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# **LEAKE COUNTY, MISSISSIPPI**

Audited Financial Statements  
And  
Special Reports

For the Year Ended September 30, 2015

LEAKE COUNTY

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LEAKE COUNTY

FINANCIAL SECTION

# Windham and Lacey, PLLC

## *Certified Public Accountants*

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2708 Old Brandon Road  
Pearl, MS 39208  
(601)939-8676

Members:  
American Institute of CPAs  
Mississippi Society of CPAs

### INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors  
Leake County, Mississippi

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Leake County, Mississippi, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the basic financial statements of the county's primary government 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. These financial statements are the responsibility of the county's management.

#### **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 from 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 previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the major funds and the aggregate remaining fund information of Leake County, Mississippi, as of September 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity 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 the Budgetary Comparison Schedules, the County's Proportionate Share of Net Pension Liability, the County's Contributions and corresponding notes 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.

### *Omission of Required Supplementary Information*

Leake County, Mississippi, has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

### *Other Information*

The Schedule of Surety Bonds for County Officials 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 August 23, 2016, on our consideration of Leake County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Leake County, Mississippi's internal control over financial reporting and compliance.



Windham and Lacey, PLLC  
August 23, 2016

LEAKE COUNTY

FINANCIAL STATEMENTS

LEAKE COUNTY  
Statement of Net Position  
September 30, 2015

Exhibit 1

|  | Primary Government         |                             | Total             |
|--|----------------------------|-----------------------------|-------------------|
|  | Governmental<br>Activities | Business-type<br>Activities |                   |
| <b>ASSETS</b>  |                            |                             |                   |
| Cash   | \$ 5,408,306               | 1,707,611                   | 7,115,917         |
| Investments  | 198,517                    |                             | 198,517           |
| Property tax receivable  | 3,578,816                  | 49,040                      | 3,627,856         |
| Accounts receivable (net of allowance for uncollectibles of \$648,988) |                            | 1,209,586                   | 1,209,586         |
| Fines receivable (net of allowance for uncollectibles of \$1,144,190)  | 972,072                    |                             | 972,072           |
| Intergovernmental receivables  | 202,189                    |                             | 202,189           |
| Other receivables  | 23,188                     |                             | 23,188            |
| Internal balances  | 128,256                    | (128,256)                   |                   |
| Capital assets:  |                            |                             |                   |
| Land and construction in progress                                      | 1,353,984                  | 7,557                       | 1,361,541         |
| Other capital assets, net  | 11,203,215                 | 3,810,368                   | 15,013,583        |
| Total Assets   | <u>23,068,543</u>          | <u>6,655,906</u>            | <u>29,724,449</u> |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                                  |                            |                             |                   |
| Deferred amount related to pensions                                    | 1,232,407                  | 650,856                     | 1,883,263         |
| Total Deferred Outflows of Resources                                   | <u>1,232,407</u>           | <u>650,856</u>              | <u>1,883,263</u>  |
| <b>LIABILITIES</b>   |                            |                             |                   |
| Claims payable   | 58,413                     | 22,543                      | 80,956            |
| Intergovernmental payables   | 155,827                    |                             | 155,827           |
| Accrued interest payable   | 57,435                     | 2,417                       | 59,852            |
| Other payables   | 87,436                     |                             | 87,436            |
| Compensated absences   | 270,437                    | 386,737                     | 657,174           |
| Long-term liabilities  |                            |                             |                   |
| Due within one year:   |                            |                             |                   |
| Capital debt   | 651,419                    | 551,740                     | 1,203,159         |
| Due in more than one year:   |                            |                             |                   |
| Capital debt   | 3,303,004                  | 291,560                     | 3,594,564         |
| Net pension liability  | 7,372,467                  | 3,893,497                   | 11,265,964        |
| Total Liabilities  | <u>11,956,438</u>          | <u>5,148,494</u>            | <u>17,104,932</u> |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                   |                            |                             |                   |
| Property tax for future reporting period                               | 3,578,816                  | 49,040                      | 3,627,856         |
| Total Deferred Inflows of Resources                                    | <u>3,578,816</u>           | <u>49,040</u>               | <u>3,627,856</u>  |
| <b>NET POSITION</b>  |                            |                             |                   |
| Net investment in capital assets                                       | 8,602,776                  | 2,974,625                   | 11,577,401        |
| Restricted:  |                            |                             |                   |
| Expendable:  |                            |                             |                   |
| General government   | 94,833                     |                             | 94,833            |
| Public safety  | 1,279,988                  |                             | 1,279,988         |
| Public works   | 1,284,419                  | 1,138,658                   | 2,423,077         |
| Culture and recreation   | 6,808                      |                             | 6,808             |
| Economic development   | 2,757                      |                             | 2,757             |
| Debt service   | 341,500                    |                             | 341,500           |
| Unrestricted   | (2,847,385)                | (2,004,055)                 | (4,851,440)       |
| Total Net Position   | <u>\$ 8,765,696</u>        | <u>2,109,228</u>            | <u>10,874,924</u> |

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

LEAKE COUNTY  
Statement of Activities  
For the Year Ended September 30, 2015

Exhibit 2

| Functions/Programs   | Expenses             | Program Revenues     |                                    |                                  | Net (Expense) Revenue and Changes in Net Position |                          |                    |
|--|----------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|--------------------|
|  |                      | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government                                |                          |                    |
|  |                      |                      |                                    |                                  | Governmental Activities                           | Business-type Activities | Total              |
| Primary government:  |                      |                      |                                    |                                  |   |                          |                    |
| Governmental Activities:                                     |                      |                      |                                    |                                  |   |                          |                    |
| General government   | \$ 2,914,789         | 863,463              | 245,671                            |                                  | (1,805,655)                                       |                          | (1,805,655)        |
| Public safety  | 2,067,174            | 459,250              | 207,754                            |                                  | (1,400,170)                                       |                          | (1,400,170)        |
| Public works   | 2,596,464            |                      | 885,347                            | 141,252                          | (1,569,865)                                       |                          | (1,569,865)        |
| Health and welfare   | 163,978              |                      | 9,010                              |                                  | (154,968)   |                          | (154,968)          |
| Culture and recreation                                       | 245,893              |                      |                                    |                                  | (245,893)   |                          | (245,893)          |
| Conservation of natural resources                            | 75,178               |                      | 500                                |                                  | (74,678)  |                          | (74,678)           |
| Economic development and assistance                          | 141,768              |                      |                                    |                                  | (141,768)   |                          | (141,768)          |
| Interest on long-term debt                                   | 183,928              |                      |                                    |                                  | (183,928)   |                          | (183,928)          |
| Pension expense  | 857,912              |                      |                                    |                                  | (857,912)   |                          | (857,912)          |
| Total Governmental Activities                                | <u>9,247,084</u>     | <u>1,322,713</u>     | <u>1,348,282</u>                   | <u>141,252</u>                   | <u>(6,434,837)</u>                                | <u>0</u>                 | <u>(6,434,837)</u> |
| Business-type Activities:                                    |                      |                      |                                    |                                  |   |                          |                    |
| Solid waste  | 721,338              | 763,070              |                                    |                                  |   | 41,732                   | 41,732             |
| Regional jail  | 3,720,287            | 3,314,801            | 142,219                            |                                  |   | (263,267)                | (263,267)          |
| Total Business-type Activities                               | <u>4,441,625</u>     | <u>4,077,871</u>     | <u>142,219</u>                     | <u>0</u>                         | <u>0</u>  | <u>(221,535)</u>         | <u>(221,535)</u>   |
| Total Primary Government                                     | <u>\$ 13,688,709</u> | <u>5,405,444</u>     | <u>1,485,641</u>                   | <u>141,252</u>                   | <u>(6,434,837)</u>                                | <u>(221,535)</u>         | <u>(6,656,372)</u> |
| General revenues:  |                      |                      |                                    |                                  |   |                          |                    |
| Property taxes   |                      |                      |                                    |                                  | \$ 5,322,110                                      | 71,451                   | 5,393,561          |
| Road & bridge privilege taxes                                |                      |                      |                                    |                                  | 246,998   |                          | 246,998            |
| Grants and contributions not restricted to specific programs |                      |                      |                                    |                                  | 440,103   |                          | 440,103            |
| Unrestricted interest income                                 |                      |                      |                                    |                                  | 15,900  | 3,570                    | 19,470             |
| Miscellaneous  |                      |                      |                                    |                                  | 317,390   | 20,484                   | 337,874            |
| Transfers  |                      |                      |                                    |                                  | 57,996  | (57,996)                 |                    |
| Total General Revenues and Transfers                         |                      |                      |                                    |                                  | <u>6,400,497</u>                                  | <u>37,509</u>            | <u>6,438,006</u>   |
| Changes in Net Positon                                       |                      |                      |                                    |                                  | <u>(34,340)</u>                                   | <u>(184,026)</u>         | <u>(218,366)</u>   |
| Net Position - Beginning, as previously reported             |                      |                      |                                    |                                  | 14,551,011  | 5,330,444                | 19,881,455         |
| Prior period adjustment                                      |                      |                      |                                    |                                  | (5,750,975)                                       | (3,037,190)              | (8,788,165)        |
| Net Position - Beginning, as restated                        |                      |                      |                                    |                                  | <u>8,800,036</u>                                  | <u>2,293,254</u>         | <u>11,093,290</u>  |
| Net Position - Ending  |                      |                      |                                    |                                  | <u>\$ 8,765,696</u>                               | <u>2,109,228</u>         | <u>10,874,924</u>  |

