. Encumbrances**

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

#### **E. Assets, liabilities, and net position/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.

LEAKE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2013

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified Zone Academy Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 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 Position. 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.

LEAKE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2013

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

The following schedule details the capitalization thresholds:

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

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

7. Compensated Absences

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. Some employees are allowed personal leave and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

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

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

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

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

9. Fund Balances

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

## LEAKE COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2013

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. Currently there is no committed fund balance for this school district.

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

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

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

#### **Note 2 – Cash and Cash Equivalents and Investments**

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

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

LEAKE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2013

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 \$ 10,483,821 and \$817,765, respectively.

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2013, none of the district's bank balance was exposed to custodial credit risk.

Investments

As of June 30, 2013, the district had the following investments:

Investment Type	Rating	Maturities (in years)	Fair Value
Federated U.S. Treasury Cash Reserve	AAAm	Less than 1	\$ 223,261
Total			<u>\$ 223,261</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.

LEAKE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2013

*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, 2013, the district had the following investments:

Issuer	Fair Value	% of Total Investments
Federated U.S. Treasury Cash Reserve	\$ 223,261	100%

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

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

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

Receivable Fund	Payable Fund	Amount
General Fund	Title I Fund	\$ 186,825
	Title II Fund	55,313
	EHA, Part B Grant Fund	65,164
	Other governmental funds	55,268
Total		<u>\$ 362,570</u>

The purpose of the interfund receivables and payables is to close-out federal program funds at year end. All interfund receivables and payables are expected to be repaid within one year.

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

Receivable Fund	Payable Fund	Amount
Other governmental funds	16th Section Interest Fund	7,440
Total		<u>\$ 7,440</u>

The purpose of the interfund receivable and payable is a correction on a prior period adjustment that has not been repaid.

**C. Inter-fund Transfers**

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 485,804
Title I Fund	General Fund	3,500
EHA, Part B Grant	General Fund	8,700
Other governmental funds	General Fund	3,303
Total		<u>\$ 501,307</u>

The purpose of the interfund transfers is to transfer federal program indirect cost to the General Fund and to close out federal program funds at year end.

LEAKE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2013

**Note 4 – Restricted Assets**

The restricted assets represent the cash balance (\$292,831) of the 16<sup>th</sup> Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets represent the investment balance (\$223,261) of the MAEP Limited Obligation Bond/Note Fund.

**Note 5 – Capital Assets**

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

	Balance 7/1/2012	Increases	Decreases	Adjustment	Balance 6/30/2013
<b>Governmental Activities:</b>					
<u>Non-depreciable capital assets:</u>					
Land	\$ 459,075	\$	\$	\$	\$ 459,075
Construction-in-progress	2,421,713	13,125	1,880	(2,419,833)	13,125
Total non-depreciable capital assets	2,880,788	13,125	1,880	(2,419,833)	472,200
<u>Depreciable capital assets:</u>					
Buildings	16,876,423			2,419,833	19,296,256
Improvements other than buildings	288,176				288,176
Mobile equipment	3,621,683	260,242	57,559		3,824,366
Furniture and equipment	1,120,288	51,120	96,028		1,075,380
Total depreciable capital assets	21,906,570	311,362	153,587	2,419,833	24,484,178
<u>Less accumulated depreciation for:</u>					
Buildings	7,214,982	291,165			7,506,147
Improvements other than buildings	99,648	11,527			111,175
Mobile equipment	2,434,655	202,617	51,804		2,585,468
Furniture and equipment	920,421	87,782	94,134		914,069
Total accumulated depreciation	10,669,706	593,091	145,938		11,116,859
Total depreciable capital assets, net	11,236,864	(281,729)	7,649	2,419,833	13,367,319
Governmental activities capital assets, net	\$ 14,117,652	\$ (268,604)	\$ 9,529	\$	\$ 13,839,519

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 344,630
Support services	223,343
Non-instructional	25,118
Total depreciation expense - Governmental	\$ 593,091

LEAKE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2013

Construction in progress is composed of:

	Spent to June 30, 2013	Remaining Commitment
<b>Governmental Activities:</b>		
Classroom addition-Leake Central High	\$ 13,125	\$ 161,875
Total governmental activities	<u>13,125</u>	<u>161,875</u>

Construction projects included in governmental activities are funded with general obligation bonds payable that are secured by ad valorem taxes.

