

LEAKE COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2018

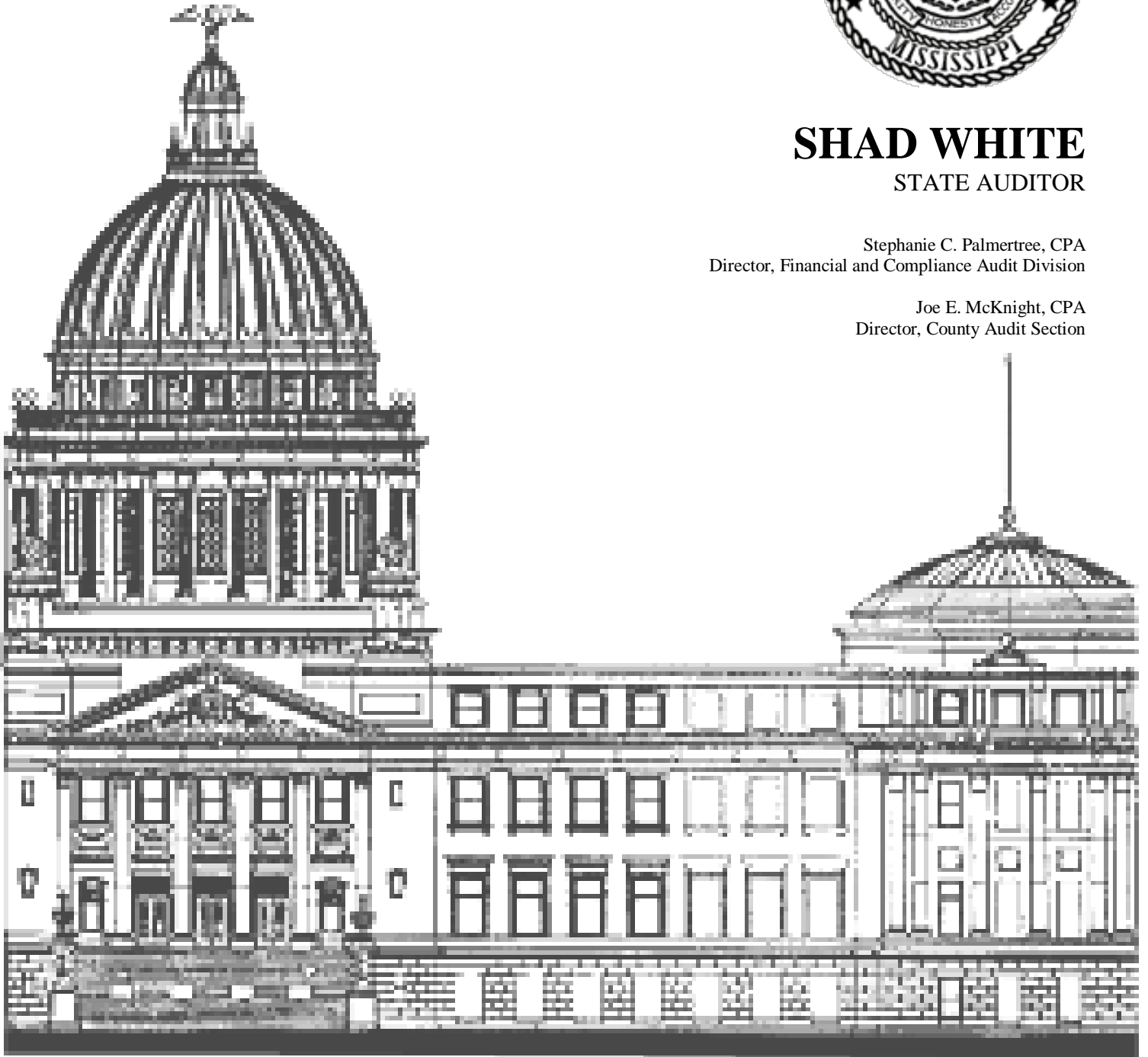


SHAD WHITE

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

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

Shad White
AUDITOR

March 19, 2020

Members of the Board of Supervisors
Leake County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2018 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", is written over a horizontal line.

