

# LEAKE COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports

For the Year Ended September 30, 2017

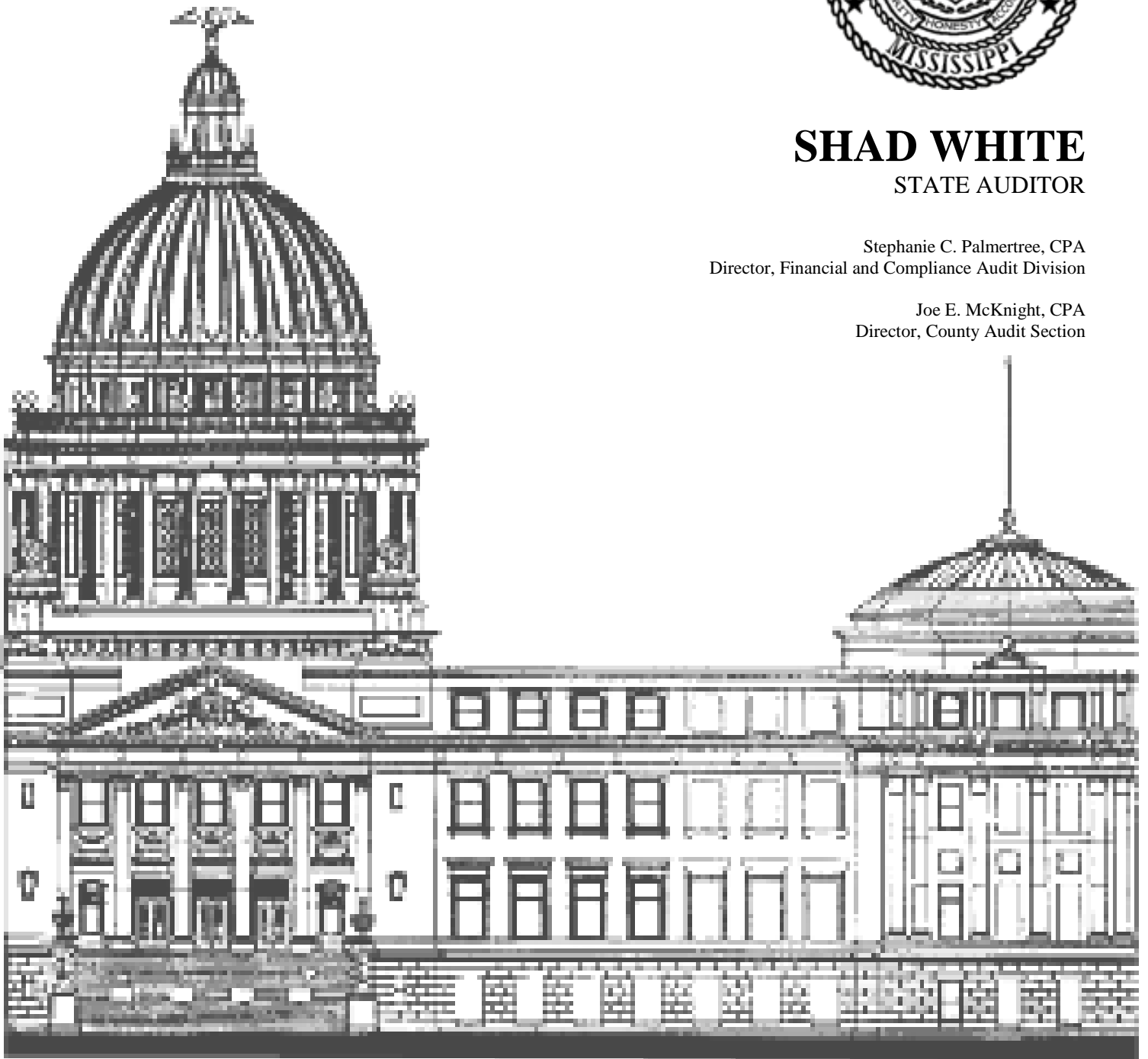


## SHAD WHITE

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

[www.osa.state.ms.us](http://www.osa.state.ms.us)









**STATE OF MISSISSIPPI  
OFFICE OF THE STATE AUDITOR**

**Shad White**  
AUDITOR

May 3, 2019

Members of the Board of Supervisors  
Leake County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2017 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 "Shad White", enclosed within a large, loopy oval shape.

Shad White



LEAKE COUNTY  
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LEAKE COUNTY

FINANCIAL SECTION

LEAKE COUNTY

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**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**SHAD WHITE**  
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, 2017, 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 \$1,010,211, as of September 30, 2017. 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 Opinions***

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, 2017, 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 Solid Waste Disposal Fund, the Leake County Correctional Facility Fund, and the aggregate remaining fund information of Leake County, Mississippi, as of September 30, 2017, 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 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 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 May 3, 2019 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Leake County, Mississippi's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Leake County, Mississippi's internal control over financial reporting and compliance.

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

JOE E. MCKNIGHT, CPA  
Director, County Audit Section

May 3, 2019

LEAKE COUNTY

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LEAKE COUNTY

FINANCIAL STATEMENTS

LEAKE COUNTY

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LEAKE COUNTY  
Statement of Net Position  
September 30, 2017

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash	\$ 5,089,298	617,757	5,707,055
Investments	196,790		196,790
Property tax receivable	3,987,280		3,987,280
Accounts receivable (net of allowance for uncollectibles of \$1,233,220)	304,791		304,791
Fines receivable (net of allowance for uncollectibles of \$1,461,720)	1,010,211		1,010,211
Intergovernmental receivables	452,576	246,539	699,115
Other receivables	44,990		44,990
Internal balances	275,475	(275,475)	
Capital assets:			
Land and construction in progress	2,519,369	38,000	2,557,369
Other capital assets, net	10,568,881	3,271,882	13,840,763
Total Assets	<u>24,449,661</u>	<u>3,898,703</u>	<u>28,348,364</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	1,072,676	244,268	1,316,944
Total Deferred Outflows of Resources	<u>1,072,676</u>	<u>244,268</u>	<u>1,316,944</u>
<b>LIABILITIES</b>			
Claims payable	303,493	79,726	383,219
Intergovernmental payables	338,500		338,500
Accrued interest payable	27,089		27,089
Amounts held in custody for others	79,599		79,599
Other payables	1,499		1,499
Long-term liabilities			
Net pension liability	8,694,534	2,910,590	11,605,124
Due within one year:			
Capital debt	507,050		507,050
Non-capital debt	392,361		392,361
Due in more than one year:			
Capital debt	1,613,738		1,613,738
Non-capital debt	1,971,535	115,340	2,086,875
Total Liabilities	<u>13,929,398</u>	<u>3,105,656</u>	<u>17,035,054</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	249,071	604,043	853,114
Deferred revenues - property taxes	3,987,280		3,987,280
Total Deferred Inflows of Resources	<u>4,236,351</u>	<u>604,043</u>	<u>4,840,394</u>
<b>NET POSITION</b>			
Net investment in capital assets	10,967,462	3,309,882	14,277,344
Restricted for:			
Expendable:			
General government	606,268		606,268
Public safety	695,353		695,353
Public works	2,025,032		2,025,032
Culture and recreation	8,956		8,956
Economic development and assistance	543,394		543,394
Debt service	149,355		149,355
Unrestricted	(7,639,232)	(2,876,610)	(10,515,842)
Total Net Position	<u>\$ 7,356,588</u>	<u>433,272</u>	<u>7,789,860</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, 2017

