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LELAND SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2014

LELAND SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Leland School District
Leland, Mississippi

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 Leland School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Leland 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 Leland School District, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 7-15 and 41-46 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.

Supplementary and Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated November 20,

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

Cunningham CPAs

Cunningham CPAs, PLLC

Belzoni, Mississippi

November 20, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of Leland School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2014. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net position for 2014 increased $47,483, including a prior period adjustment of $476, which represents a 1% increase from fiscal year 2013. Total net position for 2013 increased $123,308, including a prior period adjustment of $28,311, which represents a 3% increase from fiscal year 2012.

- General revenues amounted to $6,766,845 and $7,111,299, or 74% and 76% of all revenues for fiscal years 2014 and 2013, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for $2,404,589, or 26% of total revenues for 2014, and $2,211,563, or 24% of total revenues for 2013.

- The District had $9,124,427 and $9,227,865 in expenses for fiscal years 2014 and 2013; only $2,404,589 for 2014 and $2,211,563 for 2013 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of $6,766,845 for 2014 were adequate to provide for these programs and $7,111,299 for 2013 were adequate to provide for these programs.

- Among major funds, the General Fund had $6,368,232 in revenues and $6,438,542 in expenditures for 2014, and $6,414,138 in revenues and $6,328,116 in expenditures in 2013. The General Fund's fund balance decreased by $132,478, from 2013 to 2014, and decreased by $345,077, including a prior period adjustment of $7,168, from 2012 to 2013.

- Capital assets, net of accumulated depreciation, decreased by $89,168, including a prior period adjustment of $476 for 2014 and decreased by $165,983 for 2013. The decrease for 2014 was due primarily to the increase in accumulated depreciation.

- Long-term debt decreased by $1,153,461 for 2014 and decreased by $250,629 for 2013. This decrease for 2014 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences decreased by $24,566 for 2014 and increased by $28,635 for 2013.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the District's basic financial statements, which include government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains required supplementary information, supplementary information, and other information.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the District's finances. These statements consist of the Statement of Net Position and the Statement of Activities, which are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position presents information on all the District's nonfiduciary assets and liabilities,

with the differences between the two reported as "net position." Over time, increases or decreases in the District's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

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

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

Fund Financial Statements

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

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

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

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts.* Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All non-major funds are combined and presented in these reports as other governmental funds.

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. These funds are reported using the accrual basis of accounting. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

Reconciliation of Government-wide and Fund Financial Statements

The financial statements include two schedules that reconcile the amounts reported on the governmental funds financial statements (modified accrual basis of accounting) with government-wide financial

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

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each major special revenue fund as required by the Governmental Accounting Standards Board.

Supplementary Information

Additionally, a Schedule of Expenditures of Federal Awards as required by OMB Circular A-133 and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

Other Information

Although not a required part of the basic financial statements, the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by $3,762,573 as of June 30, 2014.

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

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

Table 1
Condensed Statement of Net Position

	June 30, 2014	June 30, 2013	Percentage Change
Current assets	$ 3,495,613	$ 3,761,244	-7.06 %
Restricted assets	1,022,008	1,791,949	-42.97 %
Capital assets, net	2,948,587	3,037,755	-2.94 %
Total assets	**7,466,208**	**8,590,948**	**-13.09 %**
Current liabilities	69,432	63,628	9.12 %
Long-term debt outstanding	3,634,203	4,812,230	-24.48 %
Total liabilities	**3,703,635**	**4,875,858**	**-24.04 %**
Net position:			
Net investment in capital assets	383,382	319,089	20.15 %
Restricted	1,305,423	4,874,993	-73.22 %
Unrestricted	2,073,768	(1,478,992)	240.21 %
Total net position	**$ 3,762,573**	**$ 3,715,090**	**1.28 %**

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 $89,168.
- The principal retirement of $1,252,818 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2014 and June 30, 2013 were $9,171,434 and $9,322,862, respectively. The total cost of all programs and services was $9,124,427 for 2014 and $9,227,865 for 2013.

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

Table 2
Changes in Net Position

	Year Ended June 30, 2014	Year Ended June 30, 2013	Percentage Change
Revenues:			
Program revenues:			
Charges for services	$ 172,062	$ 157,677	9.12 %
Operating grants and contributions	2,232,527	2,053,886	8.70 %
General revenues:			
Property and gaming taxes	1,964,978	1,961,306	0.19 %
Grants and contributions not restricted	4,398,223	4,467,464	(1.55) %
Investment earnings	38,415	35,814	7.26 %
Sixteenth section sources	305,886	293,662	4.16 %
Other	59,343	353,053	(83.19) %
Total revenues	**9,171,434**	**9,322,862**	**(1.62) %**
Expenses:			
Instruction	4,572,210	4,818,177	(5.10) %
Support services	3,736,986	3,617,214	3.31 %
Non-instructional	715,609	702,485	1.87 %
Sixteenth section	37,710	33,918	11.18 %
Interest on long-term liabilities and other debt service costs	61,912	56,071	10.42 %
Total expenses	**9,124,427**	**9,227,865**	**(1.12) %**
Increase (Decrease) in net position	**47,007**	**94,997**	**(50.52) %**
Net Position, July 1, as originally reported	**3,715,090**	**3,591,782**	**3.43 %**
Prior period adjustments	**476**	**28,311**	**(98.32) %**
Net Position, July 1, as restated	**3,715,566**	**3,620,093**	**2.64 %**
Net Position, June 30	**$ 3,762,573**	**$ 3,715,090**	**1.28 %**