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, 2018, 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 the General Fund

Management did not maintain adequate subsidiary records documenting the existence and valuation of fines receivable of the Circuit Court or the aging of these fines receivable. Adequate subsidiary records were not maintained and preserved for the Circuit Court fines receivable aging schedules at September 30, 2018. 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 in the General Fund at \$563,275, as of September 30, 2018. Also, because of the nature of the fines receivable records, we could not satisfy ourselves as to the fair presentation of the related transactions of the General Fund.

Qualified Opinion

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence to determine the net realizable value of the fines receivable reported in the General Fund, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the General Fund in Leake County, Mississippi, as of September 30, 2018, 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 governmental activities, 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, 2018, 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 the 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 March 19, 2020 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

March 19, 2020

LEAKE COUNTY

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LEAKE COUNTY

FINANCIAL STATEMENTS

LEAKE COUNTY

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LEAKE COUNTY
Statement of Net Position
September 30, 2018

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 5,260,992	762,064	6,023,056
Property tax receivable	4,212,400		4,212,400
Accounts receivable (net of allowance for uncollectibles of \$1,157,318)	295,711		295,711
Fines receivable (net of allowance for uncollectibles of \$1,171,261)	563,275		563,275
Intergovernmental receivables	450,968	221,810	672,778
Other receivables	20,874		20,874
Internal balances	239,755	(239,755)	-
Capital assets:			
Land and construction in progress	1,027,799	38,000	1,065,799
Other capital assets, net	12,941,948	3,146,701	16,088,649
Total Assets	<u>25,013,722</u>	<u>3,928,820</u>	<u>28,942,542</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	723,573	160,469	884,042
Total Deferred Outflows of Resources	<u>723,573</u>	<u>160,469</u>	<u>884,042</u>
LIABILITIES			
Claims payable	530,805	112,245	643,050
Intergovernmental payables	272,304		272,304
Accrued interest payable	21,194		21,194
Amounts held in custody for others	60,852		60,852
Other payables	542		542
Net pension liability	9,016,567	3,041,006	12,057,573
Due within one year:			
Capital debt	608,069		608,069
Non-capital debt	405,942		405,942
Due in more than one year:			
Capital debt	2,145,055		2,145,055
Non-capital debt	1,565,752	98,168	1,663,920
Total Liabilities	<u>14,627,082</u>	<u>3,251,419</u>	<u>17,878,501</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	284,144	367,976	652,120
Deferred revenues - property taxes	4,212,400		4,212,400
Total Deferred Inflows of Resources	<u>4,496,544</u>	<u>367,976</u>	<u>4,864,520</u>
NET POSITION			
Net investment in capital assets	11,216,623	3,184,701	14,401,324
Restricted for:			
Expendable:			
General government	667,473		667,473
Public safety	753,226		753,226
Public works	1,450,983		1,450,983
Culture and recreation	18,784		18,784
Economic development and assistance	560,629		560,629
Debt service	177,174		177,174
Unrestricted	(8,231,223)	(2,714,807)	(10,946,030)
Total Net Position	<u>\$ 6,613,669</u>	<u>469,894</u>	<u>7,083,563</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, 2018

