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LEAKE COUNTY SCHOOL DISTRICT

Audited Financial Statements  
For the Year Ended June 30, 2016



LEAKE COUNTY SCHOOL DISTRICT  
TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	5
MANAGEMENT'S DISCUSSION AND ANALYSIS	9
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Exhibit A - Statement of Net Position	19
Exhibit B - Statement of Activities	21
Governmental Funds Financial Statements	
Exhibit C - Balance Sheet	23
Exhibit C-1 - Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	25
Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances	27
Exhibit D-1 - Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	29
Fiduciary Funds Financial Statements	
Exhibit E - Statement of Fiduciary Assets and Liabilities	31
Notes to the Financial Statements	33
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund	53
Budgetary Comparison Schedule - Title I Fund	55
Budgetary Comparison Schedule - IDEA Part B Fund	57
Schedule of the District's Proportionate Share of the Net Pension Liability	59
Schedule of District Contributions	61
Notes to the Required Supplementary Information	63
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	67
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds	69
OTHER INFORMATION	
Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years	73
Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years	75
REPORTS ON INTERNAL CONTROL AND COMPLIANCE	
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.	79
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance	81
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	85
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	89
CORRECTIVE ACTION PLAN	93
SUMMARY OF PRIOR YEAR FEDERAL AUDIT FINDINGS	97

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## INDEPENDENT AUDITOR'S REPORT

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

**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, 2016, 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, 2016, 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.

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

### ***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 9-16, 53-57, 59, and 61, 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***

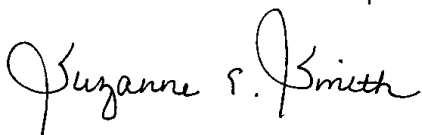
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Leake County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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 Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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 October 14, 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, MS  
October 14, 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, 2016

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, 2016. 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 2016 decreased \$1,688,997, including a prior period adjustment of \$30,357, which represents a 19.3% decrease from fiscal year 2015. 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.
- General revenues amounted to \$19,705,660 and \$19,073,874, or 77% and 78% of all revenues for fiscal years 2016 and 2015, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5,749,769, or 23% of total revenues for 2016, and \$5,512,358, or 22 % of total revenues for 2015.
- The District had \$27,174,783 and \$24,008,558 in expenses for fiscal years 2016 and 2015; only \$5,749,769 for 2016 and \$5,512,358 for 2015 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$19,705,660 for 2016 were not adequate to provide for these programs, while general revenues of \$19,073,874 for 2015 were adequate to provide for these programs.
- Among major funds, the General Fund had \$18,730,131 in revenues and \$18,444,968 in expenditures for 2016, and \$18,183,008 in revenues and \$17,686,746 in expenditures in 2015. The General Fund's fund balance increased by \$125,450 from 2015 to 2016, and increased by \$3,201,257, including a prior period adjustment of \$4,680,403, from 2014 to 2015.
- Capital assets, net of accumulated depreciation, decreased by \$288,079 for 2016 and increased by \$1,826,759 for 2015. The decrease for 2016 was due primarily to the increase in accumulated depreciation.
- Long-term debt, including compensated absences payable, decreased by \$652,753 for 2016 and decreased by \$623,013 for 2015. This decrease for 2016 was due to principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$17,753 for 2016 and decreased by \$3,013 for 2015.

## **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, deferred outflows, liabilities, and deferred inflows, with the differences between them reported as "net position." Over time, increases or decreases in the District's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

LEAKE COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016

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

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

LEAKE COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016

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, Schedule of the District's Proportionate Share of the New Pension Liability, and Schedule of District Contributions as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board.

### **Supplementary Information**

Additionally, a Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 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 \$10,435,557 as of June 30, 2016.

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

LEAKE COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016

Table 1 presents a summary of the District's net position at June 30, 2016 and June 30, 2015.

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

	June 30, 2016	June 30, 2015	Percentage Change
Current assets	\$ 7,277,599	\$ 7,183,999	1.30 %
Restricted assets	529,552	707,986	(25.20) %
Capital assets, net	16,545,767	16,833,846	(1.71) %
<b>Total assets</b>	<b>24,352,918</b>	<b>24,725,831</b>	<b>(1.51) %</b>
 <b>Deferred outflows of resources</b>	 <b>7,787,638</b>	 <b>2,611,456</b>	 <b>198.21 %</b>
Current liabilities	125,159	128,856	(2.87) %
Long-term debt outstanding	6,065,955	6,718,708	(9.72) %
Net pension liability	32,901,949	25,534,823	28.85 %
<b>Total liabilities</b>	<b>39,093,063</b>	<b>32,382,387</b>	<b>20.72 %</b>
 <b>Deferred inflows of resources</b>	 <b>3,483,050</b>	 <b>3,701,460</b>	 <b>(5.90) %</b>
 <b>Net position:</b>			
Net investment in capital assets	10,615,767	10,445,065	1.63 %
Restricted	2,185,697	2,221,287	(1.60) %
Unrestricted	(23,237,021)	(21,412,912)	(8.52) %
<b>Total net position</b>	<b>\$ (10,435,557)</b>	<b>\$ (8,746,560)</b>	<b>(19.31) %</b>

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	(\$23,237,021)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions	28,597,361
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 5,630,340</u>

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

- Decrease in net capital assets in the amount of \$288,079.
- The principal retirement of \$635,000 of long-term debt.
- The increase in net pension liability of \$7,367,126.