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	\$ 4,013,308	687,001	308,319		(3,017,988)		(3,017,988)
Public safety	2,133,450	310,748	404,725		(1,417,977)		(1,417,977)
Public works	4,073,663	1,155,346	792,819	136,461	(1,989,037)		(1,989,037)
Health and welfare	138,403		402,456		264,053		264,053
Culture and recreation	247,924	5,957			(241,967)		(241,967)
Conservation of natural resources	78,980				(78,980)		(78,980)
Economic development and assistance	108,699				(108,699)		(108,699)
Interest on long-term debt	158,785				(158,785)		(158,785)
Pension expense	1,287,813				(1,287,813)		(1,287,813)
Total Governmental Activities	<u>12,241,025</u>	<u>2,159,052</u>	<u>1,908,319</u>	<u>136,461</u>	<u>(8,037,193)</u>		<u>(8,037,193)</u>
Business-type activities:							
Leake County Correctional Facility	<u>3,024,228</u>	<u>2,723,188</u>	<u>0</u>	<u>0</u>		<u>(301,040)</u>	<u>(301,040)</u>
Total Business-type Activities	<u>3,024,228</u>	<u>2,723,188</u>	<u>0</u>	<u>0</u>		<u>(301,040)</u>	<u>(301,040)</u>
Total Primary Government	<u>\$ 15,265,253</u>	<u>4,882,240</u>	<u>1,908,319</u>	<u>136,461</u>	<u>(8,037,193)</u>	<u>(301,040)</u>	<u>(8,338,233)</u>
General revenues:							
Property taxes					\$ 5,915,507		5,915,507
Road & bridge privilege taxes					248,655		248,655
Grants and contributions not restricted to specific programs					428,256		428,256
Unrestricted interest income					24,957	3,768	28,725
Miscellaneous					<u>1,012,085</u>	<u>75,398</u>	<u>1,087,483</u>
Total General Revenues					<u>7,629,460</u>	<u>79,166</u>	<u>7,708,626</u>
Changes in Net Position					<u>(407,733)</u>	<u>(221,874)</u>	<u>(629,607)</u>
Net Position - Beginning					<u>7,764,321</u>	<u>655,146</u>	<u>8,419,467</u>
Net Position - Ending					<u>\$ 7,356,588</u>	<u>433,272</u>	<u>7,789,860</u>

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

LEAKE COUNTY  
Balance Sheet - Governmental Funds  
September 30, 2017

Exhibit 3

	Major Funds				
	General Fund	County Road and Bridge Fund	Solid Waste Disposal Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash	\$ 1,546,814	567,000	913,962	2,061,522	5,089,298
Investments	196,790				196,790
Property tax receivable	2,823,723	777,388	102,144	284,025	3,987,280
Accounts receivable (net of allowance for uncollectibles of \$1,233,220)			304,791		304,791
Fines receivable (net of allowance for uncollectibles of \$1,461,720)	1,010,211				1,010,211
Intergovernmental receivables	146,534	234,511	14,688	56,843	452,576
Other receivables	111	1,342	457	17,351	19,261
Due from other funds	72,236	123,117	3,127	8,243	206,723
Advances to other funds	203,036	2,500	6,175	25,729	237,440
Total Assets	<u>\$ 5,999,455</u>	<u>1,705,858</u>	<u>1,345,344</u>	<u>2,453,713</u>	<u>11,504,370</u>
<b>LIABILITIES</b>					
Liabilities:					
Claims payable	\$ 129,569	27,223	82,126	64,575	303,493
Intergovernmental payables	283,409			55,091	338,500
Due to other funds	54,487			30,000	84,487
Advances from other funds		6,175	31,797	20,500	58,472
Amounts held in custody for others	79,599				79,599
Other payables	1,499				1,499
Total Liabilities	<u>\$ 548,563</u>	<u>33,398</u>	<u>113,923</u>	<u>170,166</u>	<u>866,050</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Unavailable revenue - property taxes	2,823,723	777,388	102,144	284,025	3,987,280
Unavailable revenue - solid waste fees			304,791		304,791
Unavailable revenue - fines	1,010,211				1,010,211
Total Deferred Inflows of Resources	<u>\$ 3,833,934</u>	<u>777,388</u>	<u>406,935</u>	<u>284,025</u>	<u>5,302,282</u>
<b>Fund balances:</b>					
Nonspendable:					
Advances	203,036				203,036
Restricted for:					
General government				606,268	606,268
Public safety				695,353	695,353
Public works		895,072	824,486	683	1,720,241
Culture and recreation				8,956	8,956
Economic development and assistance				543,394	543,394
Debt service				176,444	176,444
Unassigned	1,413,922			(31,576)	1,382,346
Total Fund Balances	<u>\$ 1,616,958</u>	<u>895,072</u>	<u>824,486</u>	<u>1,999,522</u>	<u>5,336,038</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 5,999,455</u>	<u>1,705,858</u>	<u>1,345,344</u>	<u>2,453,713</u>	<u>11,504,370</u>

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, 2017

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 5,336,038
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 \$8,786,939.	13,088,250
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,315,002
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(4,484,684)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(8,694,534)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(27,089)
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	1,072,676
Deferred inflows of resources related to pensions	<u>(249,071)</u>
Total Net Position - Governmental Activities	\$ <u><u>7,356,588</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, 2017