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 Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 3,503,825	153,457	501,050		(2,849,318)		(2,849,318)
Public safety	2,245,202	303,354	511,997		(1,429,851)		(1,429,851)
Public works	4,185,344	1,029,779	784,716	101,654	(2,269,195)		(2,269,195)
Health and welfare	132,929		144,020		11,091		11,091
Culture and recreation	260,817	5,861			(254,956)		(254,956)
Conservation of natural resources	75,498				(75,498)		(75,498)
Economic development and assistance	90,343				(90,343)		(90,343)
Interest on long-term debt	185,644				(185,644)		(185,644)
Pension expense	1,260,093				(1,260,093)		(1,260,093)
Total Governmental Activities	<u>11,939,695</u>	<u>1,492,451</u>	<u>1,941,783</u>	<u>101,654</u>	<u>(8,403,807)</u>		<u>(8,403,807)</u>
Business-type activities:							
Leake County Correctional Facility	3,173,104	3,175,053				1,949	1,949
Total Business-type Activities	<u>3,173,104</u>	<u>3,175,053</u>	<u>0</u>	<u>0</u>		<u>1,949</u>	<u>1,949</u>
Total Primary Government	<u>\$ 15,112,799</u>	<u>4,667,504</u>	<u>1,941,783</u>	<u>101,654</u>	<u>(8,403,807)</u>	<u>1,949</u>	<u>(8,401,858)</u>
General revenues:							
Property taxes					\$ 5,985,605		5,985,605
Road & bridge privilege taxes					245,981		245,981
Grants and contributions not restricted to specific programs					404,197		404,197
Unrestricted interest income					66,083	8,057	74,140
Miscellaneous					959,022	26,616	985,638
Total General Revenues					<u>7,660,888</u>	<u>34,673</u>	<u>7,695,561</u>
Changes in Net Position					<u>(742,919)</u>	<u>36,622</u>	<u>(706,297)</u>
Net Position - Beginning					<u>7,356,588</u>	<u>433,272</u>	<u>7,789,860</u>
Net Position - Ending					<u>\$ 6,613,669</u>	<u>469,894</u>	<u>7,083,563</u>

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

LEAKE COUNTY
Balance Sheet - Governmental Funds
September 30, 2018

Exhibit 3

	<u>Major Funds</u>				
	<u>General Fund</u>	<u>County Road and Bridge Fund</u>	<u>Solid Waste Disposal Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash	\$ 1,700,023	269,336	1,064,314	2,227,319	5,260,992
Property tax receivable	3,067,167	834,885	26,517	283,831	4,212,400
Accounts receivable (net of allowance for uncollectibles of \$1,157,318)			295,711		295,711
Fines receivable (net of allowance for uncollectibles of \$1,171,261)	563,275				563,275
Intergovernmental receivables	301,328	78,111	15,276	56,253	450,968
Other receivables	1,069			19,805	20,874
Due from other funds	217,955	36,958	2,809	7,738	265,460
Advances to other funds	275,272	2,500	6,175		283,947
Total Assets	<u>\$ 6,126,089</u>	<u>1,221,790</u>	<u>1,410,802</u>	<u>2,594,946</u>	<u>11,353,627</u>
LIABILITIES					
Liabilities:					
Claims payable	\$ 238,057	99,020	83,271	110,457	530,805
Intergovernmental payables	269,497			2,807	272,304
Due to other funds	47,505	100,000		73,675	221,180
Advances from other funds		6,175	31,797	50,500	88,472
Amounts held in custody for others	60,852				60,852
Other payables	542				542
Total Liabilities	<u>616,453</u>	<u>205,195</u>	<u>115,068</u>	<u>237,439</u>	<u>1,174,155</u>
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue - property taxes	3,067,167	834,885	26,517	283,831	4,212,400
Unavailable revenue - fines	563,275				563,275
Unavailable revenue - solid waste fees			295,711		295,711
Total Deferred Inflows of Resources	<u>3,630,442</u>	<u>834,885</u>	<u>322,228</u>	<u>283,831</u>	<u>5,071,386</u>
Fund balances:					
Nonspendable:					
Advances	275,272				275,272
Restricted for:					
General government				667,473	667,473
Public safety				753,226	753,226
Public works		181,710	973,506	56	1,155,272
Culture and recreation				18,784	18,784
Economic development and assistance				560,629	560,629
Debt service				198,368	198,368
Unassigned	1,603,922			(124,860)	1,479,062
Total Fund Balances	<u>1,879,194</u>	<u>181,710</u>	<u>973,506</u>	<u>2,073,676</u>	<u>5,108,086</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 6,126,089</u>	<u>1,221,790</u>	<u>1,410,802</u>	<u>2,594,946</u>	<u>11,353,627</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, 2018