**Note 6 – Long-term Liabilities**

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

	Balance 7/1/2012	Additions	Reductions	Balance 6/30/2013	Amounts due within one year
A. General obligation bonds payable	\$ 270,000		85,000	185,000	90,000
B. Limited obligation bonds payable	2,880,000		365,000	2,515,000	380,000
C. Shortfall notes payable	151,380		48,855	102,525	50,443
D. Other loans payable	5,170,000		105,000	5,065,000	110,000
E. Compensated absences payable	208,507		42,605	165,902	
Total	<u>\$ 8,679,887</u>		<u>646,460</u>	<u>8,033,427</u>	<u>630,443</u>

**A. General obligation bonds payable**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation refunding bonds, Series 2011	3.0- 4.6%	9/1/2001	1/15/2015	\$ 1,060,000	\$ 185,000
Total				<u>\$ 1,060,000</u>	<u>185,000</u>

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

Year Ending June 30	Principal	Interest	Total
2014	\$ 90,000	\$ 4,210	\$ 94,210
2015	95,000	4,370	99,370
Total	<u>\$ 185,000</u>	<u>\$ 8,580</u>	<u>\$ 193,580</u>

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

LEAKE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2013

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2013, the amount of outstanding bonded indebtedness was equal to .2% of property assessments as of October 1, 2012.

**B. Limited obligation bonds payable**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement refunding bonds	3.55-4.00%	12/1/2006	2/1/2018	\$ 3,850,000	\$ 2,515,000
<b>Total</b>				<b>\$ 3,850,000</b>	<b>2,515,000</b>

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

Year Ending June 30	Principal	Interest	Total
2014	\$ 380,000	\$ 85,612	\$ 465,612
2015	395,000	71,001	466,001
2016	410,000	56,610	466,610
2017	425,000	41,473	466,473
2018	905,000	25,577	930,577
<b>Total</b>	<b>\$ 2,515,000</b>	<b>\$ 280,273</b>	<b>\$ 2,795,273</b>

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

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues the district receives from the State of Mississippi pursuant to the Mississippi Accountability and Adequate Education Program Act, Sections 37-151-1 through 37-151-7, Miss. Code Ann. (1972). The state aid capital improvement bonds are not included in the computation of the debt limit percentage.

**C. Shortfall notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Shortfall note	3.25%	9/15/2011	9/15/2014	\$ 151,380	102,525
<b>Total</b>				<b>\$ 151,380</b>	<b>102,525</b>

LEAKE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2013

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

Year Ending June 30	Principal	Interest	Total
2014	\$ 50,443	\$ 3,332	\$ 53,775
2015	52,082	1,693	53,775
Total	<u>\$ 102,525</u>	<u>\$ 5,025</u>	<u>\$ 107,550</u>

This debt will be retired from the District Maintenance Fund.

**D. Other loans payable**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
	3.25-				
Limited Tax Notes	4.25%	4/15/2011	4/15/2031	\$ 5,275,000	\$ 5,065,000
Total				<u>\$ 5,275,000</u>	<u>\$ 5,065,000</u>

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

Year Ending June 30	Principal	Interest	Total
2014	\$ 110,000	\$ 199,044	\$ 309,044
2015	130,000	194,369	324,369
2016	225,000	188,844	413,844
2017	235,000	179,281	414,281
2018	245,000	169,881	414,881
2019 – 2023	1,360,000	702,794	2,062,794
2024 – 2028	1,620,000	436,244	2,056,244
2029 – 2031	1,140,000	96,769	1,236,769
Total	<u>\$ 5,065,000</u>	<u>\$ 2,167,226</u>	<u>\$ 7,232,226</u>

The limited tax notes (other loans payable) are secured by an irrevocable pledge of the District's Education Enhancement Funds ("EEF" Funds) that are received from the State of Mississippi pursuant to Section 37-61-33 Mississippi Code Ann. (1972). The pledge is subject to a prior pledge of the EEF funds for the repayment of refunded general obligation bonds that will mature January 15, 2015. The limited tax notes (other loans payable) are partially payable from such future revenues and are payable through April 15, 2031. Annual principal and interest payments on the bonds are expected to require all of such state EEF revenues and from the avails of a special, continuing ad valorem tax, not to exceed three mills, to be levied on all the taxable property within the District. This debt will be retired from the Buildings and Buses Fund and the 2011 Note Fund.

LEAKE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2013

**E. Compensated absences payable**

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

**Note 7 – Other Commitments**

Commitments under construction contracts are described in Note 5.

Operating leases:

The school district has several operating leases for the following:

1. (3) Postage Meters
2. (7) Toshiba Copiers

Lease expenditures for the year ended June 30, 2013, amounted to \$ 20,402.

Future lease payments for these leases are as follows:

Year Ending June 30	Amount
2014	\$ 30,266
2015	24,861
2016	9,214
Total	<u>\$ 64,341</u>

**Note 8 – Defined Benefit Pension Plan**

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2013 was 14.26% 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, 2013, 2012 and 2011 were \$1,822,844, \$1,692,670 and \$1,603,601, respectively, which equaled the required contributions for each year.

LEAKE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2013

**Note 9 – Sixteenth Section Lands**

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

Year Ending June 30	Amount
2014	\$ 46,538
2015	39,477
2016	39,259
2017	37,106
2018	37,106
2019 – 2023	183,521
2024 – 2028	169,438
2029 – 2033	97,637
2034 – 2038	67,601
Thereafter	67,223
Total	<u>\$ 784,906</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 legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the school district.