Governmental activities

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

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage
	2014	2013	Change
Instruction	$ 4,572,210	$ 4,818,177	(5.10) %
Support services	3,736,986	3,617,214	3.31 %
Non-instructional	715,609	702,485	1.87 %
Sixteenth section	37,710	33,918	11.18 %
Interest on long-term liabilities and other debt service costs	61,912	56,071	10.42 %
Total expenses	**$ 9,124,427**	**$ 9,227,865**	**(1.12) %**

	Net (Expense) Revenue		Percentage
	2014	2013	Change
Instruction	$ (3,688,843)	$ (3,944,222)	(6.47) %
Support services	(2,937,768)	(2,971,198)	(1.13) %
Non-instructional	6,395	(10,893)	(158.71) %
Sixteenth section	(37,710)	(33,918)	11.18 %
Interest on long-term liabilities and other debt service costs	(61,912)	(56,071)	10.42 %
Total net (expense) revenue	**$ (6,719,838)**	**$ (7,016,302)**	**(4.23) %**

- Net cost of governmental activities ($6,719,838 for 2014 and $7,016,302 for 2013) was financed by general revenue, which is primarily made up of property and gaming taxes ($1,964,978 for 2014 and $1,961,306 for 2013) and state and federal revenues ($4,398,223 for 2014 and $4,467,464 for 2013). In addition, there was $305,886 and $293,662 in Sixteenth Section sources for 2014 and 2013, respectively.

- Investment earnings amounted to $38,415 for 2014 and $35,814 for 2013.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of $4,408,818, a decrease of $1,097,380, which includes an increase in inventory of $5,138. $2,989,358 or 68% 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 $1,419,460 or 32% 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.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was $132,478. The fund balance of Other Governmental Funds showed a decrease in the amount of $56,870, which includes an increase in reserve for inventory of $5,138, due primarily to normal operations. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund		Increase (Decrease)
Title I Fund	$	No increase or decrease
Vocational Education Fund	$	(44,644)
16th Section Interest Fund	$	(36,324)
QZAB Debt Service Fund	$	(827,064)

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 each major special revenue fund is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2014, the District's total capital assets were $7,915,500, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of $99,833 from 2013. Total accumulated depreciation as of June 30, 2014, was $4,966,913, and total depreciation expense for the year was $189,001, resulting in total net capital assets of $2,948,587.

Table 4
Capital Assets, Net of Accumulated Depreciation

	June 30, 2014	June 30, 2013	Percentage Change
Land	$ 42,870	$ 42,864	0.01 %
Buildings	585,916	608,624	(3.73) %
Building improvements	1,979,727	2,038,021	(2.86) %
Improvements other than buildings	19,130	20,325	(5.88) %
Mobile equipment	142,326	171,373	(16.95) %
Furniture and equipment	89,019	156,548	(43.14) %
Leased property under capital leases	89,599	-	N/A %
Total	**$ 2,948,587**	**$ 3,037,755**	**(2.94) %**

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

Debt Administration. At June 30, 2014, the District had $3,634,203 in outstanding long-term debt, of which $199,045 is due within one year. The liability for compensated absences decreased $24,566 from the prior year.

Table 5
Outstanding Long-Term Debt

	June 30, 2014	June 30, 2013	Percentage Change
Limited obligation bonds payable	$ 775,000	$ 950,000	(18.42) %
Transportation loans payable	-	68,666	(100.00) %
Qualified zone academy bonds payable	1,000,000	2,000,000	(50.00) %
Qualified school construction bonds	1,700,000	1,700,000	0.00 %
Obligations under capital leases	90,205	-	N/A %
Compensated absences payable	68,998	93,564	(26.26) %
Total	**$ 3,634,203**	**$ 4,812,230**	**(24.48) %**

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

CURRENT ISSUES

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

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

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

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 Leland School District, 408 E 4th Street, Leland, MS 38756.

FINANCIAL STATEMENTS

LELAND SCHOOL DISTRICT

Statement of Net Position **Exhibit A**

June 30, 2014

		Governmental Activities
Assets		
Cash and cash equivalents	$	3,144,365
Due from other governments		282,077
Inventories		20,935
Prepaid items		48,236
Restricted assets		1,022,008
Capital assets, non-depreciable:		
Land		42,870
Capital assets, net of accumulated depreciation:		
Buildings		585,916
Building improvements		1,979,727
Improvements other than buildings		19,130
Mobile equipment		142,326
Furniture and equipment		89,019
Leased property under capital leases		89,599
Total Assets		7,466,208
Liabilities		
Accounts payable and accrued liabilities		45,718
Unearned income		13
Interest payable on long-term liabilities		23,701
Long-term liabilities, due within one year:		
Capital related liabilities		199,045
Long-term liabilities, due beyond one year:		
Capital related liabilities		2,366,160
Non-capital related liabilities		1,068,998
Total Liabilities		3,703,635
Net Position		
Net investment in capital assets		383,382
Restricted for:		
Expendable:		
School-based activities		99,262
Debt service		1,103,372
Capital improvements		62,612
Unemployment benefits		23,021
Non-expendable:		
Sixteenth section		17,156
Unrestricted		2,073,768
Total Net Position	$	3,762,573

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

LELAND SCHOOL DISTRICT

Statement of Activities
For the Year Ended June 30, 2014

Exhibit B

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental Activities:					
Instruction	$ 4,572,210	$ 114,383	$ 768,984	$ -	$ (3,688,843)
Support services	3,736,986	-	799,218	-	(2,937,768)
Non-instructional	715,609	57,679	664,325	-	6,395
Sixteenth section	37,710	-	-	-	(37,710)
Interest on long-term liabilities and other debt service costs	61,912	-	-	-	(61,912)
Total Governmental Activities	$ 9,124,427	$ 172,062	$ 2,232,527	$ -	$ (6,719,838)