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

LEAKE COUNTY  
Balance Sheet - Governmental Funds  
September 30, 2015

Exhibit 3

|   | Major Funds         |                                   |                                | Total<br>Governmental<br>Funds |
|---|---------------------|-----------------------------------|--------------------------------|--------------------------------|
|   | General<br>Fund     | County Road<br>and Bridge<br>Fund | Other<br>Governmental<br>Funds |                                |
| <b>ASSETS</b>   |                     |                                   |                                |                                |
| Cash  | \$ 2,804,563        | 817,604                           | 1,786,139                      | 5,408,306                      |
| Investments   | 198,517             |                                   |                                | 198,517                        |
| Property tax receivable   | 2,471,034           | 819,221                           | 288,561                        | 3,578,816                      |
| Fines receivable (net of allowance for<br>uncollectibles of \$1,144,190)      | 972,072             |                                   |                                | 972,072                        |
| Intergovernmental receivables   | 146,551             | 38,357                            | 17,281                         | 202,189                        |
| Other receivables   | 2,737               | 20,451                            |                                | 23,188                         |
| Due from other funds  | 48,382              | 450,336                           | 8,772                          | 507,490                        |
| Advances to other funds   | 105,719             | 2,500                             |                                | 108,219                        |
| <b>Total Assets</b>   | <b>\$ 6,749,575</b> | <b>2,148,469</b>                  | <b>2,100,753</b>               | <b>10,998,797</b>              |
| <b>LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES AND FUND BALANCES</b>       |                     |                                   |                                |                                |
| Liabilities:  |                     |                                   |                                |                                |
| Claims payable  | \$ 11,390           | 38,654                            | 8,371                          | 58,415                         |
| Intergovernmental payables  | 155,827             |                                   |                                | 155,827                        |
| Due to other funds  | 460,778             |                                   |                                | 460,778                        |
| Advances from other funds   |                     | 6,175                             | 20,500                         | 26,675                         |
| Other payables  | 87,434              |                                   |                                | 87,434                         |
| <b>Total Liabilities</b>  | <b>715,429</b>      | <b>44,829</b>                     | <b>28,871</b>                  | <b>789,129</b>                 |
| Deferred Inflows of Resources:  |                     |                                   |                                |                                |
| Unavailable revenue - property taxes  | 2,471,034           | 819,221                           | 288,561                        | 3,578,816                      |
| Unavailable revenue - fines   | 972,072             |                                   |                                | 972,072                        |
| <b>Total Deferred Inflows of Resources</b>                                    | <b>3,443,106</b>    | <b>819,221</b>                    | <b>288,561</b>                 | <b>4,550,888</b>               |
| Fund Balances:  |                     |                                   |                                |                                |
| Nonspendable:   |                     |                                   |                                |                                |
| Loans receivable  | 105,719             | 2,500                             |                                | 108,219                        |
| Restricted for:   |                     |                                   |                                |                                |
| General government  |                     |                                   | 94,833                         | 94,833                         |
| Public safety   |                     |                                   | 1,279,988                      | 1,279,988                      |
| Public works  |                     | 1,281,919                         |                                | 1,281,919                      |
| Culture and recreation  |                     |                                   | 6,808                          | 6,808                          |
| Economic development and assistance   |                     |                                   | 2,757                          | 2,757                          |
| Debt service  |                     |                                   | 398,935                        | 398,935                        |
| Unassigned  | 2,485,321           |                                   |                                | 2,485,321                      |
| <b>Total Fund Balances</b>  | <b>2,591,040</b>    | <b>1,284,419</b>                  | <b>1,783,321</b>               | <b>5,658,780</b>               |
| <b>Total Liabilities, Deferred Inflows of<br/>Resources and Fund Balances</b> | <b>\$ 6,749,575</b> | <b>2,148,469</b>                  | <b>2,100,753</b>               | <b>10,998,797</b>              |

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

LEAKE COUNTY  
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position  
 September 30, 2015

Exhibit 3-1

|   |                  |                         |
|---|------------------|-------------------------|
| Total Fund Balance - Governmental Funds   | \$               | 5,658,780               |
| Amounts reported for governmental services in the Statement of Net Position are different because:  |                  |                         |
| Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$8,647,546. |                  | 12,557,199              |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.  |                  | 972,072                 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.  |                  |                         |
| Long-term liabilities   |                  | (3,954,423)             |
| Compensated absences  |                  | (270,437)               |
| Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.   |                  | (57,435)                |
| Pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.  |                  |                         |
| Net pension liability   | (7,372,467)      |                         |
| Deferred outflows of resources related to pension obligations are applicable to future periods and, therefore, are not reported in the funds.                                     |                  |                         |
| Deferred outflows of resources related to pension obligations   | <u>1,232,407</u> | <u>(6,140,060)</u>      |
| Total Net Position - Governmental Activities  | \$               | <u><u>8,765,696</u></u> |

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

## LEAKE COUNTY

Exhibit 4Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended September 30, 2015

|   | <u>Major Fund</u>          |                         |                         |                         |
|---|----------------------------|-------------------------|-------------------------|-------------------------|
|   | <u>General</u>             | <u>County Road</u>      | <u>Other</u>            | <u>Total</u>            |
|   | <u>Fund</u>                | <u>and Bridge</u>       | <u>Governmental</u>     | <u>Governmental</u>     |
|   |                            | <u>Fund</u>             | <u>Funds</u>            | <u>Funds</u>            |
| <b>REVENUES</b>                                 |                            |                         |                         |                         |
| Property taxes                                  | \$ 3,539,521               | 1,377,599               | 404,990                 | 5,322,110               |
| Road and bridge privilege taxes                 |                            | 246,998                 |                         | 246,998                 |
| Licenses, commissions and other revenue         | 221,289                    |                         |                         | 221,289                 |
| Fines and forfeitures                           | 241,851                    |                         | 79,293                  | 321,144                 |
| Intergovernmental revenues                      | 598,681                    | 849,117                 | 481,839                 | 1,929,637               |
| Charges for services                            | 227,631                    |                         | 187,075                 | 414,706                 |
| Interest income                                 | 8,426                      | 4,422                   | 3,780                   | 16,628                  |
| Miscellaneous revenues                          | 185,854                    | 41,048                  | 94,510                  | 321,412                 |
| Total Revenues                                  | <u>5,023,253</u>           | <u>2,519,184</u>        | <u>1,251,487</u>        | <u>8,793,924</u>        |
| <b>EXPENDITURES</b>                             |                            |                         |                         |                         |
| Current:  |                            |                         |                         |                         |
| General government                              | 2,709,962                  |                         | 395,666                 | 3,105,628               |
| Public safety                                   | 1,741,011                  |                         | 430,515                 | 2,171,526               |
| Public works                                    | 54,212                     | 2,206,319               | 138,919                 | 2,399,450               |
| Health and welfare                              | 157,059                    |                         |                         | 157,059                 |
| Culture and recreation                          | 218,799                    |                         | 11,420                  | 230,219                 |
| Conservation of natural resources               | 78,617                     |                         |                         | 78,617                  |
| Economic development and assistance             | 99,913                     |                         | 11,115                  | 111,028                 |
| Debt service:                                   |                            |                         |                         |                         |
| Principal                                       | 143,250                    | 182,972                 | 418,265                 | 744,487                 |
| Interest  | 4,768                      | 6,566                   | 177,309                 | 188,643                 |
| Total Expenditures                              | <u>5,207,591</u>           | <u>2,395,857</u>        | <u>1,583,209</u>        | <u>9,186,657</u>        |
| Excess of Revenues over<br>(under) Expenditures | <u>(184,338)</u>           | <u>123,327</u>          | <u>(331,722)</u>        | <u>(392,733)</u>        |
| <b>OTHER FINANCING SOURCES (USES)</b>           |                            |                         |                         |                         |
| Proceeds from sale of capital assets            | 1,715                      |                         |                         | 1,715                   |
| Proceeds from long-term debt                    | 67,555                     | 95,377                  |                         | 162,932                 |
| Transfers in                                    | 86,974                     |                         | 509,827                 | 596,801                 |
| Transfers out                                   | (509,827)                  |                         | (28,978)                | (538,805)               |
| Total Other Financing Sources and Uses          | <u>(353,583)</u>           | <u>95,377</u>           | <u>480,849</u>          | <u>222,643</u>          |
| Net Changes in Fund Balances                    | (537,921)                  | 218,704                 | 149,127                 | (170,090)               |
| Fund Balances - Beginning                       | <u>3,128,961</u>           | <u>1,065,715</u>        | <u>1,634,194</u>        | <u>5,828,870</u>        |
| Fund Balances - Ending                          | \$ <u><u>2,591,040</u></u> | <u><u>1,284,419</u></u> | <u><u>1,783,321</u></u> | <u><u>5,658,780</u></u> |

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

## LEAKE COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended September 30, 2015

|  |                |                        |
|--|----------------|------------------------|
| Net Changes in Fund Balances - Governmental Funds  | \$             | (170,090)              |
| Amounts reported for governmental activities in the Statement of Activities are different because:   |                |                        |
| Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that capital outlays of \$336,780 was exceeded by depreciation of \$711,830 in the current period.   |                | (375,050)              |
| In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net loss of \$11,351 and the proceeds from the sale of \$1,715 in the current period.   |                | (13,066)               |
| Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.   |                | 366,223                |
| Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount that debt repayments of \$744,487 exceeded debt proceeds of \$162,932.  |                | 581,555                |
| Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by a combination of the following: |                |                        |
| Increase in compensated absences   |                | (39,544)               |
| Decrease in accrued interest payable   |                | 5,827                  |
| Amortization of bond premiums and discounts  |                | (1,110)                |
| Items reported in the Statement of Activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:  |                |                        |
| Recognition of pension expense for the current year  | (857,912)      |                        |
| Recognition of contributions made prior to the measurement date  | 359,899        |                        |
| Recognition of contributions made subsequent to the measurement date   | <u>108,928</u> | <u>(389,085)</u>       |
| Change in Net Position of Governmental Activities  | \$             | <u><u>(34,340)</u></u> |

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

LEAKE COUNTY  
Statement of Net Position - Proprietary Funds  
September 30, 2015

