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LEAKE COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2015



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INDEPENDENT AUDITOR'S REPORT

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SUZANNE E. SMITH, CPA, PLLC
AUDITING AND ACCOUNTING SERVICES
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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Leake County School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Leake County School District as of and for the year ended June 30, 2015, 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, 2015, 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.

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BRANDON, MISSISSIPPI 39043
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Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the schedule of the district's proportionate share of the net pension liability, and the schedule of district contributions on pages 7-14, 49-53, 55 and 57, respectively, 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

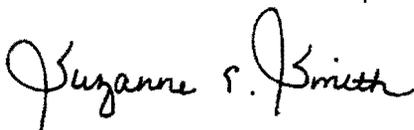
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Leake County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, 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 February 26, 2016, 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.



Suzanne E. Smith, CPA, PLLC
Brandon, Mississippi
February 26, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

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LEAKE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

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, 2015. 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 2015 decreased \$26,369,102, including a prior period adjustment of (\$26,946,776), which represents a 149.6% decrease from fiscal year 2014. Total net position for 2014 increased \$165,898, including a prior period adjustment of (\$7,512), which represents a 1% increase from fiscal year 2013.
- General revenues amounted to \$19,073,874 and \$18,747,714, or 78% and 77% of all revenues for fiscal years 2015 and 2014, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5,512,358, or 22% of total revenues for 2015, and \$5,702,263, or 23% of total revenues for 2014.
- The District had \$24,008,558 and \$24,276,567 in expenses for fiscal years 2015 and 2014; only \$5,512,358 for 2015 and \$5,702,263 for 2014 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$19,073,874 for 2015 and \$18,747,714 for 2014 were adequate to provide for these programs.
- Among major funds, the General Fund had \$18,183,008 in revenues and \$17,686,746 in expenditures for 2015, and \$17,380,346 in revenues and \$17,679,553 in expenditures in 2014. The General Fund's fund balance increased by \$3,201,257, including a prior period adjustment of \$4,680,403, from 2014 to 2015, and decreased by \$746,083 from 2013 to 2014.
- Capital assets, net of accumulated depreciation, increased by \$1,826,759 for 2015 and increased by \$1,167,568 for 2014. The increase for 2015 was primarily due to the increase in construction in progress of \$2,444,448, coupled with current year depreciation expense of \$623,736.
- Long-term debt, including the liability for compensated absences, decreased by \$623,013 for 2015 and decreased by \$691,706 for 2014. This decrease for 2015 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$3,013 for 2015 and decreased by \$9,181 for 2014.

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

LEAKE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

District's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

The Statement of Activities presents information showing how the District's net 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, pension expense 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

LEAKE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

statements (accrual basis of accounting). The following summarizes the major differences between the two statements:

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

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

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

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

Notes to the financial statements

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

Required 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. This report presents a schedule of the district's proportionate share of the net pension liability and a schedule of district contribution 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. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$8,746,560 as of June 30, 2015.

The District's financial position is a product of several financial transactions including the net result of

LEAKE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

Table 1 presents a summary of the District's net position at June 30, 2015 and June 30, 2014.

GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

Table 1
Condensed Statement of Net Position

	June 30, 2015	June 30, 2014	Percentage Change
Current assets	\$ 7,183,999	\$ 9,625,162	-25.36 %
Restricted assets	707,986	524,032	35.10 %
Capital assets, net	16,833,846	15,007,087	12.17 %
Total assets	24,725,831	25,156,281	-1.71 %
Deferred outflows of resources	2,611,456	-	N/A %
Current liabilities	128,856	192,018	-32.89 %
Long-term debt outstanding	6,718,708	7,341,721	-8.49 %
Net pension liability	25,534,823	-	N/A %
Total liabilities	32,382,387	7,533,739	329.83 %
Deferred inflows of resources	3,701,460	-	N/A %
Net position:			
Net investment in capital assets	10,445,065	7,822,087	33.53 %
Restricted	2,221,287	7,818,666	-71.59 %
Unrestricted	(21,412,912)	1,981,789	-1180.48 %
Total net position	\$ (8,746,560)	\$ 17,622,542	-149.63 %

Additional information on unrestricted net position:

In connection with the implementation of new standards on accounting and financial reporting for pensions, management presents the following additional information:

Total unrestricted net position (deficit)	\$ (21,412,912)
Less unrestricted deficit in net position resulting from recognition of the net pension liability	26,624,827
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 5,211,915</u>

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 \$1,826,759.
- The principal retirement of \$620,000 of long-term debt.
- The recognition of a net pension liability of \$25,534,823 in accordance with new standards (GASB Statement No. 68).

LEAKE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2015 and June 30, 2014 were \$24,586,232 and \$24,449,977, respectively. The total cost of all programs and services was \$24,008,558 for 2015 and \$24,276,567 for 2014. Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2015 and June 30, 2014.

GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

**Table 2
Changes in Net Position**

	Year Ended June 30, 2015	Year Ended June 30, 2014	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 440,902	\$ 487,571	(9.57) %
Operating grants and contributions	5,071,456	5,214,692	(2.75) %
General revenues:			
Property taxes	4,276,778	4,105,857	4.16 %
Grants and contributions not restricted	14,217,121	14,080,122	0.97 %
Investment earnings	18,461	23,394	(21.09) %
Sixteenth section	476,805	479,713	(0.61) %
Other	84,709	58,628	44.49 %
Total revenues	24,586,232	24,449,977	0.56 %
Expenses:			
Instruction	11,653,392	12,777,546	(8.80) %
Support services	8,599,866	9,071,273	(5.20) %
Non-instructional	1,693,136	1,841,113	(8.04) %
Sixteenth section	29,490	140,348	(78.99) %
Pension expense	1,772,127	-	N/A
Interest on long-term liabilities	260,547	446,287	(41.62) %
Total expenses	24,008,558	24,276,567	(1.10) %
Increase (Decrease) in net position	577,674	173,410	233.13 %
Net Position, July 1, as previously reported	17,622,542	17,456,644	0.95 %
Prior Period Adjustments	(26,946,776)	(7,512)	(358,616.40) %
Net Position, July 1, as restated	(9,324,234)	17,449,132	(153.44) %
Net Position, June 30	\$ (8,746,560)	\$ 17,622,542	(149.63) %

Governmental activities

The following table presents the cost of six major District functional activities: instruction, support services, non-instructional, sixteenth section, pension expense, 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.