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 5,108,086
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$9,269,730.	13,969,747
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	858,986
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(4,724,818)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(9,016,567)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(21,194)
Deferred outflows and inflows of resources related to pensions and other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources related to pensions	723,573
Deferred inflows of resources related to pensions	<u>(284,144)</u>
Total Net Position - Governmental Activities	\$ <u><u>6,613,669</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, 2018

	Major Funds			Other	Total
	General	County Road	Solid Waste	Governmental	Governmental
	Fund	and Bridge	Disposal	Funds	Funds
		Fund	Fund		
REVENUES					
Property taxes	\$ 4,255,509	1,133,877	149,158	447,061	5,985,605
Road and bridge privilege taxes		245,981			245,981
Licenses, commissions and other revenue	237,498			5,861	243,359
Fines and forfeitures	234,474			184,436	418,910
Intergovernmental revenues	757,168	825,888		864,578	2,447,634
Charges for services	58,140		1,038,859	189,199	1,286,198
Interest income	29,258	6,087	12,219	18,519	66,083
Miscellaneous revenues	351,264	9,930	16,700	470,675	848,569
Total Revenues	5,923,311	2,221,763	1,216,936	2,180,329	11,542,339
EXPENDITURES					
Current:					
General government	4,019,123			470,839	4,489,962
Public safety	1,826,242			694,307	2,520,549
Public works	59,428	3,136,347	1,067,916	265,147	4,528,838
Health and welfare	124,709				124,709
Culture and recreation	238,539			22,278	260,817
Conservation of natural resources	76,461				76,461
Economic development and assistance	39,187			57,325	96,512
Debt service:					
Principal	55,667	564,439		562,477	1,182,583
Interest	16,573	35,856		137,574	190,003
Total Expenditures	6,455,929	3,736,642	1,067,916	2,209,947	13,470,434
Excess of Revenues over (under) Expenditures	(532,618)	(1,514,879)	149,020	(29,618)	(1,928,095)
OTHER FINANCING SOURCES (USES)					
Long-term capital debt issued	921,307	499,699			1,421,006
Proceeds from sale of capital assets	51,637	227,500			279,137
Transfers in	4,750	74,318		120,301	199,369
Transfers out	(182,840)			(16,529)	(199,369)
Total Other Financing Sources and Uses	794,854	801,517	-	103,772	1,700,143
Net Changes in Fund Balances	262,236	(713,362)	149,020	74,154	(227,952)
Fund Balances - Beginning	1,616,958	895,072	824,486	1,999,522	5,336,038
Fund Balances - Ending	\$ 1,879,194	181,710	973,506	2,073,676	5,108,086

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, 2018

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (227,952)
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 \$1,801,415 exceeded depreciation of \$751,233 in the current period.	1,050,182
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net gain of \$110,452 and the proceeds from the sale of \$279,137 in the current period.	(168,685)
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.	(446,936)
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.	(9,080)
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount that debt proceeds of \$1,421,006 exceeded debt repayments of \$1,182,583.	(238,423)
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	(175)
The amount of decrease in accrued interest payable	5,895
The amortization of bond premium	690
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	(1,260,093)
Recording of contributions made during the year	<u>553,884</u>
Change in Net Position of Governmental Activities	\$ <u><u>(742,919)</u></u>

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

LEAKE COUNTY
Statement of Net Position - Proprietary Fund
September 30, 2018

Exhibit 5

	<u>Business-type Activities - Enterprise Fund</u>
	<u>Leake County Correctional Facility</u>
ASSETS	
Current assets:	
Cash	\$ 762,064
Intergovernmental receivables	221,810
Total Current Assets	<u>983,874</u>
Noncurrent assets:	
Capital assets:	
Land and construction in progress	38,000
Other capital assets, net	3,146,701
Total Noncurrent Assets	<u>3,184,701</u>
Total Assets	<u>4,168,575</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	160,469
Total Deferred Outflows of Resources	<u>160,469</u>
LIABILITIES	
Current liabilities:	
Claims payable	112,245
Due to other funds	44,280
Advances from other funds	195,475
Total Current Liabilities	<u>352,000</u>
Noncurrent liabilities:	
Net pension liability	3,041,006
Non-capital debt:	
Compensated absences payable	98,168
Total Noncurrent Liabilities	<u>3,139,174</u>
Total Liabilities	<u>3,491,174</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	367,976
Total Deferred Inflows of Resources	<u>367,976</u>
NET POSITION	
Net investment in capital assets	3,184,701
Unrestricted	(2,714,807)
Total Net Position	<u>\$ 469,894</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, 2018