Exhibit 5

|  | Business-type Activities      |                    | Total            |
|--|-------------------------------|--------------------|------------------|
|  | Governmental Enterprise Funds |                    |                  |
|  | Solid Waste Fund              | Regional Jail Fund |                  |
| <b>ASSETS</b>  |                               |                    |                  |
| Current Assets:  |                               |                    |                  |
| Cash   | \$ 285,588                    | 1,422,023          | 1,707,611        |
| Property tax receivable  | 49,040                        |                    | 49,040           |
| Accounts receivable (net of allowance for uncollectibles of \$648,988) | 1,209,586                     |                    | 1,209,586        |
| Due from other funds   | 1,670                         |                    | 1,670            |
| Advances to other funds  | 6,175                         |                    | 6,175            |
| Total Current Assets   | <u>1,552,059</u>              | <u>1,422,023</u>   | <u>2,974,082</u> |
| Noncurrent Assets:   |                               |                    |                  |
| Capital assets:  |                               |                    |                  |
| Land and construction in progress                                      | 7,557                         |                    | 7,557            |
| Other capital assets, net  | 269,594                       | 3,540,774          | 3,810,368        |
| Total Noncurrent Assets  | <u>277,151</u>                | <u>3,540,774</u>   | <u>3,817,925</u> |
| Total Assets   | <u>1,829,210</u>              | <u>4,962,797</u>   | <u>6,792,007</u> |
| <b>DEFERRED OUTFLOWS</b>   |                               |                    |                  |
| Deferred outflows related to pensions                                  | <u>62,336</u>                 | <u>588,520</u>     | <u>650,856</u>   |
| <b>LIABILITIES</b>   |                               |                    |                  |
| Current Liabilities:   |                               |                    |                  |
| Claims payable   | 1,773                         | 20,770             | 22,543           |
| Accrued interest payable   |                               | 2,417              | 2,417            |
| Due to other funds   | 9,501                         | 38,881             | 48,382           |
| Advances from other funds  | 22,296                        | 65,423             | 87,719           |
| Capital debt:  |                               |                    |                  |
| Current portion of long-term debt                                      | 111,740                       | 440,000            | 551,740          |
| Total Current Liabilities  | <u>145,310</u>                | <u>567,491</u>     | <u>712,801</u>   |
| Noncurrent Liabilities:  |                               |                    |                  |
| Capital debt:  |                               |                    |                  |
| Noncurrent portion of long-term debt                                   |                               | 291,560            | 291,560          |
| Non-capital debt:  |                               |                    |                  |
| Compensated absences payable   | 20,254                        | 366,483            | 386,737          |
| Net pension liability  | 372,873                       | 3,520,624          | 3,893,497        |
| Total Noncurrent Liabilities   | <u>393,127</u>                | <u>4,178,667</u>   | <u>4,571,794</u> |
| Total Liabilities  | <u>538,437</u>                | <u>4,746,158</u>   | <u>5,284,595</u> |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                   |                               |                    |                  |
| Property tax for future reporting period                               | 49,040                        |                    | 49,040           |
| Total Deferred Inflows of Resources                                    | <u>49,040</u>                 | <u>0</u>           | <u>49,040</u>    |
| <b>NET POSITION</b>  |                               |                    |                  |
| Net investment in capital assets                                       | 165,411                       | 2,809,214          | 2,974,625        |
| Restricted:  |                               |                    |                  |
| Expendable:  |                               |                    |                  |
| Public works   | 1,138,658                     |                    | 1,138,658        |
| Unrestricted   |                               | (2,004,055)        | (2,004,055)      |
| Total Net Position   | <u>\$ 1,304,069</u>           | <u>805,159</u>     | <u>2,109,228</u> |

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

LEAKE COUNTY  
Statement of Revenues, Expenses and Changes in Fund Net Position -  
Proprietary Funds  
For the Year Ended September 30, 2015

Exhibit 6

|  | <u>Business-type Activities</u>      |                               | <u>Total</u>       |
|--|--------------------------------------|-------------------------------|--------------------|
|  | <u>Governmental Enterprise Funds</u> |                               |                    |
|  | <u>Solid Waste<br/>Fund</u>          | <u>Regional Jail<br/>Fund</u> |                    |
| <b>OPERATING REVENUES</b>                  |                                      |                               |                    |
| Charges for service                        | \$ 763,070                           | 3,314,801                     | 4,077,871          |
| Miscellaneous                              | 10,733                               | 10,413                        | 21,146             |
| <b>Total Operating Revenues</b>            | <u>773,803</u>                       | <u>3,325,214</u>              | <u>4,099,017</u>   |
| <b>Operating Expenses</b>                  |                                      |                               |                    |
| Personal services                          | 213,332                              | 1,970,541                     | 2,183,873          |
| Contractual services                       | 311,446                              | 519,660                       | 831,106            |
| Materials and supplies                     | 86,912                               | 662,266                       | 749,178            |
| Depreciation expense                       | 62,730                               | 143,971                       | 206,701            |
| Pension expense                            | 43,394                               | 409,684                       | 453,078            |
| <b>Total Operating Expenses</b>            | <u>717,814</u>                       | <u>3,706,122</u>              | <u>4,423,936</u>   |
| <b>Operating Income (Loss)</b>             | <u>55,989</u>                        | <u>(380,908)</u>              | <u>(324,919)</u>   |
| <b>NONOPERATING REVENUES (EXPENSES)</b>    |                                      |                               |                    |
| Property tax                               | 71,451                               |                               | 71,451             |
| Interest income                            | 1,257                                | 2,313                         | 3,570              |
| Intergovernmental grants                   |                                      | 142,219                       | 142,219            |
| Gain (Loss) on sale of capital assets      |                                      | (659)                         | (659)              |
| Interest expense                           | (3,526)                              | (14,166)                      | (17,692)           |
| <b>Net Nonoperating Revenue (Expenses)</b> | <u>69,182</u>                        | <u>129,707</u>                | <u>198,889</u>     |
| <b>Net Income (Loss) Before Transfers</b>  | 125,171                              | (251,201)                     | (126,030)          |
| Transfers in (out)                         | <u>(86,974)</u>                      | <u>28,978</u>                 | <u>(57,996)</u>    |
| <b>CHANGES IN NET POSITION</b>             | <u>38,197</u>                        | <u>(222,223)</u>              | <u>(184,026)</u>   |
| Net Position - Beginning                   | 1,556,760                            | 3,773,684                     | 5,330,444          |
| Less: Prior period adjustment              | <u>(290,888)</u>                     | <u>(2,746,302)</u>            | <u>(3,037,190)</u> |
| Net Position, as restated                  | <u>1,265,872</u>                     | <u>1,027,382</u>              | <u>2,293,254</u>   |
| Net Position - Ending                      | <u>\$ 1,304,069</u>                  | <u>805,159</u>                | <u>2,109,228</u>   |

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

LEAKE COUNTY  
Statement of Cash Flows - Proprietary Funds  
For the Year Ended September 30, 2015

Exhibit 7

|   | Business-type Activities - Enterprise Funds |                       |             |
|---|---|-----------------------|-------------|
|   | Major Funds                                 |                       |             |
|   | Solid Waste<br>Fund                         | Regional Jail<br>Fund | Total       |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |   |                       |             |
| Receipts from users   | \$  | 3,314,801             | 3,314,801   |
| Receipts from customers   | 647,238                                     |                       | 647,238     |
| Payments to suppliers   | (407,637)                                   | (1,276,118)           | (1,683,755) |
| Payments to employees   | (234,717)                                   | (2,131,844)           | (2,366,561) |
| Other operating cash receipts   | 11,986                                      | 18,514                | 30,500      |
| Net Cash Provided (Used) by Operating Activities  | 16,870                                      | (74,647)              | (57,777)    |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>  |   |                       |             |
| Intergovernmental grants received   |   | 142,219               | 142,219     |
| Cash received from property taxes   | 71,451                                      |                       | 71,451      |
| Operating transfers in (out)  | (86,974)                                    | 28,978                | (57,996)    |
| Net Cash Provided (Used) by Noncapital Financing Activities   | (15,523)                                    | 171,197               | 155,674     |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>   |   |                       |             |
| Acquisition and construction of capital assets  |   | (6,000)               | (6,000)     |
| Principal paid on long-term debt  | (109,991)                                   | (430,000)             | (539,991)   |
| Interest paid on debt   | (3,526)                                     | (23,100)              | (26,626)    |
| Net Cash Provided (Used) by Capital and Related Financing Activities                                      | (113,517)                                   | (459,100)             | (572,617)   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |   |                       |             |
| Interest and dividends on investments   | 1,257                                       | 2,313                 | 3,570       |
| Net Cash Provided (Used) by Investing Activities  | 1,257                                       | 2,313                 | 3,570       |
| Net Increase (Decrease) in Cash and Cash Equivalents  | (110,913)                                   | (360,237)             | (471,150)   |
| Cash and Cash Equivalents at Beginning of Year  | 396,501                                     | 1,782,260             | 2,178,761   |
| Cash and Cash Equivalents at End of Year  | \$ 285,588                                  | 1,422,023             | 1,707,611   |
| <b>Reconciliation of Operating Income (Loss) to<br/>Net Cash Provided (Used) by Operating Activities:</b> |   |                       |             |
| Operating income (loss)   | \$ 55,989                                   | (380,908)             | (324,919)   |
| Adjustments to reconcile operating income (loss)<br>to net cash provided (used) by operating activities:  |   |                       |             |
| Depreciation expense  | 62,730                                      | 143,971               | 206,701     |
| Change in assets and liabilities:   |   |                       |             |
| (Increase) decrease in accounts receivable  | (115,832)                                   |                       | (115,832)   |
| (Increase) decrease in interfund receivables  | (233)                                       |                       | (233)       |
| Increase (decrease) in claims payable   | (9,279)                                     | (94,192)              | (103,471)   |
| Increase (decrease) in interfund payables   | 1,486                                       | 8,101                 | 9,587       |
| Increase (decrease) in compensated absences liability   | 2,360                                       | 62,579                | 64,939      |
| Increase (decrease) in pension liability and deferred outflows (net)                                      | 19,649                                      | 185,802               | 205,451     |
| Total Adjustments   | (39,119)                                    | 306,261               | 267,142     |
| Net Cash Provided (Used) by Operating Activities  | \$ 16,870                                   | (74,647)              | (57,777)    |

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

LEAKE COUNTY  
Statement of Fiduciary Assets and Liabilities  
September 30, 2015

Exhibit 8

|                                    | <u>Agency<br/>Funds</u>  |
|------------------------------------|--------------------------|
| <b>ASSETS</b>                      |                          |
| Cash                               | \$ <u>218,900</u>        |
| Total Assets                       | \$ <u><u>218,900</u></u> |
| <b>LIABILITIES</b>                 |                          |
| Amounts held in custody for others | \$ <u>218,900</u>        |
| Total Liabilities                  | \$ <u><u>218,900</u></u> |

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

## LEAKE COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2015

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Leake County is a political subdivision of the State of Mississippi. The county is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Leake County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county.

