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LEAKE COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2014

LEAKE COUNTY SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT



WATKINS, WARD and STAFFORD
 Professional Limited Liability Company
 Certified Public Accountants

James L. Stafford, CPA	Kimberly S. Caskey, CPA
Harry W. Stevens, CPA	Susan M. Lummus, CPA
S. Keith Winfield, CPA	Thomas J. Browder, CPA
William B. Stagers, CPA	Stephen D. Flake, CPA
Michael W. McCully, CPA	John N. Russell, CPA
Mort Stroud, CPA	Thomas A. Davis, CPA
R. Steve Sinclair, CPA	Anita L. Goodrum, CPA
Marsha L. McDonald, CPA	Ricky D. Allen, CPA
Wanda S. Holley, CPA	Jason D. Brooks, CPA
Robin Y. McCormick, CPA/PFS	Robert E. Cordle, Jr., CPA
J. Randy Scrivner, CPA	Perry C. Rackley, Jr., CPA

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, 2014, 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, 2014, 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 5-13 and 39-43 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 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), 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 accompanying supplementary information mentioned above 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 June 17, 2015, 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
June 17, 2015

Watkins Ward and Stafford, PLLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

LEAKE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

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, 2014. 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 2014 decreased \$165,898, including a prior period adjustment of (\$7,512), which represents a 1% decrease from fiscal year 2013. Total net position for 2013 increased \$917,799, which represents a 6% increase from fiscal year 2012.
- General revenues amounted to \$18,747,714 and \$18,645,063, or 77% and 76% of all revenues for fiscal years 2014 and 2013, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5,702,263, or 23% of total revenues for 2014, and \$5,750,218, or 24% of total revenues for 2013.
- The District had \$24,276,567 and \$23,477,482 in expenses for fiscal years 2014 and 2013; only \$5,702,263 for 2014 and \$5,750,218 for 2013 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$18,747,714 for 2014 and \$18,645,063 for 2013 were adequate to provide for these programs.
- Among major funds, the General Fund had \$17,380,346 in revenues and \$17,679,553 in expenditures for 2014, and \$17,325,767 in revenues and \$16,916,029 in expenditures in 2013. The General Fund's fund balance decreased by \$746,083 from 2013 to 2014, and decreased by \$60,563 from 2012 to 2013.
- Capital assets, net of accumulated depreciation, increased by \$1,167,568 for 2014 and decreased by \$278,133 for 2013. The increase for 2014 was due to the addition of construction in progress expenditures.
- Long-term debt, including the liability for compensated absences, decreased by \$691,706 for 2014 and decreased by \$646,460 for 2013. This decrease for 2014 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$9,181 for 2014 and decreased by \$42,605 for 2013.

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, 2014

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:

LEAKE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

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

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

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

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

Notes to the financial statements

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

Required 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 \$17,622,542 as of June 30, 2014.

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, 2014

Table 1 presents a summary of the District's net position at June 30, 2014 and June 30, 2013.

Table 1
Condensed Statement of Net Position

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
Current assets	\$ 9,625,162	\$ 11,283,135	-14.69 %
Restricted assets	524,032	516,092	1.54 %
Capital assets, net	<u>15,007,087</u>	<u>13,839,519</u>	8.44 %
Total assets	<u>25,156,281</u>	<u>25,638,746</u>	-1.88 %
Current liabilities	192,018	148,675	29.15 %
Long-term debt outstanding	<u>7,341,721</u>	<u>8,033,427</u>	-8.61 %
Total liabilities	<u>7,533,739</u>	<u>8,182,102</u>	-7.92 %
Net position:			
Net investment in capital assets	7,822,087	5,971,994	30.98 %
Restricted	7,818,666	8,629,627	-9.40 %
Unrestricted	<u>1,981,789</u>	<u>2,855,023</u>	-30.59 %
Total net position	<u>\$ 17,622,542</u>	<u>\$ 17,456,644</u>	0.95 %

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

- Increase in net capital assets in the amount of \$1,167,568.
- The principal retirement of \$682,525 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2014 and June 30, 2013 were \$24,449,977 and \$24,395,281, respectively. The total cost of all programs and services was \$24,276,567 for 2014 and \$23,477,482 for 2013.

LEAKE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2014 and June 30, 2013.

Table 2
Changes in Net Position

	Year Ended June 30, 2014	Year Ended June 30, 2013	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 487,571	\$ 457,714	6.52 %
Operating grants and contributions	5,214,692	5,292,504	(1.47) %
General revenues:			
Property taxes	4,105,857	4,186,912	(1.94) %
Grants and contributions not restricted	14,080,122	14,011,981	0.49 %
Investment earnings	23,394	34,421	(32.04) %
Sixteenth section sources	479,713	364,660	31.55 %
Other	58,628	47,089	24.50 %
Total revenues	24,449,977	24,395,281	0.22 %
Expenses:			
Instruction	12,777,546	12,472,736	2.44 %
Support services	9,071,273	8,837,708	2.64 %
Non-instructional	1,841,113	1,791,400	2.78 %
Sixteenth section	140,348	63,379	121.44 %
Interest on long-term liabilities	446,287	312,259	42.92 %
Total expenses	24,276,567	23,477,482	3.40 %
Increase (Decrease) in net position	173,410	917,799	(81.11) %
Net Position, July 1, as previously reported	17,456,644	16,538,845	5.55 %
Prior Period Adjustment	(7,512)		N/A
Net Position, July 1, as restated	17,449,132	16,538,845	5.50 %
Net Position, June 30	\$ 17,622,542	\$ 17,456,644	0.95 %