General Revenues:	
Taxes:	
General purpose levies	1,919,006
Gaming	41,674
Debt purpose levies	4,298
Unrestricted grants and contributions:	
State	4,321,571
Federal	76,652
Unrestricted investment earnings	38,415
Sixteenth section	305,886
Other	59,343
Total General Revenues	6,766,845
Change in Net Position	47,007
Net Position - Beginning, as originally reported	3,715,090
Prior period adjustments	476
Net Position - Beginning, as restated	3,715,566
Net Position - Ending	$ 3,762,573

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

LELAND SCHOOL DISTRICT

Governmental Funds

Balance Sheet
June 30, 2014

Exhibit C

	Major Funds						
	General Fund	Title I Fund	Vocational Education Fund	16th Section Interest Fund	QZAB Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets							
Cash and cash equivalents	$ 293,928	$ -	$ 4,167	$ 2,620,963	$ -	$ 242,480	$ 3,161,538
Cash with fiscal agents	-	-	-	-	7,798	209,552	217,350
Investments	-	-	-	-	787,485	-	787,485
Due from other governments	72,339	22,336	44,644	-	-	142,758	282,077
Due from other funds	68,603	269	-	-	-	6,803	75,675
Prepaid items	48,236	-	-	-	-	-	48,236
Inventories	-	-	-	-	-	20,935	20,935
Total assets	483,106	22,605	48,811	2,620,963	795,283	622,528	4,593,296
Liabilities:							
Accounts payable and accrued liabilities	$ 21,886	$ 8,730	$ 4,167	$ 2,220	$ -	$ 8,715	$ 45,718
Due to other funds	269	13,875	44,644	-	-	16,887	75,675
Unearned income	-	-	-	-	-	13	13
Total Liabilities	22,155	22,605	48,811	2,220	-	25,615	121,406
Deferred Inflows of Resources							
Deferred revenue	-	-	44,644	-	-	18,428	63,072
Total Deferred Inflows of Resources	-	-	44,644	-	-	18,428	63,072
Fund Balances:							
Nonspendable:							
Inventory	-	-	-	-	-	20,935	20,935
Prepaid items	48,236	-	-	-	-	-	48,236
Permanent fund principal	-	-	-	-	-	17,156	17,156
Restricted:							
Debt service	-	-	-	-	795,283	331,790	1,127,073
Capital projects	-	-	-	-	-	62,612	62,612
Grant activities	-	-	(44,644)	-	-	122,971	78,327
Unemployment benefits	-	-	-	-	-	23,021	23,021
Assigned:							
Activity funds	42,100	-	-	-	-	-	42,100
Unassigned	370,615	-	-	2,618,743	-	-	2,989,358
Total Fund Balances	460,951	-	(44,644)	2,618,743	795,283	578,485	4,408,818
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 483,106	$ 22,605	$ 48,811	$ 2,620,963	$ 795,283	$ 622,528	$ 4,593,296

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

LELAND SCHOOL DISTRICT

Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position **Exhibit C-1**

June 30, 2014

Total fund balances for governmental funds		$ 4,408,818
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	$ 42,870	
Buildings	2,826,380	
Building improvements	3,189,967	
Improvements other than buildings	29,890	
Mobile equipment	723,840	
Furniture and equipment	1,003,196	
Leased property under capital leases	99,357	
Accumulated depreciation	(4,966,913)	2,948,587
2. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:		
Limited obligation bonds payable	(775,000)	
Qualified zone academy bonds	(1,000,000)	
Qualified school construction bonds	(1,700,000)	
Obligations under capital leases	(90,205)	
Compensated absences payable	(68,998)	
Accrued interest payable	(23,701)	(3,657,904)
3. Revenues that are not available within 60 days are deferred in the governmental funds. However, those revenues are recognized when earned in the government-wide financial statements.		63,072
Net position of governmental activities		$ 3,762,573

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

LELAND SCHOOL DISTRICT

Governmental Funds

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

For the Year Ended June 30, 2014

	Major Funds						
	General Fund	Title I Fund	Vocational Education Fund	16th Section Interest Fund	QZAB Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:							
Local sources	$ 2,116,807	$ -	$ 10,200	$ -	$ 15,072	$ 89,052	$ 2,231,131
State sources	4,174,773	-	178,832	-	-	244,440	4,598,045
Federal sources	76,652	692,232	32,538	-	-	1,168,209	1,969,631
Sixteenth section sources	-	-	-	305,886	-	-	305,886
Total Revenues	6,368,232	692,232	221,570	305,886	15,072	1,501,701	9,104,693
Expenditures:							
Instruction	3,558,356	246,824	461,735	-	-	296,747	4,563,662
Support services	2,771,589	318,345	240,509	-	-	360,881	3,691,324
Noninstructional services	26,676	114,114	-	-	-	569,089	709,879
Sixteenth section	-	-	-	37,710	-	-	37,710
Debt service:							
Principal	77,818	-	-	-	1,000,000	175,000	1,252,818
Interest	3,804	-	-	-	-	48,986	52,790
Other	299	-	-	-	-	1,755	2,054
Total Expenditures	6,438,542	679,283	702,244	37,710	1,000,000	1,452,458	10,310,237
Excess (Deficiency) of Revenues over (under) Expenditures	(70,310)	12,949	(480,674)	268,176	(984,928)	49,243	(1,205,544)
Other Financing Sources (Uses):							
Inception of capital leases	99,357	-	-	-	-	-	99,357
Transfer from QZAB debt service agent	-	-	-	-	157,864	-	157,864
Payment to QZAB escrow agent	(76,923)	-	-	-	-	(80,941)	(157,864)
Transfer from QSCB debt service agent	-	-	-	-	-	51,999	51,999
Payment to QSCB escrow agent	-	-	-	-	-	(51,999)	(51,999)
Operating transfers in	358,101	40	436,030	-	-	65,827	859,998
Other financing sources	3,559	-	-	-	-	110	3,669
Operating transfers out	(446,262)	(12,989)	-	(304,500)	-	(96,247)	(859,998)
Total Other Financing Sources (Uses)	(62,168)	(12,949)	436,030	(304,500)	157,864	(111,251)	103,026
Net Change in Fund Balances	(132,478)	-	(44,644)	(36,324)	(827,064)	(62,008)	(1,102,518)
Fund Balances:							
July 1, 2013	593,429	-	-	2,655,067	1,622,347	635,355	5,506,198
Increase in reserve for inventory	-	-	-	-	-	5,138	5,138
June 30, 2014	$ 460,951	$ -	$ (44,644)	$ 2,618,743	$ 795,283	$ 578,485	$ 4,408,818