GASB 68 was implemented in fiscal year 2015. Prior year amounts do not reflect the implementation of GASB 68.

LEAKE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

Table 3
Net Cost of Governmental Activities

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2015</u>	<u>2014</u>	
Instruction	\$ 11,653,392	\$ 12,777,546	(8.80) %
Support services	8,599,866	9,071,273	(5.20) %
Non-instructional	1,693,136	1,841,113	(8.04) %
Sixteenth section	29,490	140,348	(78.99) %
Pension Expense	1,772,127	-	N/A %
Interest on long-term liabilities	260,547	446,287	(41.62) %
Total expenses	\$ 24,008,558	\$ 24,276,567	(1.10) %
	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2015</u>	<u>2014</u>	
Instruction	\$ (10,106,812)	\$ (11,038,152)	(8.44) %
Support services	(6,651,847)	(7,174,791)	(7.29) %
Non-instructional	147,509	149,579	(1.38) %
Sixteenth section	43,632	(64,653)	(167.49) %
Pension Expense	(1,772,127)	-	N/A %
Interest on long-term liabilities	(156,555)	(446,287)	(64.92) %
Total net (expense) revenue	\$ (18,496,200)	\$ (18,574,304)	(0.42) %

- Net cost of governmental activities [(\$18,496,200) for 2015 and (\$18,574,304) for 2014] was financed by general revenue, which is primarily made up of property taxes (\$4,276,778 for 2015 and \$4,105,857 for 2014) and state and federal revenues (\$14,217,121 for 2015 and \$14,080,122 for 2014).
- Investment earnings amounted to \$18,461 for 2015 and \$23,394 for 2014.

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 \$7,829,630, a decrease of \$2,201,055, which includes an increase in inventory of \$41,179. \$5,036,731 or 64% 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 \$2,792,899 or 36% is either nonspendable,

LEAKE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$3,201,257, which included a prior period adjustment of \$4,680,403. The fund balance of Other Governmental Funds showed a decrease in the amount of \$5,402,312, which included a prior period adjustment of (\$4,680,403) and an increase in inventory of \$41,179. 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-A Fund	No change
EHA Part B Fund	No change

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, 2015, the District's total capital assets were \$28,892,848, including land, school buildings, improvements other than buildings, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$2,267,834 from 2014. Total accumulated depreciation as of June 30, 2015, was \$12,059,002, and total depreciation expense for the year was \$623,736, resulting in total net capital assets of \$16,833,846.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2015</u>	<u>June 30, 2014</u>		
Land	\$ 459,075	\$ 459,075	0.00	%
Construction-in-progress	-	1,330,662	(100.00)	%
Buildings	14,907,578	11,498,943	29.64	%
Improvements other than buildings	273,003	270,474	0.94	%
Mobile equipment	1,098,590	1,308,688	(16.05)	%
Furniture and equipment	95,600	139,245	(31.34)	%
Total	\$ 16,833,846	\$ 15,007,087	12.17	%

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

Debt Administration. At June 30, 2015, the District had \$6,718,708 in outstanding long-term debt, of which \$635,000 is due within one year. The liability for compensated absences decreased \$3,013 from the prior year. Principal payments of \$620,000 were made during the year.

LEAKE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	Percentage Change
General obligation bonds payable	\$ -	\$ 95,000	(100.00) %
Limited obligation bonds payable	1,740,000	2,135,000	(18.50) %
Other loans payable	4,825,000	4,955,000	(2.62) %
Compensated absences payable	153,708	156,721	(1.92) %
Total	\$ 6,718,708	\$ 7,341,721	(8.49) %

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 controls is well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

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 Street, Carthage, Mississippi 39051.

FINANCIAL STATEMENTS

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LEAKE COUNTY SCHOOL DISTRICT

**Statement of Net Position
June 30, 2015**

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 6,247,602
Due from other governments	869,515
Inventories	64,578
Other receivables	2,304
Restricted assets	707,986
Capital assets, net of accumulated depreciation	16,833,846
Total Assets	24,725,831
Deferred Outflows of Resources	
Pensions	2,611,456
	2,611,456
Liabilities	
Accounts payable and accrued liabilities	62,355
Interest payable on long-term liabilities	66,501
Long-term liabilities, due within one year:	
Capital related liabilities	635,000
Long-term liabilities, due beyond one year:	
Capital related liabilities	5,930,000
Non-capital related liabilities	153,708
Net Pension Liability	25,534,823
Total Liabilities	32,382,387
Deferred Inflows of Resources	
Pensions	3,701,460
	3,701,460
Net Position	
Net investment in capital assets	10,445,065
Restricted for:	
Expendable:	
School-based activities	731,002
Debt service	921,823
Forestry improvements	251,293
Unemployment benefits	31,620
Non-expendable:	
Sixteenth section	285,549
Unrestricted	(21,412,912)
Total Net Position	\$ (8,746,560)

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

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LEAKE COUNTY SCHOOL DISTRICT

Statement of Activities
For the Year Ended June 30, 2015

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
Governmental Activities:					
Instruction	\$ 11,653,392	160,317	1,386,263		(10,106,812)
Support services	8,599,866	200	1,947,819		(6,651,847)
Non-instructional	1,693,136	207,263	1,633,382		147,509
Sixteenth section	29,490	73,122			43,632
Pension expense	1,772,127				(1,772,127)
Interest on long-term liabilities	260,547		103,992		(156,555)
Total Governmental Activities	\$ 24,008,558	440,902	5,071,456	0	(18,496,200)
General Revenues:					
Taxes:					
					3,959,516
					317,262
Unrestricted grants and contributions:					
					14,021,887
					195,234
					18,461
					476,805
					84,709
					<u>19,073,874</u>
					<u>577,674</u>
					17,622,542
					<u>(26,946,776)</u>
					<u>(9,324,234)</u>
					<u>\$ (8,746,560)</u>