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, 2014

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2014	2013	
Instruction	\$ 12,777,546	\$ 12,472,736	2.44 %
Support services	9,071,273	8,837,708	2.64 %
Non-instructional	1,841,113	1,791,400	2.78 %
Sixteenth section	140,348	63,379	121.44 %
Interest on long-term liabilities	446,287	312,259	42.92 %
Total expenses	\$ 24,276,567	\$ 23,477,482	3.40 %

	Net (Expense) Revenue		Percentage Change
	2014	2013	
Instruction	\$ (11,038,152)	\$ (10,839,708)	1.83 %
Support services	(7,174,791)	(6,767,247)	6.02 %
Non-instructional	149,579	204,401	(26.82) %
Sixteenth section	(64,653)	(12,451)	419.26 %
Interest on long-term liabilities	(446,287)	(312,259)	42.92 %
Total net (expense) revenue	\$ (18,574,304)	\$ (17,727,264)	4.78 %

- Net cost of governmental activities (\$18,574,304 for 2014 and \$17,727,264 for 2013) was financed by general revenue, which is primarily made up of property taxes (\$4,105,857 for 2014 and \$4,186,912 for 2013) and state and federal revenues (\$14,080,122 for 2014 and \$14,011,981 for 2013). In addition, there was \$479,713 and \$364,660 in Sixteenth Section sources for 2014 and 2013, respectively.
- Investment earnings amounted to \$23,394 for 2014 and \$34,421 for 2013.

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 \$10,030,685, a decrease of \$1,546,890, which includes a prior period adjustment of (\$7,512) and a decrease in inventory of \$24,892. \$1,861,947 or 19% 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 \$8,168,738 or 81% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

LEAKE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

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 \$746,083. The fund balance of Other Governmental Funds showed a decrease in the amount of \$1,282,677, which includes a decrease in reserve for inventory of \$24,892. 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
EHA, Part B Grant Fund	no increase or decrease
16th Section Interest Fund \$	481,870

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, 2014, the District's total capital assets were \$26,625,014, 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 \$1,668,636 from 2013. Total accumulated depreciation as of June 30, 2014, was \$11,617,927, and total depreciation expense for the year was \$560,223, resulting in total net capital assets of \$15,007,087.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage</u> <u>Change</u>
Land	\$ 459,075	\$ 459,075	0.00 %
Construction in Progress	1,330,662	13,125	10,038.38 %
Buildings	11,498,943	11,790,109	(2.47) %
Improvements other than buildings	270,474	177,001	52.81 %
Mobile equipment	1,308,688	1,238,898	5.63 %
Furniture and equipment	139,245	161,311	(13.68) %
Total	<u>\$ 15,007,087</u>	<u>\$ 13,839,519</u>	8.44 %

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, 2014

Debt Administration. At June 30, 2014, the District had \$7,341,721 in outstanding long-term debt, of which \$620,000 is due within one year. The liability for compensated absences decreased \$9,181 from the prior year.

The District maintains an AA bond rating.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 95,000	\$ 185,000	(48.65) %
Limited obligation bonds payable	2,135,000	2,515,000	(15.11) %
Shortfall notes payable		102,525	(100.00) %
Other loans payable	4,955,000	5,065,000	(2.17) %
Compensated absences payable	156,721	165,902	(5.53) %
Total	<u>\$ 7,341,721</u>	<u>\$ 8,033,427</u>	(8.61) %

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 2013-2014 year decreased by 3% to 2,688 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

LEAKE COUNTY SCHOOL DISTRICT

Statement of Net Position
June 30, 2014

Exhibit A

		Governmental Activities
Assets		
Cash and cash equivalents	\$	8,625,324
Due from other governments		974,401
Other receivables, net		2,038
Inventories		23,399
Restricted assets		524,032
Capital assets, non-depreciable:		
Land		459,075
Construction in progress		1,330,662
Capital assets, net of accumulated depreciation:		
Buildings		11,498,943
Improvements other than buildings		270,474
Mobile equipment		1,308,688
Furniture and equipment		139,245
Total Assets		25,156,281
Liabilities		
Accounts payable and accrued liabilities		118,509
Interest payable on long-term liabilities		73,509
Long-term liabilities, due within one year:		
Capital related liabilities		620,000
Long-term liabilities, due beyond one year:		
Capital related liabilities		6,565,000
Non-capital related liabilities		156,721
Total Liabilities		7,533,739
Net Position		
Invested in capital assets, net of related debt		7,822,087
Restricted for:		
Expendable:		
School-based activities		5,462,108
Debt service		792,506
Capital improvements		1,012,904
Forestry improvements		206,727
Unemployment benefits		50,000
Non-expendable:		
Sixteenth section		294,421
Unrestricted		1,981,789
Total Net Position	\$	17,622,542

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

LEAKE COUNTY SCHOOL DISTRICT

Statement of Activities

Exhibit B

For the Year Ended June 30, 2014

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	\$ 12,777,546	\$ 193,628	\$ 1,545,766	\$ (11,038,152)
Support services	9,071,273		1,896,482	(7,174,791)
Non-instructional	1,841,113	218,248	1,772,444	149,579
Sixteenth section	140,348	75,695		(64,653)
Interest on long-term liabilities	446,287			(446,287)
Total Governmental Activities	\$ 24,276,567	\$ 487,571	\$ 5,214,692	\$ (18,574,304)

General Revenues:

Taxes:

General purpose levies	3,785,828
Debt purpose levies	320,029

Unrestricted grants and contributions:

State	13,845,090
Federal	235,032
Unrestricted investment earnings	23,394
Sixteenth section sources	479,713
Other	58,628

Total General Revenues	18,747,714
------------------------	------------

Change in Net Position	173,410
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Net Position - Beginning, as previously reported	17,456,644
Prior Period Adjustments	(7,512)

Net Position - Beginning, as restated	17,449,132
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Net Position - Ending	\$ 17,622,542
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The notes to the financial statements are an integral part of this statement.