**Note 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.

## LEAKE COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2013

#### 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 90 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 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 - Subsequent Events**

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Leake County School District evaluated the activity of the district through November 24, 2014 and determined that there was no subsequent event that required disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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**Leake County School District**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2013**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 4,018,289	\$ 4,197,547	\$ 4,022,816	\$ 179,258	\$ (174,731)
State sources	12,966,670	13,107,878	12,945,984	141,208	(161,894)
Federal sources	357,336	356,967	356,967	(369)	
<b>Total Revenues</b>	<b>17,342,295</b>	<b>17,662,392</b>	<b>17,325,767</b>	<b>320,097</b>	<b>(336,625)</b>
<b>Expenditures:</b>					
Instruction	11,201,240	11,072,580	10,271,084	128,660	801,496
Support services	7,022,763	6,978,066	6,594,912	44,697	383,154
Noninstructional services	19,150	50,922	50,033	(31,772)	889
Facilities acquisition and construction	70,000	70,000			70,000
<b>Total Expenditures</b>	<b>18,313,153</b>	<b>18,171,568</b>	<b>16,916,029</b>	<b>141,585</b>	<b>1,255,539</b>
Excess (Deficiency) of Revenues over (under) Expenditures	(970,858)	(509,176)	409,738	461,682	918,914
<b>Other Financing Sources (Uses):</b>					
Sale of transportation equipment	2,000	2,000			(2,000)
Sale of other property	2,000	2,000			(2,000)
Indirect Costs	12,051	12,559		508	(12,559)
Operating transfers in	1,787,859	690,809	15,503	(1,097,050)	(675,306)
Operating transfers out	(2,374,076)	(1,180,654)	(485,804)	1,193,422	694,850
<b>Total Other Financing Sources (Uses)</b>	<b>(570,166)</b>	<b>(473,286)</b>	<b>(470,301)</b>	<b>96,880</b>	<b>2,985</b>
<b>Net Change in Fund Balances</b>	<b>(1,541,024)</b>	<b>(982,462)</b>	<b>(60,563)</b>	<b>558,562</b>	<b>921,899</b>
<b>Fund Balances:</b>					
July 1, 2012	2,840,164	2,945,156	2,945,156	104,992	
June 30, 2013	\$ 1,299,140	\$ 1,962,694	\$ 2,884,593	\$ 663,554	\$ 921,899

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

Leake County School District  
 Required Supplementary Information  
 Budgetary Comparison Schedule  
 Title I Fund  
 For the Year Ended June 30, 2013

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$	\$	\$ 1,504	\$	\$ 1,504
Federal sources	1,435,811	1,643,352	1,392,583	207,541	(250,769)
Total Revenues	1,435,811	1,643,352	1,394,087	207,541	(249,265)
<b>Expenditures:</b>					
Instruction	619,659	674,890	567,225	(55,231)	107,665
Support services	705,032	861,261	744,729	(156,229)	116,532
Noninstructional services	107,620	106,697	78,633	923	28,064
Total Expenditures	1,432,311	1,642,848	1,390,587	(210,537)	252,261
Excess (Deficiency) of Revenues over (under) Expenditures	3,500	504	3,500	(2,996)	2,996
<b>Other Financing Sources (Uses):</b>					
Operating transfers in		2,996		2,996	(2,996)
Operating transfers out	(3,500)	(3,500)	(3,500)		
Total Other Financing Sources (Uses)	(3,500)	(504)	(3,500)	2,996	(2,996)
Net Change in Fund Balances					
Fund Balances:					
July 1, 2012					
June 30, 2013					

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

**Leake County School District**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Title II Fund**  
**For the Year Ended June 30, 2013**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$	\$ 1,868	\$ 1,868	\$ 1,868	\$
Federal sources	224,875	260,321	158,799	35,446	(101,522)
<b>Total Revenues</b>	<b>224,875</b>	<b>262,189</b>	<b>160,667</b>	<b>37,314</b>	<b>(101,522)</b>
<b>Expenditures:</b>					
Instruction	5,605	5,605	375		5,230
Support services	219,270	256,584	160,292	(37,314)	96,292
<b>Total Expenditures</b>	<b>224,875</b>	<b>262,189</b>	<b>160,667</b>	<b>(37,314)</b>	<b>101,522</b>
Excess (Deficiency) of Revenues over (under) Expenditures	_____				
<b>Other Financing Sources (Uses):</b>	_____				
Total Other Financing Sources (Uses)	_____				
Net Change in Fund Balances	_____				
Fund Balances:	_____				
July 1, 2012	_____				
June 30, 2013	_____				

