



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

LEAKE COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2017

LEAKE COUNTY SCHOOL DISTRICT
TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	4
MANAGEMENT'S DISCUSSION AND ANALYSIS	10
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Exhibit A - Statement of Net Position	20
Exhibit B - Statement of Activities	22
Governmental Funds Financial Statements	
Exhibit C - Balance Sheet	24
Exhibit C-1 - Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	26
Exhibit D - Statement of Revenues, Expenditures, and Changes in Fund Balances	28
Exhibit D-1 - Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	30
Fiduciary Funds Financial Statements	
Exhibit E - Statement of Fiduciary Assets and Liabilities	32
Notes to the Financial Statements	34
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund	54
Budgetary Comparison Schedule - Title I-A Fund	56
Budgetary Comparison Schedule - Title II Improving Teacher Quality Fund	58
Budgetary Comparison Schedule - IDEA Part B Fund	60
Schedule of the District's Proportionate Share of the Net Pension Liability	62
Schedule of District Contributions	64
Notes to the Required Supplementary Information	66
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	70
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds	72
Notes to the Supplementary Information	74
OTHER INFORMATION	
Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years	78
Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years	80
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 <i>Government Auditing Standards</i>	84
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by Uniform Guidance	86
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	90
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	94
AUDITEE'S CORRECTIVE PLAN	96

(This page left blank intentionally)

INDEPENDENT AUDITOR'S REPORT

(This page left blank intentionally)

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, 2017, 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, 2017, 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

Other Matters

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 10-17, 54-60, 62, and 64, 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.

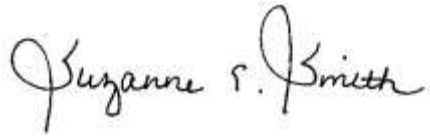
The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the Schedule of Instructional, Administrative and Other Expenditures for 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 5, 2017, 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 solely 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 the effectiveness of the Leake County School District's 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.

A handwritten signature in cursive script that reads "Suzanne E. Smith". The signature is written in dark ink and is positioned above the printed name and date.

Suzanne E. Smith, CPA, PLLC
Brandon, Mississippi
October 5, 2017

(This page left blank intentionally)

MANAGEMENT'S DISCUSSION AND ANALYSIS

(This page left blank intentionally)

LEAKE COUNTY SCHOOL DISTRICT
Management's Discussion & Analysis
For the Year Ended June 30, 2017

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, 2017. 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 2017 decreased \$1,770,815, including a prior period adjustment of \$5,315, which represents a 17% decrease from fiscal year 2016. 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.
- General revenues amounted to \$19,558,564 and \$19,705,660, or 76% and 77% of all revenues for fiscal years 2017 and 2016, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$6,048,466, or 24% of total revenues for 2017, and \$5,749,769, or 23 % of total revenues for 2016.
- The District had \$27,383,160 and \$27,174,783 in expenses for fiscal years 2017 and 2016; only \$6,048,466 for 2017 and \$5,749,769 for 2016 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$19,558,564 for 2017 were not adequate to provide for this programs, while general revenues of \$19,705,660 for 2016 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$18,570,051 in revenues and \$17,016,808 in expenditures for 2017, and \$18,730,131 in revenues and \$18,444,968 in expenditures in 2016. The General Fund's fund balance increased by \$1,048,350, including a prior period adjustment of \$5,437, from 2016 to 2017, and increased by \$125,450, including a prior period adjustment of \$22,822, from 2015 to 2016.
- Capital assets, net of accumulated depreciation, decreased by \$304,675 for 2017 and decreased by \$288,079 for 2016. The decrease for 2017 was due to the disposal of mobile equipment and furniture and equipment coupled with the increase in accumulated depreciation.
- Long-term debt, including the liability for compensated absences, decreased by \$654,767 for 2017 and decreased by \$652,753 for 2016. This decrease for 2017 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences increased by \$5,233 for 2017 and decreased by \$17,753 for 2016.

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.

LEAKE COUNTY SCHOOL DISTRICT
Management's Discussion & Analysis
For the Year Ended June 30, 2017

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.

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:

LEAKE COUNTY SCHOOL DISTRICT
Management's Discussion & Analysis
For the Year Ended June 30, 2017

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

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

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

A net pension liability results in a liability on the government-wide financial statements but is not reported on 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 Net 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 \$12,206,372 as of June 30, 2017.

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 & Analysis
For the Year Ended June 30, 2017

Table 1 presents a summary of the District's net position at June 30, 2017 and June 30, 2016.

Table 1
Condensed Statement of Net Position

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
Current assets	\$ 8,075,194	\$ 7,277,599	10.96 %
Restricted assets	537,598	529,552	1.52 %
Capital assets, net	16,241,092	16,545,767	(1.84) %
Total assets	24,853,884	24,352,918	2.06 %
 Deferred outflows of resources	 7,231,646	 7,787,638	 (7.14) %
 Current liabilities	 109,060	 125,159	 (12.86) %
Long-term debt outstanding	5,411,188	6,065,955	(10.79) %
Net pension liability	38,666,233	32,901,949	17.52 %
Total liabilities	44,186,481	39,093,063	13.03 %
 Deferred inflows of resources	 105,421	 3,483,050	 (96.97) %
 Net position:			
Net investment in capital assets	10,971,092	10,615,767	3.35 %
Restricted	1,949,079	2,185,697	(10.83) %
Unrestricted	(25,126,543)	(23,237,021)	(8.13) %
Total net position	\$ (12,206,372)	\$ (10,435,557)	(16.97) %

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)	(\$25,126,543)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions	31,540,008
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 6,413,465</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 \$304,675.
- The principal retirement of \$660,000 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2017 and June 30, 2016 were \$25,607,030 and \$25,455,429, respectively. The total cost of all programs and services was \$27,383,160 for 2017 and \$27,174,783 for 2016.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2017 and June 30, 2016.