	Major Funds				
	General Fund	County Road and Bridge Fund	Solid Waste Disposal Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 4,115,307	1,211,074	145,949	443,177	5,915,507
Road and bridge privilege taxes		248,655			248,655
Licenses, commissions and other revenue	239,272			5,957	245,229
Fines and forfeitures	205,643			159,651	365,294
Intergovernmental revenues	930,146	926,746		616,144	2,473,036
Charges for services	60,700		996,489	192,787	1,249,976
Interest income	11,858	3,926	3,427	5,746	24,957
Miscellaneous revenues	547,610	60,020	23,788	380,667	1,012,085
Total Revenues	6,110,536	2,450,421	1,169,653	1,804,129	11,534,739
EXPENDITURES					
Current:					
General government	3,820,516			435,540	4,256,056
Public safety	1,813,331			604,925	2,418,256
Public works	42,813	3,048,384	1,048,087	136,961	4,276,245
Health and welfare	129,832				129,832
Culture and recreation	217,013			21,195	238,208
Conservation of natural resources	80,601				80,601
Economic development and assistance	56,827			58,073	114,900
Debt service:					
Principal	68,016	354,982		532,484	955,482
Interest	4,098	25,795		156,946	186,839
Total Expenditures	6,233,047	3,429,161	1,048,087	1,946,124	12,656,419
Excess of Revenues over (under) Expenditures	(122,511)	(978,740)	121,566	(141,995)	(1,121,680)
OTHER FINANCING SOURCES (USES)					
Long-term capital debt issued	102,513	271,172		52,893	426,578
Proceeds from sale of capital assets	62,755	314,230	6,175	436,750	819,910
Transfers in				93,279	93,279
Transfers out	(93,279)				(93,279)
Total Other Financing Sources and Uses	71,989	585,402	6,175	582,922	1,246,488
Net Changes in Fund Balances	(50,522)	(393,338)	127,741	440,927	124,808
Fund Balances - Beginning	1,667,480	1,288,410	696,745	1,558,595	5,211,230
Fund Balances - Ending	\$ 1,616,958	895,072	824,486	1,999,522	5,336,038

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, 2017

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 124,808
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 \$1,601,835 exceeded depreciation of \$692,804 in the current period.	909,031
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net loss of \$708,193 and the proceeds from the sale of \$819,910 in the current period.	(1,528,103)
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.	139,696
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.	158,857
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount that debt repayments of \$955,482 exceeded debt proceeds of \$426,578.	528,904
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	(12,280)
The amount of decrease in accrued interest payable	29,430
The amortization of bond premium	850
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	(1,287,813)
Recording of contributions made during the year	531,113
Change in Net Position of Governmental Activities	\$ <u>(407,733)</u>

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

LEAKE COUNTY  
Statement of Net Position - Proprietary Fund  
September 30, 2017

Exhibit 5

	Business-type Activities - Enterprise Fund
	<u>Leake County Correctional Facility</u>
ASSETS	
Current assets:	
Cash	\$ 617,757
Intergovernmental receivables	246,539
Total Current Assets	<u>864,296</u>
Noncurrent assets:	
Capital assets:	
Land and construction in progress	38,000
Other capital assets, net	3,271,882
Total Noncurrent Assets	<u>3,309,882</u>
Total Assets	<u>4,174,178</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	<u>244,268</u>
Total Deferred Outflows of Resources	<u>244,268</u>
LIABILITIES	
Current liabilities:	
Claims payable	79,726
Due to other funds	122,236
Advances from other funds	153,239
Total Current Liabilities	<u>355,201</u>
Noncurrent liabilities:	
Net pension liability	2,910,590
Non-capital debt:	
Compensated absences payable	115,340
Total Noncurrent Liabilities	<u>3,025,930</u>
Total Liabilities	<u>3,381,131</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	<u>604,043</u>
Total Deferred Inflows of Resources	<u>604,043</u>
NET POSITION	
Net investment in capital assets	3,309,882
Unrestricted	(2,876,610)
Total Net Position	<u>\$ 433,272</u>

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

## LEAKE COUNTY

Exhibit 6Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund  
For the Year Ended September 30, 2017

	Business-type Activities - Enterprise Fund
	<u>Leake County Correctional Facility</u>
Operating Revenues	
Charges for services	\$ 2,723,188
Miscellaneous	<u>69,632</u>
Total Operating Revenues	<u>2,792,820</u>
Operating Expenses	
Personal services	1,563,436
Contractual services	480,912
Materials and supplies	548,356
Depreciation expense	127,873
Indirect administrative cost	42,236
Pension expense	<u>258,516</u>
Total Operating Expenses	<u>3,021,329</u>
Operating Income (Loss)	<u>(228,509)</u>
Nonoperating Revenues (Expenses)	
Interest income	3,768
Gain on sale of capital assets	5,766
Interest expense	<u>(2,899)</u>
Net Nonoperating Revenue (Expenses)	<u>6,635</u>
Changes in Net Position	<u>(221,874)</u>
Net Position - Beginning	<u>655,146</u>
Net Position - Ending	<u>\$ 433,272</u>

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



LEAKE COUNTY  
Statement of Cash Flows - Proprietary Fund  
For the Year Ended September 30, 2017

Exhibit 7

	Business-type Activities - Enterprise Fund
	Leake Correctional Facility Fund
Cash Flows From Operating Activities	
Receipts from customers	\$ 2,697,997
Payments to suppliers	(1,038,342)
Payments to employees	(1,748,013)
Miscellaneous receipts	69,632
Net Cash Provided (Used) by Operating Activities	(18,726)
Cash Flows From Noncapital Financing Activities	
Cash received from other funds:	
Loans from other funds	80,000
Net Cash Provided (Used) by Noncapital Financing Activities	80,000
Cash Flows From Capital and Related Financing Activities	
Proceeds from sale of capital assets	15,408
Acquisition and construction of capital assets	(7,528)
Principal paid on long-term debt	(285,000)
Interest paid on debt	(5,700)
Net Cash Provided (Used) by Capital and Related Financing Activities	(282,820)
Cash Flows From Investing Activities	
Interest on deposits	3,768
Net Cash Provided (Used) by Investing Activities	3,768
Net Increase (Decrease) in Cash and Cash Equivalents	(217,778)
Cash and Cash Equivalents at Beginning of Year	835,535
Cash and Cash Equivalents at End of Year	\$ 617,757
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (228,509)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	127,873
(Increase) decrease in intergovernmental receivables	(25,191)
(Increase) decrease in deferred outflows of related to pensions	193,399
Increase (decrease) in claims payable	(6,300)
Increase (decrease) in intergovernmental payable	(2,774)
Increase (decrease) in compensated absences liability	(6,778)
Increase (decrease) in interfund pay ables	42,236
Increase (decrease) in pension liability	(941,613)
Increase (decrease) in deferred inflows related to pensions	828,931
Total Adjustments	209,783
Net Cash Provided (Used) by Operating Activities	\$ (18,726)

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

LEAKE COUNTY  
Statement of Fiduciary Assets and Liabilities  
September 30, 2017

Exhibit 8

	Agency Funds
ASSETS	
Cash	\$ 193,313
Total Assets	\$ 193,313
LIABILITIES	
Advances from other funds	\$ 25,729
Intergovernmental payables	116,893
Amounts held in custody for others	50,691
Total Liabilities	\$ 193,313

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, 2017

#### (1) Summary of Significant Accounting Policies.

##### A. Financial Reporting Entity.

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

## LEAKE COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2017

#### 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, deferred outflows, liabilities, deferred inflows, fund balances, revenues and expenditures/expenses. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column as Other Governmental Funds.