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

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LEAKE COUNTY SCHOOL DISTRICT

Governmental Funds

Balance Sheet
June 30, 2015

Exhibit C

	Major Funds				Total Governmental Funds
	General Fund	Title I-A Fund	EHA Part B Fund	Other Governmental Funds	
Assets					
Cash and cash equivalents	\$ 4,815,989		250	1,902,727	6,718,966
Investments				236,622	236,622
Due from other governments	255,089	244,791	59,386	310,249	869,515
Due from other funds	328,480			21,614	350,094
Other receivables	2,228			76	2,304
Inventories				64,578	64,578
Total assets	5,401,786	244,791	59,636	2,535,866	8,242,079
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	51,815	224		112	52,151
Due to other funds		244,567	59,636	45,891	350,094
Other payables	10,204				10,204
Total Liabilities	62,019	244,791	59,636	46,003	412,449
Fund Balances:					
Nonspendable:					
Inventory				64,578	64,578
Permanent fund principal				285,549	285,549
Restricted:					
Debt service				988,324	988,324
Forestry improvement purposes				251,293	251,293
Grant activities				666,424	666,424
Unemployment benefits				31,620	31,620
Building improvements				176,219	176,219
Assigned:					
Student Activities	298,161				298,161
Building improvements	4,875			9,596	14,471
Unemployment benefits				16,260	16,260
Unassigned	5,036,731				5,036,731
Total Fund Balances	5,339,767	0	0	2,489,863	7,829,630
Total Liabilities, deferred inflows of	\$ 5,401,786	244,791	59,636	2,535,866	8,242,079

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

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LEAKE COUNTY SCHOOL DISTRICT

Governmental Funds

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2015**

Exhibit C-1

Total fund balances for governmental funds \$ 7,829,630

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	
Buildings	23,071,366	
Improvements other than buildings	412,193	
Mobile equipment	3,972,952	
Furniture and equipment	977,262	
Accumulated depreciation	<u>(12,059,002)</u>	16,833,846

2. Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds:

Net pension liability	(25,534,823)	
-----------------------	--------------	--

Deferred outflows and inflows related to pensions are applicable to future periods and, therefore, are not reported in the funds

Deferred outflows of resources related to pensions	2,611,456	
Deferred inflows of resources related to pensions	<u>(3,701,460)</u>	(26,624,827)

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

Limited obligation bonds payable	(1,740,000)	
Other loans payable	(4,825,000)	
Compensated absences	(153,708)	
Accrued interest payable	<u>(66,501)</u>	<u>(6,785,209)</u>

Net Position of governmental activities **\$ (8,746,560)**

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

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LEAKE COUNTY SCHOOL DISTRICT

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2015

Exhibit D

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Title I-A Fund	EHA Part B Fund		
Revenues:					
Local sources	\$ 4,148,620	1,686	356	531,481	4,682,143
State sources	13,353,734			1,293,429	14,647,163
Federal sources	195,234	1,568,375	685,020	2,192,786	4,641,415
Sixteenth section sources	485,420			74,319	559,739
Total Revenues	18,183,008	1,570,061	685,376	4,092,015	24,530,460
Expenditures:					
Instruction	10,868,050	627,430	228,522	902,069	12,626,071
Support services	6,811,852	832,628	447,047	942,889	9,034,416
Noninstructional services	6,382	98,514		1,700,495	1,805,391
Sixteenth section	462			29,028	29,490
Facilities acquisition and construction services				2,444,448	2,444,448
Debt service:					
Principal				620,000	620,000
Interest				267,555	267,555
Other				5,490	5,490
Total Expenditures	17,686,746	1,558,572	675,569	6,911,974	26,832,861
Excess (Deficiency) of Revenues over (under) Expenditures	496,262	11,489	9,807	(2,819,959)	(2,302,401)
Other Financing Sources (Uses):					
Insurance loss recoveries	55,772				55,772
Sale of assets	4,395				4,395
Operating transfers in	24,473	11		2,060,037	2,084,521
Operating transfers out	(2,060,048)	(11,500)	(9,807)	(3,166)	(2,084,521)
Total Other Financing Sources (Uses)	(1,975,408)	(11,489)	(9,807)	2,056,871	60,167
Net Change in Fund Balances	(1,479,146)	0	0	(763,088)	(2,242,234)
Fund Balances:					
July 1, 2014, as previously reported	2,138,510	0	0	7,892,175	10,030,685
Prior period adjustments	4,680,403			(4,680,403)	
July 1, 2014, as restated	6,818,913	0	0	3,211,772	10,030,685
Increase (Decrease) in reserve for inventory				41,179	41,179
June 30, 2015	\$ 5,339,767	0	0	2,489,863	7,829,630

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

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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, 2015**

Exhibit D-1

Net change in fund balances - total governmental funds \$ (2,242,234)

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	\$ 2,463,465	
Loss on disposal of assets	(13,163)	
Depreciation expense	<u>(623,736)</u>	1,826,566

2. 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	620,000	
Accrued interest payable	<u>7,008</u>	627,008

3. Some items relating to pensions and 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 the governmental funds. These activities include:

Pension expense - current year	(1,772,127)	
Deferred outflows - pensions	<u>2,094,268</u>	322,141

3. 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	\$ 3,013	
Change in inventory reserve	<u>41,179</u>	44,192

4. Rounding 1

Change In Net Position of governmental activities **\$ 577,674**

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

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LEAKE COUNTY SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities
June 30, 2015

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 912,653
Other receivables	2,932
Total Assets	<u>\$ 915,585</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 780,627
Due to student clubs	134,958
Total Liabilities	<u>\$ 915,585</u>

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

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LEAKE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2015

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 unit.

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

B. Government-wide and Fund Financial Statements

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

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

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

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.

LEAKE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2015

The school district reports the following major governmental funds:

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

Title I-A Fund – This is a special revenue fund that accounts for the revenues and related expenditures of the Title I grants to local educational agencies.