	Business-type Activities - Enterprise Funds
	Leake County Correctional Facility
Operating Revenues	
Charges for services	\$ 3,175,053
Miscellaneous	26,616
Total Operating Revenues	<u>3,201,669</u>
Operating Expenses	
Personal services	1,639,187
Contractual services	556,959
Materials and supplies	642,537
Depreciation expense	123,709
Indirect administrative cost	44,280
Pension expense	164,960
Total Operating Expenses	<u>3,171,632</u>
Operating Income (Loss)	<u>30,037</u>
Nonoperating Revenues (Expenses)	
Interest income	8,057
Gain (loss) on sale of capital assets	(1,472)
Net Nonoperating Revenue (Expenses)	<u>6,585</u>
Changes in Net Position	<u>36,622</u>
Net Position - Beginning	<u>433,272</u>
Net Position - Ending	<u>\$ 469,894</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, 2018

Exhibit 7

	Business-type Activities - Enterprise Fund
	Leake County Correctional Facility
Cash Flows From Operating Activities	
Receipts from customers	\$ 3,199,782
Payments to suppliers	(1,166,977)
Payments to employees	(1,843,171)
Miscellaneous receipts	26,616
Net Cash Provided (Used) by Operating Activities	216,250
Cash Flows From Noncapital Financing Activities	
Cash paid to other funds:	
Interfund loan repayments	(80,000)
Net Cash Provided (Used) by Noncapital Financing Activities	(80,000)
Cash Flows From Investing Activities	
Interest on deposits	8,057
Net Cash Provided (Used) by Investing Activities	8,057
Net Increase (Decrease) in Cash and Cash Equivalents	144,307
Cash and Cash Equivalents at Beginning of Year	617,757
Cash and Cash Equivalents at End of Year	\$ 762,064
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ 30,037
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	123,709
Changes in assets and liabilities:	
(Increase) decrease in intergovernmental receivables	24,729
(Increase) decrease in interfund payables	44,280
Increase (decrease) in claims payable	32,519
Increase (decrease) in compensated absences liability	(17,172)
(Increase) decrease in pension liability	130,416
(Increase) decrease in deferred outflows related to pensions	83,799
Increase (decrease) in deferred inflows related to pensions	(236,067)
Total Adjustments	186,213
Net Cash Provided (Used) by Operating Activities	\$ 216,250

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

LEAKE COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2018

Exhibit 8

	Agency Funds
ASSETS	
Cash	\$ 419,156
Total Assets	\$ 419,156
LIABILITIES	
Amounts held in custody for others	\$ 159,357
Intergovernmental payables	259,799
Total Liabilities	\$ 419,156

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, 2018

(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.

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

LEAKE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2018

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

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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.

LEAKE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2018

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."

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

LEAKE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2018

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.

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

Deferred revenues – property taxes/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.

LEAKE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2018

Unavailable revenue – solid waste fee – 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.

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

Net Position Flow Assumption:

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

LEAKE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2018

Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Government fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the County:

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

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

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

Fund Balance Flow Assumption:

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

M. Property Tax Revenues:

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

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

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

LEAKE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2018

N. Intergovernmental Revenues in Governmental Funds.

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

O. Compensated Absences.

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

(2) Deposits and Investments.

Deposits:

The carrying amount of the County's total deposits with financial institutions at September 30, 2018, was \$6,442,212, and the bank balance was \$6,696,270. 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.

