

LEAKE COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2016

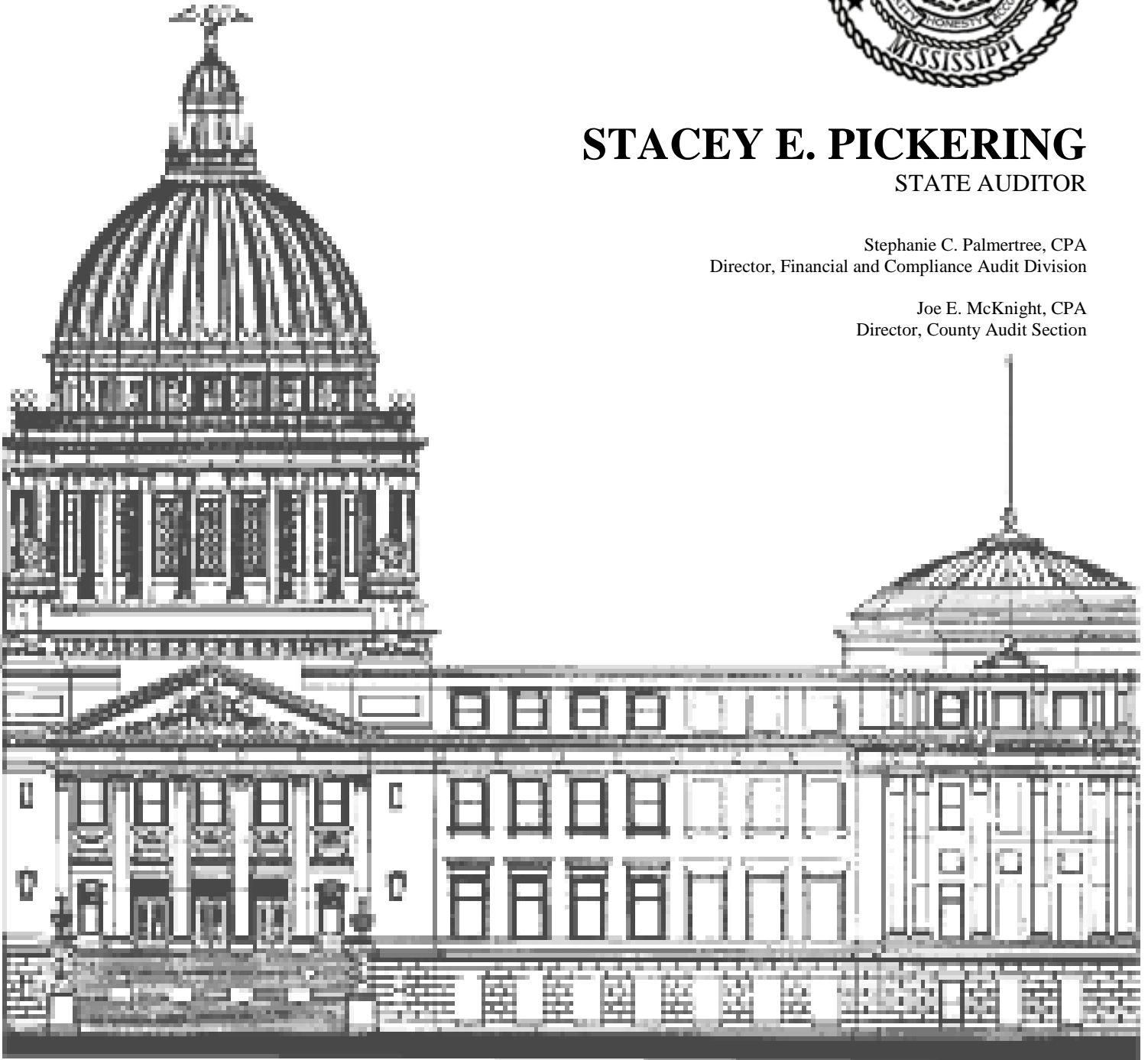


STACEY E. PICKERING

STATE AUDITOR

Stephanie C. Palmertree, CPA
Director, Financial and Compliance Audit Division

Joe E. McKnight, CPA
Director, County Audit Section



A Report from the County Audit Section

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

March 9, 2018

Members of the Board of Supervisors
Leake County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2016 financial and compliance audit report for Leake County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed 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.

I appreciate the cooperation and courtesy extended by the officials and employees of Leake County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Leake County. If I or this office can be of any further assistance, please contact me or Joe McKnight of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering", written in a cursive style.

Stacey E. Pickering
State Auditor

LEAKE COUNTY

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LEAKE COUNTY

FINANCIAL SECTION

LEAKE COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

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, (the County) as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

Basis for Qualified Opinion on Governmental Activities and General Fund

Management did not maintain adequate subsidiary records documenting the existence and valuation of fines receivable of the Circuit Clerk and Justice Court or the aging of these fines receivable. Due to the nature of the county's records, we were unable to satisfy ourselves as to the fair presentation of fines receivable, net, reported on the Governmental Activities Statement of Net Position and in the General Fund at \$870,515, as of September 30, 2016. Also, because of the nature of the fines receivable records, we could not satisfy ourselves as to the fair presentation of the related transactions of the General Fund.

Qualified Opinion

In our opinion, except for the effects of such adjustments if any, as might have been determined to be necessary had we been able to examine evidence to determine the net realizable value of the Circuit Clerk and Justice Court fines receivable for governmental activities and the General Fund as described in the “Basis for Qualified Opinion on Governmental Activities and General Fund” paragraph, the financial statements referred to previously present fairly, in all material respects, the respective financial position of governmental activities and the General Fund of Leake County, Mississippi, as of September 30, 2016, and the respective changes in financial position, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the County Road and Bridge Fund, the State Aid / Bridge Replacement Fund, the Solid Waste Disposal Fund, the Leake County Correctional Facility Fund, and the aggregate remaining fund information of Leake County, Mississippi, as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules and corresponding notes, the Schedule of the County's Proportionate Share of the Net Pension Liability, and the Schedule of County Contributions 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 require 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Leake County, Mississippi's basic financial statements. The accompanying Reconciliation of the Operating Costs of Solid Waste is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying Reconciliation of Operating Costs of Solid Waste is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Reconciliation of Operating Costs of Solid Waste is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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 April 9, 2018 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.

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JOE E. MCKNIGHT, CPA
Director, County Audit Section

April 9, 2018

LEAKE COUNTY

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LEAKE COUNTY

FINANCIAL STATEMENTS

LEAKE COUNTY

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LEAKE COUNTY
Statement of Net Position
September 30, 2016

Exhibit 1

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
Cash	\$ 5,548,585	835,535	6,384,120
Investments	197,264		197,264
Property tax receivable	3,907,546		3,907,546
Accounts receivable (net of allowance for uncollectibles of \$1,475,556)	145,934		145,934
Fines receivable (net of allowance for uncollectibles of \$1,377,092)	870,515		870,515
Intergovernmental receivables	253,145	221,348	474,493
Other receivables	62,418		62,418
Internal balances	153,239	(153,239)	
Capital assets:			
Land and construction in progress	2,695,135	38,000	2,733,135
Other capital assets, net	11,012,187	3,401,869	14,414,056
Total Assets	<u>24,845,968</u>	<u>4,343,513</u>	<u>29,189,481</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	1,485,516	662,555	2,148,071
Total Deferred Outflows of Resources	<u>1,485,516</u>	<u>662,555</u>	<u>2,148,071</u>
LIABILITIES			
Claims payable	412,450	86,026	498,476
Intergovernmental payables	300,951	2,774	303,725
Accrued interest payable	56,519	950	57,469
Amounts held in custody for others	290,020		290,020
Long-term liabilities			
Net pension liability	8,599,745	3,852,203	12,451,948
Due within one year:			
Capital debt	548,711	286,851	835,562
Non-capital debt	378,840		378,840
Due in more than one year:			
Capital debt	1,749,698		1,749,698
Non-capital debt	2,322,683	122,118	2,444,801
Total Liabilities	<u>14,659,617</u>	<u>4,350,922</u>	<u>19,010,539</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenues - property taxes	3,907,546		3,907,546
Total deferred inflows of resources	<u>3,907,546</u>	<u>0</u>	<u>3,907,546</u>
NET POSITION			
Net investment in capital assets	11,408,913	3,153,018	14,561,931
Restricted for:			
Expendable:			
General government	574,669		574,669
Public safety	706,248		706,248
Public works	2,131,770		2,131,770
Economic development and assistance	96,192		96,192
Debt service	131,826		131,826
Unrestricted	(7,285,297)	(2,497,872)	(9,783,169)
Total Net Position	<u>\$ 7,764,321</u>	<u>655,146</u>	<u>8,419,467</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, 2016