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

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

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

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

The County reports the following major Governmental Funds:

General Fund - This fund is used to account for and report 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.

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

## LEAKE COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2017

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.

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.

#### 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."

# LEAKE COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2017

### H. Capital Assets.

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

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

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

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 (8) for additional details.

## LEAKE COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2017

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 future periods and so will not be recognized as an inflow of resources (revenue) until that time.

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

Unavailable revenue – 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.

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.

Deferred inflows related to pensions – This amount represents the County's proportionate share of the deferred inflows of resources reported by the pension plan in which the County participates. See Note (8) for additional details.

#### 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.

## LEAKE COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2017

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

#### Net Position Flow Assumption:

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

#### 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



## LEAKE COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2017

property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

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

#### N. Intergovernmental Revenues in Governmental Funds.

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

#### O. 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.

#### P. Changes in Accounting Standards.

The County implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement No. 77, *Tax Abatement Disclosures* and GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73*. The provisions of these standards have been incorporated into the financial statements and notes.

#### (2) Deposits and Investments.

##### Deposits:

The carrying amount of the County's total deposits with financial institutions at September 30, 2017, was \$5,900,368, and the bank balance was \$6,365,040. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

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

# LEAKE COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2017

### Investments:

Investments balances at September 30, 2017, are as follows:

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Rating</u>
Federated Prime Obligations Fund	Less than 1 year	\$ 196,790	AAAm
Total		\$ 196,790	

**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. Banks 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 Federated Government Obligation Funds. These investments are 100 percent of the County's total investments and are reported in the General Fund.

### (3) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2017:

#### A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 30,000
General Fund	Leake County Correctional Facility	42,236
County Road and Bridge Fund	General Fund	43,117
County Road and Bridge Fund	Leake County Correctional Facility	80,000
Solid Waste Disposal Fund	General Fund	3,127
Other Governmental Funds	General Fund	8,243
Total		\$ 206,723

The receivables represent the tax revenue collected in September 2017, but not settled until October, 2017, unpaid indirect costs charged to the Leake County Correctional Facility. All interfund balances are expected to be repaid within one year from the date of the financial statements.

LEAKE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2017

B. Advances from/to Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Solid Waste Disposal Fund	\$ 31,797
General Fund	Other Governmental Funds	18,000
General Fund	Leake County Correctional Facility	153,239
County Road and Bridge Fund	Other Governmental Funds	2,500
Solid Waste Disposal Fund	County Road and Bridge Fund	6,175
Other Governmental Funds	Agency Funds	25,729
Total		<u>\$ 237,440</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, the sale of capital equipment, and correction of posting errors in the prior year.

C. Transfers In/Out:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 93,279
Total		<u>\$ 93,279</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.

(4) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2017, consisted of the following:

<u>Description</u>	<u>Amount</u>
<b>Governmental Activities:</b>	
Legislative tax credit	\$ 99,778
TRIAD Grant	14,001
Reimbursement for Food Stamps	3,291
Emergency Management Performance Grant	180,652
Youth Court Reimbursements	1,794
Timber Severance Tax	567
Medical Expenses Reimbursement	4,400
Motor Vehicle Fuel Tax	51,745
Privilege Tax	24,817
Solid Waste Fees Due from Choctaws	14,688
Community Development Grants	18,225
Drug Court Reimbursement	38,618
Total Governmental Activities	<u>\$ 452,576</u>
<b>Business-type Activities:</b>	
Incentive Pay	\$ 63,500
Reimbursement for Housing Prisoners	183,039
Total Business-type Activities	<u>\$ 246,539</u>

LEAKE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2017

(5) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2017:

**Governmental activities:**

	Balance Oct. 1, 2016	Additions	Deletions	Adjustments*	Balance Sept. 30, 2017
<u>Non-depreciable capital assets:</u>					
Land	\$ 1,220,117		175,766		1,044,351
Construction in progress	1,475,018				1,475,018
Total non-depreciable capital assets	2,695,135	-	175,766	-	2,519,369
<u>Depreciable capital assets:</u>					
Infrastructure	8,716,565				8,716,565
Buildings	4,476,080	752,607	1,626,004		3,602,683
Mobile equipment	4,983,984	416,154	1,023,148	525,555	4,902,545
Furniture and equipment	669,959	6,485	46,896	92,048	721,596
Leased property under capital leases	1,603,445	426,589		(617,603)	1,412,431
Total depreciable capital assets	20,450,033	1,601,835	2,696,048	-	19,355,820
<u>Less accumulated depreciation for:</u>					
Infrastructure	2,466,653	267,428			2,734,081
Buildings	1,709,778	58,208	440,629		1,327,357
Mobile equipment	4,241,195	165,083	860,874	248,691	3,794,095
Furniture and equipment	549,943	39,968	42,208	79,792	627,495
Leased property under capital leases	470,277	162,117		(328,483)	303,911
Total accumulated depreciation	9,437,846	692,804	1,343,711	-	8,786,939
Total depreciable capital assets, net	11,012,187	909,031	1,352,337	-	10,568,881
Governmental activities capital assets, net \$	13,707,322	909,031	1,528,103	-	13,088,250

LEAKE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2017

**Business-type activities:**

	Balance Oct. 1, 2016	Additions	Deletions	Adjustments*	Balance Sept. 30, 2017
<u>Non-depreciable capital assets:</u>					
Land	\$ 38,000				38,000
Total non-depreciable capital assets	38,000	-	-	-	38,000
<u>Depreciable capital assets:</u>					
Buildings	5,175,662				5,175,662
Mobile equipment	222,869		36,072		186,797
Furniture and equipment	321,174	7,528	8,996		319,706
Total depreciable capital assets	5,719,705	7,528	45,068	-	5,682,165
<u>Less accumulated depreciation for:</u>					
Buildings	1,900,655	103,520			2,004,175
Mobile equipment	194,073	5,330	32,456		166,947
Furniture and equipment	223,108	19,023	2,970		239,161
Total accumulated depreciation	2,317,836	127,873	35,426	-	2,410,283
Total depreciable capital assets, net	3,401,869	(120,345)	9,642	-	3,271,882
Business-type activities capital assets, net	\$ 3,439,869	(120,345)	9,642	-	3,309,882

\*Adjustments were made to transfer paid out leased property to mobile equipment and furniture and equipment.