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

**Leake County School District**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**EHA, Part B Grant Fund**  
**For the Year Ended June 30, 2013**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$	\$	\$ 48	\$	\$ 48
Federal sources	947,755	1,050,838	909,393	103,083	(141,445)
<b>Total Revenues</b>	<b>947,755</b>	<b>1,050,838</b>	<b>909,441</b>	<b>103,083</b>	<b>(141,397)</b>
<b>Expenditures:</b>					
Instruction	440,473	356,765	282,380	83,708	74,385
Support services	499,131	685,373	618,361	(186,242)	67,012
<b>Total Expenditures</b>	<b>939,604</b>	<b>1,042,138</b>	<b>900,741</b>	<b>(102,534)</b>	<b>141,397</b>
Excess (Deficiency) of Revenues over (under) Expenditures	8,151	8,700	8,700	549	
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	(8,151)	(8,700)	(8,700)	(549)	
<b>Total Other Financing Sources (Uses)</b>	<b>(8,151)</b>	<b>(8,700)</b>	<b>(8,700)</b>	<b>(549)</b>	
<b>Net Change in Fund Balances</b>					
<b>Fund Balances:</b>					
July 1, 2012					
June 30, 2013					

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

**Leake County School District**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**16th Section Interest Fund**  
**For the Year Ended June 30, 2013**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Sixteenth section sources	\$ 428,900	\$ 445,459	\$ 377,206	\$ 16,559	\$ (68,253)
Total Revenues	428,900	445,459	377,206	16,559	(68,253)
<b>Expenditures:</b>					
Sixteenth section	37,531	37,531	409		37,122
Total Expenditures	37,531	37,531	409		37,122
Excess (Deficiency) of Revenues over (under) Expenditures	391,369	407,928	376,797	16,559	(31,131)
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	2,432	2,432			(2,432)
Total Other Financing Sources (Uses)	2,432	2,432			(2,432)
Net Change in Fund Balances	393,801	410,360	376,797	16,559	(33,563)
Fund Balances:					
July 1, 2012	3,786,112	3,821,736	3,821,736	35,624	
June 30, 2013	\$ 4,179,913	\$ 4,232,096	\$ 4,198,533	\$ 52,183	\$ (33,563)

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

**Leake County School District**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**2011 Note Construction Fund**  
**For the Year Ended June 30, 2013**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 6,500	\$ 8,994	\$ 7,113	\$ 2,494	\$ (1,881)
Total Revenues	6,500	8,994	7,113	2,494	(1,881)
<b>Expenditures:</b>					
Facilities acquisition and construction	2,394,548	202,560	11,244	2,191,988	191,316
Total Expenditures	2,394,548	202,560	11,244	2,191,988	191,316
Excess (Deficiency) of Revenues over (under) Expenditures	(2,388,048)	(193,566)	(4,131)	2,194,482	189,435
<b>Other Financing Sources (Uses):</b>					
Total Other Financing Sources (Uses)					
Net Change in Fund Balances	(2,388,048)	(193,566)	(4,131)	2,194,482	189,435
Fund Balances:					
July 1, 2012	2,388,048	2,334,245	2,334,245	(53,803)	
June 30, 2013	\$	\$ 2,140,679	\$ 2,330,114	\$ 2,140,679	\$ 189,435

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

LEAKE COUNTY SCHOOL DISTRICT

Notes to the Required Supplementary Information  
For the Year Ended June 30, 2013

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

SUPPLEMENTARY INFORMATION

**Leake County School District  
Supplementary Information  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2013**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 474,313
National school lunch program	10.555	1,157,985
Summer food service program for children	10.559	19,042
Total child nutrition cluster		<u>1,651,340</u>
Total passed-through Mississippi Department of Education		<u>1,651,340</u>
<b>Total U.S. Department of Agriculture</b>		<u>1,651,340</u>
<b><u>Federal Communications Commission</u></b>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	268,170
<b>Total Federal Communications Commission</b>		<u>268,170</u>
<b><u>U.S. Department of Education</u></b>		
Passed-through Mississippi Department of Education:		
Career and technical education - basic grants to states	84.048	65,182
Gaining early awareness and readiness in undergraduate programs	84.334	15,457
Rural education	84.358	61,724
English language acquisition grants	84.365	47,111
Improving teacher quality state grants	84.367	158,799
Title I grants to local educational agencies	84.010	1,552,816
Subtotal		<u>1,901,089</u>
Special education cluster:		
Special education - grants to states	84.027	909,393
Special education - preschool grants	84.173	26,457
Total special education cluster		<u>935,850</u>
Total passed-through Mississippi Department of Education		<u>2,836,939</u>
<b>Total U.S. Department of Education</b>		<u>2,836,939</u>
Total for All Federal Awards		<u>\$ 4,756,449</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 financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.