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	\$ 3,432,856	621,103	302,350		(2,509,403)		(2,509,403)
Public safety	2,269,212	374,563	265,565		(1,629,084)		(1,629,084)
Public works	4,326,179	1,303,915	859,974	1,270,024	(892,266)		(892,266)
Health and welfare	155,036		65,321		(89,715)		(89,715)
Culture and recreation	302,707				(302,707)		(302,707)
Conservation of natural resources	81,563				(81,563)		(81,563)
Economic development and assistance	233,135				(233,135)		(233,135)
Interest on long-term debt	171,918				(171,918)		(171,918)
Pension expense	1,183,743				(1,183,743)		(1,183,743)
Total Governmental Activities	<u>12,156,349</u>	<u>2,299,581</u>	<u>1,493,210</u>	<u>1,270,024</u>	<u>(7,093,534)</u>		<u>(7,093,534)</u>
Business-type activities:							
Leake County Correctional Facility	3,505,338	3,052,897				(452,441)	(452,441)
Total Business-type Activities	<u>3,505,338</u>	<u>3,052,897</u>	<u>0</u>	<u>0</u>		<u>(452,441)</u>	<u>(452,441)</u>
Total Primary Government	<u>\$ 15,661,687</u>	<u>5,352,478</u>	<u>1,493,210</u>	<u>1,270,024</u>	<u>(7,093,534)</u>	<u>(452,441)</u>	<u>(7,545,975)</u>
General revenues:							
Property taxes					\$ 5,388,792		5,388,792
Road & bridge privilege taxes					246,267		246,267
Grants and contributions not restricted to specific programs					363,190		363,190
Unrestricted interest income					26,862	4,088	30,950
Miscellaneous					533,941	14,968	548,909
Total General Revenues					<u>6,559,052</u>	<u>19,056</u>	<u>6,578,108</u>
Changes in Net Position					<u>(534,482)</u>	<u>(433,385)</u>	<u>(967,867)</u>
Net Position - Beginning, as previously reported					8,765,696	2,109,228	10,874,924
Fund reclassification					1,304,069	(1,304,069)	
Prior period adjustments					(1,770,962)	283,372	(1,487,590)
Net Position - Beginning, as restated					<u>8,298,803</u>	<u>1,088,531</u>	<u>9,387,334</u>
Net Position - Ending					<u>\$ 7,764,321</u>	<u>655,146</u>	<u>8,419,467</u>

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

LEAKE COUNTY
Balance Sheet - Governmental Funds
September 30, 2016

Exhibit 3

	Major Funds					
	General Fund	County Road And Bridge Fund	State Aid / Bridge Replacement Fund	Solid Waste Disposal Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash	\$ 2,325,303	891,182		789,115	1,542,985	5,548,585
Investments	197,264					197,264
Property tax receivable	2,722,160	819,957		99,894	265,535	3,907,546
Accounts receivable (net of allowance for uncollectibles of \$1,475,556)				145,934		145,934
Fines receivable (net of allowance for uncollectibles of \$1,377,092)	870,515					870,515
Intergovernmental receivables	144,391	64,840			43,914	253,145
Other receivables	2	2,889		15,138	18,660	36,689
Due from other funds	48,935	45,408		1,591	33,910	129,844
Advances to other funds	154,101	402,500		6,175		562,776
Total Assets	\$ 6,462,671	2,226,776	0	1,057,847	1,905,004	11,652,298
LIABILITIES						
Claims payable	\$ 156,671	112,144		83,381	60,254	412,450
Intergovernmental payables	300,741	90			120	300,951
Due to other funds	55,180					55,180
Advances from other funds	400,000	6,175		31,797	20,500	458,472
Amounts held in custody for others	289,924			96		290,020
Total Liabilities	\$ 1,202,516	118,409	0	115,274	80,874	1,517,073
DEFERRED INFLOWS OF RESOURCES:						
Unavailable revenue - property taxes	2,722,160	819,957		99,894	265,535	3,907,546
Unavailable revenue - fines	870,515					870,515
Unavailable revenue - solid waste				145,934		145,934
Total deferred inflows of resources	\$ 3,592,675	819,957	0	245,828	265,535	4,923,995
FUND BALANCES						
Nonspendable:						
Advances	154,101					154,101
Restricted for:						
General government					574,669	574,669
Public safety					706,248	706,248
Public works		1,288,410		696,745	681	1,985,836
Economic development and assistance					96,192	96,192
Debt service					188,345	188,345
Unassigned	1,513,379				(7,540)	1,505,839
Total Fund Balances	\$ 1,667,480	1,288,410	0	696,745	1,558,595	5,211,230
Total Liabilities, Deferred Inflows and Fund Balances	\$ 6,462,671	2,226,776	0	1,057,847	1,905,004	11,652,298

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

LEAKE COUNTY

Exhibit 3-1Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
September 30, 2016

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 5,211,230
Amounts reported for governmental activities 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 \$9,437,846.	13,707,322
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,016,449
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(4,999,932)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(8,599,745)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(56,519)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources related to pensions	<u>1,485,516</u>
Total Net Position - Governmental Activities	\$ <u><u>7,764,321</u></u>

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

LEAKE COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2016

	Major Funds					
	General	County Road And Bridge Fund	State Aid / Bridge Replacement Fund	Solid Waste Disposal Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	\$ 3,698,531	1,214,469		71,720	404,072	5,388,792
Road and bridge privilege taxes		246,267				246,267
Licenses, commissions and other revenue	220,769				6,447	227,216
Fines and forfeitures	267,243				137,186	404,429
Intergovernmental revenues	582,678	800,890	1,300,208		442,648	3,126,424
Charges for services	37,783	4,081		1,272,554	240,685	1,555,103
Interest income	11,931	5,409		2,734	6,788	26,862
Miscellaneous revenues	148,768	41,698		974	65,572	257,012
Total Revenues	4,967,703	2,312,814	1,300,208	1,347,982	1,303,398	11,232,105
EXPENDITURES						
Current:						
General government	3,011,002				696,717	3,707,719
Public safety	1,618,109				807,777	2,425,886
Public works	54,163	3,402,226	1,300,208	1,072,690	436	5,829,723
Health and welfare	139,392				8,000	147,392
Culture and recreation	250,815				42,171	292,986
Conservation of natural resources	89,028					89,028
Economic development and assistance	40,602				168,221	208,823
Debt service:						
Principal	57,107	171,118		111,740	427,334	767,299
Interest	1,506	4,327		1,777	163,989	171,599
Total Expenditures	5,261,724	3,577,671	1,300,208	1,186,207	2,314,645	13,640,455
Excess of Revenues over (under) Expenditures	(294,021)	(1,264,857)	0	161,775	(1,011,247)	(2,408,350)
OTHER FINANCING SOURCES (USES)						
Long-term capital debt issued		691,242			131,679	822,921
Long-term non-capital debt issued		500,000			280,000	780,000
Proceeds from sale of capital assets		77,606		275,395	2,929	355,930
Transfers in					371,913	371,913
Transfers out	(371,913)					(371,913)
Total Other Financing Sources and Uses	(371,913)	1,268,848	0	275,395	786,521	1,958,851
Net Changes in Fund Balances	(665,934)	3,991	0	437,170	(224,726)	(449,499)
Fund Balances - Beginning, as previously reported	2,591,040	1,284,419			1,783,321	5,658,780
Fund reclassification				259,575		259,575
Prior period adjustments	(257,626)					(257,626)
Fund Balances - Beginning, as restated	2,333,414	1,284,419	0	259,575	1,783,321	5,660,729
Fund Balances - Ending	\$ 1,667,480	1,288,410	0	696,745	1,558,595	5,211,230

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, 2016

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (449,499)
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 \$2,217,090 exceeded depreciation of \$813,212 in the current period.	1,403,878
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 gain of \$266,868 and the proceeds from the sale of \$355,930 in the current period.	(89,062)
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.	81,472
Solid waste 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.	31,649
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 proceeds of \$1,602,921 exceeded debt repayments of \$767,299.	(835,622)
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 items:	
The amount of increase in compensated absences liability	(13,059)
The amount of decrease in accrued interest payable	916
The amortization of bond premium	991
The amortization of bond discounts	(2,226)
Some items reported in the Statement of Activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:	
Recording of pension expense for the current period	(1,183,743)
Recording of contributions made during the year	519,823
Change in Net Position of Governmental Activities	\$ <u>(534,482)</u>

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

LEAKE COUNTY
Statement of Net Position - Proprietary Funds
September 30, 2016

Exhibit 5

	Business-type Activities
	Enterprise Fund
	Leake County
	Correctional Facility
ASSETS	
Current assets:	
Cash	\$ 835,535
Intergovernmental receivables	221,348
Total Current Assets	1,056,883
Noncurrent assets:	
Capital assets:	
Land and construction in progress	38,000
Other capital assets, net	3,401,869
Total Noncurrent Assets	3,439,869
Total Assets	4,496,752
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	662,555
Total Deferred Outflows of Resources	662,555
LIABILITIES	
Current liabilities:	
Claims payable	86,026
Intergovernmental payables	2,774
Due to other funds	48,935
Advances from other funds	104,304
Accrued interest payable	950
Capital debt:	
Other long-term liabilities	286,851
Total Current Liabilities	529,840
Noncurrent liabilities:	
Net pension liability	3,852,203
Non-capital debt:	
Compensated absences payable	122,118
Total Noncurrent Liabilities	3,974,321
Total Liabilities	4,504,161
NET POSITION	
Net investment in capital assets	3,153,018
Unrestricted	(2,497,872)
Total Net Position	\$ 655,146