LEAKE COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2016 and June 30, 2015 were \$25,455,429 and \$24,586,232, respectively. The total cost of all programs and services was \$27,174,783 for 2016 and \$24,008,558 for 2015.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2016 and June 30, 2015.

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

	Year Ended June 30, 2016	Year Ended June 30, 2015	Percentage Change
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 436,190	\$ 440,902	(1.07) %
Operating grants and contributions	5,294,994	5,071,456	4.41 %
Capital Grants and Contributions	18,585	-	N/A %
General revenues:			
Property taxes	4,237,173	4,276,778	(0.93) %
Grants and contributions not restricted	14,851,722	14,217,121	4.46 %
Investment earnings	16,311	18,461	(11.65) %
Sixteenth section sources	567,287	476,805	18.98 %
Other	33,167	84,709	(60.85) %
<b>Total revenues</b>	<b>25,455,429</b>	<b>24,586,232</b>	<b>3.54 %</b>
<b>Expenses:</b>			
Instruction	11,773,205	11,653,392	1.03 %
Support services	9,215,262	8,599,866	7.16 %
Non-instructional	1,697,503	1,693,136	0.26 %
Sixteenth section	99,166	29,490	236.27 %
Pension expense	4,153,511	1,772,127	134.38 %
Interest on long-term liabilities	236,136	260,547	(9.37) %
<b>Total expenses</b>	<b>27,174,783</b>	<b>24,008,558</b>	<b>13.19 %</b>
<b>Increase (Decrease) in net position</b>	<b>(1,719,354)</b>	<b>577,674</b>	<b>(397.63) %</b>
<b>Net Position, July 1, as previously reported</b>	<b>(8,746,560)</b>	<b>17,622,542</b>	<b>(149.63) %</b>
<b>Prior Period Adjustment</b>	<b>30,357</b>	<b>(26,946,776)</b>	<b>(100.11) %</b>
<b>Net Position, July 1, as restated</b>	<b>(8,716,203)</b>	<b>(9,324,234)</b>	<b>6.52 %</b>
<b>Net Position, June 30</b>	<b>\$ (10,435,557)</b>	<b>\$ (8,746,560)</b>	<b>(19.31) %</b>

**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.

LEAKE COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016

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

	<b>Total Expenses</b>		<b>Percentage Change</b>
	<b>2016</b>	<b>2015</b>	
Instruction	\$ 11,773,205	\$ 11,653,392	1.03 %
Support services	9,215,262	8,599,866	7.16 %
Non-instructional	1,697,503	1,693,136	0.26 %
Sixteenth section	99,166	29,490	236.27 %
Pension Expense	4,153,511	1,772,127	134.38 %
Interest on long-term liabilities	236,136	260,547	(9.37) %
<b>Total expenses</b>	<b>\$ 27,174,783</b>	<b>\$ 24,008,558</b>	<b>13.19 %</b>

	<b>Net (Expense) Revenue</b>		<b>Percentage Change</b>
	<b>2016</b>	<b>2015</b>	
Instruction	\$ (10,101,453)	\$ (10,106,812)	0.05 %
Support services	(7,277,678)	(6,651,847)	(9.41) %
Non-instructional	248,896	147,509	68.73 %
Sixteenth section	(9,124)	43,632	(120.91) %
Pension Expense	(4,153,511)	(1,772,127)	(134.38) %
Interest on long-term liabilities	(132,144)	(156,555)	15.59 %
<b>Total net (expense) revenue</b>	<b>\$ (21,425,014)</b>	<b>\$ (18,496,200)</b>	<b>(15.83) %</b>

- Net cost of governmental activities [(\$21,425,104) for 2016 and (\$18,496,200) for 2015] was financed by general revenue, which is primarily made up of property taxes (\$4,237,173 for 2016 and \$4,276,778 for 2015) and state and federal revenues (\$14,851,722 for 2016 and \$14,217,121 for 2015). In addition, there was \$567,287 and \$476,805 in Sixteenth Section sources for 2016 and 2015, respectively.
- Investment earnings amounted to \$16,311 for 2016 and \$18,461 for 2015.

## 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 \$7,739,175, a decrease of \$90,455, which includes a prior period adjustment of \$22,746 and a decrease in inventory of \$12,825. \$5,183,579 or 67% 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 \$2,555,596 or 33% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

LEAKE COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016

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 \$125,450, including a prior period adjustment of \$22,822. The fund balance of Other Governmental Funds showed a decrease in the amount of \$215,905, which includes a prior period adjustment of (\$76) and a decrease in reserve for inventory of \$12,825. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>		<u>Increase (Decrease)</u>
Title I Fund	\$	No change
IDEA 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 fund is provided in this report as required supplementary information.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of June 30, 2016, the District's total capital assets were \$29,028,317, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$135,469 from 2015. Total accumulated depreciation as of June 30, 2016, was \$12,482,550, and total depreciation expense for the year was \$608,667, resulting in total net capital assets of \$16,545,767.