Leake County School District  
 Supplementary Information  
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds  
 For the Year Ended June 30, 2013

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 17,625,997	12,990,139	1,235,580	1,417,077	1,983,201
Other	6,238,785	1,581,803	397,200	53,582	4,206,200
Total	<u>\$ 23,864,782</u>	<u>14,571,942</u>	<u>1,632,780</u>	<u>1,470,659</u>	<u>6,189,401</u>
Total number of students *	<u>2,771</u>				
Cost per student	<u>\$ 8,613</u>	<u>5,259</u>	<u>589</u>	<u>531</u>	<u>2,234</u>

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

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

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

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

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

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

OTHER INFORMATION

**Leake County School District**  
**Other Information**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**General Fund**  
**Last Four Years**  
**UNAUDITED**

	2013	2012*	2011*	2010*
<b>Revenues:</b>				
Local sources	\$ 4,022,816	\$ 3,791,356	\$ 3,812,403	\$ 3,746,269
State sources	12,945,984	13,613,390	13,168,649	12,970,158
Federal sources	356,967	216,157	250,113	354,509
<b>Total Revenues</b>	<b>17,325,767</b>	<b>17,620,903</b>	<b>17,231,165</b>	<b>17,070,936</b>
<b>Expenditures:</b>				
Instruction	10,271,084	10,026,031	9,710,187	10,616,866
Support services	6,594,912	6,994,308	6,412,369	6,614,836
Noninstructional services	50,033	38,714	88,537	18,943
<b>Total Expenditures</b>	<b>16,916,029</b>	<b>17,059,053</b>	<b>16,211,093</b>	<b>17,250,645</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>409,738</b>	<b>561,850</b>	<b>1,020,072</b>	<b>(179,709)</b>
<b>Other Financing Sources (Uses):</b>				
Bonds and notes issued		151,380		
Insurance recovery			28,669	
Sale of transportation equipment			4,477	
Sale of other property		1,134		145
Operating transfers in	15,503	12,930	30,048	74,579
Other financing sources				
Operating transfers out	(485,804)	(431,057)	(463,307)	(536,767)
<b>Total Other Financing Sources (Uses)</b>	<b>(470,301)</b>	<b>(265,613)</b>	<b>(400,113)</b>	<b>(462,043)</b>
<b>Net Change in Fund Balances</b>	<b>(60,563)</b>	<b>296,237</b>	<b>619,959</b>	<b>(641,752)</b>
<b>Fund Balances:</b>				
Beginning of period, as previously reported	2,945,156	2,652,603	2,035,071	2,677,814
Prior period adjustments		(3,684)	(2,427)	(991)
Beginning of period	2,945,156	2,648,919	2,032,644	2,676,823
<b>End of Period</b>	<b>\$ 2,884,593</b>	<b>\$ 2,945,156</b>	<b>\$ 2,652,603</b>	<b>\$ 2,035,071</b>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

Leake County School District  
**Other Information**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**All Governmental Funds**  
**Last Four Years**  
**UNAUDITED**

	2013	2012*	2011*	2010*
<b>Revenues:</b>				
Local sources	\$ 4,661,002	\$ 4,508,237	\$ 4,478,700	\$ 4,439,195
State sources	14,278,615	14,894,263	14,509,377	14,155,843
Federal sources	5,025,871	5,842,393	6,016,510	6,759,585
Sixteenth section sources	429,793	1,154,480	453,414	826,298
<b>Total Revenues</b>	<b>24,395,281</b>	<b>26,399,373</b>	<b>25,458,001</b>	<b>26,180,921</b>
<b>Expenditures:</b>				
Instruction	12,152,359	12,652,852	12,706,035	14,119,879
Support services	8,893,396	9,855,413	8,923,833	9,082,996
Noninstructional services	1,816,114	1,884,988	1,926,345	1,872,124
Sixteenth section	63,379	47,947	137,342	65,611
Facilities acquisition and construction	11,244	2,269,261	230,528	
Debt service:				
Principal	603,855	540,000	1,005,000	535,000
Interest	319,229	336,790	183,450	195,581
Other	5,206	4,711	48,093	4,573
<b>Total Expenditures</b>	<b>23,864,782</b>	<b>27,591,962</b>	<b>25,160,626</b>	<b>25,875,764</b>
Excess (Deficiency) of Revenues over (under) Expenditures	530,499	(1,192,589)	297,375	305,157
<b>Other Financing Sources (Uses):</b>				
Bonds and notes issued		151,380	5,275,000	
Insurance recovery			28,669	
Sale of transportation equipment			4,477	
Sale of other property		1,134		145
Operating transfers in	501,307	443,987	641,448	611,346
Operating transfers out	(501,307)	(443,987)	(641,448)	(611,346)
<b>Total Other Financing Sources (Uses)</b>		<b>152,514</b>	<b>5,308,146</b>	<b>145</b>
<b>Net Change in Fund Balances</b>	<b>530,499</b>	<b>(1,040,075)</b>	<b>5,605,521</b>	<b>305,302</b>
<b>Fund Balances:</b>				
Beginning of period, as previously reported	11,040,279	12,084,820	6,490,035	6,194,573
Prior period adjustments		(9,397)	(2,427)	(10,992)
Beginning of period	11,040,279	12,075,423	6,487,608	6,183,581
Increase (Decrease) in reserve for inventory	6,797	4,931	(8,309)	1,152
<b>End of Period</b>	<b>\$ 11,577,575</b>	<b>\$ 11,040,279</b>	<b>\$ 12,084,820</b>	<b>\$ 6,490,035</b>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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**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  
 Leake County School District

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Leake County School District as of and for the year ended June 30, 2013, which collectively comprise Leake County School District's basic financial statements and have issued our report thereon dated November 24, 2014..