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

LEAKE COUNTY

Exhibit 6

Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds

For the Year Ended September 30, 2016

	Business-type Activities - Enterprise Funds	
	Leake County Correctional Facility	Solid Waste Disposal Fund
		Totals
Operating Revenues		
Charges for services	\$ 3,052,897	3,052,897
Other operating cash receipts	14,968	14,968
Total Operating Revenues	3,067,865	0
Operating Expenses		
Personal services	1,733,904	1,733,904
Contractual services	550,484	550,484
Materials and supplies	561,739	561,739
Depreciation expense	142,563	142,563
Indirect administrative cost	48,935	48,935
Pension expense	459,389	459,389
Total Operating Expenses	3,497,014	0
Operating Income (Loss)	(429,149)	0
Nonoperating Revenues (Expenses)		
Interest income	4,088	4,088
Interest expense	(8,324)	(8,324)
Net Nonoperating Revenue (Expenses)	(4,236)	0
Changes in Net Position	(433,385)	0
Net Position - Beginning, as previously reported	805,159	1,304,069
Fund reclassification		(1,304,069)
Prior period adjustments	283,372	283,372
Net Position - Beginning, as restated	1,088,531	0
Net Position - Ending	\$ 655,146	0

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, 2016

Exhibit 7

	Business-type Activities - Enterprise Funds		
	Leake County Correctional Facility	Solid Waste Disposal Fund	Totals
Cash Flows From Operating Activities			
Receipts from customers	\$ 2,831,549		2,831,549
Payments to suppliers	(1,044,193)		(1,044,193)
Payments to employees	(1,929,404)		(1,929,404)
Other operating cash receipts	14,968		14,968
Net Cash Provided (Used) by Operating Activities	(127,080)	0	(127,080)
Cash Flows From Capital and Related Financing Activities			
Acquisition and construction of capital assets	(8,996)		(8,996)
Principal paid on long-term debt	(440,000)		(440,000)
Interest paid on debt	(14,500)		(14,500)
Net Cash Provided (Used) by Capital and Related Financing Activities	(463,496)	0	(463,496)
Cash Flows From Investing Activities			
Interest on deposits	4,088		4,088
Net Cash Provided (Used) by Investing Activities	4,088	0	4,088
Net Increase (Decrease) in Cash and Cash Equivalents	(586,488)		(586,488)
Cash and Cash Equivalents at Beginning of Year	1,422,023	285,588	1,707,611
Adjustments to Beginning of Year Cash Due to Fund Reclassification		(285,588)	(285,588)
Cash and Cash Equivalents at End of Year	\$ 835,535	0	835,535
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (429,149)		(429,149)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	142,563		142,563
Changes in assets and liabilities:			
(Increase) decrease in intergovernmental receivables	(221,348)		(221,348)
(Increase) decrease in deferred outflows of resources	(74,035)		(74,035)
Increase (decrease) in claims payable	65,256		65,256
Increase (decrease) in intergovernmental payable	2,774		2,774
Increase (decrease) in compensated absences liability	6,345		6,345
Increase (decrease) in due to other funds	48,935		48,935
Increase (decrease) in pension liability	331,579		331,579
Total Adjustments	302,069	0	302,069
Net Cash Provided (Used) by Operating Activities	\$ (127,080)	0	(127,080)

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

LEAKE COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2016

Exhibit 8

	Agency Funds
ASSETS	
Cash	\$ 427,026
Total Assets	\$ 427,026
LIABILITIES	
Amounts held in custody for others	\$ 59,577
Intergovernmental payables	341,720
Due to other funds	25,729
Total Liabilities	\$ 427,026

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, 2016

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Leake County, Mississippi 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. There are no outside organizations that should be included as component units of the County's reporting entity.

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 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, 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 and 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.

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

LEAKE COUNTY

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

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 all financial resources not accounted for and reported 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 maintenance.

State Aid / Bridge Replacement Fund - This fund is used to account for monies from specific revenue sources that are restricted for road and bridge maintenance and construction.

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

The County reports the following major Enterprise Funds:

Leake County Correctional Facility - This fund is used to account for the County's activities of operating the correctional facility.

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

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

LEAKE COUNTY

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

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

PROPRIETARY FUND TYPE

Enterprise Funds - These funds are used to account for 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.

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 the General Fund, if applicable, to indicate that they are not available for appropriation and are not expendable available financial resources. However, this is not applicable to advances reported in other governmental funds, which are reported, by definition, as restricted, committed, or assigned. 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

LEAKE COUNTY

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

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.

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:

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

Deferred outflows 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 (10) for additional details.

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

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

LEAKE COUNTY

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

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.

Unavailable revenue – solid waste fees – 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.

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 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.

L. Equity Classifications.

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

LEAKE COUNTY

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

policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

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.

Government fund balance is classified 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.

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.

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.

LEAKE COUNTY

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

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. 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.

(2) Fund Reclassification (Accounting Change).

A summary of significant fund reclassifications is as follows:

Exhibit 2 – Statement of Activities.

Explanation	Amount
Governmental Activities:	
Fund Reclassification due to Solid Waste Fund ceased to operate as a business type activity	\$ 1,304,069
Business-type Activities:	
Fund Reclassification due to Solid Waste Fund ceased to operate as a business type activity	\$ (1,304,069)

Exhibit 4 – Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

Explanation	Amount
Fund Reclassification due to Solid Waste Fund ceased to operate as a business type activity	\$ 259,575

Exhibit 6 – Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds.

Explanation	Amount
Fund Reclassification due to Solid Waste Fund ceased to operate as a business type activity	\$ (1,304,069)

(3) Prior Period Adjustments.

A summary of the significant net position/fund balance adjustments are as follows:

Exhibit 2 – Statement of Activities – Governmental Activities.

LEAKE COUNTY

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

Explanation	Amount
To correct errors in cash	\$ 17,413
To correct errors in amounts held in custody	(152,416)
To correct errors in due to local governments	(121,982)
To correct errors in amounts owed to collection agency	(641)
To correct errors in allowance for uncollectibles for fine receivable	(183,029)
To correct errors in compensated absences	206,838
To correct errors in capital assets	(441,844)
To correct errors in allowance for uncollectibles for accounts receivable	(1,095,301)
Total prior period adjustments	\$ (1,770,962)

Exhibit 2 – Statement of Activities – Business-type Activities.

Explanation	Amount
To correct errors in compensated absences	\$ 250,710
To correct errors in capital assets	32,662
Total prior period adjustments	\$ 283,372

Exhibit 4 – Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

Explanation	Amount
To correct errors in cash	\$ 17,413
To correct errors in amounts held in custody	(152,416)
To correct errors in due to local governments	(121,982)
To correct errors in amounts owed to collection agency	(641)
Total prior period adjustments	\$ (257,626)

Exhibit 6 – Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds.

Explanation	Amount
To correct errors in compensated absences	\$ 250,710
To correct errors in capital assets	32,662
Total prior period adjustments	\$ 283,372

(4) Deposits and Investments.

Deposits:

The carrying amount of the County's total deposits with financial institutions at September 30, 2016, was \$6,811,146, and the bank balance was \$7,341,573. 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

LEAKE COUNTY

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

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. 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). 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:

Investments balances at September 30, 2016, 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	\$ 197,264	AAAm
Total		\$ 197,264	

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 Sections 19-9-29 and 91-13-8, Miss. Code Ann. (1972). The county does not have a formal investment policy that would further limit its investments 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. However, the Mississippi State Treasurer manages that risk on behalf of the county. Bank certificates of deposit 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.

Concentration of Credit Risk. The County places no limit on the amount the County may invest in any one issuer. More than 5 percent of the County's investments are in the Federated Government Obligation Funds. These investments are 100 percent 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, 2016

(5) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2016:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Leake County Correctional Facility	\$ 48,935
Solid Waste Disposal Fund	General Fund	1,591
County Road and Bridge Fund	General Fund	45,408
Other Governmental Funds	General Fund	8,181
Other Governmental Funds	Agency Funds	<u>25,729</u>
Total		<u>\$ 129,844</u>

The receivables represent the tax revenue collected in September 2016, but not settled until October, 2016, unpaid indirect costs charged to the Leake County Correctional Facility, and correction of posting errors. All 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	Leake County Regional Correctional Faci	\$ 104,304
County Road and Bridge Fund	General Fund	400,000
Solid Waste Disposal Fund	County Road and Bridge Fund	6,175
General Fund	Solid Waste Disposal Fund	31,797
General Fund	Other Governmental Funds	18,000
County Road and Bridge Fund	Other Governmental Funds	<u>2,500</u>
Total		<u>\$ 562,776</u>

The receivables represent prior years' unpaid indirect costs charged to the Leake County Correctional Facility and the Solid Waste Disposal Fund, loans to cover operating expenses and debt service payments, and the sale of capital equipment.