LEAKE COUNTY SCHOOL DISTRICT

Governmental Funds

Balance Sheet
June 30, 2014

Exhibit C

	Major Funds					Total Governmental Funds
	General Fund	Title I Fund	EHA, Part B Grant Fund	16th Section Interest Fund	Other Governmental Funds	
Assets						
Cash and cash equivalents	\$ 1,488,942	\$ 792	\$ 5,375	\$ 4,753,408	\$ 2,671,228	\$ 8,919,745
Investments					229,611	229,611
Due from other governments	258,348	262,682	74,465		378,906	974,401
Other receivables, net	339			1,581	118	2,038
Due from other funds	429,582				134	429,716
Inventories					23,399	23,399
Total assets	2,177,211	263,474	79,840	4,754,989	3,303,396	10,578,910
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ 38,567			\$ 74,586	\$ 5,356	\$ 118,509
Due to other funds	134	263,474	79,840		86,268	429,716
Total Liabilities	38,701	263,474	79,840	74,586	91,624	548,225
Fund Balances:						
Nonspendable:						
Inventory					23,399	23,399
Permanent fund principal					294,421	294,421
Restricted:						
Debt service					866,015	866,015
Capital projects					1,012,904	1,012,904
Forestry improvement purposes					206,727	206,727
Grant activities					758,306	758,306
Unemployment benefits					50,000	50,000
16th section interest				4,680,403		4,680,403
Assigned:						
Student activities	271,688					271,688
School improvement	4,875					4,875
Unassigned	1,861,947					1,861,947
Total Fund Balances	2,138,510			4,680,403	3,211,772	10,030,685
Total Liabilities and Fund Balances	\$ 2,177,211	\$ 263,474	\$ 79,840	\$ 4,754,989	\$ 3,303,396	\$ 10,578,910

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, 2014**

Exhibit C-1

Total fund balances for governmental funds **\$ 10,030,685**

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	1,330,662	
Buildings	19,296,256	
Improvements other than buildings	393,176	
Mobile equipment	4,097,470	
Furniture and equipment	1,048,375	
Accumulated depreciation	<u>(11,617,927)</u>	15,007,087

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

General obligation bonds	(95,000)	
Limited obligation bonds	(2,135,000)	
Notes payable	(4,955,000)	
Compensated absences	(156,721)	
Accrued interest payable	<u>(73,509)</u>	(7,415,230)

Net position of governmental activities **\$ 17,622,542**

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, 2014**

Exhibit D

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General Fund	Title I Fund	EHA, Part B Grant Fund	16th Section Interest Fund		
Revenues:						
Local sources	\$ 4,035,650	\$ 153			\$ 550,740	\$ 4,586,543
State sources	13,109,664				1,383,105	14,492,769
Federal sources	235,032	1,486,011	789,361		2,291,640	4,802,044
Sixteenth section sources				489,345	77,788	567,133
Total Revenues	17,380,346	1,486,164	789,361	489,345	4,303,273	24,448,489
Expenditures:						
Instruction	10,585,567	631,423	260,282		1,007,360	12,484,632
Support services	7,085,145	743,679	518,079		890,230	9,237,133
Noninstructional services	8,841	106,071			1,687,575	1,802,487
Sixteenth section				363	139,985	140,348
Facilities acquisition and construction					1,317,537	1,317,537
Debt service:						
Principal					682,525	682,525
Interest					294,300	294,300
Other					5,501	5,501
Total Expenditures	17,679,553	1,481,173	778,361	363	6,025,013	25,964,463
Excess (Deficiency) of Revenues over (under) Expenditures	(299,207)	4,991	11,000	488,982	(1,721,740)	(1,515,974)
Other Financing Sources (Uses):						
Insurance recovery	100					100
Sale of other property	800				588	1,388
Operating transfers in	19,786			400	467,162	487,348
Operating transfers out	(467,562)	(4,991)	(11,000)		(3,795)	(487,348)
Total Other Financing Sources (Uses)	(446,876)	(4,991)	(11,000)	400	463,955	1,488
Net Change in Fund Balances	(746,083)			489,382	(1,257,785)	(1,514,486)
Fund Balances:						
July 1, 2013, as previously reported	2,884,593			4,198,533	4,494,449	11,577,575
Prior period adjustments				(7,512)		(7,512)
July 1, 2013, as restated	2,884,593			4,191,021	4,494,449	11,570,063
Increase (Decrease) in reserve for inventory					(24,892)	(24,892)
June 30, 2014	\$ 2,138,510			\$ 4,680,403	\$ 3,211,772	\$ 10,030,685

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, 2014

Exhibit D-1

Net change in fund balances - total governmental funds \$ (1,514,486)

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	\$ 1,728,388	
Depreciation expense	<u>(560,223)</u>	1,168,165

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. (597)

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 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	682,525	
Accrued interest payable	<u>(10,154)</u>	672,371

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	9,181	
Change in inventory reserve	(24,892)	
Decrease in deferred debt issuance costs	<u>(136,332)</u>	(152,043)

Change in net position of governmental activities \$ 173,410

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
June 30, 2014

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 853,229
Due from other governments	<u>2,288</u>
Total Assets	<u>\$ 855,517</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 747,751
Due to student clubs	<u>107,766</u>
Total Liabilities	<u>\$ 855,517</u>

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

LEAKE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2014

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. 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 the Year Ended June 30, 2014

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.