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

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Percentage Change</u>
Land	\$ 459,075	\$ 459,075	0.00 %
Buildings	14,680,822	14,907,578	(1.52) %
Building improvements	124,489	-	N/A %
Improvements other than buildings	133,266	273,003	(51.19) %
Mobile equipment	1,006,688	1,098,590	(8.37) %
Furniture and equipment	141,427	95,600	47.94 %
<b>Total</b>	<b>\$ 16,545,767</b>	<b>\$ 16,833,846</b>	<b>(1.71) %</b>

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

LEAKE COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016

**Debt Administration.** At June 30, 2016, the District had \$6,065,955 in outstanding long-term debt, of which \$660,000 is due within one year. The liability for compensated absences decreased \$17,753 from the prior year.

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

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Percentage Change</u>
Limited obligation bonds payable	\$ 1,330,000	\$ 1,740,000	(23.56) %
Other loans payable	4,600,000	4,825,000	(4.66) %
Compensated absences payable	135,955	153,708	(11.55) %
<b>Total</b>	<u><u>\$ 6,065,955</u></u>	<u><u>\$ 6,718,708</u></u>	<b>(9.72) %</b>

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

## **CURRENT ISSUES**

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

## **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, 2016**

**Exhibit A**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 6,145,549
Due from other governments	1,078,609
Other receivables, net	1,688
Inventories	51,753
Restricted assets	529,552
Capital assets, net of accumulated depreciation	16,545,767
<b>Total Assets</b>	<b>24,352,918</b>
<b>Deferred Outflows of Resources</b>	
Pensions	7,787,638
<b>Total deferred inflows of resources</b>	<b>7,787,638</b>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	67,976
Interest payable on long-term liabilities	57,183
Long-term liabilities, due within one year:	
Capital related liabilities	660,000
Long-term liabilities, due beyond one year:	
Capital related liabilities	5,270,000
Non-capital related liabilities	135,955
Net pension liability	32,901,949
<b>Total Liabilities</b>	<b>39,093,063</b>
<b>Deferred Inflows of Resources</b>	
Pensions	3,483,050
<b>Total deferred inflows of resources</b>	<b>3,483,050</b>
<b>Net Position</b>	
Net investment in capital assets	10,615,767
Restricted for:	
Expendable:	
School-based activities	773,057
Debt service	863,274
Forestry improvements	243,057
Unemployment benefits	20,760
Non-expendable:	
Sixteenth section	285,549
Unrestricted	(23,237,021)
<b>Total Net Position</b>	<b>\$ (10,435,557)</b>

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

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**LEAKE COUNTY SCHOOL DISTRICT**

**Statement of Activities**

**Exhibit B**

**For the Year Ended June 30, 2016**

for the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 11,773,205	161,365	1,510,387		(10,101,453)
Support services	9,215,262	2,150	1,935,434		(7,277,678)
Non-instructional	1,697,503	182,633	1,745,181	18,585	248,896
Sixteenth section	99,166	90,042			(9,124)
Pension expense	4,153,511				(4,153,511)
Interest on long-term liabilities	236,136		103,992		(132,144)
Total Governmental Activities	\$ 27,174,783	436,190	5,294,994	18,585	(21,425,014)
General Revenues:					
Taxes:					
General purpose levies					3,918,358
Debt purpose levies					318,815
Unrestricted grants and contributions:					
State					14,550,754
Federal					300,968
Unrestricted investment earnings					16,311
Sixteenth section sources					567,287
Other					33,167
Total General Revenues					19,705,660
Change in Net Position					(1,719,354)
Net Position - Beginning, as previously reported					(8,746,560)
Prior Period Adjustments					30,357
Net Position - Beginning, as restated					(8,716,203)
Net Position - Ending					\$ (10,435,557)

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**

**Exhibit C**

**June 30, 2016**

	Major Funds			Other	Total
	General	Title I Fund	IDEA Part B	Governmental	Governmental
	Fund	Fund	Fund	Funds	Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 4,749,998			1,681,100	6,431,098
Investments				244,003	244,003
Due from other governments	269,714	329,933	66,146	412,816	1,078,609
Other receivables, net	1,678			10	1,688
Due from other funds	511,803				511,803
Inventories				51,753	51,753
 Total assets	 5,533,193	 329,933	 66,146	 2,389,682	 8,318,954
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	67,976				67,976
Due to other funds		329,933	66,146	115,724	511,803
Total Liabilities	67,976	329,933	66,146	115,724	579,779
<b>Fund Balances:</b>					
<b>Nonspendable</b>					
Inventory				51,753	51,753
Permanent fund principal				285,549	285,549
<b>Restricted</b>					
Debt service				920,457	920,457
Forestry improvement purposes				243,057	243,057
Grant activities				721,304	721,304
Unemployment benefits				20,760	20,760
<b>Assigned</b>					
Student activities	278,433				278,433
Building improvements	3,205			10,186	13,391
Unemployment benefits				20,892	20,892
<b>Unassigned</b>	5,183,579				5,183,579
Total Fund Balances	5,465,217	0	0	2,273,958	7,739,175
 Total Liabilities and Fund Balances	 \$ 5,533,193	 329,933	 66,146	 2,389,682	 8,318,954

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, 2016**

**Exhibit C-1**

**Total fund balances for governmental funds** \$ 7,739,175

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	23,214,084	
Building improvements	228,264	
Improvements other than buildings	183,929	
Mobile equipment	3,971,071	
Furniture and equipment	971,894	
Accumulated depreciation	<u>(12,482,550)</u>	16,545,767