C. Transfers In/Out:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ <u>371,913</u>
Total		<u>\$ 371,913</u>

The principal purposes of interfund transfers were to disperse Reappraisal Escrow Funds and State Fire Code monies, to provide funds for operating expenses and debt service payments. 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, 2016

(6) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2016, consisted of the following:

Description	Amount
Governmental Activities:	
Legislative tax credit	\$ 115,893
Emergency Management Performance Grant	8,348
TRIAD Grant	1,400
Help America Vote	5,562
Youth Court	897
Drug Court	19,641
Food Stamps/Welfare	2,661
Reimbursement for school resource officer	14,000
Truck and bus privilege tax	275
Motor vehicle fuel tax	49,257
Additional privilege tax	15,308
Reimbursement for law enforcement training	18,711
Reimbursement for inmate medical expenses	553
Timber severance tax	639
Total Governmental Activities	\$ 253,145
Business-type Activities:	
Housing prisoners	\$ 220,548
Miscellaneous	800
Total Business-type Activities	\$ 221,348

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2016:

Governmental activities:

	Balance Oct. 1, 2015	Additions	Deletions	Adjustments*	Balance Sept. 30, 2016
<u>Non-depreciable capital assets:</u>					
Land	\$ 1,225,560			(5,443)	1,220,117
Construction in progress	128,424	1,346,594			1,475,018
Total non-depreciable capital assets	1,353,984	1,346,594	-	(5,443)	2,695,135
<u>Depreciable capital assets:</u>					
Infrastructure	8,751,692			(35,127)	8,716,565
Buildings	4,476,080				4,476,080
Mobile equipment	5,064,442	14,690	457,767	362,619	4,983,984
Furniture and equipment	644,069	32,885	6,995		669,959
Leased property under capital leases	914,478	822,921	330,000	196,046	1,603,445
Total depreciable capital assets	19,850,761	870,496	794,762	523,538	20,450,033

LEAKE COUNTY

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

Governmental activities:

	Balance Oct. 1, 2015	Additions	Deletions	Adjustments*	Balance Sept. 30, 2016
<u>Less accumulated depreciated for:</u>					
Intrastructure	1,908,723	240,179		317,751	2,466,653
Buildings	1,600,965	75,660		33,153	1,709,778
Mobile equipment	4,239,440	227,826	402,405	176,334	4,241,195
Furniture and equipment	519,860	40,980	6,295	(4,602)	549,943
Leased property under capital leases	378,558	228,567	297,000	160,152	470,277
Total accumulated depreciation	8,647,546	813,212	705,700	682,788	9,437,846
Total depreciable capital assets, net	11,203,215	57,284	89,062	(159,250)	11,012,187
Governmental activities capital assets, net	\$ 12,557,199	1,403,878	89,062	(164,693)	13,707,322

Business-type activities:

	Balance Oct. 1, 2015	Additions	Deletions	Adjustments*	Balance Sept. 30, 2016
<u>Non-depreciable capital assets:</u>					
Land	\$ 7,557			30,443	38,000
Total non-depreciable capital assets	7,557	-	-	30,443	38,000
<u>Depreciable capital assets:</u>					
Buildings	5,175,662				5,175,662
Mobile equipment	451,534			(228,665)	222,869
Furniture and equipment	312,178	8,996			321,174
Leased property under capital leases	330,000			(330,000)	-
Total depreciable capital assets	6,269,374	8,996	-	(558,665)	5,719,705
<u>Less accumulated depreciated for:</u>					
Buildings	1,792,632	103,514		4,509	1,900,655
Mobile equipment	252,873	5,343		(64,143)	194,073
Furniture and equipment	175,901	33,706		13,501	223,108
Leased property under capital leases	237,600			(237,600)	-
Total accumulated depreciation	2,459,006	142,563	-	(283,733)	2,317,836
Total depreciable capital assets, net	3,810,368	(133,567)	-	(274,932)	3,401,869
Business-type activities capital assets, net	\$ 3,817,925	(133,567)	-	(244,489)	3,439,869

* Adjustments were made to transfer paid out leased property to mobile equipment, the fund reclassification of the solid waste fund from business-type to governmental activities and correction of prior year errors.

LEAKE COUNTY

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

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental activities:	
General government	\$ 36,076
Public safety	106,112
Public works	620,047
Health and welfare	10,512
Culture and recreation	9,721
Economic development and assistance	<u>30,744</u>
Total governmental activities depreciation expense	<u>\$ 813,212</u>
	<u>Amount</u>
Business-type activities:	
Regional Jail	<u>\$ 142,563</u>

Commitments with respect to unfinished capital projects at September 30, 2016, consisted of the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
Barnes Road	\$ 194,500	12/2017
Madden Road	44,479	12/2017

(8) 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, 2016, to January 1, 2017. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(9) Capital Leases.

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2016:

LEAKE COUNTY

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

Classes of Property	Governmental Activities
Mobile equipment	\$ 1,379,718
Furniture and equipment	223,727
Total	1,603,445
Less: Accumulated depreciation	(470,277)
Leased Property Under Capital Leases	\$ 1,133,168

The following is a schedule by years of the total payments due as of September 30, 2016:

Year Ending September 30	Governmental Activities	
	Principal	Interest
2017	\$ 324,711	17,098
2018	179,507	12,575
2019	164,577	8,985
2020	167,834	5,710
2021	168,181	2,380
Total	\$ 1,004,810	46,748

(10) Defined Benefit Pension Plan.

General Information about the Pension Plan

Plan Description. Leake County, Mississippi contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

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

LEAKE COUNTY

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

the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. At September 30, 2016, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The employer's rate at September 30, 2016 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2016, 2015 and 2014 were \$721,956, \$716,454 and \$706,064, respectively, equal to the required contributions for each year.

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

At September 30, 2016, the County reported a liability of \$12,451,948 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The County's proportionate share used to calculate the September 30, 2016 net pension liability was .069710 percent, which was based on a measurement date of June 30, 2016. This was a decrease of .003171 percent from its proportionate share used to calculate the September 30, 2015 net pension liability, which was based on a measurement date of June 30, 2015.

For the year ended September 30, 2016, the County recognized pension expense of \$1,643,132. At September 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ 318,363
Net difference between projected and actual earnings on pension plan investments	1,486,908
Changes of assumptions	599,160
Changes in the proportion and differences between the County's contributions and proportionate share of contributions	(442,396)
County contributions subsequent to the measurement date	<u>186,036</u>
Total	<u>\$ 2,148,071</u>

\$186,036 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

LEAKE COUNTY

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

Year ending September 30:

2017	\$	726,825
2018		614,004
2019		375,212
2020		<u>245,994</u>
Total	\$	<u><u>1,962,035</u></u>

Actuarial Assumptions. The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

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

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Broad	34.00 %	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	<u>1.00</u>	<u>(0.50)</u>
Total	<u><u>100.00 %</u></u>	

Discount Rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (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, 2016

Sensitivity to the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension liability	\$ 15,966,187	12,451,948	9,536,266

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

(11) Long-term Debt.

Debt outstanding as of September 30, 2016, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Road and bridge refunding bonds, Series 2010	\$ 895,000	2.00/3.86%	02/2021
Industrial park development bonds, Series 2002	396,000	4.75%	02/2021
G.O. refunding bonds-Leake Memorial Hospital Series 2010	1,780,000	2.85/5.95%	01/2023
Total General Obligation Bonds	\$ 3,071,000		
B. Capital Leases:			
Five backhoes	\$ 67,437	1.71%	07/2017
Trackhoe	45,685	1.81%	02/2018
AS400 computer system	17,261	2.19%	09/2017
2 Chargers	16,305	1.88%	10/2017
2015 Dodge Ram	11,117	1.84%	02/2018
(3) John Deere tractors	26,783	1.69%	04/2017
Dump trucks	657,360	1.96%	05/2021
2016 Chevy Silverado	31,183	1.96%	04/2021
E-911 Equipment upgrade	131,679	1.99%	08/2021
Total Capital Leases	\$ 1,004,810		
C. Other Loans:			
Barnes Fire Station	\$ 73,575	2.00%	01/2024
2015-2 Road & bridge note	500,000	2.20%	11/2020
Tax refund note	280,000	2.25%	10/2020
Total Other Loans	\$ 853,575		

LEAKE COUNTY

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

Business-type Activities:

A. Limited Obligation Bonds:

Regional correctional facility refunding bonds -2014	\$ 285,000	2.00%	09/2017
Total Limited Obligation Bonds	<u>\$ 285,000</u>		

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
2017	\$ 444,000	138,325	158,840	18,717
2018	462,000	119,599	162,360	15,213
2019	484,000	98,772	165,942	11,632
2020	502,000	76,236	169,603	7,971
2021	530,000	51,691	173,343	4,230
2022 - 2026	<u>649,000</u>	<u>37,894</u>	<u>23,487</u>	<u>612</u>
Total	<u>\$ 3,071,000</u>	<u>522,517</u>	<u>853,575</u>	<u>58,375</u>

Business-type Activities:

Year Ending September 30	Limited Obligation Bonds	
	Principal	Interest
2017	\$ 285,000	5,700
Total	<u>\$ 285,000</u>	<u>5,700</u>

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, 2016, the amount of outstanding debt was equal to 3.29% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2016:

LEAKE COUNTY

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

	Balance Oct. 1, 2015	Additions	Reductions	Adjustments*	Balance Sept. 30, 2016	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 270,437	13,059	-	(186,584)	96,912	-
General obligation bonds	3,488,000		417,000		3,071,000	444,000
Less:						
Discounts	(31,190)		(2,226)		(28,964)	
Add:						
Premiums	3,590		991		2,599	
Capital leases	410,113	822,921	339,964	111,740	1,004,810	324,711
Other loans	83,910	780,000	10,335		853,575	158,840
Total	\$ 4,224,860	1,615,980	766,064	(74,844)	4,999,932	927,551

	Balance Oct. 1, 2015	Additions	Reductions	Adjustments*	Balance Sept. 30, 2016	Amount due within one year
Business-type Activities:						
Compensated absences	\$ 386,737	6,345	-	(270,964)	122,118	-
Limited obligation bonds	725,000		440,000		285,000	285,000
Add:						
Premiums	6,560		4,709		1,851	1,851
Capital leases	111,740			(111,740)	-	
Total	\$ 1,230,037	6,345	444,709	(382,704)	408,969	286,851

* Adjustments were made to reclassify the solid waste fund to governmental activities and correct prior year errors in compensated absences.