EHA Part B Fund– This is a special revenue fund that accounts for the revenues and related expenditures of the federal special education grant.

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:

Student Club Funds – These various funds account for the monies raised through student club activities.

Payroll Clearing Fund – This fund is used to report the payroll resources held by the district in a purely custodial capacity (assets and liabilities) and does not involve the measurement of results of operations.

Accounts Payable Clearing Fund – This fund is used to report the resources of paid claims held by the district in a purely custodial capacity (assets and liabilities) and does not involve the measurement of results of operations.

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.

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

LEAKE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2015

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

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

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

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

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

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there 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 maintained to account for commitments or assignments resulting from approved purchase orders, work orders and contracts. However, the school district attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are not reported within committed or assigned fund balances.

E. Assets, liabilities, deferred outflows/inflows, 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.

LEAKE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2015

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net 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.

LEAKE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2015

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

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

The following schedule details the capitalization thresholds:

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

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

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Deferred outflows – Pension Contributions

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Deferred inflows – Pension Settlements to Plan Members

See Note 8 for further details.

8. 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 state code 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.

LEAKE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2015

9. 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.

10. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, the benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. Fund Balances

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

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

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

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

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is a resolution approved by the School Board. There are no committed fund balance amounts at June 30, 2015.

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

LEAKE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2015

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.

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 \$6,718,966 and \$912,653, 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, 2015, none of the district's bank balance of \$9,166,683 was exposed to custodial credit risk.

Investments

As of June 30, 2015, the district had the following investments:

Investment Type	Rating	Maturities (in years)	Fair Value
Federated U.S. Treasury Cash Reserve	AAAm	Less than 1	\$ 236,622
	Total		\$ <u>236,622</u>

Interest Rate Risk. The district does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

LEAKE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2015

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.

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, 2015, the district had the following investments:

Issuer	Fair Value	% of Total Investments
Federated U.S. Treasury Cash Reserve	<u>\$ 236,622</u>	100%

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Title I-A Fund	\$ 244,567
	EHA Part B Fund	59,636
	Other governmental funds	24,277
Other governmental funds	Other governmental funds	21,614
Total		<u>\$ 350,094</u>

The amounts represent inter-fund balances created by loans from the General Fund to special revenue funds to provide adequate cash flow for those funds operating on an expenditure reimbursement basis. Cash is loaned to the funds for operational purposes, and the loans are repaid after reimbursement for grant expenditures is received.

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Title I-A Fund	\$ 11
	Other governmental funds	2,060,037
Title I-A Fund	General Fund	11,500
EHA Part B Fund	General Fund	9,807
Other governmental funds	General Fund	3,166
Total		<u>\$ 2,084,521</u>

LEAKE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2015

Transfers represent indirect costs from special revenue funds to the General Fund and operational transfers from the General Fund to other governmental funds.

Note 4 – Restricted Assets

The restricted assets represent the cash and cash equivalents balance, totaling \$295,145, 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. Restricted assets also include investments, totaling \$236,622, of the MAEP Limited Note Obligation Fund (debt service fund). These assets may not be used for purposes that support the district's programs since the assets are legally restricted for future debt payments. Finally restricted assets include \$176,219 cash and cash equivalents balance of the School Note 2011 Construction Fund (capital projects fund) reclassified to the category of restricted assets for presentation on the government wide statements. The total of restricted assets is \$707,986.

Note 5 – Capital Assets

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

	Balance 7/1/2014	Increases	Decreases	Adjustments	Balance 6/30/2015
Governmental Activities:					
Non-depreciable capital assets:					
Land	\$ 459,075				459,075
Construction in progress	1,330,662	2,444,448		(3,775,110)	-
Total non-depreciable capital assets	1,789,737	2,444,448	-	(3,775,110)	459,075
Depreciable capital assets:					
Buildings	19,296,256			3,775,110	23,071,366
Improvements other than buildings	393,176	19,017			412,193
Mobile equipment	4,097,470		124,518		3,972,952
Furniture and equipment	1,048,375		71,113		977,262
Total depreciable capital assets	24,835,277	19,017	195,631	3,775,110	28,433,773
Less accumulated depreciation for:					
Buildings	7,797,313	366,668		(193)	8,163,788
Improvements other than buildings	122,702	16,488			139,190
Mobile equipment	2,788,782	197,646	112,066		2,874,362
Furniture and equipment	909,130	42,934	70,402		881,662
Total accumulated depreciation	11,617,927	623,736	182,468	(193)	12,059,002
Total depreciable capital assets, net	13,217,350	(604,719)	13,163	3,775,303	16,374,771
Governmental activities capital assets, net	\$ 15,007,087	1,839,729	13,163	193	16,833,846

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 393,881
Support services	217,037
Non-instructional	12,818
Total depreciation expense - Governmental activities	\$ 623,736

LEAKE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2015

Note 6 – Long-term Liabilities

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

	Balance 7/1/2014	Additions	Reductions	Balance 6/30/2015	Amounts due within one year
A. General obligation bonds payable	\$ 95,000		95,000	-	
B. Limited obligation bonds payable	2,135,000		395,000	1,740,000	410,000
C. Other loans payable	4,955,000		130,000	4,825,000	225,000
D. Compensated absences payable	156,721		3,013	153,708	
Subtotal	\$ 7,341,721	-	623,013	6,718,708	635,000

A. General obligation bonds payable

These bonds were paid in full during the year ended June 30, 2015.

B. Limited obligation bonds payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement refunding bonds	3.55-4.00%	1-Dec-06	1-Feb-18	\$ 3,850,000	\$ 1,740,000

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

Year Ending	Principal	Interest	Total
June 30			
2016	\$ 410,000	56,610	466,610
2017	425,000	41,474	466,474
2018	905,000	25,578	930,578
Total	\$ 1,740,000	123,662	1,863,662

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

C. Other loans payable

The school district has issued debt instruments granted under the authority of Section 37-151-7, Miss. Code Ann. (1972).