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

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

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.

The District's fiduciary funds include the following:

Payroll Clearing Fund – This is the District's clearing fund used for 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 the Year Ended June 30, 2014

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 the Year Ended June 30, 2014

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 the Year Ended June 30, 2014

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 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net 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 the Year Ended June 30, 2014

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 and Bond Discounts/Premiums

In the government-wide financial statements, outstanding debt is reported as liabilities. 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 the Year Ended June 30, 2014

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 the Year Ended June 30, 2014

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 \$8,919,745 and \$853,229, 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, 2014, none of the district's bank balance was exposed to custodial credit risk.

Investments

As of June 30, 2014, the district had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
Federated U.S. Treasury Cash Reserve	AAAm	Less than 1	\$ 229,611
Total			\$ 229,611

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 the Year Ended June 30, 2014

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, 2014, the district had the following investments:

Issuer		Fair Value	% of Total Investments
Federated U.S. Treasury Cash Reserve	\$	229,611	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	\$ 263,474
	EHA, Part B Grant Fund	79,840
	Other governmental funds	86,268
Other governmental funds	General Fund	134
Total		\$ 429,716

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. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	16th Section Interest Fund	\$ 400
	Other governmental funds	467,162
Title I Fund	General Fund	4,991
EHA, Part B Grant Fund	General Fund	11,000
Other governmental funds	General Fund	3,795
Total		\$ 487,348

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.

Note 4 – Restricted Assets

The restricted assets represent the cash balance, totaling \$294,421, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets represent the investment balance, totaling \$229,611, of the MAEP Limited Obligation Bond/Note Fund.

LEAKE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2014

Note 5 – Capital Assets

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

	Balance 7/1/2013	Increases	Decreases	Balance 6/30/2014
Governmental Activities:				
<u>Non-depreciable capital assets:</u>				
Land	\$ 459,075			\$ 459,075
Construction-in-progress	13,125	1,317,537		1,330,662
Total non-depreciable capital assets	472,200	1,317,537	-	1,789,737
<u>Depreciable capital assets:</u>				
Buildings	19,296,256			19,296,256
Improvements other than buildings	288,176	105,000		393,176
Mobile equipment	3,824,366	273,104		4,097,470
Furniture and equipment	1,075,380	32,747	59,752	1,048,375
Total depreciable capital assets	24,484,178	410,851	59,752	24,835,277
<u>Less accumulated depreciation for:</u>				
Buildings	7,506,147	291,166		7,797,313
Improvements other than buildings	111,175	11,527		122,702
Mobile equipment	2,585,468	203,314		2,788,782
Furniture and equipment	914,069	54,216	59,155	909,130
Total accumulated depreciation	11,116,859	560,223	59,155	11,617,927
Total depreciable capital assets, net	13,367,319	(149,372)	597	13,217,350
Governmental activities capital assets, net	\$ 13,839,519	\$ 1,168,165	\$ 597	\$ 15,007,087

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 328,445
Support services	218,960
Non-instructional	12,818
Total depreciation expense - Governmental activities	\$ 560,223

Construction in progress is composed of:

	Spent to June 30, 2014	Remaining Commitment
Governmental Activities:		
Classroom addition-Leake Central High	\$ 1,330,662	\$ 2,418,285
Total governmental activities	1,330,662	2,418,285

Construction projects included in governmental activities are funded with a limited tax note payable that is secured by the District's Education Enhancement funds ("EEF" funds).

LEAKE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2014

Note 6 – Long-term Liabilities

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

	Balance 7/1/2013	Additions	Reductions	Balance 6/30/2014	Amounts due within one year
A. General obligation bonds payable	\$ 185,000		\$ 90,000	\$ 95,000	\$ 95,000
B. Limited obligation bonds payable	2,515,000		380,000	2,135,000	395,000
C. Shortfall notes payable	102,525		102,525		
D. Other loans payable	5,065,000		110,000	4,955,000	130,000
E. Compensated absences payable	165,902		9,181	156,721	
Total	<u>\$ 8,033,427</u>		<u>\$ 691,706</u>	<u>\$ 7,341,721</u>	<u>\$ 620,000</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	\$ 95,000
Total				<u>\$ 1,060,000</u>	<u>\$ 95,000</u>

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

Year Ending June 30	Principal	Interest	Total
2015	\$ 95,000	\$ 2,185	\$ 97,185
Total	<u>\$ 95,000</u>	<u>\$ 2,185</u>	<u>\$ 97,185</u>

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

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, 2014, the amount of outstanding bonded indebtedness was equal to .1% of property assessments as of October 1, 2013.

LEAKE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2014

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	\$ 2,135,000
Total				<u>\$ 3,850,000</u>	<u>\$ 2,135,000</u>

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

Year Ending June 30	Principal	Interest	Total
2015	\$ 395,000	\$ 71,001	\$ 466,001
2016	410,000	56,610	466,610
2017	425,000	41,474	466,474
2018	905,000	25,578	930,578
Total	<u>\$ 2,135,000</u>	<u>\$ 194,663</u>	<u>\$ 2,329,663</u>

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. 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
Limited Tax Notes	3.25-4.25%	4/15/2011	4/15/2031	\$ 5,275,000	\$ 4,955,000
Total				<u>\$ 5,275,000</u>	<u>\$ 4,955,000</u>

LEAKE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2014

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

Year Ending June 30	Principal	Interest	Total
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	255,000	160,081	415,081
2020 – 2024	1,405,000	654,281	2,059,281
2025 – 2029	1,685,000	372,194	2,057,194
2030 – 2034	775,000	49,250	824,250
Total	\$ 4,955,000	\$ 1,968,181	\$ 6,923,181

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 (special revenue fund) and the 2011 Note Fund (debt service fund).