LEAKE COUNTY SCHOOL DISTRICT
Management's Discussion & Analysis
For the Year Ended June 30, 2017

Table 2
Changes in Net Position

	<u>Year Ended</u> <u>June 30, 2017</u>	<u>Year Ended</u> <u>June 30, 2016</u>	<u>Percentage</u> <u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 330,235	\$ 436,190	(24.29) %
Operating grants and contributions	5,706,996	5,294,994	7.78 %
Capital Grants and Contributions	11,235	18,585	(39.55) %
General revenues:			
Property Taxes	4,397,615	4,237,173	3.79 %
Grants and contributions not restricted	14,875,466	14,851,722	0.16 %
Investment earnings	38,665	16,311	137.05 %
Sixteenth section sources	213,439	567,287	(62.38) %
Other	33,379	33,167	0.64 %
Total revenues	<u>25,607,030</u>	<u>25,455,429</u>	<u>0.60 %</u>
Expenses:			
Instruction	11,078,146	11,773,205	(5.90) %
Support services	9,191,307	9,215,262	(0.26) %
Non-instructional	1,840,578	1,697,503	8.43 %
Sixteenth section	52,879	99,166	(46.68) %
Pension expense	5,003,281	4,153,511	20.46 %
Interest on long-term liabilities	216,969	236,136	(8.12) %
Total expenses	<u>27,383,160</u>	<u>27,174,783</u>	<u>0.77 %</u>
Increase (Decrease) in net position	<u>(1,776,130)</u>	<u>(1,719,354)</u>	<u>(3.30) %</u>
Net Position, July 1, as previously reported	<u>(10,435,557)</u>	<u>(8,746,560)</u>	<u>(19.31) %</u>
Prior Period Adjustment	<u>5,315</u>	<u>30,357</u>	<u>(82.49) %</u>
Net Position, July 1, as restated	<u>(10,430,242)</u>	<u>(8,716,203)</u>	<u>(19.66) %</u>
Net Position, June 30	<u><u>\$ (12,206,372)</u></u>	<u><u>\$ (10,435,557)</u></u>	<u><u>(16.97) %</u></u>

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 & Analysis
For the Year Ended June 30, 2017

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2017	2016	
Instruction	\$ 11,078,146	\$ 11,773,205	(5.90) %
Support services	9,191,307	9,215,262	(0.26) %
Non-instructional	1,840,578	1,697,503	8.43 %
Sixteenth section	52,879	99,166	(46.68) %
Pension Expense	5,003,281	4,153,511	20.46 %
Interest on long-term liabilities	216,969	236,136	(8.12) %
Total expenses	\$ 27,383,160	\$ 27,174,783	0.77 %

	Net (Expense) Revenue		Percentage Change
	2017	2016	
Instruction	\$ (9,274,594)	\$ (10,101,453)	8.19 %
Support services	(6,869,238)	(7,277,678)	5.61 %
Non-instructional	55,439	248,896	(77.73) %
Sixteenth section	(26,051)	(9,124)	(185.52) %
Pension Expense	(5,003,281)	(4,153,511)	(20.46) %
Interest on long-term liabilities	(216,969)	(132,144)	(64.19) %
Total net (expense) revenue	\$ (21,334,694)	\$ (21,425,014)	0.42 %

- Net cost of governmental activities [(\$21,334,694) for 2017 and (\$21,425,014) for 2016] was financed by general revenue, which is primarily made up of property taxes (\$4,397,615 for 2017 and \$4,237,173 for 2016) and state and federal revenues (\$14,875,466 for 2017 and \$14,851,722 for 2016). In addition, there was \$213,439 and \$567,287 in Sixteenth Section sources for 2017 and 2016, respectively.
- Investment earnings amounted to \$38,665 for 2017 and \$16,311 for 2016.

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 \$8,557,129, an increase of \$817,954, which includes a prior period adjustment of \$5,437 and an increase in inventory of \$41,532. \$6,245,514 or 73% 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 \$2,311,615 or 27% 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 & Analysis
For the Year Ended June 30, 2017

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 \$1,048,350, including a prior period adjustment of \$5,437. The fund balance of Other Governmental Funds showed a decrease in the amount of \$230,396, which includes an increase in reserve for inventory of \$41,532. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I-A Fund	no increase or decrease
Title II Improving Teacher Quality Fund	no increase or decrease
IDEA Part B Fund	no increase or decrease

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2017, the District's total capital assets were \$29,122,747, including land, school buildings, building improvements, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$94,430 from 2016. Total accumulated depreciation as of June 30, 2017, was \$12,881,655, and total depreciation expense for the year was \$592,527, resulting in total net capital assets of \$16,241,092.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
Land	\$ 459,075	\$ 459,075	0.00 %
Buildings	14,311,454	14,680,822	(2.52) %
Building improvements	116,598	124,489	(6.34) %
Improvements other than buildings	200,842	133,266	50.71 %
Mobile equipment	1,009,806	1,006,688	0.31 %
Furniture and equipment	143,317	141,427	1.34 %
Total	\$ 16,241,092	\$ 16,545,767	(1.84) %

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 & Analysis
For the Year Ended June 30, 2017

Debt Administration. At June 30, 2017, the District had \$5,411,188 in outstanding long-term debt, of which \$1,150,000 is due within one year. The liability for compensated absences increased \$5,233 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
Limited obligation bonds payable	\$ 905,000	\$ 1,330,000	(31.95) %
Other loans payable	4,365,000	4,600,000	(5.11) %
Compensated absences payable	141,188	135,955	3.85 %
Total	<u>\$ 5,411,188</u>	<u>\$ 6,065,955</u>	<u>(10.79) %</u>

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, 111 West Main Street, Carthage, Mississippi 39051.