Depreciation expense was charged to the following functions:

	Amount
<b>Governmental activities:</b>	
General government	\$ 48,429
Public safety	127,137
Public works	494,299
Health and welfare	10,512
Culture and recreation	9,716
Conservation of natural resources	2,711
Total governmental activities depreciation expense	\$ 692,804
	Amount
<b>Business-type activities:</b>	
Leake County Correctional facility	\$ 127,873

LEAKE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2017

Commitments with respect to unfinished capital projects at September 30, 2017, consisted of the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
Barnes Road Bridge BR-1533(4)B	\$ 82,911	10/2018
Madden Road LSBP-40(15)	15,873	10/2018

(6) 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, 2017, to January 1, 2018. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(7) Capital Leases.

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2017:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 1,280,752
Furniture and equipment	131,679
Total	1,412,431
Less: Accumulated depreciation	(303,911)
Leased Property Under Capital Leases	<u>\$ 1,108,520</u>

The following is a schedule by years of the total payments due as of September 30, 2017:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 275,050	22,777
2019	262,387	17,237
2020	238,451	11,864
2021	234,657	6,829
2022	68,232	1,800
Total	<u>\$ 1,078,777</u>	<u>60,507</u>

## LEAKE COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2017

#### (8) 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 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, 2017, 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, 2017 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, 2017, 2016 and 2015 were \$708,912, \$721,956 and \$716,454, 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, 2017, the County reported a liability of \$11,605,124 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2017 net pension liability was .069812 percent, which was based on a measurement date of June 30, 2017. This was an increase of .000102 percent from its proportionate share used to calculate the September 30, 2016 net pension liability, which was based on a measurement date of June 30, 2016.

For the year ended September 30, 2017, the County recognized pension expense of \$1,546,329. At September 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

LEAKE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2017

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 168,482	84,679
Net difference between projected and actual earnings on pension plan investments	170,887	
Changes of assumptions	268,757	19,746
Changes in the proportion and differences between the County's contributions and proportionate share of contributions	519,232	748,689
County contributions subsequent to the measurement date	189,586	
Total	\$ 1,316,944	853,114

\$189,586 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30	Amount
2018	\$ 362,709
2019	123,916
2020	11,786
2021	(224,167)
Total	\$ 274,244

Actuarial Assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	3.00 percent
Salary increases	3.25 – 18.50 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 2022, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

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.



# LEAKE COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2017

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Broad	27.00 %	4.60
International Equity	18.00	4.50
Emerging Markets Equity	4.00	4.75
Global	12.00	4.75
Fixed Income	18.00	0.75
Real Assets	10.00	3.50
Private Equity	8.00	5.10
Emerging Debt	2.00	2.25
Cash	1.00	-
Total	100.00 %	

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.

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%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension liability	\$ 15,220,895	11,605,124	8,603,248

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

LEAKE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2017

(9) Long-term Debt.

Debt outstanding as of September 30, 2017, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
<b>Governmental Activities:</b>			
A. General Obligation Bonds:			
Road and Bridge Bonds, Series 2010	\$ 730,000	2.00/3.86%	02/2021
Industrial Park Development Bonds, Series 2002	337,000	4.75%	02/2021
G.O. Refunding Bonds-Leake Memorial Hospital Series 2010	<u>1,560,000</u>	1.95/5.95%	01/2023
Total General Obligation Bonds	<u>\$ 2,627,000</u>		
B. Capital Leases:			
Two Dodge Chargers	\$ 1,266	1.88%	10/2017
Trackhoe	13,559	1.81%	02/2018
2015 Dodge Ram	3,300	1.84%	02/2018
Three New Tahoes	74,614	1.88%	11/2019
2016 Chevy Silverado	24,616	1.96%	04/2021
Dump trucks	530,986	1.96%	05/2021
E-911 Equipment upgrade	106,371	1.99%	08/2021
One New Ambulance	52,893	2.37%	11/2021
One Used John Deere Loader	115,568	2.69%	04/2022
One Caterpillar Excavater	<u>155,604</u>	2.69%	06/2022
Total Capital Leases	<u>\$ 1,078,777</u>		
C. Other Loans:			
2015 - Two Road and Bridge Notes	\$ 404,305	2.20%	11/2020
Barnes Fire Station	63,935	2.00%	01/2024
Tax Refund Note	<u>226,464</u>	2.25%	10/2020
Total Other Loans	<u>\$ 694,704</u>		

LEAKE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2017

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
2018	\$ 462,000	119,600	162,361	15,213
2019	484,000	98,773	165,942	11,632
2020	502,000	76,237	169,603	7,971
2021	530,000	51,691	173,343	4,230
2022	354,000	29,118	10,636	406
2023 - 2027	295,000	8,776	12,819	238
Total	\$ 2,627,000	384,195	694,704	39,690

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, 2017, the amount of outstanding debt was equal to 2.74% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2017:

	Balance Oct. 1, 2016	Additions	Reductions	Balance Sept. 30, 2017	Amount due within one year
<b>Governmental Activities:</b>					
Compensated absences	\$ 96,912	12,280	-	109,192	-
Claims and judgments					
General obligation bonds	3,071,000	-	444,000	2,627,000	462,000
Less:					
Discounts	(28,964)		(2,226)	(26,738)	
Add:					
Premiums	2,599		850	1,749	
Capital leases	1,004,810	426,578	352,611	1,078,777	275,050
Other loans	853,575	-	158,871	694,704	162,361
Total	\$ 4,999,932	438,858	954,106	4,484,684	899,411

# LEAKE COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2017

	Balance Oct. 1, 2016	Additions	Reductions	Balance Sept. 30, 2017	Amount due within one year
<b>Business-type Activities:</b>					
Compensated absences	\$ 122,118	-	6,778	115,340	
Limited obligation bonds	285,000		285,000		
Add:					
Premiums	1,851		1,851		
Total	\$ 408,969	-	293,629	115,340	-

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 Communication Fund, Leake County Economic Development District Fund, Leake County Correctional Facility, and Solid Waste Disposal Fund.

### (10) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances at September 30, 2017:

Fund	Deficit Amount
Hospital B & I	\$ 2,495
Advalorem Tax Refund	29,081

### (11) Contingencies.

**Federal Grants** - The County has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the County. No provision for any liability that may result has been recognized in the County's financial statements.

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

### (12) Effect of Deferred Amounts on Net Position

The governmental activities' unrestricted net position amount of (\$7,639,232) 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 \$142,037 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, 2018. The \$930,639 balance of the deferred outflow of resources related to pensions at September 30, 2017, will be recognized in pension expense over the next 3 years. The \$249,071 balance of the deferred inflow of resources related to pension at September 30, 2017, will be recognized in pension expense over the next 4 years.