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

Net pension liability	(32,901,949)	
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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	7,787,638	
Deferred inflows of resources related to pensions	<u>(3,483,050)</u>	(28,597,361)

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

General obligation bonds		
Limited obligation bonds	(1,330,000)	
Other loans payable	(4,600,000)	
Compensated absences	(135,955)	
Accrued interest payable	<u>(57,183)</u>	(6,123,138)

<b>Net Position of governmental activities</b>	<b><u>\$ (10,435,557)</u></b>
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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, 2016**

**Exhibit D**

	Major Funds			Other	Total
	General	Title I	IDEA Part B	Governmental	Governmental
	Fund	Fund	Fund	Funds	Funds
<b>Revenues:</b>					
Local sources	\$ 4,116,599	1,138	599	506,835	4,625,171
State sources	13,738,719			1,423,683	15,162,402
Federal sources	300,968	1,448,203	692,327	2,561,401	5,002,899
Sixteenth section sources	573,845			91,113	664,958
Total Revenues	18,730,131	1,449,341	692,926	4,583,032	25,455,430
<b>Expenditures:</b>					
Instruction	11,037,383	605,166	248,856	1,232,098	13,123,503
Support services	7,266,034	742,770	437,563	1,091,567	9,537,934
Noninstructional services	6,144	91,409		1,679,206	1,776,759
Sixteenth section	407			98,759	99,166
Facilities acquisition and construction	135,000				135,000
Debt service:					
Principal				635,000	635,000
Interest				245,454	245,454
Other				2,990	2,990
Total Expenditures	18,444,968	1,439,345	686,419	4,985,074	25,555,806
Excess (Deficiency) of Revenues over (under) Expenditures	285,163	9,996	6,507	(402,042)	(100,376)
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	328,846			511,381	840,227
Operating transfers out	(511,381)	(9,996)	(6,507)	(312,343)	(840,227)
Total Other Financing Sources (Uses)	(182,535)	(9,996)	(6,507)	199,038	0
Net Change in Fund Balances	102,628	0	0	(203,004)	(100,376)
<b>Fund Balances:</b>					
July 1, 2015, as previously reported	5,339,767	0	0	2,489,863	7,829,630
Prior period adjustments	22,822			(76)	22,746
July 1, 2015, as restated	5,362,589	0	0	2,489,787	7,852,376
Increase (Decrease) in reserve for inventory				(12,825)	(12,825)
June 30, 2016	\$ 5,465,217	0	0	2,273,958	7,739,175

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, 2016**

**Exhibit D-1**

**Net change in fund balances - total governmental funds** \$ (100,376)

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	\$ 329,610	
Depreciation expense	<u>(608,667)</u>	(279,057)

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

(16,633)

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

Payments of debt principal	635,000	
Accrued interest payable	<u>9,318</u>	644,318

4. 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	(4,153,511)	
Deferred outflows - pensions	<u>2,180,977</u>	(1,972,534)

5. 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	17,753	
Change in inventory reserve	<u>(12,825)</u>	4,928

<b>Change in Net Position of governmental activities</b>	<b>\$</b>	<b><u>(1,719,354)</u></b>
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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, 2016**

**Exhibit E**

	Agency Funds
<hr/>	
<b>Assets</b>	
Cash and cash equivalents	\$ 948,767
Other receivables	2,723
Total Assets	<u>951,490</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	787,500
Due to student clubs	163,990
Total Liabilities	<u>\$ 951,490</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, 2016

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

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

#### **A. Financial Reporting Entity**

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

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

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

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

The Statement of Net Position presents the District's non-fiduciary assets, deferred outflows, liabilities, and deferred inflows 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.

## LEAKE COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2016

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

The school district reports the following major governmental funds:

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

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

IDEA 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.

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

# LEAKE COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2016

### FIDUCIARY FUNDS

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

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

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

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

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

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

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

LEAKE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2016

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.

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.



LEAKE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2016

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

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

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

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

## LEAKE COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2016

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 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.

#### 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.

## LEAKE COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2016

#### 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 the approval of the type and amount of the commitment through a formal order of the school board. Currently there is no committed fund balance for this school district.

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

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

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

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

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

**Deposits.** The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school district's deposits in financial institutions is held in the name of the State Treasurer under a program

LEAKE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2016

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 \$6,431,098 and \$948,767, 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. 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. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district.

Investments

As of June 30, 2016, the district had the following investments.

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>
Federal U.S. Treasury Cash Reserve	AAAm	Less than 1 year	<u>\$ 244,003</u>

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

*Credit Risk.* State law limits investments to those prescribed in Sections 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972). The district does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

*Custodial Credit Risk - Investments.* Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment

LEAKE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2016

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.

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

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

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

Receivable Fund	Payable Fund	Amount
General Fund	Title I Fund	\$ 329,933
	IDEA Part B Fund	66,146
	Other governmental funds	115,724
Total		<u>\$ 511,803</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	Other governmental funds	\$ 511,381
Title I Fund	General Fund	9,996
IDEA Part B Fund	General Fund	6,507
Other governmental funds	General Fund	312,343
Total		<u>\$ 840,227</u>

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 balance, totaling \$ 285,549, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

In addition, the restricted assets represent the investment balance, totaling \$244,003 of the MAEP Limited Obligation Bond/Note Fund. The total of restricted assets is \$529,552.