FINANCIAL STATEMENTS

(This page left blank intentionally)

LEAKE COUNTY SCHOOL DISTRICT

Statement of Net Position
June 30, 2017

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 7,084,246
Due from other governments	893,573
Other receivables, net	4,090
Inventories	93,285
Restricted assets	537,598
Capital assets, net of accumulated depreciation	16,241,092
Total Assets	24,853,884
Deferred Outflows of Resources	
Deferred outflows - pensions	7,231,646
Total deferred inflows of resources	7,231,646
Liabilities	
Accounts payable and accrued liabilities	55,663
Interest payable on long-term liabilities	53,397
Long-term liabilities, due within one year:	
Capital related liabilities	1,150,000
Long-term liabilities, due beyond one year:	
Capital related liabilities	4,120,000
Non-capital related liabilities	141,188
Net pension liability	38,666,233
Total Liabilities	44,186,481
Deferred Inflows of Resources	
Deferred inflows - pensions	105,421
Total deferred inflows of resources	105,421
Net Position	
Net investment in capital assets	10,971,092
Restricted for:	
Expendable:	
School-based activities	704,199
Debt service	714,519
Forestry improvements	218,397
Unemployment benefits	26,340
Non-expendable:	
Sixteenth section	285,624
Unrestricted	(25,126,543)
Total Net Position	\$ (12,206,372)

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

(This page left blank intentionally)

LEAKE COUNTY SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2017

Exhibit B

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 11,078,146	151,739	1,651,813		(9,274,594)
Support services	9,191,307	13,414	2,308,655		(6,869,238)
Non-instructional	1,840,578	138,254	1,746,528	11,235	55,439
Sixteenth section	52,879	26,828			(26,051)
Pension expense	5,003,281				(5,003,281)
Interest on long-term liabilities	216,969				(216,969)
Total Governmental Activities	\$ 27,383,160	330,235	5,706,996	11,235	\$ (21,334,694)
General Revenues:					
Taxes:					
General purpose levies					4,077,708
Debt purpose levies					319,907
Unrestricted grants and contributions:					
State					14,691,689
Federal					183,777
Unrestricted investment earnings					38,665
Sixteenth section sources					213,439
Other					33,379
Total General Revenues					19,558,564
Change in Net Position					(1,776,130)
Net Position - Beginning, as previously reported					(10,435,557)
Prior Period Adjustments					5,315
Net Position - Beginning, as restated					(10,430,242)
Net Position - Ending					\$ (12,206,372)

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

(This page left blank intentionally)

LEAKE COUNTY SCHOOL DISTRICT

Governmental Funds

Balance Sheet

June 30, 2017

Exhibit C

	Major Funds					
	General Fund	Title I-A Fund	Title II Improving Teacher Quality Fund	IDEA Part B Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 5,938,661	23		2,648	1,428,538	7,369,870
Cash with fiscal agents					251,867	251,867
Due from other governments	240,611	235,204	47,344	76,083	294,331	893,573
Accrued interest receivable					107	107
Other receivables, net	4,040				50	4,090
Due from other funds	383,021					383,021
Inventories					93,285	93,285
Total assets	6,566,333	235,227	47,344	78,731	2,068,178	8,995,813
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	52,766	1,043	1,450		404	55,663
Due to other funds		234,184	45,894	78,731	24,212	383,021
Total Liabilities	52,766	235,227	47,344	78,731	24,616	438,684
Fund Balances:						
Nonspendable:						
Inventory					93,285	93,285
Permanent fund principal					285,624	285,624
Restricted:						
Debt service					767,916	767,916
Forestry improvement purposes					218,397	218,397
Grant activities					610,914	610,914
Unemployment benefits					26,340	26,340
Assigned:						
Student activities	268,053					268,053
Interest on 16th Section Principal					10,186	10,186
Unemployment benefits					30,900	30,900
Unassigned	6,245,514					6,245,514
Total Fund Balances	6,513,567	0	0	0	2,043,562	8,557,129
resources and Fund Balances	\$ 6,566,333	235,227	47,344	78,731	2,068,178	8,995,813

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

(This page left blank intentionally)

LEAKE COUNTY SCHOOL DISTRICT

Governmental Funds

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2017**

Exhibit C-1

Total fund balances for governmental funds \$ 8,557,129

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		261,984	
Mobile equipment		3,987,317	
Furniture and equipment		972,023	
Accumulated depreciation		<u>(12,881,655)</u>	16,241,092

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		(38,666,233)	
-----------------------	--	--------------	--

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

Deferred outflows of resources related to pensions		7,231,646	
Deferred inflows of resources related to pensions		<u>(105,421)</u>	(31,540,008)

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

Limited obligation bonds		(905,000)	
Other loans payable		(4,365,000)	
Compensated absences payable		(141,188)	
Accrued interest payable		<u>(53,397)</u>	(5,464,585)

Net Position of governmental activities			<u><u>\$ (12,206,372)</u></u>
--	--	--	-------------------------------

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

(This page left blank intentionally)

LEAKE COUNTY SCHOOL DISTRICT

Governmental Funds

**Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2017**

Exhibit D

	Major Funds				Other	Total
	General	Title I-A	Title II	IDEA Part B	Governmental	Governmental
	Fund	Fund	Improving Teacher Quality Fund	Fund	Funds	Funds
Revenues:						
Local sources	\$ 4,274,241	382	107		467,061	4,741,791
State sources	13,881,703				1,354,946	15,236,649
Federal sources	183,777	1,647,594	433,201	714,157	2,378,318	5,357,047
Sixteenth section sources	230,330				29,330	259,660
Total Revenues	18,570,051	1,647,976	433,308	714,157	4,229,655	25,595,147
Expenditures:						
Instruction	10,028,119	616,457		292,689	1,341,386	12,278,651
Support services	6,982,317	910,718	433,308	415,469	924,455	9,666,267
Noninstructional services	6,046	110,360			1,841,747	1,958,153
Sixteenth section	326				52,553	52,879
Debt service:						
Principal					660,000	660,000
Interest					220,755	220,755
Other					3,090	3,090
Total Expenditures	17,016,808	1,637,535	433,308	708,158	5,043,986	24,839,795
Excess (Deficiency) of Revenues over (under) Expenditures	1,553,243	10,441	0	5,999	(814,331)	755,352
Other Financing Sources (Uses):						
Insurance loss recovery	11,227					11,227
Sale of transportation equipment	3,750					3,750
Sale of other property	656					656
Operating transfers in	38,320				564,283	602,603
Operating transfers out	(564,283)	(10,441)		(5,999)	(21,880)	(602,603)
Total Other Financing Sources (Uses)	(510,330)	(10,441)	0	(5,999)	542,403	15,633
Net Change in Fund Balances	1,042,913	0	0	0	(271,928)	770,985
Fund Balances:						
July 1, 2016, as previously reported	5,465,217	0	0	0	2,273,958	7,739,175
Prior period adjustments	5,437					5,437
July 1, 2016, as restated	5,470,654	0	0	0	2,273,958	7,744,612
Increase (Decrease) in reserve for inventory					41,532	41,532
June 30, 2017	\$ 6,513,567	0	0	0	2,043,562	8,557,129

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

(This page left blank intentionally)

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, 2017**

Exhibit D-1

Net change in fund balances - total governmental funds \$ 770,985

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	\$ 307,401	
Depreciation expense	<u>(592,527)</u>	(285,126)

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.