**Internal Control over Financial Reporting**

Management of Leake County School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit of the financial statements, we considered Leake County School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Leake County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Leake County School District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies (Finding 2013-1, 2013-2, 2013-3, and Finding 2013-4).

## Compliance and Other Matters

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

However, we noted certain immaterial instances of noncompliance or other matters that we reported to management of the school district in a separate letter dated November 24, 2014, which is included in this report.

## Leake County School District's Response to Findings

Leake County School District's responses to the findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. Leake County School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Watkins, Ward and Stafford, PLLC  
Philadelphia, Mississippi  
November 24, 2014

*Watkins Ward and Stafford PLLC*



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**INDEPENDENT AUDITOR'S REPORT  
 ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL  
 CONTROL OVER COMPLIANCE**

Superintendent and School Board  
 Leake County School District

**Report on Compliance for Each Major Federal Program**

We have audited Leake County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Leake County School District's major federal programs for the year ended June 30, 2013. Leake County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Leake County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Leake County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Leake County School District's compliance.

**Opinion on Each Major Federal Program**

In our opinion, Leake County School District complied, in all material respects, with the types of 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, 2013.

## Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Finding **2013-5**, **2013-6**, and **2013-7**. Our opinion on each major federal program is not modified with respect to these matters.

Leake County School District's responses to the noncompliance findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. Leake County School District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

## Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as Finding **2013-5**, **2013-6**, and **2013-7**, that we consider to be significant deficiencies.

Leake County School District's responses to the internal control over compliance findings and questioned costs as items identified in our audit are described in the accompanying Auditee's Corrective Action Plan. Leake County School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Watkins, Ward and Stafford, PLLC  
Philadelphia, Mississippi  
November 24, 2014

*Watkins Ward and Stafford PLLC*

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

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

Superintendent and School Board  
 Leake County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Leake County School District as of and for the year ended June 30, 2013, which collectively comprise Leake County School District's basic financial statements and have issued our report thereon dated November 24, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$3,611 of classroom supply funds carried over from previous years.

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instance of noncompliance with other state laws and regulations. Our finding and recommendation and your response are as follows:

**Finding SL-2013-01 PERS Employees Form 4B Should Be Filed Within 5 Days of Reemployment**

Finding: The Mississippi Public Employees Retirement System (PERS) requires, under the re-employment provisions of Section 25-11-127, Mississippi Code Ann. (1972), School Districts hiring PERS service retirees to file PERS Form 4B "Certification/Acknowledgment of Re-employment of Retiree" with the PERS office within five days from the date of employment of the retiree.

During our tests of PERS retirees, we noted nine (9) instances in which the Form 4B was not filed within five days of re-employment of retirees. Additionally, we noted one (1) instance where a rehired PERS retiree did not have a Form 4B on file.

Recommendation: We recommend the district comply with Section 25-11-127, Mississippi Code Ann. (1972) which requires the District to ensure that all PERS retirees complete and file a PERS Form 4B "Certification/Acknowledgement of Re-employment of Retiree" within five days of employment.

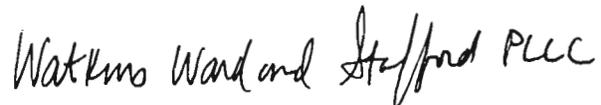
District Response: The district will comply with Section 25-11-124, Mississippi Code Ann. (1972) which required the District to ensure that all PERS retirees complete and file a PERS Form 4B "Certification/Acknowledgement of Re-employment of Retiree" within five days of employment.

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

The Leake County School District's response to the finding included in this report was not audited and, accordingly, we express no opinion on it.

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

Watkins, Ward and Stafford, PLLC  
Philadelphia, Mississippi  
November 24, 2014



SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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LEAKE COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2013

Section I: Summary of Auditor's Results

Financial Statements:

- |  |            |
|--|------------|
| 1. Type of auditor's report issued:                      | Unmodified |
| 2. Internal control over financial reporting:            |            |
| a. Material weakness(es) identified?                     | No         |
| b. Significant deficiency(ies) identified?               | Yes        |
| 3. Noncompliance material to financial statements noted? | No         |

Federal Awards:

- |   |   |
|---|---|
| 4. Internal control over major programs:  |   |
| a. Material weakness(es) identified?  | No  |
| b. Significant deficiency(ies) identified?  | Yes                                       |
| 5. Type of auditor's report issued on compliance for major programs:  | Unmodified                                |
| 6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | Yes                                       |
| 7. Identification of major programs:  |   |
| <u>CFDA Numbers</u>   | <u>Name of Federal Program or Cluster</u> |
| 10.553/10.555/10.559  | Child Nutrition Cluster                   |
| 84.027/84.173   | Special Education Cluster                 |
| 8. Dollar threshold used to distinguish between type A and type B programs:   | \$ 300,000                                |
| 9. Auditee qualified as low-risk auditee?   | No  |

LEAKE COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2013

Section II: Financial Statement Findings

Significant Deficiencies

**Finding 2013-01: Control Over Depositing Activity Fund Receipts Should be Strengthened-Repeat Finding**

Finding: Management is responsible for ensuring that all revenue earned is correctly recorded and deposited in order to safeguard the assets of the district.