LEAKE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2016

**Note 5 – Capital Assets**

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

	Balance 7/1/2015	Increases	Decreases	Adjustments	Balance 6/30/2016
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 459,075				459,075
Total non-depreciable capital assets	459,075	-	-		459,075
<u>Depreciable capital assets:</u>					
Buildings	23,071,366	135,000		7,718	23,214,084
Building improvements				228,264	228,264
Improvements other than buildings	412,193			(228,264)	183,929
Mobile equipment	3,972,952	102,248	104,129		3,971,071
Furniture and equipment	977,262	92,362	97,730		971,894
Total depreciable capital assets	28,433,773	329,610	201,859	7,718	28,569,242
<u>Less accumulated depreciation for:</u>					
Buildings	8,163,788	369,367		107	8,533,262
Building improvements		7,891		95,884	103,775
Improvements other than buildings	139,190	7,357		(95,884)	50,663
Mobile equipment	2,874,362	178,495	88,474		2,964,383
Furniture and equipment	881,662	45,557	96,752		830,467
Total accumulated depreciation	12,059,002	608,667	185,226	107	12,482,550
Total depreciable capital assets, net	16,374,771	(279,057)	16,633	7,611	16,086,692
Governmental activities capital assets, net	\$ 16,833,846	(279,057)	16,633	7,611	16,545,767

The adjustments were necessary to properly categorize assets and to adjust the value on a previously added building.

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental Activities:	
Instruction	\$ 106,275
Support services	486,946
Non-instructional	15,446
Total depreciation expense	\$ <u>608,667</u>

LEAKE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2016

**Note 6 – Long-term Liabilities**

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

	Balance			Balance	Amounts due
	<u>July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2016</u>	<u>within one year</u>
A. Limited obligation bonds pay.	\$ 1,740,000		410,000	1,330,000	425,000
B. Other loans payable	4,825,000		225,000	4,600,000	235,000
C. Compensated absences	153,708		17,753	135,955	-
	<u>\$ 6,718,708</u>	<u>-</u>	<u>652,753</u>	<u>6,065,955</u>	<u>660,000</u>

**A. Limited obligation bonds payable**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement bonds	3.5-4.0%	1-Dec-06	1-Feb-18	\$ 3,850,000	1,330,000
				<u>\$ 3,850,000</u>	<u>1,330,000</u>

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

Limited obligation bond issue of December 1, 2006:

Year Ending June 30	Principal	Interest	Total
2017	\$ 425,000	41,474	466,474
2018	905,000	25,578	930,578
Total	<u>\$ 1,330,000</u>	<u>67,052</u>	<u>1,397,052</u>

This debt will be retired from the MAEP Debt Service Fund.

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

LEAKE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2016

**B. Other loans payable**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
	3.25-				
Limited tax notes	4.25%	15-Apr-11	15-Apr-31	\$ 5,275,000	\$ 4,600,000
Total				<u>\$ 5,275,000</u>	<u>\$ 4,600,000</u>

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

Other loan issue of April 15, 2011:

Year Ending June 30	Principal	Interest	Total
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	270,000	139,944	409,944
2022 – 2026	1,505,000	552,695	2,057,695
2027 – 2031	1,825,000	233,206	2,058,206
Total	<u>\$ 4,600,000</u>	<u>1,584,973</u>	<u>6,184,973</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 3-61-33, 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 \$413,844 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).

**C. 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.



LEAKE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2016

**Note 7 – Other Commitments**

The school district has several operating leases for the following:

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

Lease expenditures for the year ended June 30, 2016, amounted to \$30,514.

Future lease payments for these leases are as follows:

Year Ending June 30	Amount
2017	\$ 5,178
2018	4,324
2019	1,081
Total	<u>\$ 10,583</u>

**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

LEAKE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2016

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, 2016 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2016, 2015 and 2014 were \$2,180,977, \$2,094,353 and \$2,025,518, 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, 2016, the school district reported a liability of \$32,901,949 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, 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. The school district's proportionate share used to calculate the June 30, 2016 net pension liability was 0.212847 percent, which was based on a measurement date of June 30, 2015. This was an increase/decrease of .002475 percent from its proportionate share used to calculate the June 30, 2015 net pension liability, which was based on a measurement date of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$4,153,511. At June 30, 2016 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 813,965	\$
Net difference between projected and actual earnings on pension plan investments		3,483,050
Changes of assumptions	2,072,457	
Changes in proportion and differences between District contributions and proportionate share of contributions	2,720,239	
District contributions subsequent to the measurement date	2,180,977	
Total	\$ <u>7,787,638</u>	\$ <u>3,483,050</u>

\$2,180,977 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:	
2017	\$ 1,023,462
2018	982,533
2019	294,355
2020	(176,739)

# LEAKE COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2016

*Actuarial assumptions.* The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.75-19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2016, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

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
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>	

*Discount rate.* The discount rate used to measure the total pension liability was 7.75 percent, a decrease of 0.25 percentage points since the prior measurement date. 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 7.75 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 (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 43,367,783	\$ 32,901,949	\$ 24,217,263