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, Emergency 911 Communications Fund, Leake County Economic Development District Fund, Leake County Correctional Facility, and Solid Waste Disposal Fund.

(12) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances at September 30, 2016:

Fund	Deficit Amount
Leake County Recreational Park	\$ 328
Rural Fire	4,713
Leake County Hospital Bond and Interest	2,499

(13) 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.

LEAKE COUNTY

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

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.

(14) Effect of Deferred Amounts on Net Position

The governmental activities' unrestricted net position amount of (\$7,285,297) includes the effect of deferred outflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$134,024 resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2017. The \$1,351,492 balance of the deferred outflow of resources related to pensions at September 30, 2016, will be recognized in pension expense over the next four years.

The business-type activities' unrestricted net position amount of (\$2,497,872) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$52,012 resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2017. The \$610,543 balance of the deferred outflow of resources related to pensions at September 30, 2016, will be recognized in pension expense over the next four years.

(15) 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. This 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 2016. Complete financial statements for the Carthage-Leake County Airport, P.O. Box 577, Carthage, MS, 39501.

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 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 authorized appropriation to the joint venture was \$200,250 in fiscal year 2016.

(16) Jointly Governed Organizations.

The County participates in the following jointly governed organizations.

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 1 of the 15 members of the board of directors. The county appropriated \$15,058 for support district in fiscal year 2016.

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 \$379,010 for maintenance and support of the college in fiscal year 2016.

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 2016 other than membership dues of \$2,143.

LEAKE COUNTY

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

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 2016.

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 2016.

(17) Subsequent Events.

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Leake County evaluated the activity of the County through April 9, 2018, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2016, the County issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>		<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
11/21/2016	1.88%	\$	102,513	Capital Lease	Ad valorem taxes
11/18/2016	2.37%		52,893	Capital Lease	Ad valorem taxes
06/19/2017	2.69%		155,604	Capital Lease	Ad valorem taxes
04/12/2017	2.69%		115,568	Capital Lease	Ad valorem taxes
02/02/2018	3.24%		41,533	Capital Lease	Ad valorem taxes
02/02/2018	3.19%		70,962	Capital Lease	Ad valorem taxes
03/23/2018	3.99%		780,838	Capital Lease	Ad valorem taxes
04/02/2018	3.10%		499,703	Capital Lease	Ad valorem taxes

LEAKE COUNTY

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LEAKE COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

LEAKE COUNTY

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LEAKE COUNTY
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
General Fund
For the Year Ended September 30, 2016
UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 3,798,615	3,697,648	3,697,648	
Licenses, commissions and other revenue	279,100	224,088	224,088	
Fines and forfeitures	280,075	294,805	294,805	
Intergovernmental revenues	1,121,450	532,509	532,509	
Charges for services	463,000	55,220	55,220	
Interest income	31,020	33,777	33,777	
Miscellaneous revenues	228,700	146,874	146,874	
Total Revenues	<u>6,201,960</u>	<u>4,984,921</u>	<u>4,984,921</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	3,453,058	2,984,383	2,984,383	
Public safety	1,930,167	1,628,734	1,628,734	
Public works	64,101	52,236	52,236	
Health and welfare	143,469	118,533	118,533	
Culture and recreation	229,964	229,964	229,964	
Conservation of natural resources	90,412	86,367	86,367	
Economic development and assistance	36,408	35,414	35,414	0
Total Expenditures	<u>5,947,579</u>	<u>5,135,631</u>	<u>5,135,631</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>254,381</u>	<u>(150,710)</u>	<u>(150,710)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources	205,000	766,533	766,533	
Other financing uses	(420,384)	(214,400)	(1,138,213)	(923,813)
Total Other Financing Sources and Uses	<u>(215,384)</u>	<u>552,133</u>	<u>(371,680)</u>	<u>(923,813)</u>
Net Change in Fund Balance	38,997	401,423	(522,390)	(923,813)
Fund Balances - Beginning		<u>1,998,896</u>	<u>1,998,896</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 38,997</u>	<u>2,400,319</u>	<u>1,476,506</u>	<u>(923,813)</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, 2016
UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,234,736	1,219,193	1,219,193	
Road and bridge privilege taxes	235,000	246,470	246,470	
Intergovernmental revenues	921,000	774,407	774,407	
Charges for services	2,000	4,081	4,081	
Interest income	9,000	15,360	15,360	
Miscellaneous revenues	47,525	109,129	109,129	
Total Revenues	<u>2,449,261</u>	<u>2,368,640</u>	<u>2,368,640</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	3,346,308	2,637,404	2,637,404	
Debt service:				
Principal		171,118	171,118	
Interest		4,327	4,327	
Total Expenditures	<u>3,346,308</u>	<u>2,812,849</u>	<u>2,812,849</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(897,047)</u>	<u>(444,209)</u>	<u>(444,209)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources	50,000	796,986	1,296,986	500,000
Other financing uses			(779,200)	(779,200)
Total Other Financing Sources and Uses	<u>50,000</u>	<u>796,986</u>	<u>517,786</u>	<u>(279,200)</u>
Net Change in Fund Balance	(847,047)	352,777	73,577	(279,200)
Fund Balances - Beginning		817,604	817,604	0
Fund Balances - Ending	<u>\$ (847,047)</u>	<u>1,170,381</u>	<u>891,181</u>	<u>(279,200)</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)
 State Aid / Bridge Replacement Fund
 For the Year Ended September 30, 2016
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental revenues	\$ 100,000	153,260	153,260	
Interest income	500			
Total Revenues	<u>100,500</u>	<u>153,260</u>	<u>153,260</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works		153,260	153,260	
Total Expenditures	<u>0</u>	<u>153,260</u>	<u>153,260</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>100,500</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance Fund Balances - Beginning	<u>100,500</u>			<u>0</u>
Fund Balances - Ending	<u>\$ 100,500</u>	<u>0</u>	<u>0</u>	<u>0</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)
Solid Waste Disposal Fund
For the Year Ended September 30, 2016
UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 78,017	71,799	71,799	
Charges for services	700,400	1,257,792	1,257,792	
Interest income	11,000	2,734	2,734	
Miscellaneous revenues	9,500	524	524	
Total Revenues	<u>798,917</u>	<u>1,332,849</u>	<u>1,332,849</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	1,159,629	991,179	991,179	
Debt service:				
Principal	111,817	111,740	111,740	
Interest	1,777	1,777	1,777	
Total Expenditures	<u>1,273,223</u>	<u>1,104,696</u>	<u>1,104,696</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(474,306)</u>	<u>228,153</u>	<u>228,153</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources		275,395	275,395	
Total Other Financing Sources and Uses	<u>0</u>	<u>275,395</u>	<u>275,395</u>	<u>0</u>
Net Change in Fund Balance	(474,306)	503,548	503,548	
Fund Balances - Beginning		285,468	285,276	(192)
Fund Balances - Ending	<u>\$ (474,306)</u>	<u>789,016</u>	<u>788,824</u>	<u>(192)</u>

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

Last 10 Fiscal Years*

For the Year Ended September 30, 2016

	<u>2016</u>	<u>2015</u>
County's proportion of the net pension liability (asset)	0.069710%	0.072881%
County's proportionate share of the net pension liability (asset)	\$ 12,451,948	11,265,965
County's covered-employee payroll	\$ 4,463,827	4,553,219
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	278.95%	247.43%
Plan fiduciary net position as a percentage of the total pension liability	57.47%	61.70%

* The amounts presented for each fiscal year were determined as of the twelve months ended at the measurement date of June 30 of the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and, until a full 10 year trend is compiled, the County has only presented information for the years in which information is available.