Per our testing of activity fund receipts from activity revenues we noted the following deficiencies:

- We noted 9 instances at Leake County High School where deposits were made for athletic events and there were no supporting documentation for the deposits.
- We noted 4 instances at Leake County High School where activity fund revenue was not deposited into the bank in a timely manner.
- We noted 21 instances at Leake County High School and 10 instances at Leake Central Elementary School where the schools were unable to provide cash authorization reports for deposits.
- We noted 10 instances at Leake County Junior High School where prenumbered receipts were not prepared in sequential order.
- We noted \$1,730 of gate receipts at Leake County High School that were deposited into the agency fund instead of the activity fund.

Recommendation: We recommend that the district implement policies and procedures to ensure that the assets are adequately safeguarded and revenue is properly received, recognized, and recorded.

**Finding 2013-02: Control Deficiencies Surrounding Non-Payroll Expenditures and Related Liabilities-Repeat Finding**

Finding: The school district is charged with developing a control system that will provide safeguards over district assets, that will ensure all transactions are properly authorized, that will verify goods and/or services are actually received, and that will ensure transactions are properly classified and accounted for in the appropriate accounting period. Out of a sample size of 60 non-payroll transactions tested, the following deviations from identified controls were noted:

- We noted 4 instances where the appropriate authorizing signature was not evidenced on the purchase requisition, purchase order, or travel authorization form.
- We noted 17 instances where appropriate receiving documentation was not evidenced in the paid claims packet for specific transactions.

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

LEAKE COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2013

**Finding 2013-03: Control Deficiencies Surrounding Payroll Expenditures and Related Liabilities-Repeat Finding**

Finding: The school district is charged with developing a control system that will provide safeguards over district assets that will ensure all transactions are properly authorized, and that will ensure all transactions are properly classified and accounted for in the appropriate accounting period. Out of a sample size of 66 payroll transactions tested, the following deviations from identified controls were noted:

- We noted 27 instances where the school district allowed employees to treat overtime hours as comp time with no definite carryover timeframe.
- We noted 1 instance where an employee was not paid based on the board approved salary scale.

Recommendation: We recommend that the school district pay employees based on hours worked times pay rate to be in accordance with federal wage and hour regulations. We also recommend that the school district pay employees based on the board approved salary scale.

**Finding 2013-04: Control Deficiencies Surrounding Activity Fund Expenditures-Repeat Finding**

Finding: The school district is charged with developing a control system that will provide safeguards over district asset, that will ensure that all transactions are properly authorized, that will verify goods and/or services are actually received, and that will ensure transactions are properly classified and accounted for in the appropriate accounting period. Out of a sample size of 40 activity fund transactions tested, the following deviation from identified controls was noted:

- We noted at Leake County High School there were 13 transactions that the school district could not produce any supporting documentation for these transactions.

Recommendation: We recommend that all invoices, receiving records, and purchase orders be available to support transactions recorded on the transmittal reports.

Section III: Federal Award Findings and Questioned Costs

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

**Finding 2013-05: Allowable Costs and Cost Principles**

**Program: Child Nutrition Cluster CFDA # 10.553, 10.555, 10.559**

Management is responsible for complying with the requirements that Federal awards are expended only for allowable activities and that the costs of goods and services charged to Federal awards are allowable and in accordance with the applicable cost principles. The applicable cost principles, set forth in 2CFR Part 225 (OMB Circular A-87), require that costs must be authorized and be adequately documented. Authorization of federal award costs should come from a person with the responsibility for the administration of the federal award and with the knowledge of allowable program costs.

During our test of 20 non-payroll expenditures, we noted 1 transaction that did not show appropriate authorizing signature on the travel authorization form. We also noted 8 transactions that did not show receiving documentation for goods/services received. The deviations noted could increase the risk that unauthorized transactions may be processed within the district.

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

LEAKE COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2013

**Finding 2013-06: Allowable Costs and Cost Principles-Repeat Finding**

**Program: Special Education Cluster CFDA # 84.027, 84.173**

Management is responsible for complying with the requirements that Federal awards are expended only for allowable activities and that the costs of goods and services charged to Federal awards are allowable and in accordance with the applicable cost principles. The applicable cost principles, set forth in 2CFR Part 225 (OMB Circular A-87), require that costs must be authorized and be adequately documented. Authorization of federal award costs should come from a person with the responsibility for the administration of the federal award and with the knowledge of allowable program costs.

During our test of 20 non-payroll expenditures, we noted 4 transactions that did not show approval from administrator responsible for federal award expenditures. We also noted 1 transaction that did not show appropriate authorizing signature on the travel authorization form. We noted 2 transactions that did not show receiving documentation for goods/services received. The deviations noted could increase the risk that unauthorized transactions may be processed within the district and goods and/or services not received by the district may be paid for.