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

LELAND SCHOOL DISTRICT

Governmental Funds

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2014

Exhibit D-1

Net change in fund balances - total governmental funds		$ (1,102,518)
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	$ 99,357	
Depreciation expense	(189,001)	(89,644)
4. 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	1,252,818	
Inception of capital leases	(99,357)	
Accrued interest payable	(7,068)	1,146,393
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	24,566	
Change in inventory reserve	5,138	29,704
6. Revenues that are not available within 60 days are deferred in the governmental funds. However, those revenues are recognized when earned in the government-wide financial statements.		63,072
Change in net position of governmental activities		$ 47,007

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

LELAND SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Net Position **Exhibit E**

June 30, 2014

	Private-Purpose Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	$ 3,023	$ 330,749
Total Assets	3,023	$ 330,749
Liabilities		
Accounts payable and accrued liabilities	-	$ 330,749
Total Liabilities	-	$ 330,749
Net Position		
Reserved for endowments	3,023	
Total Net Position	$ 3,023	

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

LELAND SCHOOL DISTRICT

Fiduciary Funds

Statement of Changes in Fiduciary Net Position **Exhibit F**

For the Year Ended June 30, 2014

	Private-Purpose Trust Funds
Additions	
Contributions and donations from private sources	$ 2,900
Total Additions	2,900
Deductions	
Scholarships awarded	2,500
Total Deductions	2,500
Change in Net Assets	400
Net Position	
July 1, 2013	2,623
June 30, 2014	$ 3,023

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

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 an "other stand-alone government." The school district is a related organization of, but not a component unit of, the city of Leland since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

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

B. Government-wide and Fund Financial Statements

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

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

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or

capital requirements of a particular function. Property taxes and other items not included among program revenues are reported instead as general revenues.

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

The school district reports the following major governmental funds:

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

Title I Fund – This is the school district's federal reimbursable fund that serves to fund remedial mathematics and reading services to low-income, program eligible students.

Vocational Education Fund – This fund is used to account for the state and federal grants for the administration of vocational and technical education.

Sixteenth Section Interest Fund – This is a special revenue fund that accounts for investment activity financed through Sixteenth Section property rental activity and timber sales less expenditures for maintenance and improvements to said property.

QZAB Debt Service Fund – This is a debt service fund that accounts for the sinking fund related to the qualified zone academy bonds.

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

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

The District's fiduciary funds include the following:

Payroll Clearing Fund – This fund serves as a clearing fund for payroll type transactions.

Accounts Payable Clearing Fund – This fund serves as a clearing fund for accounts payable type transactions.

Student Club Funds – These various funds account for the monies raised through school club activities and fund raisers and club related expenditures approved by the individual clubs.

Scholarship Funds – These funds are used to account for the contributions to and scholarships awarded from the district's scholarship funds.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

Private-purpose Trust Funds - Private-purpose trust funds are used to report all trust arrangements, other than those properly reported elsewhere, in which the principal and income benefit individuals, private organizations or other governments.

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

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

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The effect of inter-fund activity has been eliminated from the government-wide statements.

Revenues from the Mississippi Adequate Education Program are appropriated on a fiscal year basis and are recorded at the time the revenues are received from the State of Mississippi.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting,* issued in 2012 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2003,* issued by the U.S. Department of Education.

D. Encumbrances

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

E. Assets, liabilities, 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.

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.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and governmental fund financial statements.

5. Restricted Assets

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

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

	Capitalization Policy	Estimated Useful Life
Land	$ 0	0

Buildings	50,000	40 years
Building improvements	25,000	20 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

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

7. Deferred Inflows of Resources

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows on Exhibit C are made up of deferred revenues in the amount of $63,072, whose cash receipts did not occur within 60 days of year-end.

See Note 14 for further details.

8. Compensated Absences

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

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

9. Long-term Liabilities and Bond Discounts/Premiums

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

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

10. 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, 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 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.

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

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 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 (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 (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 assigned resources first and then unassigned amounts.

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year-end of not less than 7% of revenues. If the unassigned fund balance at fiscal year-end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

Note 2 – Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments

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

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

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposit or interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government

sponsored enterprise obligations, not to exceed fifty percent of all monies invested with maturities of thirty days or longer; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or other interests in, any open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed twenty percent of invested excess funds. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of $100 or more of any fund must be credited to that fund. Investment income of less than $100 can be credited to the General Fund.

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was $3,161,538 and $333,772, respectively. The bank balance was $3,906,588.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was $217,350.