LEAKE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2016

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

Year Ending June 30	Amount
2017	\$ 74,029
2018	69,763
2019	54,022
2020	52,025
2021	52,025
2022 – 2026	254,102
2027 – 2031	211,033
2032 – 2036	132,556
2037 – 2041	81,432
2042 – 2046	30,283
2047 – 2051	7,106
2052 – 2056	2,133
Total	<u>\$ 1,020,509</u>

**Note 10– Prior Period Adjustments**

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

Exhibit B - Statement of Activities

Explanation	Amount
1. Reclassification of a prior year asset or liability	\$ 22,746
2. Adjustment of acquisition cost of a building and related changes in depreciation	7,611
Total	<u>\$ 30,357</u>

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

Fund	Explanation	Amount
General Fund	Reclassification of a prior year asset	\$ 22,822
Other governmental funds	Reclassification of a prior year liability	(76)
Total		<u>\$ 22,746</u>

## LEAKE COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2016

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

##### **Participation in Public Entity Risk Pool**

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 71 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 - 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 October 14, 2016, and determined that no events requiring disclosure have occurred.

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## 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, 2016**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 4,027,557	4,089,779	4,116,599	62,222	26,820
State sources	13,780,953	13,738,719	13,738,719	(42,234)	0
Federal sources	303,555	300,968	300,968	(2,587)	0
Sixteenth section sources	320,960	573,845	573,845	252,885	0
Total Revenues	18,433,025	18,703,311	18,730,131	270,286	26,820
<b>Expenditures:</b>					
Instruction	12,381,673	11,187,456	11,037,383	1,194,217	150,073
Support services	7,679,796	7,292,052	7,266,034	387,744	26,018
Noninstructional services	8,364	6,143	6,144	2,221	(1)
Sixteenth section	5,300	407	407	4,893	0
Facilities acquisition and construction	470,837	135,850	135,000	334,987	850
Total Expenditures	20,545,970	18,621,908	18,444,968	1,924,062	176,940
Excess (Deficiency) of Revenues over (under) Expenditures	(2,112,945)	81,403	285,163	2,194,348	203,760
<b>Other Financing Sources (Uses):</b>					
Insurance recovery	1,000	0	0	(1,000)	0
Sale of transportation equipment	2,000	0	0	(2,000)	0
Sale of other property	31,000	0	0	(31,000)	0
Operating transfers in	1,988,165	1,347,223	328,846	(640,942)	(1,018,377)
Operating transfers out	(2,412,913)	(1,543,062)	(511,381)	869,851	1,031,681
Total Other Financing Sources (Uses)	(390,748)	(195,839)	(182,535)	194,909	13,304
Net Change in Fund Balances	(2,503,693)	(114,436)	102,628	2,389,257	217,064
<b>Fund Balances:</b>					
July 1, 2015, as previously reported	6,272,838	5,342,267	5,339,767	(930,571)	(2,500)
Prior period adjustments	0	20,558	22,822	20,558	2,264
July 1, 2015, as restated	6,272,838	5,362,825	5,362,589	(910,013)	(236)
June 30, 2016	\$ 3,769,145	5,248,389	5,465,217	1,479,244	216,828

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 Fund**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 0	0	1,138	0	1,138
Federal sources	1,728,273	1,746,200	1,448,203	17,927	(297,997)
Total Revenues	1,728,273	1,746,200	1,449,341	17,927	(296,859)
<b>Expenditures:</b>					
Instruction	820,534	703,655	605,166	116,879	98,489
Support services	776,024	916,329	742,770	(140,305)	173,559
Noninstructional services	120,715	111,698	91,409	9,017	20,289
Total Expenditures	1,717,273	1,731,682	1,439,345	(14,409)	292,337
Excess (Deficiency) of Revenues over (under) Expenditures	11,000	14,518	9,996	3,518	(4,522)
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	(11,000)	(14,518)	(9,996)	(3,518)	4,522
Total Other Financing Sources (Uses)	(11,000)	(14,518)	(9,996)	(3,518)	4,522
Net Change in Fund Balances	0	0	0	0	0
Fund Balances:					
July 1, 2015	0	0	0	0	0
				0	0
June 30, 2016	\$ 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**  
**IDEA Part B Fund**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 0	0	599	0	599
Federal sources	786,784	843,834	692,327	57,050	(151,507)
Total Revenues	786,784	843,834	692,926	57,050	(150,908)
<b>Expenditures:</b>					
Instruction	263,059	288,122	248,856	(25,063)	39,266
Support services	511,252	548,060	437,563	(36,808)	110,497
Noninstructional services	1,000	1,000	0	0	1,000
Total Expenditures	775,311	837,182	686,419	(61,871)	150,763
Excess (Deficiency) of Revenues over (under) Expenditures	11,473	6,652	6,507	(4,821)	(145)
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	(11,473)	(6,652)	(6,507)	4,821	145
Total Other Financing Sources (Uses)	(11,473)	(6,652)	(6,507)	4,821	145
Net Change in Fund Balances	0	0	0	0	0
Fund Balances:					
July 1, 2015	0	0	0	0	0
June 30, 2016	\$ 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>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.212847%	0.210368%
District's proportionate share of the net pension liability (asset)	\$ 32,901,949	25,534,823
 District's covered-employee payroll	 13,297,479	 12,860,432
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	247.43%	198.55%
Plan fiduciary net position as a percentage of the total pension liability	62%	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**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 2,180,977	2,094,353								
Contributions in relation to the contractually required contribution	\$ 2,180,977	2,094,353								
Contribution deficiency (excess)	\$ 0	0	0	0	0	0	0	0	0	0
District's covered-employee payroll	13,847,473	13,297,479								
Contributions as a percentage of covered-employee payroll	15.75%	15.75%								

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

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LEAKE COUNTY SCHOOL DISTRICT  
Notes to the Required Supplementary information

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.