The business-type activities' unrestricted net position amount of (\$2,876,610) 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 \$47,549 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, 2018. The \$196,719 balance of the deferred outflow of resources related to pensions at September 30, 2017, will be recognized in pension expense over the next 3 years. The \$604,043 balance of the deferred inflow of resources related to pension at September 30, 2017, will be recognized in pension expense over the next 4 years.

## LEAKE COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2017

#### (13) Joint Ventures.

The County participates in the following joint ventures:

Leake County is a participant with the City of Carthage in joint venture authorized by Section 39-3-11. Miss. Code Ann. (1972), to operate the Cartage-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 2017. Complete financial statements for the Cartage-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 service to the citizens of the member counties. The Leake County Board of Supervisors appoints one of the five members of the board of directors. By contractual agreement, the county's authorized appropriations to the joint venture was \$208,150 in fiscal year 2017.

#### (14) 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 directors. The county appropriated \$15,058 for support district in fiscal year 2017.

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 \$364,324 for maintenance and support of the college in fiscal year 2017.

Central Mississippi Emergency Medical Services District operate in a district composed of the Counties of Attala, Clark, 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 2017 other than membership dues of \$2,143.

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 2017.

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 the support of the commission in fiscal year 2017.

#### (15) Subsequent Events.

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Leake County evaluated the activity of the County through May 3, 2019, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

LEAKE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2017

Subsequent to September 30, 2017, 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>
02/02/2018	3.24%	\$	41,533	Capital Lease	Advolerm taxes
02/20/2018	3.19%		70,962	Capital Lease	Advolerm taxes
03/23/2018	3.99%		780,838	Capital Lease	Advolerm taxes
04/02/2018	3.10%		499,703	Capital Lease	Advolerm taxes
04/25/2018	3.59%		28,436	Capital Lease	Advolerm taxes
01/24/2019	3.87%		238,662	Capital Lease	Advolerm taxes
03/18/2019	3.31%		200,000	Negotiable Note	Advolerm taxes

## 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, 2017  
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 4,172,177	4,116,067	4,116,067	
Licenses, commissions and other revenue	284,400	237,550	237,550	
Fines and forfeitures	280,075	206,990	206,990	
Intergovernmental revenues	2,134,250	915,733	915,733	
Charges for services	463,000	56,853	56,853	
Interest income	32,020	10,837	10,837	
Miscellaneous revenues	232,700	900,060	900,060	
Total Revenues	<u>7,598,622</u>	<u>6,444,090</u>	<u>6,444,090</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
General government	4,421,127	3,875,265	3,875,265	
Public safety	1,862,813	1,686,403	1,686,403	
Public works	77,929	44,380	44,380	
Health and welfare	143,869	128,012	128,012	
Culture and recreation	237,864	237,864	237,864	
Conservation of natural resources	90,412	78,077	78,077	
Economic development and assistance	35,142	62,015	62,015	
Debt service:				
Principal		70,192	70,192	
Interest		1,921	1,921	
Total Expenditures	<u>6,869,156</u>	<u>6,184,129</u>	<u>6,184,129</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>729,466</u>	<u>259,961</u>	<u>259,961</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Other financing sources	205,000	1,845,105	1,845,105	
Other financing uses	(420,384)	(114,990)	(2,306,083)	(2,191,093)
Total Other Financing Sources and Uses	<u>(215,384)</u>	<u>1,730,115</u>	<u>(460,978)</u>	<u>(2,191,093)</u>
Net Change in Fund Balance	514,082	1,990,076	(201,017)	(2,191,093)
Fund Balances - Beginning		1,476,412	1,476,412	0
Fund Balances - Ending	<u>\$ 514,082</u>	<u>3,466,488</u>	<u>1,275,395</u>	<u>(2,191,093)</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, 2017  
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,225,819	1,213,037	1,213,037	
Road and bridge privilege taxes	235,000	248,983	248,983	
Intergovernmental revenues	931,000	757,075	757,075	
Charges for services	4,000			
Interest income	9,000	3,925	3,925	
Miscellaneous revenues	53,525	61,567	61,567	
Total Revenues	<u>2,458,344</u>	<u>2,284,587</u>	<u>2,284,587</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	3,033,318	2,862,221	2,862,221	
Debt service:				
Principal		354,982	354,982	
Interest		25,795	25,795	
Total Expenditures	<u>3,033,318</u>	<u>3,242,998</u>	<u>3,242,998</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(574,974)</u>	<u>(958,411)</u>	<u>(958,411)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources	50,000	714,230	714,230	
Other financing uses			(80,000)	(80,000)
Total Other Financing Sources and Uses	<u>50,000</u>	<u>714,230</u>	<u>634,230</u>	<u>(80,000)</u>
Net Change in Fund Balance	(524,974)	(244,181)	(324,181)	(80,000)
Fund Balances - Beginning		891,182	891,182	0
Fund Balances - Ending	<u>\$ (524,974)</u>	<u>647,001</u>	<u>567,001</u>	<u>(80,000)</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, 2017  
UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 152,803	144,413	144,413	
Charges for services	1,001,000	1,010,479	1,010,479	
Interest income	13,000	3,427	3,427	
Miscellaneous revenues	6,500	9,100	9,100	
Total Revenues	<u>1,173,303</u>	<u>1,167,419</u>	<u>1,167,419</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	1,229,885	1,049,342	1,049,342	
Total Expenditures	<u>1,229,885</u>	<u>1,049,342</u>	<u>1,049,342</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(56,582)</u>	<u>118,077</u>	<u>118,077</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources		6,175	6,175	
Total Other Financing Sources and Uses	<u>0</u>	<u>6,175</u>	<u>6,175</u>	<u>0</u>
Net Change in Fund Balance	(56,582)	124,252	124,252	
Fund Balances - Beginning		788,894	788,723	(171)
Fund Balances - Ending	<u>\$ (56,582)</u>	<u>913,146</u>	<u>912,975</u>	<u>(171)</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, 2017

		2017	2016	2015
County's proportion of the net pension liability (asset)		0.069812%	0.069710%	0.072881%
County's proportionate share of the net pension liability (asset)	\$	11,605,124	12,451,948	11,265,965
County's covered payroll	\$	4,478,481	4,463,827	4,553,219
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll		259.13%	278.95%	247.43%
Plan fiduciary net position as a percentage of the total pension liability		61.49%	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, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 708,912	721,956	716,454
Contributions in relation to the contractually required contribution	<u>708,912</u>	<u>721,956</u>	<u>716,454</u>
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>
County's covered payroll	\$ 4,501,029	4,583,847	4,548,914
Contributions as a percentage of covered payroll	15.75%	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

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# LEAKE COUNTY

## Notes to the Required Supplementary Information For the Year Ended September 30, 2017 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 Wide Road Fund	Solid Waste Fund
Budget (Cash Basis)	\$ (201,017)	(324,181)	124,252
Increase (Decrease)			
Net adjustments for revenue accruals	(1,910,878)	37,006	2,234
Net adjustments for expenditure accruals	2,061,373	(106,163)	1,255
GAAP Basis	\$ (50,522)	(393,338)	127,741

LEAKE COUNTY

Notes to the Required Supplementary Information  
For the Year Ended September 30, 2017  
UNAUDITED

Pension Schedules

A. Changes of assumptions.

2015

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.