Investments

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

Investment Type	Rating	Maturities (in years)	Fair Value
Federal Home Loan Bank	AA+	1 to 5	$ 787,485
Total			$ 787,485

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

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

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

Concentration of Credit Risk. Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2014, the district had the following investments:

Issuer	Fair Value	% of Total Investments
Federal Home Loan Bank	$ 787,485	100%

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General fund	Title I fund	$ 13,875
	Vocational education fund	44,644
	Other governmental funds	10,084
Title I fund	General fund	269
Other governmental funds	Other governmental funds	6,803
Total		$ 75,675

The purpose of the inter-fund loans was to cover federal and state funds not received prior to year-end.

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General fund	Title I fund	$ 40
	Vocational education	436,030
	Other governmental funds	10,192
Title I fund	General fund	12,989
16th section interest fund	General fund	304,500
Other governmental funds	General fund	40,612
	Other governmental funds	55,635
Total		$ 859,998

The primary purpose of the interfund transfers out of the general fund and into the other governmental funds was to finance basic operations of the district that are not directly funded.

Note 4 – Restricted Assets

The restricted assets represents the cash balance, totaling $17,173, 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 balance, totaling $203,552, of the QSCB sinking fund.

In addition, the restricted assets represent the cash with fiscal agents balance and investments balance, totaling $7,798 and $787,485, respectively, of the QZAB sinking fund.

In addition, the restricted assets represent the cash with fiscal agents balance, totaling $6,000, of the MAEP limited obligation bonds debt service fund.

Note 5 – Capital Assets

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

	Balance 7/1/2013	Increases	Decreases	Adjustments	Balance 6/30/2014
Governmental Activities:					
Non-depreciable capital assets:					
Land	$ 42,864	$ -	$ -	$ 6	$ 42,870
Total non-depreciable capital assets	42,864	-	-	6	42,870
Depreciable capital assets:					
Buildings	2,826,380	-	-	-	2,826,380
Building improvements	3,189,967	-	-	-	3,189,967
Improvements other than buildings	29,890	-	-	-	29,890
Mobile equipment	723,839	-	-	1	723,840
Furniture and equipment	1,002,727	-	-	469	1,003,196
Leased property under capital leases	-	99,357	-	-	99,357
Total depreciable capital assets	7,772,803	99,357	-	470	7,872,630
Less accumulated depreciation for:					
Buildings	2,217,756	22,708	-	-	2,240,464
Building improvements	1,151,946	96,904	-	(38,610)	1,210,240
Improvements other than buildings	9,565	1,196	-	(1)	10,760
Mobile equipment	552,466	29,047	-	1	581,514
Furniture and equipment	846,179	29,388	-	38,610	914,177
Leased property under capital leases	-	9,758	-	-	9,758
Total accumulated depreciation	4,777,912	189,001	-	-	4,966,913
Total depreciable capital assets, net	2,994,891	(89,644)	-	470	2,905,717
Governmental activities capital assets, net	$ 3,037,755	$ (89,644)	$ -	$ 476	$ 2,948,587

Adjustments were made in order to balance to the capital asset subsidiary ledger.

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	$ 33,114
Support services	145,019
Non-instructional	10,868
Total depreciation expense - Governmental activities	$ 189,001

Note 6 – Long-term Liabilities

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

	Balance 7/1/2013	Additions	Reductions	Balance 6/30/2014	Amounts due within one year
A. Limited obligation bonds payable	$ 950,000	$ -	$ (175,000)	$ 775,000	$ 180,000
B. Transportation notes payable	68,666	-	(68,666)	-	-
C. Qualified zone academy bonds payable	2,000,000	-	(1,000,000)	1,000,000	-
D. Qualified school construction bonds payable	1,700,000	-	-	1,700,000	-
E. Obligations under capital leases	-	99,357	(9,152)	90,205	19,045
F. Compensated absences payable	93,564	-	(24,566)	68,998	-
Total	$ 4,812,230	$ 99,357	$ (1,277,384)	$ 3,634,203	$ 199,045

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 Refunding Bonds	3.28%	7/1/2009	2/1/2018	$ 1,557,000	$ 775,000

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

Year Ending June 30	Principal	Interest	Total
2015	$ 180,000	$ 25,575	$ 205,575
2016	190,000	19,635	209,635
2017	200,000	13,365	213,365
2018	205,000	6,765	211,765
Total	$ 775,000	$ 65,340	$ 840,340

This debt will be retired from the MAEP Bond Retirement 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.

B. Transportation notes payable

This debt was retired during the year.

C. Qualified zone academy bonds payable

As more fully explained in Note 12, debt has been issued by the school district that qualifies as Qualified Zone Academy bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
QZAB, Series 2005	0.00%	11/17/2005	11/17/2015	$ 1,000,000	$ 1,000,000

D. Qualified school construction bonds payable

As more fully explained in Note 13, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
QSCB Series 2009	0.94%	12/29/2009	9/15/2024	$ 1,700,000	$ 1,700,000

E. Obligations under capital leases

The school district has entered into a master lease agreement as lessee for financing the acquisition of a digital copier and a 70 passenger bus at a total cost of $99,357. This lease qualifies as a capital lease for accounting purposes.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Master lease agreement	2.91%	9/19/2013	10/10/2018	$ 99,357	$ 90,205
Total				$ 99,357	$ 90,205

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

Year Ending June 30	Principal	Interest	Total
2015	$ 19,045	$ 2,487	$ 21,532
2016	19,603	1,929	21,532
2017	20,178	1,354	21,532
2018	20,768	764	21,532
2019	10,611	154	10,765
Total	$ 90,205	$ 6,688	$ 96,893

This debt will be retired from the general fund.

F. 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 – Short-Term Financing

During the fiscal year ended June 30, 2014, the school district issued ad valorem shortfall notes payable:

A. Bank-financed short term debt.

The school district issued an ad valorem shortfall note payable to Trustmark National Bank and the proceeds from such issuance are accounted for as a current liability in the General Fund of the school district. Once the cash flow was available, the district made a payment consisting of principal and interest to the trustee.