Pension Schedules

(1) Changes of assumptions

In 2015 and later, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015. In 2015, the expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75% respectively.

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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, 2016**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 471,874
National school lunch program	10.555	1,413,558
Summer food service program for children	10.559	38,700
Total child nutrition cluster		<u>1,924,132</u>
Total passed-through Mississippi Department of Education		<u>1,924,132</u>
<b>Total U.S. Department of Agriculture</b>		<u><b>1,924,132</b></u>
<b><u>Federal Communications Commission</u></b>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	266,042
<b>Total Federal Communications Commission</b>		<u><b>266,042</b></u>
<b><u>U.S. Department of Education</u></b>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	1,534,107
Career and technical education - basic grants to states	84.048	52,640
Twenty-first century community learning centers	84.287	185,341
Rural education	84.358	49,366
English language acquisition grants	84.365	34,644
Improving teacher quality-State Grants	84.367	195,644
Subtotal		<u>2,051,742</u>
Special education cluster:		
Special education - grants to states	84.027	693,967
Special education - preschool grants	84.173	32,091
Total special education cluster		<u>726,058</u>
Total passed-through Mississippi Department of Education		<u>2,777,800</u>
<b>Total U.S. Department of Education</b>		<u><b>2,777,800</b></u>
<b>Total for All Federal Awards</b>		<u><b>\$ 4,967,974</b></u>

**NOTES TO SCHEDULE**

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

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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, 2016**

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 19,037,688	14,039,980	1,283,779	1,505,876	2,208,053
Other	6,518,118	1,567,287	575,099	54,998	4,320,734
Total	<u>\$ 25,555,806</u>	<u>15,607,267</u>	<u>1,858,878</u>	<u>1,560,874</u>	<u>6,528,787</u>
Total number of students *	<u>2,914</u>				
Cost per student	<u>\$ 8,770</u>	<u>5,356</u>	<u>638</u>	<u>536</u>	<u>2,240</u>

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

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

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

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

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

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

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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**

	2016	2015*	2014*	2013*
<b>Revenues:</b>				
Local sources	\$ 4,116,599	4,148,620	4,035,650	4,022,816
State sources	13,738,719	13,353,734	13,109,664	12,945,984
Federal sources	300,968	195,234	235,032	356,967
Sixteenth section sources	573,845	485,420		
Total Revenues	18,730,131	18,183,008	17,380,346	17,325,767
<b>Expenditures:</b>				
Instruction	11,037,383	10,868,050	10,585,567	10,271,084
Support services	7,266,034	6,811,852	7,085,145	6,594,912
Noninstructional services	6,144	6,382	8,841	50,033
Sixteenth section	407	462		
Facilities acquisition and construction	135,000			
Total Expenditures	18,444,968	17,686,746	17,679,553	16,916,029
Excess (Deficiency) of Revenues over (under) Expenditures	285,163	496,262	(299,207)	409,738
<b>Other Financing Sources (Uses):</b>				
Insurance loss recoveries		55,772	100	
Sale of assets/other property		4,395	800	
Operating transfers in	328,846	24,473	19,786	15,503
Operating transfers out	(511,381)	(2,060,048)	(467,562)	(485,804)
Total Other Financing Sources (Uses)	(182,535)	(1,975,408)	(446,876)	(470,301)
Net Change in Fund Balances	102,628	(1,479,146)	(746,083)	(60,563)
<b>Fund Balances:</b>				
Beginning of period, as previously reported	5,339,767	2,138,510	2,884,593	2,945,156
Prior period adjustments	22,822	4,680,403		
Beginning of period, as restated	5,362,589	6,818,913	2,884,593	2,945,156
End of Period	\$ 5,465,217	5,339,767	2,138,510	2,884,593

\*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**

	2016	2015*	2014*	2013*
<b>Revenues:</b>				
Local sources	\$ 4,625,171	4,682,143	4,586,543	4,661,002
State sources	15,162,402	14,647,163	14,492,769	14,278,615
Federal sources	5,002,899	4,641,415	4,802,044	5,025,871
Sixteenth section sources	664,958	559,739	567,133	429,793
Total Revenues	25,455,430	24,530,460	24,448,489	24,395,281
<b>Expenditures:</b>				
Instruction	13,123,503	12,626,071	12,484,632	12,152,359
Support services	9,537,934	9,034,416	9,237,133	8,893,396
Noninstructional services	1,776,759	1,805,391	1,802,487	1,816,114
Sixteenth section	99,166	29,490	140,348	63,379
Facilities acquisition and construction	135,000	2,444,448	1,317,537	11,244
Debt service:				
Principal	635,000	620,000	682,525	603,855
Interest	245,454	267,555	294,300	319,229
Other	2,990	5,490	5,501	5,206
Total Expenditures	25,555,806	26,832,861	25,964,463	23,864,782
Excess (Deficiency) of Revenues over (under) Expenditures	(100,376)	(2,302,401)	(1,515,974)	530,499
<b>Other Financing Sources (Uses):</b>				
Insurance loss recoveries		55,772	100	
Sale of assets/other property		4,395	1,388	
Operating transfers in	840,227	2,084,521	487,348	501,307
Operating transfers out	(840,227)	(2,084,521)	(487,348)	(501,307)
Total Other Financing Sources (Uses)	0	60,167	1,488	0
Net Change in Fund Balances	(100,376)	(2,242,234)	(1,514,486)	530,499
<b>Fund Balances:</b>				
Beginning of period, as previously reported	7,829,630	10,030,685	11,577,575	11,040,279
Prior period adjustments	22,746		(7,512)	
Beginning of period, as restated	7,852,376	10,030,685	11,570,063	11,040,279
Increase (Decrease) in reserve for inventory	(12,825)	41,179	(24,892)	6,797
End of Period	\$ 7,739,175	7,829,630	10,030,685	11,577,575