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the county's legal entity and therefore, are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor-Collector
- Sheriff

B. Basis of Presentation.

The county's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities and fund financial statements and accompanying note disclosures, which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information concerning the county as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support.

The Statement of Net Position presents the financial condition of the governmental activities and business-type activities of the county at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the county's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues are presented as general revenues of the county, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business-type activity or governmental function is self-financing or draws from the general revenues of the county.

## LEAKE COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2015

#### Fund Financial Statements:

Fund financial statements of the county are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column as Other Governmental Funds.

#### C. Measurement Focus and Basis of Accounting.

The Government-wide, Proprietary Funds and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the county. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

The revenues and expenses of Proprietary Funds are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services in connection with a Proprietary Fund's primary operations. All other revenues and expenses are reported as nonoperating.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year-end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The county reports the following major Governmental Funds:

General Fund - This fund is used to account for and report on all financial resources not accounted for and reported on in another fund.

County Road and Bridge Fund - This fund is used to account for monies from specific revenue sources that are restricted for road and bridge maintenance.

The county reports the following major Proprietary Funds:

Regional Jail Fund - This fund is used to account for monies from inmate housing agreement income with the Mississippi Department of Corrections for housing state prisoners.

Solid Waste Fund - This fund is used to account for the county's activities of disposal of solid waste within the county.

LEAKE COUNTY

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

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

PROPRIETARY FUND TYPES

Enterprise Funds - These funds are used to account for and report on those operations that are financed and operated in a manner similar to private business enterprises or where the county has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

FIDUCIARY FUND TYPE

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the county, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2012 by the Government Finance Officers Association.

E. Deposits and Investments.

State law authorizes the county to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the county may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the county did not invest in any governmental securities during the fiscal year.

F. Receivables.

Receivables are reported net of allowances for uncollectible accounts, where applicable.

LEAKE COUNTY

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

G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in applicable Governmental Funds to indicate that they are not available for appropriation and are not expendable or available financial resources. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

H. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the (applicable) governmental or business-type activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Leake County meets this criteria and has so elected. Therefore, the major general infrastructure assets acquired prior to October 1, 2002, are not reported in the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 1, 2002.

Capital assets acquired or constructed for Proprietary Fund operations are capitalized at cost in the respective funds in which they are utilized. No interest is capitalized on self-constructed assets because noncapitalization of interest does not have a material effect on the county's financial statements. Donated capital assets are recorded at their fair value at the time of donation.

LEAKE COUNTY

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

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements and Proprietary Funds. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

|                                      | <u>Capitalization<br/>Thresholds</u> | <u>Estimated<br/>Useful Life</u> |
|--------------------------------------|--------------------------------------|----------------------------------|
| Land                                 | \$ 0                                 | N/A                              |
| Infrastructure                       | 0                                    | 20-50 years                      |
| Buildings                            | 50,000                               | 40 years                         |
| Mobile equipment                     | 5,000                                | 5-10 years                       |
| Furniture and equipment              | 5,000                                | 3-7 years                        |
| Leased property under capital leases | *                                    | *                                |

\* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

I. Deferred Outflows/Inflows of Resources.

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

Deferred outflows related to pensions - This amount represents the county's proportionate share of the deferred outflows of resources reported by the pension plan in which the county participates. See Note 9 for additional details.

In addition to liabilities, the Statement of Financial Position, the Balance Sheet – Governmental Funds, and the Statement of Net Position – Proprietary Funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Property tax for future reporting period/unavailable revenue - property taxes - Deferred inflows of resources should be reported when resources associated with imposed nonexchange revenue transactions are received or reported as a receivable before the period for which property taxes are levied.

Unavailable revenue - fines - When an asset is recorded in the governmental fund financial statements but the revenue is not available, the government should report a deferred inflow of resources until such time as the revenue becomes available.

LEAKE COUNTY

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

J. Pensions.

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

K. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements and in the Proprietary Fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or Proprietary Funds Statement of Net Position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

L. Equity Classifications.

The difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources is reported as Net Position on the government-wide and proprietary funds financial statements and as Fund Balance on the governmental funds financial statements.

Government-wide Financial Statements:

Equity is classified as net position and displayed in three components:

Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.

Restricted net position - Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net position - All other net position not meeting the definition of "restricted" or "net investment in capital assets".

Net Position Flow Assumption:

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

## LEAKE COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2015

#### Fund Financial Statements:

Fund balances for governmental funds are 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.

In accordance with Government Accounting Standards Board No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, governments classify fund balances as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the county:

*Nonspendable fund balance* includes amounts that cannot be spent. This includes amounts that are either not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds from the collection of those receivables or from the sale of those properties are restricted, committed or assigned) or amounts that are legally or contractually required to be maintained intact, such as a principal balance of 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.

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

The county uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the county would first use committed, then assigned and, lastly, unassigned amounts of unrestricted fund balance when expenditures are made.

#### Fund Balance Flow Assumption:

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

#### M. Property Tax Revenues.

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the county. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

LEAKE COUNTY

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

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

N. Intergovernmental Revenues in Governmental Funds.

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

O. Change in Accounting Standards.

The county implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement No. 68, *Accounting and Financial Reporting for Pension - an amendment of GASB Statement No. 27*; GASB Statement No. 69, *Government Combinations and Disposal of Government Operations* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. The provisions of these standards have been incorporated into the financial statements and notes.

P. Compensated Absences.

The county has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements and Proprietary Funds financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

LEAKE COUNTY

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

(2) Prior Period Adjustments.

A summary of the net position adjustments are as follows:

Exhibit 2 - Statement of Activities:

Explanation

Governmental Activities:

Implementation of GASB 68 and 71:

|  |                  |                     |
|--|------------------|---------------------|
| Net pension liability (September 30, 2014)                     | \$ 5,860,347     |                     |
| Deferred outflows - contributions made during fiscal year 2014 | <u>(109,372)</u> |                     |
| Total prior period adjustment related to GASB 68 and 71        |                  | <u>5,750,975</u>    |
| Total prior period governmental activities adjustments         |                  | <u>\$ 5,750,975</u> |

Explanation

Business-type Activities:

Implementation of GASB 68 and 71:

|  |                 |                     |
|--|-----------------|---------------------|
| Net pension liability (September 30, 2014)                     | \$ 3,094,951    |                     |
| Deferred outflows - contributions made during fiscal year 2014 | <u>(57,761)</u> |                     |
| Total prior period adjustment related to GASB 68 and 71        |                 | <u>3,037,190</u>    |
| Total prior period governmental activities adjustments         |                 | <u>\$ 3,037,190</u> |

Exhibit 5 - Statement of Revenues, Expenses and Changes in Fund Net Position

Explanation

Solid Waste Fund:

Implementation of GASB 68 and 71:

|  |                |                   |
|--|----------------|-------------------|
| Net pension liability (September 30, 2014)                     | \$ 296,420     |                   |
| Deferred outflows - contributions made during fiscal year 2014 | <u>(5,532)</u> |                   |
| Total prior period adjustment related to GASB 68 and 71        |                | <u>290,888</u>    |
| Total prior period adjustments                                 |                | <u>\$ 290,888</u> |

Regional Jail Fund:

Implementation of GASB 68 and 71:

|  |                 |                     |
|--|-----------------|---------------------|
| Net pension liability (September 30, 2014)                     | \$ 2,798,531    |                     |
| Deferred outflows - contributions made during fiscal year 2014 | <u>(52,229)</u> |                     |
| Total prior period adjustment related to GASB 68 and 71        |                 | <u>2,746,302</u>    |
| Total prior period adjustments                                 |                 | <u>\$ 2,746,302</u> |

LEAKE COUNTY

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

(3) Deposits and Investments.

Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2015, was \$7,334,817, and the bank balance was \$7,613,872. The collateral for public entities' 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 (FDIC).

**Custodial Credit Risk - Deposits.** Custodial credit risk is the risk that in the event of the failure of a financial institution, the county will not be able to recover deposits or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the county. 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 county.

Investments:

Investment balances at September 30, 2015, are as follows:

| <u>Investment Type</u>          | <u>Maturities</u> | <u>Fair Value</u> | <u>Rating</u> |
|---------------------------------|-------------------|-------------------|---------------|
| Federated Prime Obligation Fund | Less than 1 year  | \$ 198,517        | AAAm          |
| Total                           |                   | \$ 198,517        |               |

**Interest Rate Risk.** The county 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. However, Section 19-9-29, Miss. Code Ann. (1972), limits the maturity period of any investment to no more than one year.

**Credit Risk.** State law limits investments to those authorized by Section 19-9-29, Miss. Code Ann. (1972). The county 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 the risk that in the event of the failure of the counterparty, the county will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. These investments are held by the Trustmark Bank trust department. All of the county's investments are uninsured and unregistered and held by the counterparty in the entity's name. The investment in the Federated Prime Obligations Fund is not backed by the full faith and credit of the federal government.

**Concentration of Credit Risk.** The county places no limit on the amount the county may invest in any one issuer. More than five percent of the county's investments are in the Federated Prime Obligations Fund. These investments are 100% of the county's total investments and are reported in the General Fund.

LEAKE COUNTY

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

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2015:

A. Due From/To Other Funds:

| <u>Receivable Fund</u>      | <u>Payable Fund</u> | <u>Amount</u>     |
|-----------------------------|---------------------|-------------------|
| General Fund                | Solid Waste Fund    | \$ 9,501          |
| General Fund                | Regional Jail Fund  | 38,881            |
| County Road and Bridge Fund | General Fund        | 450,336           |
| Other Governmental Funds    | General Fund        | 8,772             |
| Solid Waste Fund            | General Fund        | <u>1,670</u>      |
| Total                       |                     | <u>\$ 509,160</u> |

The General Fund receivables from the Regional Jail Fund and Solid Waste Fund represent indirect costs incurred during the fiscal year. There was a loan made from the County Road Fund to the General Fund for a debt service payment. All other receivables represent tax revenues collected but not settled until October, 2015. Interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances From/To Other Funds:

| <u>Receivable Fund</u>      | <u>Payable Fund</u>         | <u>Amount</u>     |
|-----------------------------|-----------------------------|-------------------|
| General Fund                | Solid Waste Fund            | \$ 22,296         |
| General Fund                | Regional Jail Fund          | 65,423            |
| General Fund                | Other Governmental Funds    | 18,000            |
| County Road and Bridge Fund | Other Governmental Funds    | 2,500             |
| Solid Waste Fund            | County Road and Bridge Fund | <u>6,175</u>      |
| Total                       |                             | <u>\$ 114,394</u> |

The amounts represent indirect costs due from the Proprietary Fund to the General Fund, amounts due to Proprietary Funds for the sale of equipment to the County Road and Bridge Fund, and funds due from Debt Service funds for the payment of debt.