The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

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

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

2016

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

2017

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022 rather than projected with Scale BB to 2016, which was used prior to 2017. Small adjustments were also made to the Mortality Table for disabled lives.

The wage inflation assumptions was reduced from 3.75% to 3.25%.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

The percentage of active member disabilities assumed to be in the line of duty was increased from 6.00% to 7.00%.

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.



LEAKE COUNTY

Notes to the Required Supplementary Information  
For the Year Ended September 30, 2017  
UNAUDITED

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 (June 30, 2015 valuation for the June 30, 2017 fiscal year end).

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	33.9 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.75 percent to 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

LEAKE COUNTY

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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, 2017

Operating Expenditures, Cash Basis:

Salaries	\$	54,056
Contractual services		32,718
Contractual services - Solid Waste Disposal		958,786
Consumable supplies		2,982
Miscellaneous		799
		<hr/>

Solid Waste Cash Basis Operating Expenditures		1,049,341
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Full Cost Expenses:

Indirect administrative costs		15,863
Pension Expense		12,448
Depreciation on equipment		1,665
		<hr/>

Solid Waste Full Cost Operating Expenses	\$	<u><u>1,079,317</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, 2017  
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
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
Venita Verry	Receiving Clerk	Brierfield	75,000
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	FCCI	50,000
Michele Joiner	Assistant Receiving Clerk	RLI	50,000
Heather Cook	Assistant Receiving Clerk	RLI	50,000
Tawanna Steve	Assistant Receiving Clerk	Travelers	50,000
Mary Sharp	Assistant Receiving Clerk	Travelers	50,000
Jackie Watkins	Assistant Receiving Clerk	RLI	50,000
Kristye Horn	Inventory Control Clerk	RLI	75,000
Robert Gill, Jr.	Road Manager	RLI	100,000
Randy Atkinson	Constable	Travelers	50,000
Steve McMillon	Constable	Travelers	50,000
Kenneth B Adcock	Circuit Clerk	RLI	100,000
Viktorea Pace	Deputy Circuit Clerk	RLI	50,000
Jenna Lepard	Deputy Circuit Clerk	Travelers	50,000
Teisha Johnson	Deputy Circuit Clerk	Travelers	50,000
Gregg Waggoner	Sheriff	RLI	100,000
Ruby Graham	Justice Court Judge	RLI	50,000
Sonya Nealy	Justice Court Judge	RLI	50,000
Adrianna Wilcher	Justice Court Clerk	RLI	50,000
Elizabeth C. Smith	Deputy Justice Court Clerk	RLI	50,000
Ashley O'Bannon	Deputy Justice Court Clerk	Travelers	50,000
Twanna Steve	Deputy Justice Court Clerk	Travelers	50,000
Kim Withers	Tax Collector/Tax Assessor	RLI	100,000
Wendy Shuler	Deputy Tax Collector/Bookkeeper	Western	100,000
Cynthia Fortune	Deputy Tax Collector	RLI	50,000
Vickie Alford	Deputy Tax Collector	Brierfield	50,000
Heather Cook	Deputy Tax Collector	Brierfield	50,000
Diashana Jones	Deputy Tax Collector	RLI	50,000
Beth Moore	Deputy Tax Collector	Travelers	50,000
Stephanie Johnston	Deputy Tax Collector	RLI	50,000
Kaitlyn Lofton	Deputy Tax Assessor	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**  
**SHAD WHITE**  
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, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated May 3, 2019. 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as 2017-001, 2017-002, 2017-003 that we consider to be material weaknesses.

## **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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2017-001.

We also noted certain matters which we have reported to the management of Leake County, Mississippi, in the Independent Accountant's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated May 3, 2019, 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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.



JOE E. MCKNIGHT, CPA  
Director, County Audit Section

May 3, 2019



**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**SHAD WHITE**  
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, 2017. 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.

The results of our audit procedures disclosed certain instances of noncompliance with the aforementioned code sections. These instances of noncompliance were considered in forming our opinion on compliance. Our findings and recommendations and your responses are disclosed below:

1. Purchasing documents should be completed for all purchases in accordance with the County's system of internal controls.

**Repeat Finding** No

**Criteria** The County's system of internal controls require a purchase requisition, purchase order, and receiving report for all purchases of materials and supplies in excess of \$100.

**Condition** Our test results indicated two instances of road materials purchased without the Purchase Clerk's authorization. The Road Manager circumvented the County's internal controls by purchasing dirt valued at \$1,710 and \$2,322 without requesting a purchase order. The Board of Supervisors overrode its own control by approving the purchases after the agreements

were made between the Road Manager and the sellers.

<b>Cause</b>	Management override of controls.
<b>Effect</b>	Failure to comply with internal controls over central purchasing could result in the loss or misappropriation of public funds.
<b>Recommendation</b>	Prior to purchase, department heads should submit a requisition and obtain a purchase order from the Purchase Clerk for all purchases in excess of \$100.
<b>Views of Responsible Official(s)</b>	In the future proper procedure will be followed when it comes to requisitions and purchase orders.

**2.** The Receiving Clerk should ensure that proper bonds are obtained for assistants.

<b>Repeat Finding</b>	No
<b>Criteria</b>	Section 31-7-124 Miss. Code Ann. (1972), requires each assistant to the purchase clerk, receiving clerk, and inventory control clerk be bonded.
<b>Condition</b>	An assistant to the receiving clerk was not bonded.
<b>Cause</b>	Weakness in control environment.
<b>Effect</b>	Failure to obtain bonds in a timely manner could lead to loss of public funds.
<b>Recommendation</b>	The Receiving clerk should ensure all assistants are properly bonded.
<b>Views of Responsible Official(s)</b>	The assistant receiving clerk went to the insurance office and signed the paperwork to be bonded. I assumed she was bonded but did not follow up on the bond. No bond was ever sent to the county and no payment was made. I should have followed through. I am determined to be more aware of the bonds from here forward.