All transactions related to participation in this program are accounted for as part of the school district's General Fund.

B. Changes in short-term debt activity recorded in the governmental activities during fiscal year 2014 are as follows:

Description	Balance 7/1/2013	Additions	Reductions	Balance 6/30/2014
1. Shortfall note payable	$ -	$ 72,000	72,000	$ -
Total	$ -	$ 72,000	$ 72,000	$ -

Note 8 – Defined Benefit Pension Plan

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

Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2014 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2014, 2013 and 2012 were $794,047, $714,844 and $670,742, respectively, which equaled the required contributions for each year.

Note 9 – Sixteenth Section Lands

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

Year Ending June 30		Amount
2015	$	307,673
2016		159,590
2017		159,590
2018		131,259
2019		28,913
Total	$	787,025

Note 10 – Contingencies

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

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

Note 11 – Risk Management

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

Participation in Public Entity Risk Pool

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

insurance pool. The trust consists of approximately 94 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to $750,000. For a claim exceeding $750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

Note 12 – Qualified Zone Academy Bonds

Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34) provides for a source of capital at no or nominal interest rates for costs incurred in certain public schools in connection with the establishment of special academic programs from kindergarten through secondary school, in partnership with the business community. The school district, in agreement with Trustmark National Bank has entered into such an arrangement dated November 15, 2005.

This agreement establishes a method of repayment for a qualified interest-free debt instrument. The agreement requires the school district to deposit funds annually into a sinking fund account on or before November 1st of each year. The amount on deposit at June 30, 2014, was $795,283. The amount accumulated in the sinking fund at the end of the ten-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district:

Year Ending June 30		Amount
2015	$	157,864
2016		80,941
Total	$	238,805

Note 13 – Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs. While Qualified School Construction Bonds (QSCBs) are intended to be interest free to a borrower, the ARRA legislation allows a lender to charge supplemental interest, and such supplemental interest is the responsibility of the school district.

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB.

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2014 was $203,552. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to

retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30		Amount
2015	$	130,000
2016		130,000
2017		130,000
2018		130,000
2019		130,000
2020-2024		650,000
2025		130,000
Total	$	1,430,000

Note 14 – Effect of Deferred Amounts on the Governmental Funds Fund Balance

The governmental funds fund balance amount of $4,408,818 includes the effect of deferring the recognition of revenue from local and federal sources that did not become available within 60 days of year-end. The $63,072 balance of the deferred inflow of resources at June 30, 2014 will be recognized as revenue and increase the governmental funds fund balance during fiscal year 2015. The government-wide financial statements are prepared under the full accrual basis of accounting and as such those revenues deferred on the governmental funds financial statements are recognized as revenue on the statement of activities during fiscal year 2014.

Note 15 – Deficit Fund Balance of Individual Funds

The Vocational Education fund has a deficit fund balance of ($44,644) at June 30, 2014. This deficit is due to revenue being deferred that did not become available within 60 days of year-end. That revenue will be recognized in fiscal year 2015. This deficit fund balance does not result in a violation of state laws and regulations.

Note 16 - 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 Leland School District evaluated the activity of the district through November 20, 2014, (the date the financial statements were available to be issued), and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

Note 17– Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation		Amount
1. To adjust capital assets to subsidiary ledger	$	476

REQUIRED SUPPLEMENTARY INFORMATION

LELAND SCHOOL DISTRICT

Required Supplementary Information

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

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Local sources	$ 2,117,020	$ 2,044,807	$ 2,116,807	$ (72,213)	$ 72,000
State sources	4,155,449	4,174,773	4,174,773	19,324	-
Federal sources	130,029	76,652	76,652	(53,377)	-
Total Revenues	6,402,498	6,296,232	6,368,232	(106,266)	72,000
Expenditures:					
Instruction	3,526,499	3,558,356	3,558,356	(31,857)	-
Support services	2,670,798	2,672,231	2,771,589	(1,433)	(99,358)
Noninstructional services	31,974	26,676	26,676	5,298	-
Debt service:					
Principal	70,856	81,622	77,818	(10,766)	3,804
Interest	-	-	3,804	-	(3,804)
Other	650	299	299	351	-
Total Expenditures	6,300,777	6,339,184	6,438,542	(38,407)	(99,358)
Excess (Deficiency) of Revenues over (under) Expenditures	101,721	(42,952)	(70,310)	(144,673)	(27,358)
Other Financing Sources (Uses):					
Proceeds of loans	-	72,000	-	72,000	(72,000)
Inception of capital leases	-	-	99,357	-	99,357
Other financing sources	-	-	3,559	-	3,559
Operating transfers in	1,116,892	1,068,589	358,101	(48,303)	(710,488)
Transfer to QZAB escrow agent	-	(76,923)	(76,923)	(76,923)	-
Operating transfers out	(1,225,648)	(1,137,552)	(446,262)	88,096	691,290
Total Other Financing Sources (Uses)	(108,756)	(73,886)	(62,168)	34,870	11,718
Net Change in Fund Balances	(7,035)	(116,838)	(132,478)	(109,803)	(15,640)
Fund Balances:					
July 1, 2013	593,429	593,429	593,429	-	-
June 30, 2014	$ 586,394	$ 476,591	$ 460,951	$ (109,803)	$ (15,640)