D. 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. (1) Postage Meter
2. (9) Toshiba Copiers

Lease expenditures for the year ended June 30, 2014, amounted to \$44,315.

LEAKE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2014

Future lease payments for these leases are as follows:

<u>Year Ending June 30</u>		<u>Amount</u>
2015	\$	39,635
2016		22,893
2017		2,438
Total	\$	<u>64,966</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, 2014 was 15.75% 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, 2014, 2013 and 2012 were \$2,025,080, \$1,822,844 and \$1,692,670, respectively, which equaled the required contributions for each year.

Note 9 – Sixteenth Section Lands

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

LEAKE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2014

Year Ending June 30	Amount
2015	\$ 39,477
2016	39,259
2017	37,106
2018	37,106
2019	37,106
2020 – 2024	179,505
2025 – 2029	143,930
2030 – 2034	84,353
2035-2039	58,700
Thereafter	43,929
Total	<u>\$ 700,471</u>

Note 10 – Prior Period Adjustments

A summary of significant Net Position/Fund Balance adjustments is as follows:

Exhibit B - Statement of Activities

Explanation	Amount
Reduction in payable from prior year	\$ (7,512)
Total	<u>\$ (7,512)</u>

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

Fund	Explanation	Amount
16th Section Interest Fund	Reduction in payable from prior year	\$ (7,512)
Total		<u>\$ (7,512)</u>

Note 11 – Contingencies

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

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

LEAKE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2014

Note 12 – Risk Management

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

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 94 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 13 - Insurance loss recoveries

The Leake County School District received \$100 in insurance loss recoveries related to property damage during the 2013-2014 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as General revenues – Other.

Note 14 - 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 June 17, 2015, and determined that there was no subsequent event that required disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

LEAKE COUNTY SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 4,189,770	\$ 4,194,581	\$ 4,035,650	\$ 4,811	\$ (158,931)
State sources	13,094,751	12,969,169	13,109,664	(125,582)	140,495
Federal sources	337,042	337,042	235,032	0	(102,010)
Total Revenues	17,621,563	17,500,792	17,380,346	(120,771)	(120,446)
Expenditures:					
Instruction	11,374,711	11,284,697	10,585,567	90,014	699,130
Support services	7,312,464	7,781,050	7,085,145	(468,586)	695,905
Noninstructional services	12,500	12,689	8,841	(189)	3,848
Total Expenditures	18,699,675	19,078,436	17,679,553	(378,761)	1,398,883
Excess (Deficiency) of Revenues over (under) Expenditures	(1,078,112)	(1,577,644)	(299,207)	(499,532)	1,278,437
Other Financing Sources (Uses):					
Insurance recovery		100	100	100	
Sale of transportation equipment	2,000	2,800		800	(2,800)
Sale of other property	2,000	2,000	800		(1,200)
Operating transfers in	1,632,365	958,442	19,786	(673,923)	(938,656)
Operating transfers out	(2,264,444)	(1,383,948)	(467,562)	880,496	916,386
Total Other Financing Sources (Uses)	(628,079)	(420,606)	(446,876)	207,473	(26,270)
Net Change in Fund Balances	(1,706,191)	(1,998,250)	(746,083)	(292,059)	1,252,167
Fund Balances:					
July 1, 2013	3,019,029	2,884,593	2,884,593	(134,436)	
June 30, 2014	\$ 1,312,838	\$ 886,343	\$ 2,138,510	\$ (426,495)	\$ 1,252,167

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

LEAKE COUNTY SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
Title I Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources		\$ 153	\$ 153	\$ 153	
Federal sources	1,452,346	1,714,642	1,486,011	262,296	(228,631)
Total Revenues	1,452,346	1,714,795	1,486,164	262,449	(228,631)
Expenditures:					
Instruction	561,985	709,353	631,423	(147,368)	77,930
Support services	551,042	889,566	743,679	(338,524)	145,887
Noninstructional services	132,232	110,885	106,071	21,347	4,814
Total Expenditures	1,245,259	1,709,804	1,481,173	(464,545)	228,631
Excess (Deficiency) of Revenues over (under) Expenditures	207,087	4,991	4,991	(202,096)	
Other Financing Sources (Uses):					
Operating transfers out	(207,087)	(4,991)	(4,991)	202,096	
Total Other Financing Sources (Uses)	(207,087)	(4,991)	(4,991)	202,096	
Net Change in Fund Balances					
Fund Balances:					
July 1, 2013	-	-	-	-	-
June 30, 2014	\$ -	\$ -	\$ -	\$ -	\$ -

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

LEAKE COUNTY SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
EHA, Part B Grant Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 887,297	\$ 868,485	\$ 789,361	\$ (18,812)	\$ (79,124)
Total Revenues	887,297	868,485	789,361	(18,812)	(79,124)
Expenditures:					
Instruction	261,005	279,209	260,282	(18,204)	18,927
Support services	613,819	578,276	518,079	35,543	60,197
Noninstructional services	1,000			1,000	
Total Expenditures	875,824	857,485	778,361	18,339	79,124
Excess (Deficiency) of Revenues over (under) Expenditures	11,473	11,000	11,000	(473)	
Other Financing Sources (Uses):					
Operating transfers out	(11,473)	(11,000)	(11,000)	473	
Total Other Financing Sources (Uses)	(11,473)	(11,000)	(11,000)	473	
Net Change in Fund Balances					
Fund Balances:					
July 1, 2013	-	-	-	-	-
June 30, 2014	\$ -	\$ -	\$ -	\$ -	\$ -