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited Tax Notes	3.25-4.25%	15-Apr-11	15-Apr-31	\$ 5,275,000	\$ 4,825,000

LEAKE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2015

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

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 225,000	188,844	413,844
2017	235,000	179,282	414,282
2018	245,000	169,882	414,882
2019	255,000	160,082	415,082
2020	265,000	149,882	414,882
2021-2025	1,450,000	604,719	2,054,719
2026-2030	1,755,000	304,338	2,059,338
2031-2035	395,000	16,788	411,788
Total	\$ <u>4,825,000</u>	<u>1,773,817</u>	<u>6,598,817</u>

The limited tax notes (other loans payable) are secured by an irrevocable pledge of the District's Education Enhancement Funds ("EEF" funds) that are received from the State of Mississippi pursuant to Section 37-61-33, Mississippi Code Ann. (1972). The 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 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. The debt service requirements of the debt and the amount of such state revenues received during the year ended June 30, 2015, was \$324,369 and \$103,992.

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)(8), 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

The school district has operating leases for the following:

1. One (1) postage meter
2. Nine (9) copiers

Lease expenditures for the year ended June 30, 2015, amounted to \$43,759. Future lease payments for these leases are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Amount</u>
2016	\$ 30,514
2017	5,178
2018	4,324
2019	1,081
Total	\$ <u>41,097</u>

LEAKE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2015

Note 8 – Defined Benefit Pension Plan

General Information about the 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. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the 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.

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. 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, 2015 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, 2015, 2014 and 2013 were \$2,094,268, \$2,025,518, and \$1,822,419, respectively, which equaled the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the school district reported a liability of \$25,534,823 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2014, the school district's proportion was 0.210368 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$1,772,127. At June 30, 2015 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

LEAKE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2015

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual Experience	\$ 398,336	\$
Net difference between projected and actual earnings on pension plan investments		3,701,460
Changes in proportion and differences between District contributions and proportionate share of Contributions	118,852	
District contributions subsequent to the measurement date	2,094,268	
Total	\$ <u>2,611,456</u>	\$ <u>3,701,460</u>

\$2,094,268 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ (739,326)
2017	(739,326)
2018	(780,255)
2019	(925,365)

Actuarial assumptions. The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5 percent
Salary increases	4.25 – 19.50 percent, including inflation
Investment rate of return	8.00 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2025, set forward two years for males.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2012. The experience report is dated June 12, 2013. The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Broad	34 %	5.20 %
International Equity	19	5.00

LEAKE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2015

Emerging Markets Equity	8	5.45
Fixed Income	20	0.25
Real Assets	10	4.00
Private Equity	8	6.15
Cash	1	(0.50)
Total	<u>100</u>	<u>%</u>

Discount rate. The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. *Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate.* The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
District's proportionate share of the net pension liability	\$ 34,811,579	\$ 25,534,823	\$ 17,796,630

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

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 funds. These future rental payments are from existing leases and do not anticipate renewals or new leases.

Year Ending June 30	Amount
2016	\$ 53,817
2017	53,759
2018	49,492
2019	45,610
2020	44,062
2021-2025	211,349
2026-2030	183,045
2031-2035	110,617
2036-2040	81,508
Thereafter	48,373
Total	<u>\$ 881,632</u>

LEAKE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2015

Note 10 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
1. Implementation of GASB 68 and 71:	
Net pension liability (measurement date)	\$ (28,972,487)
Deferred outflows - contributions made during fiscal year 2014	2,025,518
Total prior period adjustment related to GASB 68 and 71	(26,946,969)
2. Restatement of a prior period capital asset depreciation expenditure	193
Total	<u>\$ (26,946,776)</u>

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

Fund	Explanation	Amount
General Fund	Reclassify fund type	4,680,403
Other governmental funds	Reclassify fund type	(4,680,403)
Total		<u>\$ -</u>

The 16th Section Interest Fund was reclassified to a General Fund from a special revenue fund.

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.

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 for described below, the district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

LEAKE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2015

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 77 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

During the year ended June 30, 2015, the Leake County School District received \$55,772 in insurance loss recoveries related to property damage and fraud loss. The fraud loss occurred in a prior 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 February 26, 2016, and determined that no events have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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LEAKE COUNTY SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 4,077,646	4,368,779	4,148,620	291,133	(220,159)
State sources	13,245,624	13,230,157	13,353,734	(15,467)	123,577
Federal sources	337,040	156,282	195,234	(180,758)	38,952
Sixteenth section sources	0	420,250	485,420	420,250	65,170
Total Revenues	17,660,310	18,175,468	18,183,008	515,158	7,540
Expenditures:					
Instruction	11,422,795	11,178,034	10,868,050	244,761	309,984
Support services	7,667,345	6,905,885	6,811,852	761,460	94,033
Noninstructional services	8,939	6,882	6,382	2,057	500
Sixteenth section	0	5,300	462	(5,300)	4,838
Total Expenditures	19,099,079	18,096,101	17,686,746	1,002,978	409,355
Excess (Deficiency) of Revenues over (under) Expenditures	(1,438,769)	79,367	496,262	1,518,136	416,895
Other Financing Sources (Uses):					
Insurance loss recoveries	0	55,772	55,772	55,772	0
Sale of assets	78,000	4,395	4,395	(73,605)	0
Operating transfers in	930,489	878,429	24,473	(52,060)	(853,956)
Operating transfers out	(1,284,759)	(2,918,771)	(2,060,048)	(1,634,012)	858,723
Total Other Financing Sources (Uses)	(276,270)	(1,980,175)	(1,975,408)	(1,703,905)	4,767
Net Change in Fund Balances	(1,715,039)	(1,900,808)	(1,479,146)	(185,769)	421,662
Fund Balances:					
July 1, 2014, as previously reported	3,170,248	2,138,510	2,138,510	(1,031,738)	0
Prior period adjustments	0	4,680,403	4,680,403	4,680,403	0
July 1, 2014, as restated	3,170,248	6,818,913	6,818,913	3,648,665	0
June 30, 2015	\$ 1,455,209	4,918,105	5,339,767	3,462,896	421,662