**3.** The Sheriff does not have authority to accept bids.

<b>Repeat Finding</b>	No
<b>Criteria</b>	An effective system of internal control over purchases between \$5,000 and \$50,000 should include the acceptance of the lowest and best competitive written bid by the Board of Supervisors or the Purchase Clerk if the Board has authorized the Purchase Clerk or their designee to accept such bids.
<b>Condition</b>	The Sheriff circumvented controls by soliciting and accepting the lowest bid for a vehicle valued at \$48,054. The Board of Supervisors then overrode its own controls by approving the purchase after the agreement was made between the Sheriff and the seller. The two competitive written bids obtained by the Sheriff were not spread upon the Minutes of the Board of Supervisors.
<b>Cause</b>	Management override of controls.
<b>Effect</b>	Competitive written bids accepted by anyone other than the Board of Supervisors or the Purchase Clerk could result in the loss or misappropriation of public funds.



**Recommendation** Prior to purchase all competitive written bids should be accepted by the Purchase Clerk and if necessary brought before the Board of Supervisors to be accepted. As evidence of such acceptance competitive written bids should be spread upon the minutes of the Board of Supervisors.

**Views of Responsible Official(s)** We will make every effort to make sure all purchases are made in and through proper purchase laws.

Except for the noncompliance referred to in the preceding paragraph, Leake County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2017.

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.

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 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.



JOE E. MCKNIGHT, CPA  
Director, County Audit Section

May 3, 2019

LEAKE COUNTY

Schedule 1

Schedule of Purchases From Other Than the Lowest Bidder  
For the Year Ended September 30, 2017

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, 2017

Schedule 2

Our tests did not identify any emergency purchases.

## LEAKE COUNTY

Schedule 3Schedule of Purchases Made Noncompetitively From a Sole Source  
For the Year Ended September 30, 2017

<u>Date</u>	<u>Item Purchased</u>		<u>Amount Paid</u>	<u>Vendor</u>
12/15/2016	Durapatcher Trailer	\$	34,000	Duraco Corporation
7/12/2017	Ford 4X4 Utility Truck 2007		26,000	Deep South Truck and Equipment



**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**SHAD WHITE**  
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, 2017, 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 May 3, 2019, 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:

**Chancery Clerk.**

1. All bond certificates for County officials and employees should be filed and recorded in the Chancery Clerk's office.

**Repeat Finding** No

**Criteria** Section 25-1-19, Miss. Code Ann. (1972), requires all bonds to be filed and recorded in the Chancery Clerk's office.

**Condition** The Chancery Clerk's bond records do not include bond certificates for all the county officials and employees.

**Cause** Weakness in control environment.

**Effect** Failure to file a copy of the bond documentation with the Chancery Clerk's office could result in the official being improperly bonded.

<b>Recommendation</b>	All bonds for officials and employees should obtained for filing and recording in the Chancery Clerk's office.
<b>Views of Responsible Official(s)</b>	We will adopt a policy requiring each department head to keep track of each required employee's bond, expiration date, bond number, and any other department information related to an employee's bond and renewal.
<b>2.</b>	<u>The audit synopsis should be published.</u>
<b>Repeat Finding</b>	Yes
<b>Criteria</b>	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.
<b>Condition</b>	As reported in the prior year's audit report, the Chancery Clerk has not published a synopsis of the 2015 and 2016 annual report.
<b>Cause</b>	Weakness in control activities.
<b>Effect</b>	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.
<b>Recommendation</b>	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.
<b>Views of Responsible Official(s)</b>	I will comply with the laws of the State of Mississippi by publishing this in the Carthagian.

#### **Leake County Correctional Facility.**

<b>3.</b>	<u>The Leake County Correctional Facility should strengthen controls by making timely settlements.</u>
<b>Repeat Finding</b>	Yes
<b>Criteria</b>	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.
<b>Condition</b>	As reported in the prior year's audit report, 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 December 2016 was never settled to the county.
<b>Cause</b>	Weakness in control environment.
<b>Effect</b>	Failure to settle profits timely could result in the loss or misappropriation of public funds.
<b>Recommendation</b>	The Leake County Correctional Facility should implement internal controls to ensure that settlements are made monthly.
<b>Views of Responsible Official(s)</b>	The Leake County Correctional Facility will implement internal controls to insure that settlements are made monthly.

**Sheriff.**

4. The Leake County Sheriff's Office should strengthen controls by making daily cash deposits.

**Repeat Finding** Yes

**Criteria** An effective system of internal control over cash includes daily bank deposits.

**Condition** As reported in the prior year's audit report, results of tests performed indicated that the Sheriff's office was making deposits twice per month.

**Cause** Lack of management oversight.

**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)** Corrected in 2018.

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

May 3, 2019

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, 2017

### 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
Solid Waste Disposal Fund	Unmodified
Leake County Correctional Facility	Unmodified
Aggregate remaining fund information	Unmodified

2. Internal control over financial reporting:

a. Material weaknesses identified?	Yes
b. Significant deficiency identified?	None Reported

3. Noncompliance material to the financial statements noted? Yes

### Section 2: Financial Statement Findings

#### **Board of Supervisors.**

#### **Material Weakness**

#### **Material Noncompliance**

**2017-001.** Restricted tax levies should only be used for authorized purposes.

**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** As reported in the prior year's audit report, 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 Leake Correctional Facility Fund of \$80,000 to make up for shortfalls of revenue.

**Cause** Controls in place were not adequate in prohibiting the misuse of restricted funds.

**Effect** The transfer of funds from the County Road and Bridge Fund to the Leake Correctional Facility Fund resulted in the misuse of a restricted tax levy and a diversion of legally restricted funds.

**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.

LEAKE COUNTY

Schedule of Findings and Responses  
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**Views of Responsible Official(s)** We will comply.

**Circuit Court Clerk.**

**Material Weakness**

**2017-002.** Controls over Circuit Clerk fines receivable should be strengthened.

**Repeat Finding** Yes

**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** As reported in the prior year's audit report, 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** Lack of management oversight.

**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)** We have fines receivable from January 2017. We post payments on a payment card and also scan a copy of the receipt from each payment into the electronic file. We will continue to try to find unrecorded fines receivable, as well as identify accounts that have been paid in full. We will also continue to correct errors in the balances to the aging report.

**Justice Court Clerk.**

**Material Weakness**

**2017-003.** Controls over the determination of collectability of Justice Court fines receivable should be strengthened.

**Repeat Finding** Yes

**Criteria** An effective system of internal control over fines receivable records should include an analysis of collectability of accounts at year end.

LEAKE COUNTY

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<b>Condition</b>	As reported in the prior year's audit report, the Justice Court aging of fines receivable report included fine balances for cases that were not formally ordered as guilty prior to the fiscal year end.
<b>Cause</b>	Error.
<b>Effect</b>	Cases that were not formally ruled as guilty 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 accounts misstate the Justice Court fine 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.
<b>Recommendation</b>	The Justice Court Clerk should run the aged fines receivable reported so that only formally ruled as guilty cases are presented.
<b>Views of Responsible Official(s)</b>	I have confirmed the proper codes to be included in the fines receivable and will begin using only those.