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

LELAND SCHOOL DISTRICT

Required Supplementary Information

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

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Federal sources	$ 1,163,331	$ 1,171,555	$ 692,232	$ 8,224	$ (479,323)
Total Revenues	1,163,331	1,171,555	692,232	8,224	(479,323)
Expenditures:					
Instruction	399,812	426,291	246,824	(26,479)	179,467
Support services	613,553	581,997	318,345	31,556	263,652
Noninstructional services	115,585	131,119	114,114	(15,534)	17,005
Total Expenditures	1,128,950	1,139,407	679,283	(10,457)	460,124
Excess (Deficiency) of Revenues over (under) Expenditures	34,381	32,148	12,949	(2,233)	(19,199)
Other Financing Sources (Uses):					
Operating transfers in	-	40	40	40	-
Operating transfers out	(27,477)	(32,188)	(12,989)	(4,711)	19,199
Total Other Financing Sources (Uses)	(27,477)	(32,148)	(12,949)	(4,671)	19,199
Net Change in Fund Balances	6,904	-	-	(6,904)	-
Fund Balances:					
July 1, 2013	-	-	-	-	-
June 30, 2014	$ 6,904	$ -	$ -	$ (6,904)	$ -

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

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

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Local sources	$ 11,000	$ 10,200	$ 10,200	$ (800)	$ -
State sources	187,203	178,832	178,832	(8,371)	-
Federal sources	43,318	77,182	32,538	33,864	(44,644)
Total Revenues	241,521	266,214	221,570	24,693	(44,644)
Expenditures:					
Instruction	417,104	461,735	461,735	(44,631)	-
Support services	218,777	240,509	240,509	(21,732)	-
Total Expenditures	635,881	702,244	702,244	(66,363)	-
Excess (Deficiency) of Revenues over (under) Expenditures	(394,360)	(436,030)	(480,674)	(41,670)	(44,644)
Other Financing Sources (Uses):					
Operating transfers in	394,360	436,030	436,030	41,670	-
Total Other Financing Sources (Uses)	394,360	436,030	436,030	41,670	-
Net Change in Fund Balances	-	-	(44,644)	-	(44,644)
Fund Balances:					
July 1, 2013	-	-	-	-	-
June 30, 2014	$ -	$ -	$ (44,644)	$ -	$ (44,644)

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

LELAND SCHOOL DISTRICT

Required Supplementary Information

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

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Sixteenth section sources	$ 295,442	$ 305,886	$ 305,886	$ 10,444	$ -
Total Revenues	295,442	305,886	305,886	10,444	-
Expenditures:					
Sixteenth section	40,300	37,710	37,710	2,590	-
Total Expenditures	40,300	37,710	37,710	2,590	-
Excess (Deficiency) of Revenues over (under) Expenditures	255,142	268,176	268,176	13,034	-
Other Financing Sources (Uses):					
Operating transfers in				-	-
Operating transfers out	(305,000)	(304,500)	(304,500)	500	-
Total Other Financing Sources (Uses)	(305,000)	(304,500)	(304,500)	500	-
Net Change in Fund Balances	(49,858)	(36,324)	(36,324)	13,534	-
Fund Balances:					
July 1, 2013	2,655,067	2,655,067	2,655,067	-	-
June 30, 2014	$ 2,605,209	$ 2,618,743	$ 2,618,743	$ 13,534	$ -

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

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

(3) Budget Variances

The budget variances noted for the Vocational Education fund is a result of auditor adjustments and does not result in a violation of state laws and regulations.

SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
U.S. Department of Agriculture		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	$ 145,127
National school lunch program	10.555	462,230
Summer food service program for children	10.589	11,909
Total child nutrition cluster		619,266
Total passed-through Mississippi Department of Education		619,266
Total U.S. Department of Agriculture		619,266
Federal Communications Commission		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	71,088
Total Federal Communications Commission		71,088
U.S. Department of Education		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	771,557
Career and technical education - basic grants to states	84.048	77,182
Rural education	84.358	27,387
Improving teacher quality-State Grants	84.367	140,799
Subtotal		1,016,925
Special education cluster:		
Special education - grants to states	84.027	306,126
Special education - preschool grants	84.173	6,484
Total special education cluster		312,610
Total passed-through Mississippi Department of Education		1,329,535
Total U.S. Department of Education		1,329,535
U.S. Department of Health and Human Services		
Passed-through the Mississippi Department of Education:		
Medical assistance program	93.778	5,564
Total passed-through Mississippi Department of Education		5,564
Total U.S. Department of Health and Human Services		5,564
Total for All Federal Awards		$ 2,025,453

NOTES TO SCHEDULE

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.
4. Donated commodities of $35,709 are included in the National School Lunch Program.

LELAND SCHOOL DISTRICT

Supplementary Information

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2014

Expenditures		Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	$	6,939,330	5,126,330	515,393	451,434	846,173
Other		3,370,907	746,139	106,130	3,878	2,514,760
Total	$	10,310,237	5,872,469	621,523	455,312	3,360,933
Total number of students *		850				
Cost per student	$	12,130	6,909	731	536	3,954