\*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, 2016, 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 October 14, 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. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. (Finding 2016-001).

**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

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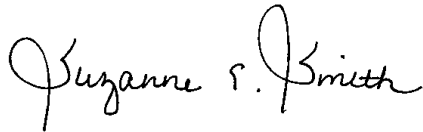
provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, 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*.

### **District's Response to Findings**

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

### **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.

A handwritten signature in cursive script that reads "Suzanne E. Smith".

Suzanne E. Smith, CPA, PLLC  
Brandon, Mississippi  
October 14, 2016

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

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance  
Required by the Uniform Guidance

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 Compliance Supplement that could have a direct and material effect on each of the district's major federal programs for the year ended June 30, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016.

**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

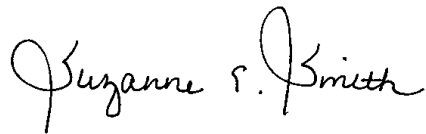
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internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Leake County School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink, reading "Suzanne E. Smith". The signature is written in a cursive, flowing style.

Suzanne E. Smith, CPA, PLLC  
Brandon, Mississippi  
October 14, 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 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, 2016, which collectively comprise Leake County School District's basic financial statements and have issued our report thereon dated October 14, 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."

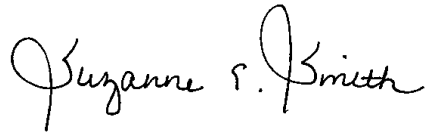
The results of our procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

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 of noncompliance with other state laws and regulations.

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**PHONE: 601-938-5717**

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.

A handwritten signature in black ink that reads "Suzanne E. Smith". The signature is written in a cursive style with a large, looped 'S' at the beginning and a distinct 'E' before the 'Smith'.

Suzanne E. Smith, CPA, PLLC  
Brandon, Mississippi  
October 14, 2016

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### Section I: Summary of Auditor's Results

#### Financial Statements:

1. Type of auditor's report issued: Unmodified
  
2. Internal control over financial reporting:
  - a. Material weakness(es) identified? (Yes/No) No
  - b. Significant deficiency(ies) identified? (Yes/None reported) Yes
  
3. Noncompliance material to financial statements noted? (Yes/No) No

#### Federal Awards:

4. Internal control over major programs:
  - a. Material weakness(es) identified? (Yes/No) No
  - b. Significant deficiency(ies) identified? (Yes/None reported) None reported
  
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 2 CFR 200.516(a)? (Yes/No) No
  
7. Identification of major programs:
 

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555/10.559	Child Nutrition Cluster
84.027/84.173	Special Education Cluster
  
8. Dollar threshold used to distinguish between type A and type B programs: \$750,000
  
9. Auditee qualified as low-risk auditee? (yes/no) No

## Section II: Financial Statement Findings

### Significant Deficiencies not considered to be Material Weaknesses

#### **Repeat Finding – 2016-001. Deficiencies in Controls Surrounding Payroll Expenditures and Disbursements**

Criteria: 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 the Federal Wage and Hour legislation.

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

- A record of hours worked each day and each work week is not being maintained for 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, we noted several errors in the logging of the 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.

Cause and Effect: The cause is not fully known. While the district central administration is attempting to have the local schools gather and report compensatory hours earned, there are inaccuracies in the information being maintained. The effect of these combined deficiencies is an increase in exposure to noncompliance with Federal Wage and Hour legislation.

Questioned Costs: None

Recommendation: We recommend that the district begin the practice of maintaining daily and weekly time records on 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 the school year.

## Section III: Federal Award Findings and Questioned Costs

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

## AUDITEE'S CORRECTIVE ACTION PLAN

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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](http://www.leakesd.k12.ms.us)

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

Finding 2016-001. 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. The District will hold training sessions with Administrators and bookkeepers to teach the correct method of calculating compensatory time and when time should be used and/or paid.

**Who is responsible for implementation:**

Billy Mack Wilbanks  
Superintendent of Education  
601-267-4579

**When implementation will begin:**

November 3, 2016



## SUMMARY OF PRIOR FEDERAL AUDIT FINDINGS

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Leake County  
**Department of Education**  
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#### SUMMARY OF PRIOR FEDERAL AUDIT FINDINGS

Finding 2015-003: Procurement and Suspension and Debarment – Improving Teacher Quality – State Grants – CFDA # 84.367

Current Year Disposition: Corrected

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