C. Transfers In/Out:

| <u>Transfer In</u>       | <u>Transfer Out</u>      | <u>Amount</u>     |
|--------------------------|--------------------------|-------------------|
| General Fund             | Solid Waste Fund         | \$ 86,974         |
| Regional Jail Fund       | Other Governmental Funds | 28,978            |
| Other Governmental Funds | General Fund             | <u>509,827</u>    |
| Total                    |                          | <u>\$ 625,779</u> |

The principal purpose of interfund transfers was to provide funds to pay for capital outlay or to pay debt obligations. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

LEAKE COUNTY

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

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2015, consisted of the following:

| <u>Description</u>   | <u>Amount</u>     |
|--|-------------------|
| Legislative tax credit   | \$ 128,571        |
| Mississippi Emergency Management Agency                        | 38,357            |
| Mississippi Department of Corrections - Prisoner reimbursement | 17,980            |
| State of Mississippi Supreme Court - Drug court                | <u>17,281</u>     |
| Total  | <u>\$ 202,189</u> |

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2015:

Governmental activities:

|  | <u>Balance</u><br><u>Oct. 1, 2014</u> | <u>Additions</u> | <u>Deletions</u> | <u>Adjustments</u> | <u>Balance</u><br><u>Sept. 30, 2015</u> |
|--|---------------------------------------|------------------|------------------|--------------------|---|
| <u>Non-depreciable capital assets:</u>         |                                       |                  |                  |                    |   |
| Land   | \$ 1,225,560                          |                  |                  |                    | 1,225,560                               |
| Construction in progress                       | 19,016                                | 109,408          |                  |                    | 128,424                                 |
| Total non-depreciable capital assets           | <u>1,244,576</u>                      | <u>109,408</u>   | <u>0</u>         | <u>0</u>           | <u>1,353,984</u>                        |
| <u>Depreciable capital assets:</u>             |                                       |                  |                  |                    |   |
| Buildings                                      | 4,457,837                             | 18,243           |                  |                    | 4,476,080                               |
| Mobile equipment                               | 4,987,097                             | 46,197           | (92,533)         | 123,681            | 5,064,442                               |
| Furniture and equipment                        | 742,490                               |                  | (98,421)         |                    | 644,069                                 |
| Leased property under capital leases           | 875,227                               | 162,932          |                  | (123,681)          | 914,478                                 |
| Infrastructure                                 | 8,751,692                             |                  |                  |                    | 8,751,692                               |
| Total depreciable capital assets               | <u>19,814,343</u>                     | <u>227,372</u>   | <u>(190,954)</u> | <u>0</u>           | <u>19,850,761</u>                       |
| <u>Less accumulated depreciation for:</u>      |                                       |                  |                  |                    |   |
| Buildings                                      | 1,524,384                             | 76,581           |                  |                    | 1,600,965                               |
| Mobile equipment                               | 4,024,569                             | 264,751          | (83,279)         | 33,399             | 4,239,440                               |
| Furniture and equipment                        | 581,558                               | 32,911           | (94,609)         |                    | 519,860                                 |
| Leased property under capital leases           | 277,263                               | 134,694          |                  | (33,399)           | 378,558                                 |
| Infrastructure                                 | 1,705,830                             | 202,893          |                  |                    | 1,908,723                               |
| Total accumulated depreciation                 | <u>8,113,604</u>                      | <u>711,830</u>   | <u>(177,888)</u> | <u>0</u>           | <u>8,647,546</u>                        |
| Total depreciable capital assets, net          | <u>11,700,739</u>                     | <u>(484,458)</u> | <u>(13,066)</u>  | <u>0</u>           | <u>11,203,215</u>                       |
| Governmental activities capital assets,<br>net | <u>\$ 12,945,315</u>                  | <u>(375,050)</u> | <u>(13,066)</u>  | <u>0</u>           | <u>12,557,199</u>                       |

(Continued)

LEAKE COUNTY

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

Business-type activities:

|                                       | Balance<br>Oct. 1, 2014 | Additions        | Deletions       | Adjustments | Balance<br>Sept. 30, 2015 |
|---------------------------------------|-------------------------|------------------|-----------------|-------------|---------------------------|
| Non-depreciable capital assets:       |                         |                  |                 |             |                           |
| Land                                  | \$ 7,557                |                  |                 |             | 7,557                     |
| Total non-depreciable capital assets  | <u>7,557</u>            | <u>0</u>         | <u>0</u>        | <u>0</u>    | <u>7,557</u>              |
| Depreciable capital assets:           |                         |                  |                 |             |                           |
| Buildings                             | 5,175,662               |                  |                 |             | 5,175,662                 |
| Mobile equipment                      | 451,534                 |                  |                 |             | 451,534                   |
| Furniture and equipment               | 324,463                 | 6,000            | (18,285)        |             | 312,178                   |
| Leased property under capital leases  | 330,000                 |                  |                 |             | 330,000                   |
| Total depreciable capital assets      | <u>6,281,659</u>        | <u>6,000</u>     | <u>(18,285)</u> | <u>0</u>    | <u>6,269,374</u>          |
| Less accumulated depreciation for:    |                         |                  |                 |             |                           |
| Buildings                             | 1,689,115               | 103,517          |                 |             | 1,792,632                 |
| Mobile equipment                      | 239,830                 | 13,043           |                 |             | 252,873                   |
| Furniture and equipment               | 162,786                 | 30,741           | (17,626)        |             | 175,901                   |
| Leased property under capital leases  | 178,200                 | 59,400           |                 |             | 237,600                   |
| Total accumulated depreciation        | <u>2,269,931</u>        | <u>206,701</u>   | <u>(17,626)</u> | <u>0</u>    | <u>2,459,006</u>          |
| Total depreciable capital assets, net | <u>4,011,728</u>        | <u>(200,701)</u> | <u>(659)</u>    | <u>0</u>    | <u>3,810,368</u>          |
| Business-type activities, net         | <u>\$ 4,019,285</u>     | <u>(200,701)</u> | <u>(659)</u>    | <u>0</u>    | <u>3,817,925</u>          |

Depreciation expense was charged to the following functions:

|   | Amount            |
|---|-------------------|
| Governmental Activities:                            |                   |
| General government                                  | \$ 56,571         |
| Public safety                                       | 86,377            |
| Public works  | 515,197           |
| Health and welfare                                  | 10,512            |
| Culture and recreation                              | 9,722             |
| Conservation of natural resources                   | 2,711             |
| Economic development and assistance                 | <u>30,740</u>     |
| Total governmental activities depreciation expense  | <u>\$ 711,830</u> |
| Business-type Activities:                           |                   |
| Regional Jail                                       | \$ 143,971        |
| Solid Waste   | <u>62,730</u>     |
| Total business-type activities depreciation expense | <u>\$ 206,701</u> |

LEAKE COUNTY

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

(7) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2015, to January 1, 2016. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(8) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2015:

| Classes of Property                  | Governmental<br>Activities | Business-type<br>Activities |
|--------------------------------------|----------------------------|-----------------------------|
| Mobile equipment                     | \$ 789,334                 | 330,000                     |
| Furniture and equipment              | 125,144                    | _____                       |
| Total                                | 914,478                    | 330,000                     |
| Less: Accumulated depreciation       | 378,558                    | 237,600                     |
| Leased Property Under Capital Leases | \$ <u>535,920</u>          | <u>92,400</u>               |

The following is a schedule by years of the total payments due as of September 30, 2015:

| Year Ending September 30 | Governmental Activities |              | Business-type Activities |              |
|--------------------------|-------------------------|--------------|--------------------------|--------------|
|                          | Principal               | Interest     | Principal                | Interest     |
| 2016                     | \$ 224,985              | 5,517        | 111,740                  | 1,777        |
| 2017                     | 167,003                 | 875          | _____                    | _____        |
| 2018                     | 18,125                  | 78           | _____                    | _____        |
| Total                    | \$ <u>410,113</u>       | <u>6,470</u> | <u>111,740</u>           | <u>1,777</u> |

LEAKE COUNTY

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

(9) Defined Benefit Pension Plan.

Plan Description - Leake County is a member of the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan as defined in GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Membership in PERS is a condition of employment and is granted upon hiring for qualifying employees and officials of the county. Section 25-11-15, Miss. Code Ann. (1972), grants the authority for general administration and proper operation of PERS to the PERS Board of Trustees (PERS Board). PERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at [www.pers.ms.gov](http://www.pers.ms.gov).

Benefits Provided - Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who become members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.00% of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.50% for each additional year of credited service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary. Benefit provisions are established by Section 25-11-1 et seq., Miss. Code Ann. (1972), and may be amended only by the State Legislature.

A Cost of Living Adjustment (COLA) is made to eligible retirees and beneficiaries. The COLA is equal to 3 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3 percent compounded for each fiscal year thereafter.

Contributions - Per Chapter 11 of Title 25, Miss. Code Ann. (1972), contribution requirements of plan members and their employers are established and may be amended only by the PERS Board. The adequacy of these rates is assessed annually by actuarial valuation. For the year ended September 30, 2015, member employees were required to contribute 9.00 percent of their annual pay, while the county's required contribution rate was 15.75 percent of annual covered payroll. The county's employer contributions to PERS for the years ended September 30, 2015, 2014 and 2013 were \$716,454, \$706,064 and \$654,420, respectively. The contributions for each year met the required contributions.

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

LEAKE COUNTY

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

At September 30, 2015, Leake County reported a liability of \$11,265,964 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The county's proportion of the net pension liability was based on a projection of the county's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At the measurement date, the county's proportion was .072881 percent, which was a decrease of .000897 from its proportion measured as of June 30, 2014.

For the year ended September 30, 2015, Leake County recognized pension expense of \$1,310,990.