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

LEAKE COUNTY
Schedule of County Contributions
Last 10 Fiscal Years*
For the Year Ended September 30, 2016

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 721,956	716,454
Contributions in relation to the contractually required contribution	<u>721,956</u>	<u>716,454</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>
County's covered-employee payroll	\$ 4,583,847	4,548,914
Contributions as a percentage of covered-employee payroll	15.75%	15.75%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and, until, a full 10 year trend is compiled, the County has only presented information for the years in which information is 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, 2016

UNAUDITED

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 each major Special Revenue Fund:

	Governmental Fund Types			
	General Fund	County Road And Bridge Fund	State Aid / Bridge Replacement Fund	Solid Waste Disposal Fund
Budget (Cash Basis)	\$ (522,390)	73,577	-	503,548
Increase (Decrease)				
Net adjustments for revenue accruals	(783,751)	(83,964)	1,146,948	15,133
Net adjustments for expenditure accruals	640,207	14,378	(1,146,948)	(81,511)
GAAP Basis	\$ (665,934)	3,991	-	437,170

LEAKE COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2016

UNAUDITED

Pension Schedules

A. Changes of assumptions

In 2016, the assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

B. Changes in benefit provisions

2016

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

Method and assumptions used in calculations of actuarially determined contributions. The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (2016 Employer contributions are developed from 2014 valuation). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	29.2 years
Asset valuation method	5-year smoothed market
Price Inflation	3.50 percent
Salary increase	4.25 percent to 19.50 percent, including inflation
Investment rate of return	8.00 percent, net of pension plan investment expense, including inflation

LEAKE COUNTY

SUPPLEMENTAL INFORMATION

LEAKE COUNTY

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LEAKE COUNTY
Reconciliation of Operating Costs of Solid Waste
For the Year Ended September 30, 2016

Operating Expenditures, Cash Basis:

Salaries	\$	132,226
Contractual services		39,761
Contractual services-Solid Waste Disposal		788,674
Consumable supplies		21,879
Miscellaneous		8,639
		<hr/>

Solid Waste Cash Basis Operating Expenditures		991,179
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Full Cost Expenses:

Indirect administrative costs		16,347
Pension expense		23,339
Depreciation on equipment		62,730
		<hr/>

Solid Waste Full Cost Operating Expenses	\$	<u><u>1,093,595</u></u>
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LEAKE COUNTY

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LEAKE COUNTY

OTHER INFORMATION

LEAKE COUNTY

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LEAKE COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2016
UNAUDITED

Name	Position	Company	Bond
Tony Smith	Supervisor District 1	RLI	\$ 100,000
Joe A. Helton	Supervisor District 2	RLI	100,000
Oliver Smith	Supervisor District 3	RLI	100,000
J. Lucas Brown	Supervisor District 4	RLI	100,000
Davis Gill	Supervisor District 5	Travelers	50,000
Curtis Johnson	Supervisor District 5	RLI	100,000
Dot Merchant	Chancery Clerk	RLI	100,000
Robert Gill, Jr.	County Administrator	RLI	100,000
Belinda Atkinson	Purchase Clerk	RLI	75,000
Debbie Beranich	Assistant Purchase Clerk	RLI	50,000
Venita Verry	Receiving Clerk	Brierfield	75,000
Deborah G. Daugherty	Assistant Receiving Clerk	Travelers	50,000
Evangeline Harvey	Assistant Receiving Clerk	RLI	50,000
Rhonda L. Blanton	Assistant Receiving Clerk	Brierfield	50,000
Tiffany Agent	Assistant Receiving Clerk	RLI	50,000
Stephanie Mays	Assistant Receiving Clerk	Brierfield	50,000
Barbara C. Smith	Assistant Receiving Clerk	Brierfield	50,000
Michele Joiner	Assistant Receiving Clerk	RLI	10,000
Sonya Nealy	Assistant Receiving Clerk	Brierfield	50,000
Tammy Jones	Assistant Receiving Clerk	RLI	50,000
Heather Cook	Assistant Receiving Clerk	RLI	50,000
Tawanna Steve	Assistant Receiving Clerk	RLI	50,000
Mary Sharp	Assistant Receiving Clerk	Travelers	50,000
Sherry Leflore	Assistant Receiving Clerk	RLI	50,000
Kristye Horn	Assistant Receiving Clerk	RLI	50,000
Adrianna Wilcher	Assistant Receiving Clerk	RLI	50,000
Kristyn Horn	Inventory Control Clerk	RLI	75,000
Robert Gill	Road Manager	RLI	100,000
Ronnie Ingram	Road Manager	Brierfield	75,000
Randy Atkinson	Constable	Travelers	50,000
Steve McMillon	Constable	Travelers	50,000
Jimmy Cook	Circuit Clerk	RLI	100,000
Kathy Henderson	Circuit Clerk	Western Surety	100,000
Sherry Leflore	Deputy Circuit Clerk	RLI	50,000
Sharon Carson	Deputy Circuit Clerk	Western Surety	50,000
Viktorea Pace	Deputy Circuit Clerk	RLI	50,000
Gregg Waggoner	Sheriff	RLI	100,000
Ruby Graham	Justice Court Judge	RLI	50,000
Ken Adcock	Justice Court Judge	RLI	50,000
Sonya Nealy	Justice Court Judge	RLI	50,000
Adrianna Wilcher	Justice Court Clerk	RLI	50,000
Sonya Nealy	Justice Court Clerk	RLI	50,000
Adrianna Wilcher	Deputy Justice Court Clerk	Brierfield	50,000
Elizabeth C. Smith	Deputy Justice Court Clerk	RLI	50,000
Ashley O'Bannon	Deputy Justice Court Clerk	Travelers	50,000
Tawanna Steve	Deputy Justice Court Clerk	Travelers	50,000
Kim Withers	Tax Assessor-Collector	RLI	100,000
Cynthia Fortune	Deputy Tax Collector	RLI	50,000
Vickie Alford	Deputy Tax Collector	Brierfield	50,000
Tammy Jones	Deputy Tax Collector	RLI	100,000
Tina Ingram	Deputy Tax Collector	Brierfield	50,000
Wendy A. Shuler	Deputy Tax Collector	Brierfield	50,000
Heather Cook	Deputy Tax Collector	Brierfield	50,000
Diashana Jones	Deputy Tax Collector	RLI	50,000

LEAKE COUNTY

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LEAKE COUNTY

SPECIAL REPORTS

LEAKE COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Leake County, Mississippi (the County), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated April 9, 2018. Our report includes a qualified opinion on the governmental activities and the General Fund because the county did not maintain adequate subsidiary records documenting the existence and valuation of Circuit Clerk and Justice Court fines receivable, both of which are required by accounting principles generally accepted in the United States of America.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 2016-001, 2016-004, 2016-005 and 2016-006 to be material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 2016-002 and 2016-003 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Leake County, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2016-001.

We also noted certain matters which we have reported to the management of Leake County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated April 9, 2018, included within this document.

Leake County's Responses to Findings

Leake County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Leake County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



JOE E. MCKNIGHT, CPA
Director, County Audit Section

April 9, 2018



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**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 (the County) 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 bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2016. 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 such 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 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, 2016.

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 and, in our opinion, is fairly presented in relation to that examination.

This report is intended for use in evaluating Leake County, Mississippi's compliance with the aforementioned requirements, 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.

A handwritten signature in black ink, reading "Joe E. McKnight". The signature is written in a cursive, flowing style with a long horizontal stroke extending to the right.

JOE E. MCKNIGHT, CPA
Director, County Audit Section

April 9, 2018

LEAKE COUNTY

Schedule 1

Schedule of Purchases From Other Than the Lowest Bidder
For the Year Ended September 30, 2016

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

LEAKE COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2016

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
4/1/2016	Bridge Repair on Kelly-Kincaid Road	\$ 78,953	NL Carson Construction Company Inc.	Bridge Damage MDOT Closed Road

LEAKE COUNTY

Schedule 3Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2016

<u>Date</u>	<u>Item Purchased</u>		<u>Amount Paid</u>	<u>Vendor</u>
4/21/2016	Tank Car Culvert	\$	12,422	Smith Diversified Railcar
7/25/2016	Paper Link Imaging Software		15,950	Delta Computer Systems
9/22/2016	Supreme Palm Scanner		7,528	AD&S

LEAKE COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

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, 2016, 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 April 9, 2018, on the financial statements of Leake County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of 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.

The results of our review procedures and compliance tests identified certain areas that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Board of Supervisors.

1.	<u>PERS Retirees should not be paid more than the allowable salary per Form 4B.</u>
Repeat Finding	No
Criteria	Section 25-11-127(4)(a), Miss. Code Ann. (1972), requires a retiree to not exceed one-half of the normal working days for the position in any fiscal year during which the retiree will not receive no more than one-half of the salary in effect for the position at the time of employment.
Condition	According to test work performed, we noted a PERS retiree was paid \$2,416 more than the allowable one half of the regular salary for the position.
Cause	Unknown.
Effect	By overpaying PERS retirees, the County is not in compliance with state legal requirements.

Recommendation	The County should ensure that PERS retirees are not being paid more than the allowable amount per the PERS Form 4B.
Views of Responsible Official(s)	We will comply with all PERS requirements.
2.	<u>Required Forms Should Be Completed for Reemployment after Retirement.</u>
Repeat Finding	No
Criteria	Section 25-11-127(4)(b), Miss. Code Ann. (1972), states that notice shall be given in writing to the executive director, setting forth the facts upon which the employment is being made, and the notice shall be given within five (5) days from the date of employment and also from the date of termination of the employment. Notice is given by submitting to PERS the form 4B, Certification/Acknowledgement of Reemployment of PERS Service Retiree. This form must be filled-out by the retiree and the appointing authority of PERS covered agency employing such service retiree under the reemployment provisions. Also, under the requirement for PERS, if a retired employee is to be classified as an independent contractor, he or she must fill-out Employee vs. Independent Contractor Determination Questionnaire for approval from this agency as such.
Condition	During the testing of the Form 4B's and Independent Contractors, it was noted that four of the county's employees in various departments are considered Independent Contractors; however the Form 4B is not filled-out.
Cause	Unknown
Effect	Failure to prepare and retain copies of the required forms for reemployment of retired employees could result in the overpayment of salaries to those individuals.
Recommendation	We recommend that the county ensure retired rehired employees have filled-out the proper paperwork and have approval from PERS in order to have the appropriate classification.
Views of Responsible Official(s)	We will comply with all requirements of PERS.
3.	<u>Interfund transfers should be approved in the board minutes.</u>
Repeat Finding	No
Criteria	Section 19-3-27, Miss. Code Ann. (1972), requires the board minutes to be a complete and correct record of all proceedings of the Board of Supervisors.
Condition	Interfund transfers were made without clear purposes as to why the transfer was made, and one transfer was not documented in the board minutes.
Cause	Unknown
Effect	The failure to approve all transfers in the board minutes with clear purposes for the transfers could cause transfers to be misrepresented and creates the opportunity for inappropriate transfers to be made.