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

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LEAKE COUNTY SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
Title I-A Fund
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 0	0	1,686	0	1,686
Federal sources	1,396,578	1,775,995	1,568,375	379,417	(207,620)
Total Revenues	1,396,578	1,775,995	1,570,061	379,417	(205,934)
Expenditures:					
Instruction	524,867	698,456	627,430	(173,589)	71,026
Support services	768,268	950,628	832,628	(182,360)	118,000
Noninstructional services	99,943	115,411	98,514	(15,468)	16,897
Total Expenditures	1,393,078	1,764,495	1,558,572	(371,417)	205,923
Excess (Deficiency) of Revenues over (under) Expenditures	3,500	11,500	11,489	8,000	(11)
Other Financing Sources (Uses):					
Operating transfers in	0	0	11	0	11
Operating transfers out	(3,500)	(11,500)	(11,500)	(8,000)	0
Total Other Financing Sources (Uses)	(3,500)	(11,500)	(11,489)	(8,000)	11
Net Change in Fund Balances	0	0	0	0	0
Fund Balances:					
July 1, 2014	0	0	0	0	0
June 30, 2015	\$ 0	0	0	0	0

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

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LEAKE COUNTY SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
EHA Part B Fund
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 0	0	356	0	356
Federal sources	868,485	796,714	685,020	(71,771)	(111,694)
Total Revenues	868,485	796,714	685,376	(71,771)	(111,338)
Expenditures:					
Instruction	269,220	256,267	228,522	12,953	27,745
Support services	586,792	528,036	447,047	58,756	80,989
Noninstructional services	1,000	1,000	0	0	1,000
Total Expenditures	857,012	785,303	675,569	71,709	109,734
Excess (Deficiency) of Revenues over (under) Expenditures	11,473	11,411	9,807	(62)	(1,604)
Other Financing Sources (Uses):					
Operating transfers out	(11,473)	(11,411)	(9,807)	62	1,604
Total Other Financing Sources (Uses)	(11,473)	(11,411)	(9,807)	62	1,604
Net Change in Fund Balances	0	0	0	0	0
Fund Balances:					
July 1, 2014	0	0	0	0	0
June 30, 2015	\$ 0	0	0	0	0

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

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LEAKE COUNTY SCHOOL DISTRICT

Required Supplementary Information

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

PERS

Last 10 Fiscal Years*

	<u>2015</u>
District's proportion of the net pension liability (asset)	0.210368%
District's proportionate share of the net pension liability (asset)	\$ 25,534,823
District's covered-employee payroll	12,860,432
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	198.55%
Plan fiduciary net position as a percentage of the total pension liability	67%

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

* The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the year prior to the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

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LEAKE COUNTY SCHOOL DISTRICT
 Required Supplementary Information

SCHEDULE OF DISTRICT CONTRIBUTIONS

PERS

Last 10 Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Contractually required contribution	\$ 2,094,268									
Contributions in relation to the contractually required contribution	2,094,268									
Contribution deficiency (excess)	\$ 0	0	0	0	0	0	0	0	0	0
District's covered-employee payroll	13,296,940									
Contributions as a percentage of covered-employee payroll	15.75%									

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

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LEAKE COUNTY SCHOOL DISTRICT

Notes to the Required Supplementary Information
For the Year Ended June 30, 2015

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.

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SUPPLEMENTARY INFORMATION

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LEAKE COUNTY SCHOOL DISTRICT

Supplementary Information

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2015

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	\$ 419,811
National school lunch program	10.555	1,210,040
National school lunch program - donated commodities	10.555	123,020
Summer food service program for children	10.559	29,637
Total child nutrition cluster		1,782,508
Total passed-through Mississippi Department of Education		1,782,508
Total U.S. Department of Agriculture		1,782,508
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	133,306
Total Federal Communications Commission		133,306
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	1,581,399
Career and technical education - basic grants to states	84.048	61,967
Gaining early awareness and readiness in undergraduate programs	84.334	1,079
Rural education	84.358	47,364
English language acquisition grants	84.365	42,465
Improving teacher quality-State Grants	84.367	212,700
Subtotal		1,946,974
Special education cluster:		
Special education - grants to states	84.027	685,021
Special education - preschool grants	84.173	31,680
Total special education cluster		716,701
Total passed-through Mississippi Department of Education		2,663,675
Total U.S. Department of Education		2,663,675
Total for All Federal Awards		\$ 4,579,489

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.

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LEAKE COUNTY SCHOOL DISTRICT

Supplementary Information

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds

For the Year Ended June 30, 2015

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 18,354,982	13,381,972	1,420,364	1,463,720	2,088,926
Other	8,477,879	1,640,255	395,572	82,357	6,359,695
Total	\$ 26,832,861	15,022,227	1,815,936	1,546,077	8,448,621
Total number of students *	2,929				
Cost per student	\$ 9,161	5,129	620	528	2,884

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

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OTHER INFORMATION

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LEAKE COUNTY SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2015	* 2014	* 2013	* 2012
Revenues:				
Local sources	\$ 4,148,620	4,035,650	4,022,816	3,791,356
State sources	13,353,734	13,109,664	12,945,984	13,613,390
Federal sources	195,234	235,032	356,967	216,157
Sixteenth section sources	485,420			
Total Revenues	18,183,008	17,380,346	17,325,767	17,620,903
Expenditures:				
Instruction	10,868,050	10,585,567	10,271,084	10,026,031
Support services	6,811,852	7,085,145	6,594,912	6,994,308
Noninstructional services	6,382	8,841	50,033	38,714
Sixteenth section	462			
Total Expenditures	17,686,746	17,679,553	16,916,029	17,059,053
Excess (Deficiency) of Revenues over (under) Expenditures	496,262	(299,207)	409,738	561,850
Other Financing Sources (Uses):				
Bonds and notes issued				151,380
Insurance loss recoveries	55,772	100		
Sale of assets	4,395			
Sale of other property		800		1,134
Operating transfers in	24,473	19,786	15,503	12,930
Operating transfers out	(2,060,048)	(467,562)	(485,804)	(431,057)
Total Other Financing Sources (Uses)	(1,975,408)	(446,876)	(470,301)	(265,613)
Net Change in Fund Balances	(1,479,146)	(746,083)	(60,563)	296,237
Fund Balances:				
Beginning of period, as previously reported	2,138,510	2,884,593	2,945,156	2,652,603
Prior period adjustments	4,680,403			(3,684)
Beginning of period, as restated	6,818,913	2,884,593	2,945,156	2,648,919
End of Period	\$ 5,339,767	2,138,510	2,884,593	2,945,156