At September 30, 2015, Leake County reported as a component of pension expense, deferred outflows of resources from the following sources:

|  | <u>Deferred<br/>Outflows<br/>of Resources</u> |
|--|---|
| Difference between expected and actual experience  | \$ 173,377                                    |
| Net difference between projected and actual earnings<br>on pension plan investments                            | 659,179                                       |
| Change in assumption   | 970,525                                       |
| Changes in proportion and differences between entity<br>contributions and proportionate share of contributions | (86,273)                                      |
| County contributions subsequent to the measurement date  | <u>166,455</u>                                |
| Total  | <u>\$ 1,883,263</u>                           |

\$166,455 reported as deferred outflows of resources related to pensions resulting from entity contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ending September 30</u> | <u>Amount</u>       |
|---------------------------------|---------------------|
| 2016                            | \$ 554,945          |
| 2017                            | 554,945             |
| 2018                            | 442,125             |
| 2019                            | <u>164,793</u>      |
| Total                           | <u>\$ 1,716,808</u> |

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

|                           |   |
|---------------------------|---|
| Inflation                 | 3.0 percent   |
| Salary increases          | 3.75 – 19.00 percent, including inflation                                 |
| Investment rate of return | 7.75 percent, net of pension plan investment expense, including inflation |

LEAKE COUNTY

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

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

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

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class             | Target<br>Allocation |   | Long-term<br>Expected Real<br>Rate of Return |   |
|-------------------------|----------------------|---|--|---|
| U.S. Broad              | 34.00                | % | 5.20   | % |
| International Equity    | 19.00                |   | 5.00   |   |
| Emerging Markets Equity | 8.00                 |   | 5.45   |   |
| Fixed Income            | 20.00                |   | 0.25   |   |
| Real Assets             | 10.00                |   | 4.00   |   |
| Private Equity          | 8.00                 |   | 6.15   |   |
| Cash                    | 1.00                 |   | (0.50)                                       |   |
| Total                   | 100.00               | % |  |   |

Discount Rate. The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

LEAKE COUNTY

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

Sensitivity of the county's proportionate share of the net pension liability to changes in the discount rate. The following table presents Leake County's proportionate share of the net pension liability of the cost-sharing plan, calculated using the discount rate of 7.75% , as well as what the entity's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

|   | <u>1% Decrease<br/>(6.75%)</u> | <u>Current<br/>Discount<br/>Rate (7.75%)</u> | <u>1% Increase<br/>(8.75%)</u> |
|---|--------------------------------|--|--------------------------------|
| County's proportionate share of the net pension liability | \$ 14,849,574                  | 11,265,964                                   | 8,292,240                      |

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS Comprehensive Annual Financial Report, publicly available at [www.pers.ms.gov](http://www.pers.ms.gov).

(10) Long-term Debt.

Debt outstanding as of September 30, 2015, consisted of the following:

| <u>Description and Purpose</u>                                 | <u>Amount<br/>Outstanding</u> | <u>Interest<br/>Rate</u> | <u>Final<br/>Maturity<br/>Date</u> |
|--|-------------------------------|--------------------------|------------------------------------|
| Governmental Activities:                                       |                               |                          |                                    |
| A. General Obligation Bonds:                                   |                               |                          |                                    |
| Road and bridge refunding bonds, Series 2010                   | \$ 1,050,000                  | 2.00/3.857%              | 02/2021                            |
| Industrial park development bonds, Series 2002                 | 453,000                       | 4.75%                    | 02/2021                            |
| G.O. refunding bonds - Leake Memorial Hospital,<br>Series 2010 | <u>1,985,000</u>              | 2.85/5.95%               | 01/2023                            |
| Total General Obligation Bonds                                 | <u>3,488,000</u>              |                          |                                    |
| B. Capital Leases:   |                               |                          |                                    |
| Three 2011 Silverados  | 11,899                        | 2.97%                    | 07/2016                            |
| Five backhoes  | 147,104                       | 1.71%                    | 07/2017                            |
| Trackhoe   | 77,235                        | 1.81%                    | 02/01/2018                         |
| Three 2013 Dodge Chargers                                      | 15,118                        | 1.62%                    | 05/2016                            |
| AS400 computer system  | 36,816                        | 2.19%                    | 09/01/2017                         |
| 2 Chargers   | 31,064                        | 1.88%                    | 10/29/2017                         |
| 2015 Dodge Ram   | 18,791                        | 1.84%                    | 02/10/2018                         |
| (3) John Deere tractors  | <u>72,086</u>                 | 1.69%                    | 04/01/2017                         |
| Total Capital Leases   | <u>410,113</u>                |                          |                                    |
| C. Other Loans:  |                               |                          |                                    |
| Barnes Fire Station  | <u>83,910</u>                 | 2.00%                    | 01/01/2024                         |
| Total Other Loans  | <u>83,910</u>                 |                          |                                    |
| Total Governmental Activities                                  | <u>\$ 3,982,023</u>           |                          |                                    |

LEAKE COUNTY

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

| Description and Purpose                               | Amount Outstanding | Interest Rate | Final Maturity Date |
|---|--------------------|---------------|---------------------|
| Business-type Activities:                             |                    |               |                     |
| A. Limited Obligation Bonds:                          |                    |               |                     |
| Regional correctional facility refunding bonds - 2014 | \$ 725,000         | 2.00%         | 09/30/2017          |
| B. Capital leases:                                    |                    |               |                     |
| Two garbage trucks                                    | 111,740            | 1.59%         | 09/2016             |
| Total Business-type Activities                        | \$ 836,740         |               |                     |

Annual debt service requirements to maturity for the following debt reported in the Statement of Net Position are as follows:

Governmental Activities:

| Year Ending September 30: | General Obligation Bonds |          | Other Loans |          |
|---------------------------|--------------------------|----------|-------------|----------|
|                           | Principal                | Interest | Principal   | Interest |
| 2016                      | \$ 417,000               | 154,981  | 9,434       | 1,608    |
| 2017                      | 444,000                  | 138,325  | 9,624       | 1,417    |
| 2018                      | 462,000                  | 119,600  | 9,819       | 1,223    |
| 2019                      | 484,000                  | 98,772   | 10,017      | 1,025    |
| 2020                      | 502,000                  | 76,236   | 10,219      | 823      |
| 2021-2024                 | 1,179,000                | 89,584   | 34,797      | 1,228    |
| Total                     | \$ 3,488,000             | 677,498  | 83,910      | 7,324    |

Business-type Activities:

| Year Ending September 30: | Limited Obligation Bonds |          |
|---------------------------|--------------------------|----------|
|                           | Principal                | Interest |
| 2016                      | \$ 440,000               | 14,500   |
| 2017                      | 285,000                  | 5,700    |
| Total                     | \$ 725,000               | 20,200   |

Legal Debt Margin - The amount of debt, excluding specific exempted debt that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2015, the amount of outstanding debt was equal to 3.00% of the latest property assessments.

LEAKE COUNTY

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

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2015:

|                                 | Balance<br>Oct. 1, 2014    | Additions             | Reductions            | Balance<br>Sept. 30, 2015 | Amount<br>due<br>within one<br>year |
|---------------------------------|----------------------------|-----------------------|-----------------------|---------------------------|-------------------------------------|
| <b>Governmental Activities:</b> |                            |                       |                       |                           |                                     |
| General obligation bonds        | \$ 3,897,000               |                       | 409,000               | 3,488,000                 | 417,000                             |
| Capital leases                  | 488,841                    | 162,932               | 241,660               | 410,113                   | 224,985                             |
| Other loans                     | 177,737                    |                       | 93,827                | 83,910                    | 9,434                               |
|                                 | <u>4,563,578</u>           | <u>162,932</u>        | <u>744,487</u>        | <u>3,982,023</u>          | <u>651,419</u>                      |
| Less: Bond discounts            | (33,416)                   |                       | (2,226)               | (31,190)                  |                                     |
| Add: Bond premiums              | 4,706                      |                       | 1,116                 | 3,590                     |                                     |
| Compensated absences            | 230,893                    | 39,544                |                       | 270,437                   |                                     |
| <b>Total</b>                    | <b>\$ <u>4,765,761</u></b> | <b><u>202,476</u></b> | <b><u>743,377</u></b> | <b><u>4,224,860</u></b>   | <b><u>651,419</u></b>               |

|                                  | Balance<br>Oct. 1, 2014    | Additions            | Reductions            | Balance<br>Sept. 30, 2015 | Amount<br>due<br>within one<br>year |
|----------------------------------|----------------------------|----------------------|-----------------------|---------------------------|-------------------------------------|
| <b>Business-type Activities:</b> |                            |                      |                       |                           |                                     |
| Revenue bonds                    | \$ 1,155,000               |                      | 430,000               | 725,000                   | 440,000                             |
| Capital leases                   | 221,731                    |                      | 109,991               | 111,740                   | 111,740                             |
|                                  | <u>1,376,731</u>           | <u>0</u>             | <u>539,991</u>        | <u>836,740</u>            | <u>551,740</u>                      |
| Add: Bond premiums               | 14,061                     |                      | 7,501                 | 6,560                     |                                     |
| Compensated absences             | 321,798                    | 64,939               |                       | 386,737                   |                                     |
| <b>Total</b>                     | <b>\$ <u>1,712,590</u></b> | <b><u>64,939</u></b> | <b><u>547,492</u></b> | <b><u>1,230,037</u></b>   | <b><u>551,740</u></b>               |

Compensated absences will be paid from the fund from which the employees' salaries were paid which are generally the General Fund, County Road and Bridge Fund, Regional Jail Fund, Solid Waste Fund, E-911 Fund and the 8<sup>th</sup> District Drug Court Fund.

(11) Contingencies.

Federal Grants - The county 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 grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the county. No provision for any liability that may result has been recognized in the county's financial statements.

Litigation - The county 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 ultimate outcome or liability, if any, of the county with respect to the various proceedings. However, the county's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the county.

## LEAKE COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2015

(12) Joint Ventures.

The county participates in the following joint ventures:

Leake County is a participant with the City of Carthage in a joint venture authorized by Section 39-3-11, Miss. Code Ann. (1972), to operate the Carthage-Leake County Airport. The joint venture was created to provide airport facilities to the area and is governed by a six-member board appointed by the Board of Supervisors and the city council; three from each government. By contractual agreement, the county's appropriation to the joint venture was \$1,500 in fiscal year 2015. Complete financial statements for the Carthage-Leake County Airport can be obtained from the Carthage-Leake County Airport, P.O. Box 577, Carthage, MS 39051.