Recommendation	The Board of Supervisors should spread orders on the minutes relative to interfund transfers including the purpose of the transfers.
Views of Responsible Official(s)	The necessity of the interfund loans was conveyed to the board verbally, but wasn't specifically noted in the minutes. The board attorney and I have discussed this and from this time forward will have a written reason in the minutes.
Chancery Clerk.	
4.	<u>Chancery Clerk's annual financial report was misstated.</u>
Repeat Finding	No
Criteria	Section 9-1-43(1), Miss. Code Ann. (1972), states that after making deductions for employer contributions paid by the Chancery Clerk to the Public Employees' Retirement System under Sections 25-11-106.1 and 25-11-123(f)(4), employee salaries and related salary expenses, and expenses allowed as deductions by Schedule C of the Internal Revenue Code, no office of the Chancery Clerk of any county in the state shall receive fees as compensation for the Chancery Clerk's services in excess of Ninety Thousand Dollars. The Chancery Clerk is responsible for providing adequate documentation to support all expenses and ensuring that all fees are recorded on the fee journal and included in the annual financial report.
Condition	During the testing of the Chancery Clerk's 2016 annual financial report we noted \$1,050 in clerk's fees that were improperly recorded on the fee journal and not included in the 2016 annual financial report and \$2,450 in expenses that were disallowed or not documented.
Cause	Unknown
Effect	Due to failure to detect recording errors on the fee journal and maintain adequate documentation of all expenses, the Chancery Clerk, after recalculation of the 2016 annual financial report, owes an additional \$3,500 in over the salary cap fees to the Leake County Board of Supervisors.
Recommendation	The Chancery Clerk should settle the additional \$3,500 in excess salary cap fees for the 2016 calendar year to the Leake County Board of Supervisors and file an amended 2016 annual financial report with the Office of the State Auditor and the Public Employees' Retirement System. The Chancery Clerk should also establish a system of controls to ensure the fee journal is an accurate and complete.
Views of Responsible Official(s)	Financial Report has been amended and mailed. Proceeds will be settled to county.
Auditor's Note	The Chancery Clerk reimbursed the \$3,500 for salary cap overages on March 9, 2018, as evidenced by receipt warrant number 39427.
5.	<u>The audit synopsis should be published.</u>
Repeat Finding	No
Criteria	Section 7-7-221, Miss. Code Ann. (1972), requires the Clerk of the Board to publish a synopsis of the annual audit report as soon as possible after receipt of the report. The Clerk of the Board shall forward a copy of the published synopsis to the State Auditor.

Condition	The Chancery Clerk did not published a synopsis of the 2015 annual report.
Cause	Unknown
Effect	If the synopsis is not published accordingly, the State Auditor is authorized to prepare the synopsis and have it published in accordance with Section 7-7-221 at cost to the county.
Recommendation	The Chancery Clerk should publish a synopsis of the annual audit report when the report is received and forward the synopsis to the State Auditor.
Views of Responsible Official(s)	We will comply with State Law.
Leake County Correctional Facility.	
6.	<u>No authority for the jail to provide and collect a fee for meals for employees.</u>
Repeat Finding	No
Criteria	Section 19-25-73, Miss. Code Ann. (1972), allows for the feeding of prisoners and specifies the payment of costs incurred. No authority exists for the feeding of anyone other than the prisoners.
Condition	Jail employees reimburse the County \$0.50 per day, in exchange the Leake County Correctional Facility provides lunch to those employees when meals are prepared for the County's inmates. We know of no authority that allows the county to provide subsidized meals to county employees in this manner.
Cause	Unknown
Effect	Providing daily meals to employees constitutes an impermissible benefit similar to a bonus and could result in excess costs incurred for the feeding of inmates.
Recommendation	The Leake County Correctional Facility should only feed inmates at the jail.
Views of Responsible Official(s)	Leake County Correctional Facility will no longer provide meals for employees.
7.	<u>The Leake County Correctional Facility should strengthen controls by making timely settlements.</u>
Repeat Finding	No
Criteria	An effective system of internal control over cash should include procedures to ensure settlements of canteen profits to the county Board of Supervisors are made monthly.
Condition	Results of tests performed on the inmate canteen account indicated that the Regional Jail was not making settlements in a timely manner. Further, the month of November 2015 was never settled to the County.
Cause	Unknown
Effect	Failure to settle profits timely could result in the loss or misappropriation of public funds.
Recommendation	The Leake County Correctional Facility should implement internal controls to ensure that settlements are made monthly.

Views of Responsible Official(s)	Leake County Correctional Facility will strengthen controls by making deposits twice a week and making settlements monthly.
Justice Court Clerk.	
8.	<u>The Justice Court Clerk should ensure that proper bonds are obtained for deputies.</u>
Repeat Finding	No
Criteria	Section 25-1-15, Miss. Code Ann. (1972) states that a new bond in an amount not less than that required by law shall be secured upon employment and coverage shall continue by securing a new bond every four years concurrent with the normal election cycle of the Governor or with the normal election cycle of the local government applicable to the employee.
Condition	A Deputy Justice Court Clerk's bond was written for an indefinite time rather than a term.
Cause	Unknown
Effect	Failure to follow state law regarding bonding requirements could limit the amount of recovery in case of errors or fraud if occurred over multiple terms.
Recommendation	The Justice Court Clerk should cancel the current bonds and secure a new one for the duration of the current term.
Views of Responsible Official(s)	Since being informed of the issue I have spoken with my County Administrator and the issue is being corrected. I will touch base with him periodically to make sure this issue has been corrected.
Road Manager.	
9.	<u>Road manager should ensure that proper bond is obtained.</u>
Repeat Finding	No
Criteria	Section 65-17-1(3), Miss. Code Ann. (1972) states The county road manager, before entering upon his duties, shall give bond, with sufficient surety, to be payable, conditioned and approved as provided by law, in a penalty in such amount as may be approved by the board of supervisors, but not less than Fifty Thousand Dollars (\$ 50,000.00).
Condition	The County Administrator was appointed as of August 1, 2015 to serve as Road Manager for the county. A bond was not obtained for the Road Manager until June 2017.
Cause	Unknown
Effect	Failure to have officials bonded could limit the amount of recovery in case of errors or fraud.
Recommendation	The Board of Supervisors should implement additional procedures to ensure that all officials required by state statute are properly bonded.
Views of Responsible Official(s)	Oversight could have been that County Administrator was appointed Interim Road Manager and was not bonded as Administrator. Corrected and now bonded for both positions. We have implemented a data base of all personnel whom require bonds and date they expire.

Receiving Clerk.

10.	<u>Assistant Receiving Clerk was bonded for an indefinite time period.</u>
Repeat Finding	No
Criteria	Section 25-1-15, Miss. Code Ann. (1972) states that a new bond in an amount not less than that required by law shall be secured upon employment and coverage shall continue by securing a new bond every four years concurrent with the normal election cycle of the Governor or with the normal election cycle of the local government applicable to the employee.
Condition	An Assistant Receiving Clerk bond was written for an indefinite time rather than a term.
Cause	Unknown
Effect	Failure to follow state law regarding bonding requirements could limit the amount of recovery in case of errors or fraud if occurred over multiple terms.
Recommendation	The Receiving Clerk should cancel the current bonds and secure new bonds for the duration of the current term.
Views of Responsible Official(s)	I plan on staying on top of the bonds and making sure they are correct.

11.	<u>Assistant Receiving Clerk is bonded for less than the statutory requirement.</u>
Repeat Finding	No
Criteria	Section 31-7-124, Miss. Code Ann. (1972) states all assistant purchasing, receiving and inventory control clerks shall be bonded in a penalty not less than Fifty Thousand Dollars (\$ 50,000.00).
Condition	An Assistant Receiving Clerk is bonded for \$10,000.
Cause	Unknown
Effect	Failure to obtain bond for correct amount could limit the amount of recovery in case of errors or fraud.
Recommendation	The Receiving Clerk should implement additional procedures to ensure that all officials required by state statute are properly bonded.
Views of Responsible Official(s)	I plan on staying on top of the bonds and making sure they are correct.

Sheriff.

12.	<u>The Leake County Sheriff's Office should strengthen controls by making daily cash deposits.</u>
Repeat Finding	No
Criteria	An effective system of internal control over cash includes daily bank deposits.
Condition	Results of tests performed indicated that the Sheriff's office was making deposits twice per month.
Cause	Unknown

Effect	Failure to deposit collections daily could result in the misappropriation of public funds.
Recommendation	The Sheriff should implement internal controls to ensure that daily bank deposits are made.
Views of Responsible Official(s)	Deposits will be made daily.

Tax Assessor-Collector.