*SOURCE - PRIOR YEAR AUDIT REPORTS

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LEAKE COUNTY SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

UNAUDITED

	2015	* 2014	* 2013	* 2012
Revenues:				
Local sources	\$ 4,682,143	4,586,543	4,661,002	4,508,237
State sources	14,647,163	14,492,769	14,278,615	14,894,263
Federal sources	4,641,415	4,802,044	5,025,871	5,842,393
Sixteenth section sources	559,739	567,133	429,793	1,154,480
Total Revenues	24,530,460	24,448,489	24,395,281	26,399,373
Expenditures:				
Instruction	12,626,071	12,484,632	12,152,359	12,652,852
Support services	9,034,416	9,237,133	8,893,396	9,855,413
Noninstructional services	1,805,391	1,802,487	1,816,114	1,884,988
Sixteenth section	29,490	140,348	63,379	47,947
Facilities acquisition and construction services	2,444,448	1,317,537	11,244	2,269,261
Debt service:				
Principal	620,000	682,525	603,855	540,000
Interest	267,555	294,300	319,229	336,790
Other	5,490	5,501	5,206	4,711
Total Expenditures	26,832,861	25,964,463	23,864,782	27,591,962
Excess (Deficiency) of Revenues over (under) Expenditures	(2,302,401)	(1,515,974)	530,499	(1,192,589)
Other Financing Sources (Uses):				
Bonds and notes issued				151,380
Insurance recoveries	55,772	100		
Sale of assets	4,395			
Sale of other property		1,388		1,134
Operating transfers in	2,084,521	487,348	501,307	443,987
Operating transfers out	(2,084,521)	(487,348)	(501,307)	(443,987)
Total Other Financing Sources (Uses)	60,167	1,488	0	152,514
Net Change in Fund Balances	(2,242,234)	(1,514,486)	530,499	(1,040,075)
Fund Balances:				
Beginning of period, as previously reported	10,030,685	11,577,575	11,040,279	12,084,820
Prior period adjustments		(7,512)		(9,397)
Beginning of period, as restated	10,030,685	11,570,063	11,040,279	12,075,423
Increase (Decrease) in reserve for inventory	41,179	(24,892)	6,797	4,931
End of Period	\$ 7,829,630	10,030,685	11,577,575	11,040,279

*SOURCE - PRIOR YEAR AUDIT REPORTS

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REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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SUZANNE E. SMITH, CPA, PLLC
AUDITING AND ACCOUNTING SERVICES
sesmithcpa@msn.com

**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, 2015, 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 February 26, 2016.

Internal Control Over Financial Reporting

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

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. 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. (2015-001 and 2015-002).

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*.

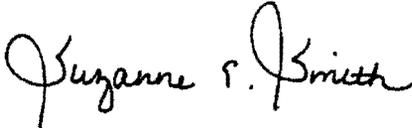
POST OFFICE BOX 102
BRANDON, MISSISSIPPI 39043
PHONE: 601-938-5717

District's Response to Findings

The 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 the responses.

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 result 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.



Suzanne E. Smith, CPA, PLLC
Brandon, Mississippi
February 26, 2016

SUZANNE E. SMITH, CPA, PLLC
AUDITING AND ACCOUNTING SERVICES
sesmithcpa@msn.com

Independent Auditor's Report on Compliance For Each Major Federal Program; Report 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, 2015. 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, 2015.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2015-003. Our opinion on each major federal program is not modified with respect to this matter.

POST OFFICE BOX 102
BRANDON, MISSISSIPPI 39043
PHONE: 601-938-5717

Leake County School District's response to the noncompliance finding identified in our audit is described in the accompanying auditee corrective action plan. The district's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

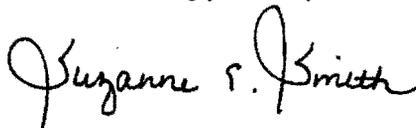
Management of Leake County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Leake County School District's internal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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2015-003 that we consider to be a significant deficiency.

Leake County School District's response to the internal control over compliance finding identified in our audit is described in the accompanying auditee corrective action plan. The district's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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



Suzanne E. Smith, CPA, PLLC
Brandon, Mississippi
February 26, 2016

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

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SUZANNE E. SMITH, CPA, PLLC
AUDITING AND ACCOUNTING SERVICES
sesmithcpa@msn.com

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, 2015, which collectively comprise Leake County School District's basic financial statements and have issued our report thereon dated February 26, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

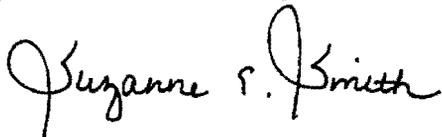
Section 37-9-18(3)(b), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the school district."

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 did not disclose any instances noncompliance with other state laws and regulations.

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies, 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.



Suzanne E. Smith, CPA, PLLC
Brandon, Mississippi
February 26, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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**LEAKE COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

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 weaknesses identified? | No |
| | b. Significant deficiencies identified? | Yes |
| 3. | Noncompliance material to financial statements noted? | No |

Federal Awards:

- | | | |
|----|--|------------|
| 4. | Internal control over major programs: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiencies 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>
84.010	Title I 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 |

Section II: Financial Statement Findings

Significant Deficiencies not considered to be a Material Weaknesses

Finding 2015-001: Deficiencies in Controls Surrounding Non-Payroll Expenditures and Disbursements

Management is responsible for developing and implementing a system of controls to ensure that the control cycle of

non-payroll expenditures and disbursements will serve to safeguard district assets and protect the integrity of financial information.