	<u>(19,427)</u>	(19,427)
--	-----------------	----------

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	660,000	
Accrued interest payable	<u>3,786</u>	663,786

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. The activities include:

Pension expense	(5,003,281)	
Contributions subsequent to the measurement date	<u>2,060,634</u>	(2,942,647)

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	(5,233)	
Change in inventory reserve	<u>41,532</u>	36,299

Change in Net Position of governmental activities	<u><u>\$ (1,776,130)</u></u>
--	------------------------------

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

(This page left blank intentionally)

LEAKE COUNTY SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities
June 30, 2017

Exhibit E

	Agency Funds
Assets	
Cash and cash equivalents	\$ 1,342,842
Other receivables	3,233
Total Assets	<u>1,346,075</u>
Liabilities	
Accounts payable and accrued liabilities	1,173,077
Due to student clubs	172,998
Total Liabilities	<u>\$ 1,346,075</u>

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

(This page left blank intentionally)

LEAKE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2017

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 the Year Ended June 30, 2017

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

Title II Improving Teacher Quality Fund – This is a special revenue fund that accounts for the revenues and related expenditures of the Improving Teacher Quality grant, a federal grant existing to provide training to teachers and other school personnel and other improvement opportunities.

IDEA Part B Fund – This special revenue fund accounts for the revenues and related expenditures of the federal special education grant, a grant in the Special Education Cluster of awards.

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

The District's fiduciary funds include the following:

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 the Year Ended June 30, 2017

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.

LEAKE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2017

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2014*, 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 the Year Ended June 30, 2017

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 School Construction Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

6. Capital Assets

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

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

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.

LEAKE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2017

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a

Future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Deferred outflows – Pension Contributions

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

Deferred inflows – Pension Settlements to Plan Members

See Note 8 for further details.

8. Compensated Absences

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95, Miss. Code Ann. (1972). 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 the Year Ended June 30, 2017

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 commitment by 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 policy of the School Board.

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

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 Cash with Fiscal Agents

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

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school district's deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the

LEAKE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2017

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 \$7,369,870 and \$1,342,842, 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.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$251,867.

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Title I-A Fund	\$ 234,184
	Title II Improving Teacher Quality Fund	45,894
	IDEA Part B Fund	78,731
	Other governmental funds	24,212
Total		<u>\$ 383,021</u>

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

LEAKE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2017

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 564,283
Title I-A Fund	General Fund	10,441
IDEA Part B Fund	General Fund	5,999
Other governmental funds	General Fund	21,880
Total		<u>\$ 602,603</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, \$285,624, 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 cash with fiscal agents and accrued interest receivable balances, totaling \$251,867 and \$107, respectively, of the MAEP Limited Obligation Bond/Note Fund (debt service fund). Total restricted assets are \$537,598.

Note 5 – Capital Assets

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

	Balance 7/1/2016	Increases	Decreases	Adjustments	Balance 6/30/2017
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	23,214,084				23,214,084
Building improvements	228,264				228,264
Improvements other than buildings	183,929	78,055			261,984
Mobile equipment	3,971,071	182,292	166,046		3,987,317
Furniture and equipment	971,894	47,054	34,659	(12,266)	972,023
Total depreciable capital assets	28,569,242	307,401	200,705	(12,266)	28,663,672
<u>Less accumulated depreciation for:</u>					
Buildings	8,533,262	369,368			8,902,630
Building improvements	103,775	7,891			111,666
Improvements other than buildings	50,663	10,479			61,142
Mobile equipment	2,964,383	162,569	149,441		2,977,511
Furniture and equipment	830,467	42,220	31,837	(12,144)	828,706
Total accumulated depreciation	12,482,550	592,527	181,278	(12,144)	12,881,655
Total depreciable capital assets, net	16,086,692	(285,126)	19,427	(122)	15,782,017
Governmental activities capital assets, net	\$ 16,545,767	(285,126)	19,427	(122)	16,241,092

Depreciation expense was charged to the following governmental functions:

LEAKE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2017

	Amount
Governmental activities:	
Instruction	\$ 104,129
Support services	471,363
Non-instructional	17,035
Total depreciation expense - Governmental activities	<u>\$ 592,527</u>

Note 6 – Long-term Liabilities

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

	Balance 7/1/2016	Additions	Reductions	Balance 6/30/2017	Amounts due within one year
A. Limited obligation bonds payable	\$ 1,330,000		425,000	905,000	905,000
B. Other loans payable	4,600,000		235,000	4,365,000	245,000
C. Compensated absences payable	135,955	5,233		141,188	
Total	<u>\$ 6,065,955</u>	<u>\$ 5,233</u>	<u>\$ 660,000</u>	<u>\$ 5,411,188</u>	<u>\$ 1,150,000</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	905,000
Total				<u>\$ 3,850,000</u>	<u>905,000</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
2018	\$ 905,000	25,578	930,578
Total	<u>\$ 905,000</u>	<u>25,578</u>	<u>930,578</u>

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

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

LEAKE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2017

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
Limited Tax Notes	3.25-4.25%	15-Apr-11	15-Apr-31	\$ 5,275,000	4,365,000
Total				<u>\$ 5,275,000</u>	<u>4,365,000</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
2018	\$ 245,000	169,881	414,881
2019	255,000	160,081	415,081
2020	265,000	149,881	414,881
2021	270,000	139,944	409,944
2022	280,000	131,169	411,169
2023 – 2027	1,560,000	496,445	2,056,445
2028 – 2032	1,490,000	158,290	1,648,290
Total	<u>\$ 4,365,000</u>	<u>1,405,691</u>	<u>5,770,691</u>

This debt will be retired from the Buildings and Buses Fund (special revenue fund) and the 2011 Note Fund (debt service fund).