During our test of 20 payroll expenditures, we noted 5 instances where semi-annual certificates were not on file for employees that were paid strictly from Special Education funds. The deviations noted could increase the risk of employees being improperly compensated.

Recommendation: We recommend that all transactions be approved by the federal program administrator to ensure that all expenditures are allowable, necessary, and reasonable. We also recommend that all transactions in the form of travel authorizations be issued only after appropriate approvals have been secured. Further, we also recommend that the District maintain adequate records for all employees to support federal program expenditures.

**Finding 2013-07: Allowable Costs and Cost Principles**

**Program: Special Education Cluster CFDA # 84.027, 84.173**

**Questioned Costs: \$9**

Management is responsible for complying with the requirements that federal awards are expended only for allowable activities and that the costs of goods and services charged to federal awards are allowable and in accordance with the applicable cost principles. Food purchases are not allowable costs.

During our test of 20 non-payroll Special Education Cluster expenditures, we noted 1 transaction for a purchase of water for the Special Education office paid with Special Education funds. According to the results of an MDE monitoring visit, this water purchase was considered an unallowable cost because the expense falls under "food purchases," which are not approved expenditures for Special Education funds. As a result of the monitoring visit from the state, the District was required to pay back the cost of the water.

Improper internal controls resulted in the district making unallowable purchases.

Recommendation: The District should comply with the requirements of the federal award by implementing stronger internal controls to ensure that all expenditures paid with federal funds are allowable.

AUDITEE'S CORRECTIVE ACTION PLAN  
AND  
SUMMARY OF PRIOR FEDERAL AUDIT FINDINGS

Leake County  
**Department of Education**

The mission of the Leake County School District is  
to provide a high quality education that will increase the learning of all students.

Post Office Drawer 478  
Carthage, Mississippi 39051  
www.leakesd.k12.ms.us  
Phone: (601) 267-4579 Fax: (601) 267-5283

As required by Section \_\_\_\_\_.315 (c) of OMB Circular A-133, the Leake County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2013:

Finding	Corrective Action Plan Details
13-01	<p>a. Sam McLaurin Principal 601-253-2393</p> <p>Peggy Marble Principal 601-267-8909</p> <p>Olaf Keith Moss Principal 601-267-9148</p> <p>b. The district has implemented a system of control procedures which include: creating a district-wide used Activity/Agency Manual, developed cash verification and other forms and put processes in place to ensure that duties are segregated. The manual also gives details on timely deposits and forms to be used for events.</p> <p>c. Effective November 20, 2014.</p>
13-02	<p>a. Stephanie Pickle Accounts Payable Officer 601-267-4579</p> <p>b. All expenditures paid shall henceforth contain documentation that indicates the receipt of goods and approval by the administrator. Accounts Payable Officer will be responsible for checking prior to paying claims and will ensure that the appropriate signatures are on the purchase requisitions, purchase orders, and travel vouchers.</p>

- c. Effective November 20, 2014.
- 13-03
  - a. Patrick Posey  
Superintendent of Education  
601-267-4579
  - b. The district will approve all pay of employees and record in the board minutes in order to comply with Section 37-7-301 (w) and 37-7-301 (z), Miss. Code Ann. (1972). Procedures will be enforced for overtime worked and timesheets not signed by the appropriate persons. Also, all employees will be paid based on the Board approved salary scale.
  - c. Effective November 20, 2014.
- 13-04
  - a. Sam McLaurin  
Principal  
601-253-2393
  - b. All schools will enforce the District Activity/Agency manual guidelines to ensure that all invoices, receiving records, and purchase orders be available to support transaction recorded on transmittal reports.
  - c. Effective November 20, 2014.
- 13-05
  - a. Margaret Beatty  
Child Nutrition Director  
601-267-3936
  - b. All expenditures paid shall henceforth contain documentation that indicates the receipt of goods and approval by the administrator. All travel authorizations will be properly authorized.
  - c. Effective November 20, 2014.
- 13-06
  - a. Melanie Stevens  
SPED Director  
601-267-8667
  - b. All expenditures paid shall henceforth contain documentation that indicates the receipt of goods and approval by the administrator. All expenditures will indicate approval of federal program administrator. Semi-annual certificates will be kept on file for employees paid with federal funds.
  - c. Effective November 20, 2014.
- 13-07
  - a. Melanie Stevens  
Sped Director

601-267-8667

- b. The district will ensure that federal funds are expended only for allowable expenditures.
- c. Effective November 20, 2014.

Leake County  
**Department of Education**

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As required by Section \_\_.315(b) of OMB Circular A-133, the Leake County School District has prepared and hereby submits the following summary of prior audit findings as of June 30, 2013:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2012-01	Repeat Finding
2012-02	Repeat Finding
2012-03	Repeat Finding
2012-04	Repeat Finding
2012-05	Repeat Finding
2012-06	Repeat Finding
2012-07	Corrected