Our testing in the area of non-payroll expenditures and disbursements yielded the following control deficiencies:

- Six (6) instances where purchase orders were prepared after the invoice date for student activity fund purchases. One (1) instance was noted at Leake County High School. One (1) instance was noted at Leake Central Elementary School, and four (4) instances were noted at Leake Central High School.
- Three (3) instances where adequate receiving documentation was not found to ensure that goods/services purchased were actually received before payment was made.

The deficiencies could result in purchases or disbursements that are unauthorized or not substantiated by adequate documentation to support that the goods and/or services are received in good condition.

Recommendation: We recommend that the district management review the established controls in the above areas and take corrective action to redesign or strengthen the controls. This will help to ensure that all purchases have appropriate approval and that all goods and/or services are received before payment is made.

Finding 2015-002: Deficiencies in Controls Surrounding Payroll Expenditures – Repeat Finding

Management is responsible for developing and implementing a system of controls to ensure that the control cycle of payroll expenditures will serve to safeguard district assets and protect the integrity of financial information. Such controls should be designed to ensure compliance with Federal Wage and Hour legislation.

Our testing in the area of payroll expenditures yielded the following control deficiencies related to hourly employees who are not exempt from the requirements of Federal Wage and Hour legislation.

- A record of hours worked each day and total hours worked for each defined work week is not being maintained on all categories of workers.
- Non-exempt employees are allowed to bank overtime hours in the form of compensatory hours and to take leave for these hours at a time that is agreed upon by each employee's supervisor. District policy and Federal requirements dictate that the compensatory hours may not accrue beyond 240 hours. While the schools maintain a record of compensatory time, there is limited oversight by central office as to the disposition of these hours. It is not clear how hours remaining at the end of the school year are accounted for.

Recommendation: We recommend that the district begin the practice of maintaining daily and weekly time records for all categories of employees. We further recommend that the district strengthen the control procedures surrounding the monitoring of overtime compensatory hours and defining the rules for any compensatory hours remaining at the end of a school year.

Section III: Federal Award Findings and Questioned Costs

Significant Deficiency and not considered to be a Material Weakness and Noncompliance not considered to be Material

Finding 2015-003: Procurement and Suspension and Debarment

Program: Improving Teacher Quality – State Grants CFDA# 84.367

Criteria: The federal office of Management and Budget sets forth uniform guidance for the administration of federal grant awards. There are three tiers of guidance relating to procurement and the requirement that competitiveness be introduced into the purchasing process. For "small purchase procedures" of purchases between \$3,500 and \$150,000, nonfederal entities are allowed to follow procedures that are relatively simple and informal. However, price or rate quotations must be obtained from an adequate number of qualified sources for purchases falling within this range. The discretion of determining the adequate number of qualified sources is left to the nonfederal entity. The guidance is also expanded to include micro

purchases (under \$3,500) and purchases over the simplified threshold (more than \$150,000). Currently our state purchasing laws are not aligned directly with federal guidance. However, recipients of federal grants are expected to meet the requirements of federal guidance.

Condition: The school district expended \$119,858.30 in Improving Teacher Quality – state grants funds for staff development training for teachers under a single contract. The district failed to obtain proposals or price quotations from more than one vendor, eliminating competitiveness from the process. This fails to meet federal guidelines in the area of procurement.

Questioned Costs: None

Cause: Program officials stated that they were not aware of the need for an adequate number of price or rate quotations.

Effect: Federal guidance in the area of procurement was not followed for this contract.

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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.leakesd.k12.ms.us

Phone: (601) 267-4579 Fax: (601) 267-5283

Finding 2015-001. Deficiencies in Controls Surrounding Non-Payroll Expenditures and Disbursements

Corrective Action Plan Details:

The District will ensure that the school bookkeepers are aware that purchases cannot be made without a purchase order and that purchasing procedures are followed. Will also ensure that once goods/services are received proper documentation will be done.

Who is responsible for implementation:

Olaf Moss, Principal
Leake Central Elementary
601-267-9148

Bruce Burns, Principal
Leake Central High
601-267-7713

Sammie McLaurin, Principal
Leake County High
601-253-2393

When implementation will begin:

March 14, 2016

Finding 2015-002. Deficiencies in Controls Surrounding Payroll Expenditures.-Repeat Finding

Corrective Action Plan Details:

The District will ensure that time records are kept and recorded for all employees and will strengthen control procedures in monitoring compensatory time.

Who is responsible for implementation:

Billy Mack Wilbanks
Superintendent of Education
601-267-4579

When implementation will begin:

March 14, 2016

Finding 2015-003. Procurement and Suspension and Debarment

Corrective Action Plan Details:

The District will ensure that Federal procurement guidelines are followed when purchases are made using Federal funds.

Who is responsible for implementation:

**Yvette Young, Assistant Superintendent of Education
601-267-4579**

When implementation will begin:

March 14, 2016

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.*

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FOLLOW UP ON PRIOR YEAR FINDINGS

Section II: Financial Statement Findings

Finding 2013-01: Controls Over Depositing Activity Fund Receipts Should be Strengthened – **Corrected**

Finding 2014-01: Controls Over Deposit of Activity Fun Receipts Should be Strengthened – **Corrected**

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

Finding 2014-02: Control Deficiencies Surrounding Payroll Expenditures and Related Liabilities – **Repeat Finding**

Finding 2014-03: Controls Surrounding the Approval of General Disbursements Should be Strengthened - **Corrected**

Section III: Federal Award Findings and Questioned Costs

Finding 2013-07: Allowable Costs and Cost Principles – Special Education Cluster CFDA #84.027, 84.173 – **Corrected**

Finding 2014-04: Allowable Costs and Cost Principles – Special Education Cluster CFDA #84.027, 84.173 – **Corrected**

Finding 2014-05: Allowable Costs and Cost Principles – Special Education Cluster CFDA #84.027, 84.173 – **Corrected**

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