13. The Tax Assessor-Collector should ensure compliance over bonding of deputies.

Repeat Finding	No
Criteria	Section 27-1-9(a), Miss. Code Ann. (1972) states each deputy tax collector shall give bond to be payable, conditioned and approved as provided by law in an amount not less than Fifty Thousand Dollars (\$ 50,000.00) for the faithful discharge of his duties.
Condition	A deputy tax collector was not bonded for a period of fifteen months.
Cause	Unknown
Effect	Failure to have officials bonded could limit the amount of recovery in case of errors or fraud.
Recommendation	The Tax Collector should implement additional procedures to ensure that all deputies are properly bonded.
Views of Responsible Official(s)	A list of bond expiration dates will be kept in our file to verify all employees are covered for the appropriate amount.

Leake County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

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.



JOE E. MCKNIGHT, CPA
Director, County Audit Section

April 9, 2018

LEAKE COUNTY

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LEAKE COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

LEAKE COUNTY

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LEAKE COUNTY

Schedule of Findings and Responses For the Year Ended September 30, 2016

Section 1: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued on the financial statements:

Governmental activities	Qualified
Business-type activities	Unmodified
General Fund	Qualified
County Road and Bridge Fund	Unmodified
State Aid Bridge Replacement Fund	Unmodified
Solid Waste Disposal Fund	Unmodified
Leake County Correctional Facility Fund	Unmodified
Aggregate remaining fund information	Unmodified
2. Internal control over financial reporting:
 - a. Material weaknesses identified? Yes
 - b. Significant deficiencies identified? Yes
3. Noncompliance material to the financial statements noted? Yes

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

Material Noncompliance

2016-001.	<u>Restricted tax levies should only be used for authorized purposes.</u>
Repeat Finding	No
Criteria	Section 27-39-305, Miss. Code Ann. (1972) authorizes the Board of Supervisors to annually impose a countywide ad valorem tax levy or levies for the maintenance and/or construction of roads and bridges.
Condition	Ad valorem taxes levied under this code section are authorized only for the maintenance and/or construction of roads and bridges. The Board of Supervisors approved interfund loans from the County Road and Bridge Fund to the General Fund of \$1,050,000 to make up for shortfalls of revenue.
Cause	Unknown
Effect	The transfer of funds from the County Road and Bridge Fund to the General Fund resulted in the misuse of a restricted tax levy and a diversion of legally restricted funds.

LEAKE COUNTY

Schedule of Findings and Responses For the Year Ended September 30, 2016

Recommendation	The Board of Supervisors should not approve any interfund loans or transfers to be spent for purposes other than those authorized by law. All interfund loans and transfers should be recorded in the board minutes with the reason for the loan, the date the loan is expected to be repaid and the source of funds for the repayment. The Board of Supervisors should ensure that any outstanding interfund loans are repaid as soon as possible.
Views of Responsible Official(s)	We didn't realize the misuse of funds as we were making a loan since the money was paid back. I have discussed this with the board and there will not be any more loans of this sort from this time forward.
Significant Deficiency	
2016-002.	<u>Part-time Employees paid as Full-time employees.</u>
Repeat Finding	No
Criteria	According to the PERS regulation Title 27 Part 210 Chapter 36 subsection 103, any person who works half time or more based on a full-time equivalent position and whose employment is anticipated to exceed four and one-half consecutive months shall be covered, whether probationary or otherwise.
Condition	According to test work performed, three employees were noted that worked consistently over twenty hours a week.
Cause	Unknown.
Effect	Failure to transition employees to full-time status breaks the contractual obligation made to PERS, and retirement settled to PERS could be directly understated as a result.
Recommendation	The county should transition employees working over twenty hours a week to full-time status.
Views of Responsible Official(s)	On one of the individuals that began as part time, I hired that individual as part time. Due to the laws of state inmate labor his work load changed and due to oversight he was never changed to in payroll to full time. When the payroll clerk noticed this it was corrected. As for the other two employees, one was hired years before I came and was allowed to opt out of state retirement by a former payroll clerk by signing a waiver. We were not made aware of this until the audit by the state was being performed, despite the annual audit performed by another group. The last was hired as a dispatcher part time and due to several health problems with co-workers was asked by her supervisor to work more. This has been explained to us and we have a better understanding now.
Significant Deficiency	
2016-003.	<u>Employees Should be Paid According to the Personnel Policy and Employee Handbook.</u>
Repeat Finding	No
Criteria	According to the Personnel Policy and Employee Handbook of Leake County, employees are not allowed to be reimbursed upon termination more than 160 hours of unused leave or 240 hours of unused compensatory time upon termination.

LEAKE COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2016

Condition	According to test work performed, several employees were paid for greater than 240 hours of unused leave upon termination.
Cause	Unknown.
Effect	Excessive payments made to terminated employees can result in misappropriation of funds.
Recommendation	The Board should ensure controls are in place to prohibit excessive payments.
Views of Responsible Official(s)	We are currently working on a new personnel policy handbook. We will comply.
Circuit Clerk.	
Material Weakness	
2016-004.	<u>Controls over Circuit Clerk fines receivable should be strengthened.</u>
Repeat Finding	No
Criteria	An effective system of internal control over fines receivable records should include maintaining adequate subsidiary records to substantiate the total fines receivable balance.
Condition	Management did not maintain adequate subsidiary records documenting the existence and valuation of fines receivable for Circuit Court fines and the aging of fines receivable.
Cause	Unknown
Effect	The Independent Auditor's report includes a qualified opinion on the Governmental Activities and the General Fund because we were not able to satisfy ourselves as to the fair presentation of the Circuit Court fines receivable.
Recommendation	The Circuit Clerk should continue to identify unrecorded fines receivable and correct errors in reported balances as well as establish procedures documenting the existence and valuation of fines receivable, including the aging schedules of fines receivable.
Views of Responsible Official(s)	The Circuit Clerk's Office is implementing a Partial Pay System that will update payments daily and can be reconciled to the master fines receivable report monthly. This will take some time due to the fact that each individual account will have to be audited to try to determine the correct balance due on the Aging of Fines Report. There is a card file started on all new cases to track fines and payments and all payments made by Defendants, old and new cases will be scanned into the computer and a copy of the receipt placed in their file.
Material Weakness	
2016-005.	<u>The Circuit Clerk should strengthen controls over the collections and settlement of court receipts.</u>
Repeat Finding	Yes

LEAKE COUNTY

Schedule of Findings and Responses For the Year Ended September 30, 2016

Criteria	An effective system of internal control should include, monthly reconciliations of the bank statements to the cash journals, daily deposits, monthly settlements, and timely posting of partial payments to the accounts receivable subsidiary records, court dockets and case files.
Condition	<p>During the audit of the Circuit Clerk's office we noted the following deficiencies:</p> <ol style="list-style-type: none">The civil and criminal cash journals were not reconciled to the bank statements.Deposits were not made daily, in some cases weeks or months after collection.Settlements to the Chancery Clerk were not timely.Partial payments of fines and fees were not consistently posted to the accounts receivable subsidiary records and the case files.The former Circuit Clerk left office with a material buildup of \$266,786 in unidentified funds remaining in her bank accounts.
Cause	Unknown
Effect	Failure to reconcile the bank statements to the cash journals, deposits daily, settle monthly, and post partial payments to the accounts receivable subsidiary records, court dockets and case files could result in financial statement misstatements and/or misappropriation of assets.
Recommendation	The Circuit Clerk should implement controls to ensure that bank statements are reconciled to the cash journals monthly, deposits are made daily, settlements are made monthly, and partial payments are posted timely to the accounts receivable subsidiary records, court dockets and case files.
Views of Responsible Official(s)	The office is aware of the deficiencies stated above. Changes have been made to address these findings. Civil and Criminal Journals are reconciled to the bank statements monthly, the Cash Journals are maintained by the Deputy Clerk and they reconciled to the bank statements by another clerk monthly. Deposits are now made daily and in a Timely manner, usually the first or second day following the end of the month being reported. We are implementing a Partial Pay System that will update payments daily and can be reconciled to the master fines Receivable report monthly. This will take some time due to the fact that each individual account will have to be audited to try to determine the correct balance due on the Aging of Fines Report. There is a card file started on all new cases to track fines and payments and all payments made by Defendants, old and new cases will be scanned in to the computer and a copy of the receipt placed in their file. The \$266,786.00 in the previous Circuit Clerks bank accounts have been turned over to the Leake County Board of Supervisors at this time.
Justice Court Clerk.	
Material Weakness	
2016-006.	<u>Controls over the determination of collectability of Justice Court fines receivable should be strengthened.</u>
Repeat Finding	No
Criteria	An effective system of internal control over fines receivable records should include an analysis of collectability of accounts at year end.

LEAKE COUNTY

Schedule of Findings and Responses For the Year Ended September 30, 2016

Condition	The Justice Court aging of fines receivable report included fine balances for cases that were not adjudicated prior to the fiscal year end.
Cause	Unknown
Effect	Cases that are not adjudicated have not been earned by the county and therefore the fine on that case is not a receivable of the county. The extent to which these account misstate the Justice Court fines receivable is not known. Therefore, the Independent Auditor's report includes a qualified opinion on the Governmental Activities and the General Fund because we were not able to satisfy ourselves as to the fair presentation of the Justice Court fines receivable.
Recommendation	The Justice Court Clerk should run the aged fines receivable report so that only adjudicated cases are presented.
Views of Responsible Official(s)	I will be speaking with our computer people to advise them of the proper codes that need to be ran for this report for next year.