Leake County is a participant with the Counties of Attala, Holmes, Montgomery and Winston in a joint venture authorized by Section 39-3-9, Miss. Code Ann. (1972), to operate the Mid-Mississippi Regional Library System. The joint venture was created to provide free public library service to the citizens of the member counties. The Leake County Board of Supervisors appoints one of the five members of the board of directors. By contractual agreement, the county's appropriation to the joint venture was \$191,421 in fiscal year 2015.

(13) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

East Central Community College operates in a district composed of the Counties of Leake, Neshoba, Newton, Scott and Winston. The Leake County Board of Supervisors appoints six of the 30 members of the college board of trustees. The county appropriated \$334,435 for maintenance and support of the college in fiscal year 2015.

Central Mississippi Emergency Medical Services District operates in a district composed of the Counties of Attala, Clarke, Copiah, Holmes, Lauderdale, Leake, Madison, Neshoba, Rankin, Scott, Smith, Warren and Yazoo. The Leake County Board of Supervisors appoints two of the 26 board members. The county provided no financial support in fiscal year 2015 other than membership dues of \$4,046.

East Central Community Action Agency, Inc., operates in a district composed of the Counties of Leake, Neshoba, Rankin, Scott and Smith. The Leake County Board of Supervisors appoints two of the 30 board members. The county provided no financial support in fiscal year 2015.

East Central Mississippi Planning and Development District operates in a district composed of the Counties of Clarke, Jasper, Kemper, Lauderdale, Leake, Neshoba, Newton, Scott and Smith. The Leake County Board of Supervisors appoints one of the 15 members of the board of directors. The county appropriated \$15,058 for support of the district in fiscal year 2015.

Region Ten Mental Health-Mental Retardation Commission operates in a district composed of the Counties of Clarke, Jasper, Kemper, Lauderdale, Leake, Neshoba, Newton, Scott and Smith. The Leake County Board of Supervisors appoints one of the nine members of the board of commissioners. The county appropriated \$18,200 for support of the commission in fiscal year 2015.

LEAKE COUNTY

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

(14) Subsequent Events.

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. The management of Leake County evaluated the activity of the county through August 23, 2016, the date the financial statements were available to be issued, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements:

| <u>Issue Date</u> | <u>Interest Rate</u> |    | <u>Issue Amount</u> | <u>Type of Financing</u> | <u>Source of Financing</u> |
|-------------------|----------------------|----|---------------------|--------------------------|----------------------------|
| 10/10/2015        | 2.250%               | \$ | 280,000             | Negotiable note          | Ad valorem taxes           |
| 11/01/2015        | 2.200%               |    | 500,000             | Negotiable note          | Ad valorem taxes           |
| 01/15/2016        | 1.960%               |    | 657,360             | Lease purchase           | Ad valorem taxes           |
| 04/10/2016        | 1.960%               |    | 33,882              | Lease purchase           | Ad valorem taxes           |
| 08/23/2016        | 1.990%               |    | 131,679             | Lease purchase           | Ad valorem taxes           |

LEAKE COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

LEAKE COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 General Fund  
 For the Year Ended September 30, 2015

|   | Original<br>Budget | Final<br>Budget  | Actual<br>(Budgetary<br>Basis) | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|--------------------|------------------|--------------------------------|---|
| <b>REVENUES</b>                                 |                    |                  |                                |   |
| Property taxes                                  | \$ 3,615,719       | 3,419,566        | 3,527,360                      | 107,794   |
| Licenses, commissions and other revenue         | 275,025            | 216,600          | 217,096                        | 496   |
| Fines and forfeitures                           | 370,075            | 222,435          | 222,883                        | 448   |
| Intergovernmental revenues                      | 1,036,450          | 646,143          | 622,138                        | (24,005)  |
| Charges for services                            | 463,000            | 279,660          | 286,261                        | 6,601   |
| Interest income                                 | 37,200             | 3,780            | 7,564                          | 3,784   |
| Miscellaneous revenues                          | 124,800            | 286,406          | 154,115                        | (132,291)   |
| Total Revenues                                  | <u>5,922,269</u>   | <u>5,074,590</u> | <u>5,037,417</u>               | <u>(37,173)</u>   |
| <b>EXPENDITURES</b>                             |                    |                  |                                |   |
| Current:  |                    |                  |                                |   |
| General government                              | 3,350,701          | 2,839,911        | 2,826,117                      | 13,794  |
| Public safety                                   | 2,131,675          | 1,731,686        | 1,731,588                      | 98  |
| Public works                                    | 61,891             | 56,648           | 56,648                         |   |
| Health and welfare                              | 138,954            | 133,755          | 133,755                        |   |
| Culture and recreation                          | 221,288            | 221,288          | 221,288                        |   |
| Conservation of natural resources               | 89,469             | 81,366           | 81,366                         |   |
| Economic development and assistance             | 75,058             | 105,959          | 105,959                        |   |
| Debt service:                                   |                    |                  |                                |   |
| Principal                                       |                    | 58,686           | 58,686                         |   |
| Interest  |                    | 2,358            | 2,358                          |   |
| Total Expenditures                              | <u>6,069,036</u>   | <u>5,231,657</u> | <u>5,217,765</u>               | <u>13,892</u>   |
| Excess of Revenues<br>over (under) Expenditures | <u>(146,767)</u>   | <u>(157,067)</u> | <u>(180,348)</u>               | <u>(23,281)</u>   |
| <b>OTHER FINANCING SOURCES (USES)</b>           |                    |                  |                                |   |
| Transfers in                                    | 190,000            | 1,064,725        | 151,423                        | (913,302)   |
| Transfers out                                   | (110,000)          |                  | (509,828)                      | (509,828)   |
| Total Other Financing Sources and Uses          | <u>80,000</u>      | <u>1,064,725</u> | <u>(358,405)</u>               | <u>(1,423,130)</u>                                      |
| Net Change in Fund Balance                      | (66,767)           | 907,658          | (538,753)                      | (1,446,411)   |
| Fund Balances - Beginning                       |                    | <u>564,587</u>   | <u>3,186,470</u>               | <u>2,621,883</u>  |
| Fund Balances - Ending                          | <u>\$ (66,767)</u> | <u>1,472,245</u> | <u>2,647,717</u>               | <u>1,175,472</u>  |

The accompanying notes to the Required Supplementary Information are an integral part of this schedule.

LEAKE COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 County Road and Bridge Fund  
 For the Year Ended September 30, 2015

|   | Original<br>Budget | Final<br>Budget  | Actual<br>(Budgetary<br>Basis) | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|--------------------|------------------|--------------------------------|---|
| <b>REVENUES</b>                                 |                    |                  |                                |   |
| Property taxes                                  | \$ 1,670,000       | 1,373,104        | 1,373,104                      |   |
| Road and bridge privilege taxes                 | 235,000            | 245,662          | 245,662                        |   |
| Intergovernmental revenues                      | 903,000            | 810,760          | 810,760                        |   |
| Charges for services                            | 3,000              | 13,771           | 13,771                         |   |
| Interest income                                 | 9,000              | 4,422            | 4,422                          |   |
| Miscellaneous revenues                          | 47,525             | 6,827            | 6,827                          |   |
| Total Revenues                                  | <u>2,867,525</u>   | <u>2,454,546</u> | <u>2,454,546</u>               | <u>0</u>  |
| <b>EXPENDITURES</b>                             |                    |                  |                                |   |
| Current:  |                    |                  |                                |   |
| Public works                                    | 2,347,521          | 2,281,649        | 2,281,649                      |   |
| Debt service:                                   |                    |                  |                                |   |
| Principal                                       | 255,000            | 182,972          | 182,972                        |   |
| Interest  | 20,000             | 6,566            | 6,566                          |   |
| Total Expenditures                              | <u>2,622,521</u>   | <u>2,471,187</u> | <u>2,471,187</u>               | <u>0</u>  |
| Excess of Revenues<br>over (under) Expenditures | <u>245,004</u>     | <u>(16,641)</u>  | <u>(16,641)</u>                | <u>0</u>  |
| <b>OTHER FINANCING SOURCES (USES)</b>           |                    |                  |                                |   |
| Proceeds from sale of assets                    | 50,000             |                  |                                |   |
| Total Other Financing Sources and Uses          | <u>50,000</u>      | <u>0</u>         | <u>0</u>                       | <u>0</u>  |
| Net Change in Fund Balance                      | 295,004            | (16,641)         | (16,641)                       | 0   |
| Fund Balances - Beginning                       |                    | 1,234,246        | 1,037,109                      | (197,137)   |
| Fund Balances - Ending                          | <u>\$ 295,004</u>  | <u>1,217,605</u> | <u>1,020,468</u>               | <u>(197,137)</u>  |

The accompanying notes to the Required Supplementary Information are an integral part of this schedule.

LEAKE COUNTY  
 Schedule of the County's Contributions  
 PERS  
 Last 10 Fiscal Years\*  
 For the Year Ended September 30, 2015

|  | <u>2015</u>        |
|--|--------------------|
| Contractually required contribution                                  | \$ 716,454         |
| Contributions in relation to the contractually required contribution | <u>716,454</u>     |
| Contribution deficiency (excess)                                     | \$ <u><u>0</u></u> |
| County's covered-employee payroll                                    | \$ 4,548,914       |
| Contributions as a percentage of covered-employee payroll            | 15.75%             |

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/15, and until a full 10-year trend is compiled, the county has only presented information for the years in which information was available.

The accompanying notes to the Required Supplementary Information are an integral part of this schedule.

LEAKE COUNTY  
Schedule of the County's Proportionate Share of the Net Pension Liability  
PERS  
Last 10 Fiscal Years\*  
For the Year Ended September 30, 2015

|  | <u>2015</u>   | <u>2014</u>  |
|--|---------------|--------------|
| County's proportion of the net pension liability (asset)   | 0.072881%     | 0.073778%    |
| County's proportionate share of the net pension liability (asset)  | \$ 11,265,965 | \$ 8,955,298 |
| County's covered-employee payroll  | \$ 4,553,219  | \$ 4,510,275 |
| County's proportionate share of the net pension liability (asset)<br>as a percentage of its covered-employee payroll | 247.428577%   | 198.553259%  |
| Plan fiduciary net position as a percentage of the total<br>pension liability  | 61.703983%    | 67.207687%   |

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/15, and until a full 10-year trend is compiled, the county has only presented information for the years in which information was available.