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 EEF revenues and the avails of a special continuing ad valorem tax to be levied on all taxable property within the school district. The debt service requirements of the debt and the amount of such state revenues received during the year ended June 30, 2017, was \$414,282 and \$101,817.

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.

Note 7 – Other Commitments

The school district has operating leases for the following:

1. One (1) postage meter
2. Seven (7) copiers

LEAKE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2017

Lease expenditures for the year ended June 30, 2017, amounted to \$23,782. Future lease payments for this lease are as follows:

Year Ending June 30	Amount
2018	\$ 23,922
2019	7,822
2020	140
Total	<u>\$ 31,884</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 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, 2017 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, 2017, 2016 and 2015 were \$2,060,634, \$2,181,040 and \$2,094,353, respectively, which equaled the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of

LEAKE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2017

Resources Related to Pensions

At June 30, 2017, the school district reported a liability of \$38,666,233 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2017 net pension liability was 0.216466 percent, which was based on a measurement date of June 30, 2016. This was an increase of .003619 percent from its proportionate share used to calculate the June 30, 2016 net pension liability, which was based on a measurement date of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$5,003,281. At June 30, 2017 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	\$ 1,103,064	\$
Net difference between projected and actual earnings on pension plan investments	674,974	
Changes of assumptions	1,310,525	105,421
Changes in proportion and differences between District contributions and proportionate share of contributions	2,082,449	
District contributions subsequent to the measurement date	2,060,634	
Total	\$ <u>7,231,646</u>	\$ <u>105,421</u>

\$2,060,634 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, 2018. 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 Ending June 30:	
2018	\$ 2,117,006
2019	1,428,828
2020	755,776
2021	763,981

Actuarial assumptions. The total pension liability in the June 30, 2016 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, 2016 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

LEAKE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2017

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	100	%		

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at the current employer contribution 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 members. 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	\$ 49,578,780	\$ 38,666,233	\$ 29,612,356

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.

LEAKE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2017

Year Ending June 30		
2018	\$	\$ 74,467
2019	\$	58,346
2020	\$	55,330
2021	\$	55,330
2022	\$	58,410
2023-2027	\$	268,616
2028-2032	\$	198,815
2033-2037	\$	125,398
2038-2042	\$	90,862
Thereafter	\$	30,609
Totals	\$	<u><u>1,016,183</u></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. Correction of a prior period error in recording an asset	\$ 5,437
2. Correction of a prior period error in recording a capital asset	(122)
Total	<u><u>\$ 5,315</u></u>

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

Fund	Explanation	Amount
General Fund	Correction of a prior period error in recording an asset	\$ 5,437
Total		<u><u>\$ 5,437</u></u>

Note 11 – Contingencies

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

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

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.

LEAKE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2017

Participation in Public Entity Risk Pools

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.

The school district is a member of the Mississippi School Boards Association Property Trust (MSBAPT). The Trust is a risk sharing pool; such a pool is frequently referred to as a self-insurance pool. The Trust consists of approximately 27 school districts and covers losses associated with property damage to the physical assets owned by the member districts. An indemnity agreement is executed by each member in the Trust for the purpose of jointly and severally binding the pool and each of the members/districts to meet the financial obligations of each member. Each member of the Trust contributes quarterly to a fund held in trust by Amegy Bank of Texas in Houston, Texas. The funds in the trust account are used to pay any claim up to \$150,000 per occurrence. For a claim/occurrence exceeding \$150,000, the Trust has secured excess insurance. 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 Trust.

The school district is a member of the Mississippi School Boards Association Casualty Trust (MSBACT). The Trust is a risk sharing pool; such a pool is frequently referred to as a self-insurance pool. The Trust consists of approximately 27 school districts and covers losses associated with property damage to the physical assets owned by the member districts. An indemnity agreement is executed by each member in the Trust for the purposes of jointly and severally binding the pool and each of the members/districts to meet the financial obligations of each member. Each member of the Trust contributes quarterly to a fund held in trust by Amegy Bank of Texas in Houston, Texas. The funds in the trust account are used to pay any claim up to \$150,000 per occurrence. For a claim/occurrence exceeding \$150,000, the Trust has secured excess insurance. 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 Trust.

Note 13 - Insurance loss recoveries

The Leake County School District received \$11,227 in insurance loss recoveries related to bus damages sustained in a bus accident during the 2016-2017 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and allocated among the expense functions based on the following percentages:

Insurance Loss Recoveries	Percentage	Expense Function
\$ 11,227	100%	Support services
\$ 11,227	100%	

LEAKE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2017

Note 14 – Effect of Deferred Amounts on Net Position

The \$7,231,646 balance of the deferred outflow of resources at June 30, 2017 will be recognized as revenue and increase unrestricted net position over the remaining four (4) years.

The \$105,421 balance of the deferred inflow of resources at June 30, 2017 will be recognized as expense and decrease unrestricted net position over the remaining three (3) years.

Note 15 - 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 5, 2017, and determined that the no events have occurred requiring disclosure in the notes to the financial statements.