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

LEAKE COUNTY SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
16th Section Interest Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
				Original to Final	Final to Actual
	Original	Final			
Revenues:					
Sixteenth section sources	\$ 420,000	\$ 504,409	\$ 489,345	\$ 84,409	\$ (15,064)
Total Revenues	420,000	504,409	489,345	84,409	(15,064)
Expenditures:					
Sixteenth section	5,300	5,300	363		4,937
Total Expenditures	5,300	5,300	363		4,937
Excess (Deficiency) of Revenues over (under) Expenditures	414,700	499,109	488,982	84,409	(10,127)
Other Financing Sources (Uses):					
Operating transfers in	2,432	400	400	(2,032)	
Total Other Financing Sources (Uses)	2,432	400	400	(2,032)	
Net Change in Fund Balances	417,132	499,509	489,382	82,377	(10,127)
Fund Balances:					
July 1, 2013, as previously reported	4,215,538	4,198,533	4,198,533	(17,005)	
Prior period adjustments		(7,512)	(7,512)	(7,512)	
July 1, 2013, as restated	4,215,538	4,191,021	4,191,021	(24,517)	
June 30, 2014	\$ 4,632,670	\$ 4,690,530	\$ 4,680,403	\$ 57,860	\$ (10,127)

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

LEAKE COUNTY SCHOOL DISTRICT

Notes to the Required Supplementary Information
For the Year Ended June 30, 2014

Budgetary Comparison Schedule

(1) Basis of Presentation

The Budgetary Comparison Schedule presents 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, 2014**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 449,624
National school lunch program	10.555	1,220,245
Summer food service program for children	10.559	9,495
Total child nutrition cluster		<u>1,679,364</u>
Total passed-through Mississippi Department of Education		<u>1,679,364</u>
Total U.S. Department of Agriculture		<u>1,679,364</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	163,920
Total Federal Communications Commission		<u>163,920</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	1,611,378
Career and technical education - basic grants to states	84.048	67,438
Gaining early awareness and readiness in undergraduate programs	84.334	21,459
Rural education	84.358	30,143
English language acquisition grants	84.365	47,631
Improving teacher quality-State Grants	84.367	144,972
Subtotal		<u>1,923,021</u>
Special education cluster:		
Special education - grants to states	84.027	789,361
Special education - preschool grants	84.173	37,413
Total special education cluster		<u>826,774</u>
Total passed-through Mississippi Department of Education		<u>2,749,795</u>
Total U.S. Department of Education		<u>2,749,795</u>
Total for All Federal Awards		<u>\$ 4,593,079</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, 2014**

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 17,787,333	13,111,933	1,212,741	1,442,986	2,019,673
Other	8,177,130	1,849,642	390,325	68,250	5,868,913
Total	<u>\$ 25,964,463</u>	<u>14,961,575</u>	<u>1,603,066</u>	<u>1,511,236</u>	<u>7,888,586</u>
Total number of students *	<u>2,688</u>				
Cost per student	<u>\$ 9,659</u>	<u>5,566</u>	<u>596</u>	<u>562</u>	<u>2,935</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

	2014	2013*	2012*	2011*
Revenues:				
Local sources	\$ 4,035,650	\$ 4,022,816	\$ 3,791,356	\$ 3,812,403
State sources	13,109,664	12,945,984	13,613,390	13,168,649
Federal sources	235,032	356,967	216,157	250,113
Total Revenues	17,380,346	17,325,767	17,620,903	17,231,165
Expenditures:				
Instruction	10,585,567	10,271,084	10,026,031	9,710,187
Support services	7,085,145	6,594,912	6,994,308	6,412,369
Noninstructional services	8,841	50,033	38,714	88,537
Total Expenditures	17,679,553	16,916,029	17,059,053	16,211,093
Excess (Deficiency) of Revenues over (under) Expenditures	(299,207)	409,738	561,850	1,020,072
Other Financing Sources (Uses):				
Bonds and notes issued			151,380	
Insurance recovery	100			28,669
Sale of transportation equipment				4,477
Sale of other property	800		1,134	
Operating transfers in	19,786	15,503	12,930	30,048
Operating transfers out	(467,562)	(485,804)	(431,057)	(463,307)
Total Other Financing Sources (Uses)	(446,876)	(470,301)	(265,613)	(400,113)
Net Change in Fund Balances	(746,083)	(60,563)	296,237	619,959
Fund Balances:				
Beginning of period, as previously reported	2,884,593	2,945,156	2,652,603	2,035,071
Prior period adjustments			(3,684)	(2,427)
Beginning of period, as restated	2,884,593	2,945,156	2,648,919	2,032,644
End of Period	\$ 2,138,510	\$ 2,884,593	\$ 2,945,156	\$ 2,652,603