The accompanying notes to the Required Supplementary Information are an integral part of this schedule.

LEAKE COUNTY

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

(1) Budget.

A. Budgetary Information.

Statutory requirements dictate how and when the county's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the county, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The county's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year-end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and County Road and Bridge Fund:

|  | Governmental Fund Types |                                   |
|--|-------------------------|-----------------------------------|
|  | General<br>Fund         | County Road<br>and Bridge<br>Fund |
| Net Change in Fund Balance - Budget (Cash Basis) | \$ (538,753)            | (16,641)                          |
| Increase (decrease):                             |                         |                                   |
| Net adjustments for revenue accruals             | (9,343)                 | 160,015                           |
| Net adjustments for expenditure accruals         | 10,175                  | 75,330                            |
| Net Change in Fund Balance GAAP Basis            | \$ (537,921)            | 218,704                           |

LEAKE COUNTY

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

- (2) Schedule of the County's Proportionate Share of the Net Pension Liability and Schedule of the County's Contributions.

Changes of Assumptions.

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

LEAKE COUNTY

OTHER INFORMATION

LEAKE COUNTY  
Schedule of Surety Bonds for County Officials - UNAUDITED  
For the Year Ended September 30, 2015

| Name                 | Position                   | Company              | Bond      |
|----------------------|----------------------------|----------------------|-----------|
| Tony Smith           | Supervisor District 1      | Brierfield Insurance | \$100,000 |
| Joe A. Helton        | Supervisor District 2      | Brierfield Insurance | \$100,000 |
| Oliver Smith         | Supervisor District 3      | Brierfield Insurance | \$100,000 |
| J. Lucas Brown       | Supervisor District 4      | Brierfield Insurance | \$100,000 |
| Davis Gill           | Supervisor District 5      | Travelers Casualty   | \$100,000 |
| Dot Merchant         | Chancery Clerk             | Brierfield Insurance | \$100,000 |
| Robert Gill          | County Administrator       | RLI Insurance        | \$100,000 |
| Belinda Atkinson     | Purchase Clerk             | Brierfield Insurance | \$75,000  |
| Debbie Beranich      | Assistant Purchase Clerk   | Brierfield Insurance | \$50,000  |
| Venita Verry         | Receiving Clerk            | Brierfield Insurance | \$75,000  |
| Deborah G. Daughtery | Assistant Receiving Clerk  | Travelers            | \$50,000  |
| Rhonda L. Blanton    | Assistant Receiving Clerk  | Brierfield Insurance | \$50,000  |
| Tiffany Agent        | Assistant Receiving Clerk  | RLI Insurance        | \$50,000  |
| Stephanie Mayes      | Assistant Receiving Clerk  | Brierfield Insurance | \$50,000  |
| Barbara C. Smith     | Assistant Receiving Clerk  | Brierfield Insurance | \$50,000  |
| Michele Joiner       | Assistant Receiving Clerk  | RLI Insurance        | \$50,000  |
| Sonya Nealy          | Assistant Receiving Clerk  | Brierfield Insurance | \$50,000  |
| Tammy Jones          | Assistant Receiving Clerk  | RLI Insurance        | \$50,000  |
| Mary Sharp           | Assistant Receiving Clerk  | Brierfield Insurance | \$50,000  |
| Sherry Leflore       | Assistant Receiving Clerk  | RLI Insurance        | \$50,000  |
| Adrianna Wilcher     | Assistant Receiving Clerk  | RLI Insurance        | \$50,000  |
| Kristyn Horn         | Inventory Control Clerk    | RLI Insurance        | \$75,000  |
| Ronnie Ingram        | Road Manager               | Brierfield Insurance | \$75,000  |
| Randy Atkinson       | Constable                  | Brierfield Insurance | \$50,000  |
| Steve McMillon       | Constable                  | Western Surety       | \$50,000  |
| Kathy Henderson      | Circuit Clerk              | Western Surety       | \$100,000 |
| Sherry Leflore       | Deputy Circuit Clerk       | RLI Insurance        | \$50,000  |
| Sharon Carson        | Deputy Circuit Clerk       | Western Surety       | \$50,000  |
| Gregg Waggoner       | Sheriff                    | Brierfield Insurance | \$100,000 |
| Ruby Graham          | Justice Court Judge        | Brierfield Insurance | \$50,000  |
| Ken Adcock           | Justice Court Judge        | Brierfield Insurance | \$50,000  |
| Sonya Nealy          | Justice Court Clerk        | RIL Insurance        | \$50,000  |
| Adrianna Wilcher     | Deputy Justice Court Clerk | Brierfield Insurance | \$50,000  |
| Twanna Steve         | Deputy Justice Court Clerk | Travelers            | \$50,000  |
| Kim Withers          | Tax Collector-Tax Assessor | Brierfield Insurance | \$100,000 |
| Cynthia Fortune      | Deputy Tax Collector       | RLI Insurance        | \$50,000  |
| Jenna Lepard         | Deputy Tax Collector       | RLI Insurance        | \$50,000  |
| Vickie Alford        | Deputy Tax Collector       | Brierfield Insurance | \$50,000  |
| Tammy Jones          | Deputy Tax Collector       | RLI Insurance        | \$50,000  |
| Tina Ingram          | Deputy Tax Collector       | Brierfield Insurance | \$50,000  |
| Wendy A. Shuler      | Deputy Tax Collector       | Brierfield Insurance | \$50,000  |
| Heather Cook         | Deputy Tax Collector       | RLI Insurance        | \$50,000  |
| Diashana Jones       | Deputy Tax Collector       | RLI Insurance        | \$50,000  |

LEAKE COUNTY

SPECIAL REPORTS

# Windham and Lacey, PLLC

*Certified Public Accountants*

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2708 Old Brandon Road  
Pearl, MS 39208  
(601)939-8676

Members:  
American Institute of CPAs  
Mississippi Society of CPAs

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

Members of the Board of Supervisors  
Leake County, Mississippi

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Leake County, Mississippi, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the county's basic financial statements and have issued our report thereon dated August 23, 2016.

### **Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as 2015-001 and 2015-002 that we consider to be significant deficiencies.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Leake County, Mississippi's financial statements are free of 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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.



Windham and Lacey, PLLC  
August 23, 2016

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## INDEPENDENT ACCOUNTANT'S REPORT ON CENTRAL PURCHASING SYSTEM, INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES (REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))

Members of the Board of Supervisors  
Leake County, Mississippi

We have examined Leake County, Mississippi's compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972), and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972), during the year ended September 30, 2015. The Board of Supervisors of Leake County, Mississippi is responsible for the county's compliance with those requirements. Our responsibility is to express an opinion on the county's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly included examining, on a test basis, evidence about the county's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the county's compliance with specified requirements. The Board of Supervisors of Leake County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of the inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

In our opinion, Leake County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2015.

The accompanying schedules of (1) purchases not made from the lowest bidder, (2) emergency purchases and (3) purchases made noncompetitively from a sole source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to the examination.

This report is intended for use in evaluating the central purchasing system and inventory control system of Leake County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.



Windham and Lacey, PLLC  
August 23, 2016

LEAKE COUNTY  
Schedule of Purchases Not Made From the Lowest Bidder  
For the Year Ended September 30, 2015

Schedule 1

Our test results did not identify any purchases from other than the lowest bidder.

LEAKE COUNTY  
Schedule of Emergency Purchases  
For the Year Ended September 30, 2015

Schedule 2

Our test results did not identify any emergency purchases.

LEAKE COUTNY  
Schedule of Purchases Made Noncompetitively From a Sole Source  
For the Year Ended September 30, 2015

Schedule 3

Our tests results did not identify any purchases made noncompetitively from a sole source.

# Windham and Lacey, PLLC

*Certified Public Accountants*

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## LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors  
Leake County, Mississippi

In planning and performing our audit of the financial statements of Leake County, Mississippi for the year ended September 30, 2015, we considered Leake County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Leake County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated August 23, 2016, on the financial statements of Leake County, Mississippi.

Although no findings came to our attention as a result of these review procedures and compliance tests, these procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of the internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

This report is intended solely for the information and use of management, the Board of Supervisors and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.



Windham and Lacey, PLLC  
August 23, 2016

LEAKE COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

LEAKE COUNTY

Schedule of Findings and Responses  
For the Year Ended September 30, 2015

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 weaknesses identified?  | No         |
| b. | Significant deficiencies identified that are not considered to be material weaknesses? | Yes        |
| 3. | Noncompliance material to the financial statements noted?                              | No         |

Section 2: Financial Statement Findings

Circuit Clerk.

Significant Deficiency

2015-001.      The Circuit Clerk should settle collections due to the county on a timely basis.

Finding

We found that for several months the Circuit Clerk did not settle amounts collected for the county until the second or third month after the funds were collected by the clerk. Fines and fees collected by the Circuit Clerk on behalf of the county should be settled to the county at least monthly. Failure to settle amounts timely could result in misstatement of funds available to the county and misappropriation of funds.

Recommendation

The Circuit Clerk should settle collections to the county by the 20<sup>th</sup> of the following month. The county should design and apply procedures to monitor timely settlements.

Circuit Clerk's Response

The Circuit Clerk resigned in July, 2016.

LEAKE COUNTY

Schedule of Findings and Responses  
For the Year Ended September 30, 2015

Significant Deficiency.

2015-002. The Circuit Clerk failed to deposit checks received on a timely basis.

Finding

We found instances where checks that were remitted to the Circuit Clerk by the Sheriff's office were not deposited into the Circuits Clerk's accounts until several months after received by the clerk. Additionally, we noted checks from other sources that were not deposited. Failure to deposit checks as they are received could result in financial statement misstatement and misappropriation of assets.

Recommendation

The Circuit Clerk should deposit checks into the clerk's accounts daily as received.

Circuit Clerk's Response

The Circuit Clerk resigned in July, 2016.