(This page left blank intentionally)

REQUIRED SUPPLEMENTARY INFORMATION

(This page left blank intentionally)

LEAKE COUNTY SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 4,255,939	4,272,429	4,274,241	16,490	1,812
State sources	13,982,317	13,881,703	13,881,703	(100,614)	0
Federal sources	173,180	183,777	183,777	10,597	0
Sixteenth section sources	331,250	231,924	230,330	(99,326)	(1,594)
Total Revenues	18,742,686	18,569,833	18,570,051	(172,853)	218
Expenditures:					
Instruction	10,981,369	10,028,119	10,028,119	953,250	0
Support services	7,452,819	6,922,787	6,982,317	530,032	(59,530)
Noninstructional services	8,225	6,046	6,046	2,179	0
Sixteenth section	5,300	327	326	4,973	1
Facilities acquisition and construction	0	61,530	0	(61,530)	61,530
Total Expenditures	18,447,713	17,018,809	17,016,808	1,428,904	2,001
Excess (Deficiency) of Revenues over (under) Expenditures	294,973	1,551,024	1,553,243	1,256,051	2,219
Other Financing Sources (Uses):					
Insurance loss recoveries	1,000	11,227	11,227	10,227	0
Sale of transportation equipment	2,000	375	3,750	(1,625)	3,375
Sale of other property	1,000	4,031	656	3,031	(3,375)
Operating transfers in	910,972	905,924	38,320	(5,048)	(867,604)
Operating transfers out	(1,279,478)	(1,431,887)	(564,283)	(152,409)	867,604
Total Other Financing Sources (Uses)	(364,506)	(510,330)	(510,330)	(145,824)	0
Net Change in Fund Balances	(69,533)	1,040,694	1,042,913	1,110,227	2,219
Fund Balances:					
July 1, 2016, as previously reported	4,420,180	5,465,217	5,465,217	1,045,037	0
Prior period adjustments	0	5,437	5,437	5,437	0
July 1, 2016, as restated	4,420,180	5,470,654	5,470,654	1,050,474	0
June 30, 2017	\$ 4,350,647	6,511,348	6,513,567	2,160,701	2,219

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

(This page left blank intentionally)

LEAKE COUNTY SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule

Title I-A Fund

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 0	0	382	0	382
Federal sources	1,791,229	1,848,505	1,647,594	57,276	(200,911)
Total Revenues	1,791,229	1,848,505	1,647,976	57,276	(200,529)
Expenditures:					
Instruction	681,877	743,108	616,457	(61,231)	126,651
Support services	972,822	969,939	910,718	2,883	59,221
Noninstructional services	121,530	121,175	110,360	355	10,815
Total Expenditures	1,776,229	1,834,222	1,637,535	(57,993)	196,687
Excess (Deficiency) of Revenues over (under) Expenditures					
	15,000	14,283	10,441	(717)	(3,842)
Other Financing Sources (Uses):					
Operating transfers out	(15,000)	(14,283)	(10,441)	717	3,842
Total Other Financing Sources (Uses)	(15,000)	(14,283)	(10,441)	717	3,842
Net Change in Fund Balances					
	0	0	0	0	0
Fund Balances:					
July 1, 2016	0	0	0	0	0
June 30, 2017	\$ 0	0	0	0	0

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

(This page left blank intentionally)

LEAKE COUNTY SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
Title II Improving Teacher Quality Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variances	
				Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Local sources	\$ 0	0	107	0	107
Federal sources	549,272	526,233	433,201	(23,039)	(93,032)
Total Revenues	549,272	526,233	433,308	(23,039)	(92,925)
Expenditures:					
Instruction	6,726	0	0	6,726	0
Support services	542,546	526,233	433,308	16,313	92,925
Total Expenditures	549,272	526,233	433,308	23,039	92,925
Excess (Deficiency) of Revenues over (under) Expenditures	0	0	0	0	0
Other Financing Sources (Uses):					
Total Other Financing Sources (Uses)	0	0	0	0	0
Net Change in Fund Balances	0	0	0	0	0
Fund Balances:					
July 1, 2016	0	0	0	0	0
June 30, 2017	\$ 0	0	0	0	0

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

(This page left blank intentionally)

LEAKE COUNTY SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
IDEA Part B Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 918,806	900,681	714,157	(18,125)	(186,524)
Total Revenues	918,806	900,681	714,157	(18,125)	(186,524)
Expenditures:					
Instruction	338,334	325,683	292,689	12,651	32,994
Support services	572,820	567,346	415,469	5,474	151,877
Noninstructional services	1,000	1,000	0	0	1,000
Total Expenditures	912,154	894,029	708,158	18,125	185,871
Excess (Deficiency) of Revenues over (under) Expenditures	6,652	6,652	5,999	0	(653)
Other Financing Sources (Uses):					
Operating transfers out	(6,652)	(6,652)	(5,999)	0	653
Total Other Financing Sources (Uses)	(6,652)	(6,652)	(5,999)	0	653
Net Change in Fund Balances	0	0	0	0	0
Fund Balances:					
July 1, 2016	0	0	0	0	0
June 30, 2017	\$ 0	0	0	0	0

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

(This page left blank intentionally)

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>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.216466%	0.212847%	0.210368%
District's proportionate share of the net pension liability (asset)	\$ 38,666,233	32,901,949	25,534,823
District's covered payroll	13,847,873	13,297,479	12,860,432
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	279.22%	247.43%	198.55%
Plan fiduciary net position as a percentage of the total pension liability	57%	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 Statement No. 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.

(This page left blank intentionally)

LEAKE COUNTY SCHOOL DISTRICT
Required Supplementary Information

SCHEDULE OF DISTRICT CONTRIBUTIONS

PERS

Last 10 Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 2,060,634	2,181,040	2,094,353
Contributions in relation to the contractually required contribution	2,060,634	2,181,040	2,094,353
Contribution deficiency (excess)	<u>\$ 0</u>	<u>0</u>	<u>0</u>
District's covered payroll	13,083,390	13,847,873	13,297,479
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented in FYE 6/30/2015, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

(This page left blank intentionally)

LEAKE COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2017

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

2015:

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.

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.

Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

2016:

The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

(2) Changes in benefit provisions

2016:

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

(This page left blank intentionally)

SUPPLEMENTARY INFORMATION

(This page left blank intentionally)

LEAKE COUNTY SCHOOL DISTRICT

Supplementary Information

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2017

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 442,387
National school lunch program	10.555	1,257,440
National school lunch program - commodities	10.555	141,394
Summer food service program for children	10.559	24,093
Total child nutrition cluster		<u>1,865,314</u>
Total passed-through Mississippi Department of Education		<u>1,865,314</u>
Total U.S. Department of Agriculture		<u>1,865,314</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	1,937,780
Career and technical education - basic grants to states	84.048	59,668
Rural education	84.358	98,105
English language acquisition grants	84.365	31,941
Improving teacher quality-State Grants	84.367	433,201
Subtotal		<u>2,560,695</u>
Special education cluster:		
Special education - grants to states	84.027	714,157
Special education - preschool grants	84.173	33,104
Total special education cluster		<u>747,261</u>
Total passed-through Mississippi Department of Education		<u>3,307,956</u>
Total U.S. Department of Education		<u>3,307,956</u>
 Total for All Federal Awards		 <u><u>\$ 5,173,270</u></u>

(This page left blank intentionally)

LEAKE COUNTY SCHOOL DISTRICT

Supplementary Information

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds

For the Year Ended June 30, 2017

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 18,098,041	13,002,763	1,335,718	1,448,080	2,311,480
Other	6,741,754	1,964,084	280,060	57,179	4,440,431
Total	<u>\$ 24,839,795</u>	<u>14,966,847</u>	<u>1,615,778</u>	<u>1,505,259</u>	<u>6,751,911</u>
Total number of students *	<u>2,912</u>				
Cost per student	<u>\$ 8,530</u>	<u>5,140</u>	<u>555</u>	<u>517</u>	<u>2,318</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

(This page left blank intentionally)

LEAKE COUNTY SCHOOL DISTRICT
Notes to the Supplementary Information
For the Year Ended June 30, 2017

Notes to the Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Leake County School District under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Leake County School District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Leake County School District.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Notes to the Schedule of Expenditures of Federal Awards (continued)

(3) Indirect Cost Rate

The Leake County School District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

(4) The pass-through entity did not provide identifying numbers for the school district.

(This page left blank intentionally)

OTHER INFORMATION

(This page left blank intentionally)

LEAKE COUNTY SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2017	2016*	2015*	2014*
Revenues:				
Local sources	\$ 4,274,241	4,116,599	4,148,620	4,035,650
State sources	13,881,703	13,738,719	13,353,734	13,109,664
Federal sources	183,777	300,968	195,234	235,032
Sixteenth section sources	230,330	573,845	485,420	
Total Revenues	18,570,051	18,730,131	18,183,008	17,380,346
Expenditures:				
Instruction	10,028,119	11,037,383	10,868,050	10,585,567
Support services	6,982,317	7,266,034	6,811,852	7,085,145
Noninstructional services	6,046	6,144	6,382	8,841
Sixteenth section	326	407	462	
Facilities acquisition and construction		135,000		
Total Expenditures	17,016,808	18,444,968	17,686,746	17,679,553
Excess (Deficiency) of Revenues over (under) Expenditures	1,553,243	285,163	496,262	(299,207)
Other Financing Sources (Uses):				
Insurance loss recoveries	11,227		55,772	100
Sale of transportation equipment	3,750			
Sale of other property	656		4,395	800
Operating transfers in	38,320	328,846	24,473	19,786
Operating transfers out	(564,283)	(511,381)	(2,060,048)	(467,562)
Total Other Financing Sources (Uses)	(510,330)	(182,535)	(1,975,408)	(446,876)
Net Change in Fund Balances	1,042,913	102,628	(1,479,146)	(746,083)
Fund Balances:				
Beginning of period, as previously reported	5,465,217	5,339,767	2,138,510	2,884,593
Prior period adjustments	5,437	22,822	4,680,403	
Beginning of period, as restated	5,470,654	5,362,589	6,818,913	2,884,593
End of Period	\$ 6,513,567	5,465,217	5,339,767	2,138,510

*SOURCE - PRIOR YEAR AUDIT REPORTS

(This page left blank intentionally)

LEAKE COUNTY SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

UNAUDITED

	2017	2016*	2015*	2014*
Revenues:				
Local sources	\$ 4,741,791	4,625,171	4,682,143	4,586,543
State sources	15,236,649	15,162,402	14,647,163	14,492,769
Federal sources	5,357,047	5,002,899	4,641,415	4,802,044
Sixteenth section sources	259,660	664,958	559,739	567,133
Total Revenues	25,595,147	25,455,430	24,530,460	24,448,489
Expenditures:				
Instruction	12,278,651	13,123,503	12,626,071	12,484,632
Support services	9,666,267	9,537,934	9,034,416	9,237,133
Noninstructional services	1,958,153	1,776,759	1,805,391	1,802,487
Sixteenth section	52,879	99,166	29,490	140,348
Facilities acquisition and construction		135,000	2,444,448	1,317,537
Debt service:				
Principal	660,000	635,000	620,000	682,525
Interest	220,755	245,454	267,555	294,300
Other	3,090	2,990	5,490	5,501
Total Expenditures	24,839,795	25,555,806	26,832,861	25,964,463
Excess (Deficiency) of Revenues over (under) Expenditures	755,352	(100,376)	(2,302,401)	(1,515,974)
Other Financing Sources (Uses):				
Insurance loss recoveries	11,227		55,772	100
Sale of transportation equipment	3,750			
Sale of other property	656		4,395	1,388
Operating transfers in	602,603	840,227	2,084,521	487,348
Operating transfers out	(602,603)	(840,227)	(2,084,521)	(487,348)
Total Other Financing Sources (Uses)	15,633	0	60,167	1,488
Net Change in Fund Balances	770,985	(100,376)	(2,242,234)	(1,514,486)
Fund Balances:				
Beginning of period, as previously reported	7,739,175	7,829,630	10,030,685	11,577,575
Prior period adjustments	5,437	22,746		(7,512)
Beginning of period, as restated	7,744,612	7,852,376	10,030,685	11,570,063
Increase (Decrease) in reserve for inventory	41,532	(12,825)	41,179	(24,892)
End of Period	\$ 8,557,129	7,739,175	7,829,630	10,030,685

*SOURCE - PRIOR YEAR AUDIT REPORTS

(This page left blank intentionally)

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

(This page left blank intentionally)

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, 2017, 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 5, 2017.