*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

	2014	2013*	2012*	2011*
Revenues:				
Local sources	\$ 4,586,543	\$ 4,661,002	\$ 4,508,237	\$ 4,478,700
State sources	14,492,769	14,278,615	14,894,263	14,509,377
Federal sources	4,802,044	5,025,871	5,842,393	6,016,510
Sixteenth section sources	567,133	429,793	1,154,480	453,414
Total Revenues	<u>24,448,489</u>	<u>24,395,281</u>	<u>26,399,373</u>	<u>25,458,001</u>
Expenditures:				
Instruction	12,484,632	12,152,359	12,652,852	12,706,035
Support services	9,237,133	8,893,396	9,855,413	8,923,833
Noninstructional services	1,802,487	1,816,114	1,884,988	1,926,345
Sixteenth section	140,348	63,379	47,947	137,342
Facilities acquisition and construction	1,317,537	11,244	2,269,261	230,528
Debt service:				
Principal	682,525	603,855	540,000	1,005,000
Interest	294,300	319,229	336,790	183,450
Other	5,501	5,206	4,711	48,093
Total Expenditures	<u>25,964,463</u>	<u>23,864,782</u>	<u>27,591,962</u>	<u>25,160,626</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(1,515,974)</u>	<u>530,499</u>	<u>(1,192,589)</u>	<u>297,375</u>
Other Financing Sources (Uses):				
Bonds and notes issued			151,380	5,275,000
Insurance recovery	100			28,669
Sale of transportation equipment				4,477
Sale of other property	1,388		1,134	
Operating transfers in	487,348	501,307	443,987	641,448
Operating transfers out	(487,348)	(501,307)	(443,987)	(641,448)
Total Other Financing Sources (Uses)	<u>1,488</u>	<u></u>	<u>152,514</u>	<u>5,308,146</u>
Net Change in Fund Balances	<u>(1,514,486)</u>	<u>530,499</u>	<u>(1,040,075)</u>	<u>5,605,521</u>
Fund Balances:				
Beginning of period, as previously reported	11,577,575	11,040,279	12,084,820	6,490,035
Prior period adjustments	(7,512)		(9,397)	(2,427)
Beginning of period, as restated	<u>11,570,063</u>	<u>11,040,279</u>	<u>12,075,423</u>	<u>6,487,608</u>
Increase (Decrease) in reserve for inventory	<u>(24,892)</u>	<u>6,797</u>	<u>4,931</u>	<u>(8,309)</u>
End of Period	<u>\$ 10,030,685</u>	<u>\$ 11,577,575</u>	<u>\$ 11,040,279</u>	<u>\$ 12,084,820</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



WATKINS, WARD and STAFFORD
Professional Limited Liability Company
Certified Public Accountants

James L. Stafford, CPA	Kimberly S. Caskey, CPA
Harry W. Stevens, CPA	Susan M. Lummus, CPA
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William B. Staggers, CPA	Stephen D. Flake, CPA
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Robin Y. McCormick, CPA/PFS	Robert E. Cordle, Jr., CPA
J. Randy Scrivner, CPA	Perry C. Rackley, Jr., CPA

**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, 2014, and the related notes to the financial statements, which collectively comprise Leake County School District’s basic financial statements and have issued our report thereon dated June 17, 2015.

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 the Leake County School District’s internal control.

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 2014-01, 2014-02, and 2014-03).

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 June 17, 2015, 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 it.

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
June 17, 2015

Watkins Ward and Stafford, PLLC



WATKINS, WARD and STAFFORD
 Professional Limited Liability Company
 Certified Public Accountants

James L. Stafford, CPA	Kimberly S. Caskey, CPA
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
 AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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, 2014. 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, 2014.

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 **2014-04** and **2014-05**. 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 response.

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. We did not identify any deficiencies in internal control over compliance 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 over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as Finding **2014-04** and **2014-05** 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 responses were 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
June 17, 2015

Watkins Ward and Stafford, PLLC

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



WATKINS, WARD and STAFFORD
 Professional Limited Liability Company
 Certified Public Accountants

James L. Stafford, CPA	Kimberly S. Caskey, CPA
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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, 2014, which collectively comprise Leake County School District's basic financial statements and have issued our report thereon dated June 17, 2015. 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 had no classroom supply funds carried over from previous years.

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instances of noncompliance with other state laws and regulations. Our findings and recommendations and your responses are as follows:

1. Proper Form Should Be Filed For All Retirees Re-hired

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 re-employment of the retiree.

During our testing of state legal compliance, we noted nine instances where Form 4B's were not signed within five days of rehire.

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/Acknowledgment of Re-employment of Retiree" within five days of re-employment.

District Response

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

2. The School District Should Promptly Collect Sixteenth Section Leases Or Document Extenuating Circumstances If Termination Was Not Declared

Finding

Section 29-3-57, Mississippi Code Ann. (1972) states, "It is the duty of the superintendent of education to collect promptly all rentals due and all principal and interest due upon loans and investments of sixteenth section principal funds. Upon a sixty (60) day default in payment of any rental according to the terms of such lease, the lease shall be declared terminated unless the board of education finds extenuating circumstances were present..."

During our tests of sixteenth section leases, we identified several leases in which rental payments tested were more than 60 days past due with no documentation that board action was taken regarding the default as required by Section 29-3-57, Mississippi Code Ann. (1972).

Recommendation

We recommend that the District comply with Section 29-3-57, Mississippi Code Ann. (1972), that states when leases are in default for more than 60 days from the due date, the lease shall be declared terminated unless the Board of Education finds extenuating circumstances are present.

District Response

The District will comply with Section 29-3-57, Mississippi Code Ann. (1972), that states when leases are in default for more than 60 days from the due date, the lease shall be declared terminated unless the Board of Education finds extenuating circumstances are present.

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

The Leake County School District's responses to the findings included in this report were not audited and, accordingly, we express no opinion on them.