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

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

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

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

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

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

OTHER INFORMATION

Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
Last Four Years
UNAUDITED

	2014	2013*	2012*	2011*
Revenues:				
Local sources	$ 2,116,807	$ 2,089,823	$ 1,935,839	$ 1,856,595
State sources	4,174,773	4,230,911	4,375,203	4,269,691
Federal sources	76,652	93,404	162,067	93,179
Total Revenues	6,368,232	6,414,138	6,473,109	6,219,465
Expenditures:				
Instruction	3,558,356	3,589,610	3,711,205	3,304,271
Support services	2,771,589	2,618,997	2,900,614	2,801,938
Noninstructional services	26,676	34,579	76,709	104,853
Debt service:				
Principal	77,818	80,629	93,054	91,061
Interest	3,804	4,301	6,370	8,364
Other	299	-	-	-
Total Expenditures	6,438,542	6,328,116	6,787,952	6,310,487
Excess (Deficiency) of Revenues over (under) Expenditures	(70,310)	86,022	(314,843)	(91,022)
Other Financing Sources (Uses):				
Insurance loss recoveries	-	-	-	431
Inception of capital leases	99,357	-	-	-
Sale of other property	-	1,327	-	-
Operating transfers in	358,101	43,101	34,123	63,842
Other financing sources	3,559	-	-	-
Operating transfers out	(446,262)	(482,695)	(523,400)	(579,534)
Transfer to QZAB escrow agent	(76,923)	-	-	-
Total Other Financing Sources (Uses)	(62,168)	(438,267)	(489,277)	(515,261)
Net Change in Fund Balances	(132,478)	(352,245)	(804,120)	(606,283)
Fund Balances:				
Beginning of period, as previously reported	593,429	938,506	1,742,626	2,348,909
Prior period adjustments	-	7,168	-	-
Beginning of period, as restated	593,429	945,674	1,742,626	2,348,909
End of Period	$ 460,951	$ 593,429	$ 938,506	$ 1,742,626

*SOURCE - PRIOR YEAR AUDIT REPORTS

Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Funds
Last Four Years
UNAUDITED

	2014	2013*	2012*	2011*
Revenues:				
Local sources	$ 2,231,131	$ 2,270,040	$ 2,095,242	$ 2,054,931
State sources	4,598,045	4,631,799	4,795,341	4,729,345
Federal sources	1,969,631	1,889,551	2,128,521	2,791,090
Sixteenth section sources	305,886	296,161	284,432	321,942
Total Revenues	9,104,693	9,087,551	9,303,536	9,897,308
Expenditures:				
Instruction	4,563,662	4,497,080	4,795,020	5,199,443
Support services	3,691,324	3,550,866	3,967,092	3,854,413
Noninstructional services	709,879	684,317	791,063	804,185
Sixteenth section	37,710	33,918	53,324	78,662
Facilities acquisition and construction	-	-	49,769	682,767
Debt service:				
Principal	1,252,818	250,629	248,042	251,048
Interest	52,790	58,050	80,709	63,620
Other	2,054	1,755	1,789	-
Total Expenditures	10,310,237	9,076,615	9,986,808	10,934,138
Excess (Deficiency) of Revenues over (under) Expenditures	(1,205,544)	10,936	(683,272)	(1,036,830)
Other Financing Sources (Uses):				
Insurance loss recoveries	-	-	-	431
Sale of other property	99,357	1,327	-	-
Transfer from QZAB debt service agent	157,864	-	-	-
Payment to QZAB bond escrow agent	(157,864)	-	-	-
Transfer from QSCB debt service agent	51,999	-	-	-
Payment to QSCB bond escrow agent	(51,999)	-	-	-
Operating transfers in	859,998	527,182	754,526	658,676
Other financing sources	3,669	233,984	247,955	230,501
Operating transfers out	(859,998)	(527,182)	(754,526)	(658,676)
Other financing uses	-	(208,860)	(208,861)	(222,904)
Total Other Financing Sources (Uses)	103,026	26,451	39,094	8,028
Net Change in Fund Balances	(1,102,518)	37,387	(644,178)	(1,028,802)
Fund Balances:				
Beginning of period, as previously reported	5,506,198	5,442,635	6,079,278	7,116,492
Prior period adjustments	-	28,311	-	-
Beginning of period, as restated	5,506,198	5,470,946	6,079,278	7,116,492
Increase (Decrease) in reserve for inventory	5,138	(2,135)	7,535	(8,412)
End of Period	$ 4,408,818	$ 5,506,198	$ 5,442,635	$ 6,079,278

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Superintendent and School Board
Leland School District
Leland, Mississippi

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 Leland School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Leland School District's basic financial statements, and have issued our report thereon dated November 20, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Leland 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 Leland School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Leland 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Leland 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*.

Purpose of this Report

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

Cunningham CPAs

Cunningham CPAs, PLLC

Belzoni, Mississippi

November 20, 2014

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Superintendent and School Board
Leland School District
Leland, Mississippi

Report on Compliance for Each Major Federal Program

We have audited Leland School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Leland School District's major federal programs for the year ended June 30, 2014. Leland School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

Opinion on Each Major Federal Program

In our opinion, Leland School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of the Leland 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 Leland School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Leland School District's internal control over compliance.

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

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

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

Cunningham CPAs

Cunningham CPAs, PLLC

Belzoni, Mississippi

November 20, 2014

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

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

Superintendent and School Board
Leland School District
Leland, Mississippi

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Leland School District as of and for the year ended June 30, 2014, which collectively comprise Leland School District's basic financial statements and have issued our report thereon dated November 20, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

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

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

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements did not disclose any instances of noncompliance with other state laws and regulations.

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.

Cunningham CPAs

Cunningham CPAs, PLLC

Belzoni, Mississippi

November 20, 2014

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

LELAND SCHOOL DISTRICT

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

Section I: Summary of Auditor's Results

Section 1: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

4.	Internal control over major programs:	
	a. Material weakness(es) identified?	No
	b. Significant deficiency(ies) identified?	None reported
5.	Type of auditor's report issued on compliance for major programs:	Unmodified
6.	Any audit finding(s) disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	No
7.	Identification of major programs:	
	A. Title I - Grants to local educational agencies:	
	CFDA #	84.010
	B. Improving teacher quality grants	
	CFDA #	84.367
8.	Dollar threshold used to distinguish between type A and type B programs:	$ 300,000
9.	Auditee qualified as a low-risk auditee?	Yes

LELAND SCHOOL DISTRICT

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

Section II: Financial Statement Findings

The results of our tests did not disclose any findings related to the financial statements that are required to be reported under *Government Auditing Standards*.

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.