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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a significant deficiency. [Finding 2017-001]

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 provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

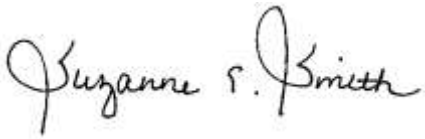
POST OFFICE BOX 102
BRANDON, MISSISSIPPI 39043
PHONE: 601-938-571

District's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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 black ink that reads "Suzanne E. Smith". The signature is written in a cursive, flowing style.

Suzanne E. Smith, CPA, PLLC
Brandon, Mississippi
October 5, 2017

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

**Independent Auditor's 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, 2017. 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, 2017.

Report on Internal Control Over Compliance

Management of Leake County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Leake County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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.

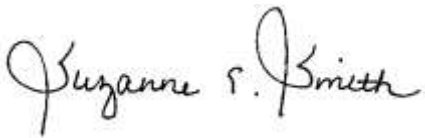
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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

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

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 cursive script that reads "Suzanne E. Smith". The signature is written in dark ink and is positioned above the printed name and address.

Suzanne E. Smith, CPA, PLLC
Brandon, Mississippi
October 5, 2017

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

(This page left blank intentionally)

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

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

Superintendent and School Board
Leake County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Leake County School District as of and for the year ended June 30, 2017, which collectively comprise Leake County School District's basic financial statements and have issued our report thereon dated October 5, 2017. 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.

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

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

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

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

Finding SL2017-A. Sixteenth Section Lease Rental Collections and Lease Cancellations. Our testing of the details of sixteenth section lease rental collections showed a 2016-2017 fiscal year collection rate of 75%, meaning that one (1) out of four (4) lease holders did not remit annual rentals during the 2016-2017 year. We identified only four instances where leases were cancelled for non-payment during the year. We identified twenty-four (24) leases with conflicting annual rental amounts between the report submitted to the Secretary of State and the district's subsidiary lease ledgers, meaning the district was not collecting the annual rental reported to the Secretary of State.

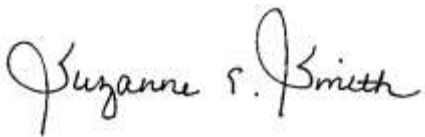
Recommendation: The district should identify all active leases and update the information on file with the Secretary of State to reflect accurate lease information. Changes in leases and new leases should be captured and forwarded to the Secretary of State on a regular basis. A copy of each lease and any lease changes should be on file in the subsidiary records for each lease holder. Annual rental amounts charged should be updated to match the true rental amounts reflected on both in the lease and in the information submitted to the Secretary of State. Lease holders should be billed the correct annual amount, and all leases ninety (90) or more days late should be handled in accordance with state law as to cancellation by school board action. Steps should be taken to ensure collection of the 2016-2017 rental amounts remaining uncollected.

District Response: The district will review all leases and update information in our system and with the Secretary of State. The district will also ensure that leases are paid in a timely manner, and those that are not will be processed for cancellation. We will also work with the district attorney and his staff to ensure that the data they are reporting to the Secretary of State correlates with the district's records. We will also begin using the Marathon Accounting Software 16th Section Module to document leases and payments in the future.

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

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

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

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

Suzanne E. Smith, CPA, PLLC
Brandon, Mississippi
October 5, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(This page left blank intentionally)

LEAKE COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

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: | | | | | |
| | <table border="0" style="width: 100%;"> <tr> <td style="width: 40%;"><u>CFDA Numbers</u></td> <td style="width: 60%;"><u>Name of Federal Program or Cluster</u></td> </tr> <tr> <td>10.553/10.555/10.559</td> <td>Child Nutrition Cluster</td> </tr> </table> | <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> | 10.553/10.555/10.559 | Child Nutrition Cluster | |
| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> | | | | | |
| 10.553/10.555/10.559 | Child Nutrition 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) | Yes | | | | |

LEAKE COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Section II: Financial Statement Findings

Finding 2017-001. Significant Deficiencies Identified in the Control Cycle of Non-payroll Expenditures and Related Liabilities.

Criteria: Management is responsible for developing and implementing a system of controls to ensure that the control cycle of non-payroll expenditures and related liabilities will serve to safeguard district assets and protect the integrity of the financial information. Such controls should be designed to ensure authorization for purchases made and confirmation of the delivery of goods and/or services provided to the district by outside vendors.

Condition: In the area of purchasing in the central maintenance and transportation departments, we noted numerous purchases made without first securing a purchase order. Purchase orders were then prepared after the fact for purchases spanning a month or longer in date. Neither the maintenance director nor the transportation director were bonded as purchasing agents. This was limited to a small group of local vendors. We noted in forty (40) instances out of a population of one hundred thirty-five (135) paid claims inadequate receiving documentation to certify that goods and/or services were received prior to claim payment. The sample of 135 claims in our test was not a statistically valid sample.

Cause and Effect: The preparation of purchase orders after the fact for the maintenance and transportation departments was for the ease of facilitation of the purchasing function for these departments. The lack of receiving documentation was caused by a failure of district employees to follow established procedures. These deficiencies point to a breakdown in the control cycle of non-payroll expenditures and may serve to allow unauthorized purchases to occur and/or claims to be paid without documenting the delivery of the goods/and or services first.

Questioned Costs: None

Recommendation: We recommend that the district establish a system by which purchase orders are issued by school and department site for monthly purchases of maintenance and/or transportation goods and services. We further recommend that the district reinforce the requirement that all claims are verified for delivery of goods and/or services before the payment of the claims.

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.

Leake County
Department of Education

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

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

AUDITEE'S CORRECTIVE ACTION PLAN

Finding Number: 2017-001. Significant Deficiencies Identified in the Control Cycle of Non-Payroll Expenditures and Related Liabilities.

What Corrective Action is Planned:

The District will have the transportation director and maintenance worker bonded as purchasing agents for their department. Open purchase orders will be secured by site each month for purchases made by each department. The District has purchased a uniformed stamp that will be used by all schools and offices to record the receiving of goods and services.

Who is Responsible for Implementation:

Billy Wilbanks, Superintendent of Education

Deneshia Harlson, Business Manager

Stephanie Pickle, Accounts Payable Officer

When will Implementation Begin:

October 3, 2017

(This page left blank intentionally)