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

Watkins, Ward and Stafford, PLLC
Philadelphia, Mississippi
June 17, 2015

Watkins Ward and Stafford, PLLC

LEAKE COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

LEAKE COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

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, 2014

Section II: Financial Statement Findings

Significant Deficiencies Not Considered to Be Material Weaknesses

Finding 2014-01: Controls over Deposit of 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 3 instances at Leake Central Junior High School where activity fund revenue was not deposited into the bank in a timely manner.
- We noted 3 instances at Leake Central Elementary School where the school was unable to provide cash authorization reports for deposits.
- We noted 16 instances at Leake Central Junior High School and 1 instance at Leake Central Elementary School where prenumbered receipts were not prepared in sequential order.
- We noted 1 instance at Leake Central Junior High School where a prenumbered receipt was issued after the date of deposit.
- We noted 1 instance at Leake Central Junior High School where the cash verification form lacked signatures verifying the money count. For that same transaction, one employee counted the money, issued the receipt, and made the deposit, resulting in a lack of segregation of duties.

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

Finding 2014-02: 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 40 payroll transactions tested, the following deviations from identified controls were noted:

- We noted 6 instances where the school district allowed employees to treat overtime hours as comp time with no defined carryover timeframe.
- We noted 14 instances where an employee was not paid based on the board approved salary scale.
- We noted 2 instances where time sheets were not approved by a supervisor.
- We noted 2 instances where time sheets were not on file with the District.
- The District is allowing exempt employees to receive overtime in the form of compensatory time equivalent to 1.5 hours for every hour of overtime worked. The District's policy states that certain non-certified administrators such as business managers, transportation directors, maintenance directors and other similar administrative and supervisor positions are exempt from coverage of the Fair Labor Standards Act and are not subject to compensation for overtime work. This is an exception to the Fair Labor Standards Act and is a violation of the District's policy.

LEAKE COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

Recommendation: We recommend that the school district pay employees based on hours worked times their approved pay rate to be in accordance with federal wage and hour regulations and based on the board approved salary scale. We also recommend that the school district maintain adequate records for all personnel to support expenditures prior to payment. Further, we recommend that the school district follow its policy that prohibits employees in certain administrative and supervisor positions that are exempt from the Fair Labor Standards Act from receiving compensation for overtime work, including compensatory time equivalent to 1.5 hours for every hour of overtime worked.

Finding 2014-03: Controls Surrounding The Approval Of General Disbursements Should Be Strengthened

Finding: Management is responsible for developing a control system that will provide safeguards over district assets that will ensure that all transactions are properly authorized.

During our testing of general disbursements, we noted 1 instance where the total amount of services purchased from a vendor exceeded the dollar amount approved by the board for that vendor with no explanation for the excess purchases.

Recommendation: We recommend the district implement controls and procedures to ensure that all expenditures are properly authorized.

Section III: Federal Award Findings and Questioned Costs

Significant Deficiencies Not Considered to Be Material Weaknesses

Finding 2014-04: Allowable Costs and Cost Principles-Repeat Finding

Program: Special Education Cluster CFDA # 84.027, 84.173

Questioned Costs: \$85

Finding: 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.

During our testing of Special Education expenditures, we noted 2 transactions for the purchase of water for the Special Education office paid with Special Education funds. According to the results of an MDE monitoring visit for the June 30, 2013 year, 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 of the date of this audit report, the District has not reimbursed Special Education for these purchases.

Recommendation: We recommend that the District comply with the requirements of the federal award by implementing stronger internal controls to ensure that all expenditures paid with federal funds are allowable. Further, we recommend that the District reimburse Special Education funds for the cost of the water.

LEAKE COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

Finding 2014-05: Allowable Costs and Cost Principles

Program: Special Education Cluster CFDA # 84.027, 84.173

Questioned Costs: \$16,439

Finding: 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.

During our testing of Special Education expenditures, we noted 1 instance where the total amount of services purchased from a vendor exceeded the dollar amount approved by the board for that vendor with no explanation for the excess purchases. The difference between the approved amount and the total amount paid to the vendor is deemed an unallowable cost.

Recommendation: We recommend that the District comply with the requirements of the federal award by implementing stronger internal controls to ensure that all expenditures paid with federal funds are allowable. Further, we recommend that the District reimburse Special Education funds for the amount of the unallowable cost.

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

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Leake County
Department of Education

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

Post Office Drawer 478

Carthage, Mississippi 39051

www.leakcesd.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, 2014:

Finding	Corrective Action Plan Details
14-01	<p>a. Olaf Kelth Moss Principal 601-267-9148</p> <p>Peggy Marble Principal 601-267-8909</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 June 17, 2015.</p>
14-02	<p>a. Patrick Posey Superintendent of Education 601-267-4579</p> <p>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.</p> <p>c. Effective June 17, 2015.</p>

- 14-03
- a. Melanie Stevens
Sped Director
601-267-8667
 - b. The district will ensure that federal funds are expended only for allowable expenditures as board approved.
 - c. Effective June 17, 2015.
- 14-04
- a. Melanie Stevens
Sped Director
601-267-8667
 - b. The district will ensure that federal funds are expended only for allowable expenditures.
 - c. Effective June 17, 2015.
- 14-05
- a. Melanie Stevens
Sped Director
601-267-8667
 - b. The district will ensure that federal funds are expended only for allowable expenditures as board approved.
 - c. Effective June 17, 2015.

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.lc12.ms.us
Phone: (601) 267-4579 Fax: (601) 267-5283

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, 2014:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2013-01	Repeat Finding
2013-02	Corrected
2013-03	Repeat Finding
2013-04	Corrected
2013-05	Corrected
2013-06	Corrected
2013-07	Repeat Finding