(3) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2018:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	73,675
General Fund	County Road and Bridge Fund	100,000
General Fund	Leake County Correctional Facility	44,280
County Road and Bridge Fund	General Fund	36,958
Solid Waste Disposal Fund	General Fund	2,809
Other Governmental Funds	General Fund	7,738
Total		<u>265,460</u>

LEAKE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2018

The receivables represent the tax revenue collected in September 2018 but not settled until October 2018, unpaid indirect costs charged to the Leake County Correction Facility, and loans to cover operating costs. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances from/to Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	48,000
General Fund	Solid Waste Disposal Fund	31,797
General Fund	Leake County Correctional Facility	195,475
County Road and Bridge Fund	Other Governmental Funds	2,500
Solid Waste Disposal Fund	County Road and Bridge Fund	6,175
		<u>283,947</u>
Total		\$ <u>283,947</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>
General Fund	Other Governmental Funds	4,750
County Road and Bridge Fund	General Fund	62,539
County Road and Bridge Fund	Other Governmental Funds	11,779
Other Governmental Funds	General Fund	120,301
		<u>199,369</u>
Total		\$ <u>199,369</u>

The principle purposes of interfund transfers were to provide funds for grant matches, to provide funds for operating expenses and debt service payments, and correction of posting errors in the prior year. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(4) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2018, consisted of the following:

LEAKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2018

Description	Amount
Governmental Activities:	
Legislative tax credit	\$ 92,967
Reimbursement for food stamps	2,224
Emergency management performance grant	24,083
Timber severance tax	844
Window restoration grant	160,000
Medical expense reimbursement	10,980
Motor vehicle fuel tax	49,913
Privilege tax	28,198
Solid waste fees due from Chocktaws	15,276
State aid reimbursement	39,130
Drug court reimbursement	17,123
Other	10,230
Total Governmental Activities	\$ 450,968
Business-type Activities:	
Reimbursement for housing prisoners	\$ 220,610
Incentive pay	1,200
Total Business-type Activities	\$ 221,810

(5) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2018:

Governmental activities:	Balance Oct. 1, 2017	Additions	Deletions	Adjustments*	Balance Sept. 30, 2018
Non-depreciable capital assets:					
Land	\$ 1,044,351		16,552		1,027,799
Construction in progress	1,475,018	98,784		(1,573,802)	-
Total non-depreciable capital assets	2,519,369	98,784	16,552	(1,573,802)	1,027,799
Depreciable capital assets:					
Infrastructure	8,716,565			1,573,802	10,290,367
Building	3,602,683				3,602,683
Mobile equipment	4,902,545	248,461	414,090	434,104	5,171,020
Furniture and equipment	721,596	33,160	6,485		748,271
Leased property under capital leases	1,412,431	1,421,010		(434,104)	2,399,337
Total depreciable capital assets	19,355,820	1,702,631	420,575	1,573,802	22,211,678

LEAKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2018

Governmental activities:

	Balance Oct. 1, 2017	Additions	Deletions	Adjustments*	Balance Sept. 30, 2018
<u>Less accumulated depreciation for:</u>					
Infrastructure	2,734,081	270,737			3,004,818
Buildings	1,327,357	58,199			1,385,556
Mobile equipment	3,794,095	180,069	267,274	86,654	3,793,544
Furniture and equipment	627,495	23,711	1,168	11,335	661,373
Leased property under capital leases	303,911	218,517		(97,989)	424,439
Total accumulated depreciation	8,786,939	751,233	268,442	-	9,269,730
Total depreciable capital assets, net	10,568,881	951,398	152,133	1,573,802	12,941,948
Governmental activities capital assets, net	\$ 13,088,250	1,050,182	168,685		13,969,747

Business-type activities:

	Balance Oct. 1, 2017	Additions	Deletions	Adjustments*	Balance Sept. 30, 2018
<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>					
Building	5,175,662				5,175,662
Mobile equipment	186,797				186,797
Furniture and equipment	319,706		14,720		304,986
Total depreciable capital assets	5,682,165	-	14,720	-	5,667,445
<u>Less accumulated depreciation for:</u>					
Buildings	2,004,175	103,517			2,107,692
Mobile equipment	166,947	1,170			168,117
Furniture and equipment	239,161	19,022	13,248		244,935
Total accumulated depreciation	2,410,283	123,709	13,248	-	2,520,744
Total depreciable capital assets, net	3,271,882	(123,709)	1,472	-	3,146,701
Business-type activities capital assets, net	\$ 3,309,882	(123,709)	1,472	-	3,184,701

*Adjustments were made to transfer completed construction in progress to infrastructure and paid out leased property to mobile equipment and furniture and equipment.

LEAKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2018

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental activities:	
General government	\$ 81,748
Public safety	146,589
Public works	509,673
Health and welfare	10,512
Conservation of natural resources	<u>2,711</u>
Total governmental activities depreciation expense	\$ <u>751,233</u>

	<u>Amount</u>
Business-type activities:	
Leake County Correctional Facility	<u>123,709</u>
Total business-type activities depreciation expense	\$ <u>123,709</u>

(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, 2018, to January 1, 2019. 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, 2018:

<u>Classes of Property</u>	<u>Governmental</u>
Improvements other than building	780,376
Mobile equipment	\$ 1,487,282
Furniture and equipment	<u>131,679</u>
Total	2,399,337
Less: Accumulated depreciation	<u>424,439</u>
Leased Property Under Capital Leases	\$ <u>1,974,898</u>

LEAKE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2018

The following is a schedule by years of the total payments due as of September 30, 2018:

Year Ending September 30	Governmental Activities	
	Principal	Interest
2019	\$ 364,069	59,610
2020	352,111	50,034
2021	333,877	40,780
2022	154,769	32,246
2023	103,221	27,210
2024 - 2028	178,918	110,908
2029 - 2034	217,993	71,833
2035 - 2038	236,619	24,224
Total	\$ 1,941,577	416,845

(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, 2018, 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, 2018 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, 2018, 2017 and 2016 were \$740,695, \$708,912 and \$721,956, respectively, equal to the required contributions for each year.

LEAKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2018

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

At September 30, 2018, the County reported a liability of \$12,057,573 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2018 net pension liability was 0.072492 percent, which was based on a measurement date of June 30, 2018. This was an increase of 0.00268 percent from its proportionate share used to calculate the September 30, 2017 net pension liability, which was based on a measurement date of June 30, 2017.

For the year ended September 30, 2018, the County recognized pension expense of \$1,425,053. At September 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 51,272	48,950
Net difference between projected and actual earnings on pension plan investments		232,627
Changes of assumptions	6,851	6,404
Changes in the proportion and differences between the County's contributions and proportionate share of contributions	624,752	364,139
County contributions subsequent to the measurement date	<u>201,167</u>	
Total	<u>\$ 884,042</u>	<u>652,120</u>

\$201,167 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, 2019. 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
2019	\$ 185,595
2020	73,464
2021	(174,080)
2022	<u>(54,224)</u>
Total	<u>\$ 30,755</u>

LEAKE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2018

Actuarial Assumptions. The total pension liability in the June 30, 2018 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, 2018 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.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018, 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 Estate	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:

LEAKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2018

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension liability	\$ 15,876,364	12,057,573	8,883,654

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

(9) Long-term Debt.

Debt outstanding as of September 30, 2018, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Road and Bridge Bonds, Series 2010	\$ 560,000	2.00/3.86%	02/2021
Industrial Park Development Bonds, 2002	275,000	4.75%	02/2022
G.O. Refunding Bonds - Leake Memorial Hospital Series 2010	<u>1,330,000</u>	1.95/5.95%	01/2023
Total General Obligation Bonds	<u>\$ 2,165,000</u>		
B. Capital Leases:			
Three Chevrolet Tahoes	\$ 40,554	1.88%	11/2019
Two Ford Interceptors	57,690	3.19%	02/2021
One New Chevy Truck	24,667	3.59%	04/2021
2016 Chevy Silverado	17,919	1.96%	04/2021
Dump Trucks	402,113	1.96%	05/2021
E-911 Equipment Upgrade	80,559	1.99%	08/2021
One New Ambulance	42,804	2.37%	11/2021
One New Ford Expedition	41,533	3.24%	02/2023
Five Caterpillar Backhoes	453,362	3.31%	04/2023
Schneider Electric Savings Improvements	<u>780,376</u>	3.99%	03/2038
Total Capital Leases	<u>\$ 1,941,577</u>		
C. Other Loans:			
2015 - Two Road and Bridge Notes	\$ 306,504	2.20%	11/2020
Barnes Fire Station	54,100	2.00%	01/2024
Tax Refund Note	<u>171,723</u>	2.25%	10/2020
Total Other Loans	<u>\$ 532,327</u>		

LEAKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2018

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
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	295,000	8,776	10,850	191
2024			1,953	47
Total	\$ 2,165,000	264,595	532,327	24,477

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, 2018, the amount of outstanding debt was equal to 2.20% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2018:

	Balance Oct. 1, 2017	Additions	Reductions	Balance Sept. 30, 2018	Amount due within one year
Governmental Activities:					
Compensated absences	\$ 109,192	175		109,367	
General obligation bonds	2,627,000		462,000	2,165,000	484,000
Less:					
Discounts	(26,738)		(2,226)	(24,512)	
Add:					
Premiums	1,749		690	1,059	
Capital leases	1,078,777	1,421,006	558,206	1,941,577	364,069
Other loans	694,704		162,377	532,327	165,942
Total	\$ 4,484,684	1,421,181	1,181,047	4,724,818	1,014,011

	Balance Oct. 1, 2017	Reductions	Balance Sept. 30, 2018
Business-type Activities:			
Compensated absences	\$ 115,340	17,172	98,168
Total	\$ 115,340	17,172	98,168

Compensated absences will be paid from the fund from which the employees' salaries were paid, which are generally

LEAKE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2018

the General Fund, County Road and Bridge Fund, Emergency 911 Communication Fund, Leake County Economic Development District Fund, 8th District Drug Court 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, 2018:

<u>Fund</u>	<u>Deficit Amount</u>
Community Development Grant Fund	\$ 33,408
Emergency 911 Communication Fund	7,783
Hospital Bond and Interest Fund	3,161
Advalorem Tax Refund Fund	80,000
Rural Fire Fund	508

(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 (\$8,231,223) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflows of resources related to pensions in the amount of \$150,430 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, 2019. The \$573,143 balance of the deferred outflows of resources related to pensions at September 30, 2018, will be recognized in pension expense over the next three years. The \$284,144 balance of the deferred inflows of resources related to pensions at September 30, 2018, will be recognized in pension expense over the next four years.

The business-type activities' unrestricted net position amount of (\$2,714,807) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflows of resources related to pensions in the amount of \$50,737 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, 2019. The \$109,732 balance of the deferred outflows of resources related to pensions at September 30, 2018, will be recognized in pension expense over the next three years. The \$367,976 balance of the deferred inflows of resources related to pensions at September 30, 2018, will be recognized in pension expense over the next four years.

(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

LEAKE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2018

year 2018. 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 appropriation to the joint venture was \$208,150 in fiscal year 2018.

(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 of directors. The county appropriated \$15,058 for support district in fiscal year 2018.

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 member of the college board of trustees. The county appropriated \$340,247 for maintenance and support of the college in fiscal year 2018.

Central Mississippi Emergency Medical Services District operates 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 2018 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 2018.

Region Ten Weems Community Mental Health 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 2018.

(15) Tax Abatements.

For the year beginning October 1, 2016, the Governmental Accounting Standards Board (GASB), implemented Statement 77, Tax Abatement Disclosures. This statement requires governmental entities to disclose the reduction in tax revenues resulting from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promise to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

The Leake County Board of Supervisors negotiates property tax abatements on an individual basis. All abatements are for ten years and are for economic development purposes. The County had a tax abatement agreement with three entities as of September 30, 2018. Those exemptions are authorized under sections 27-31-101 and 27-31-105 of the Miss. Code Ann. (1972).

The County had one type of abatement, which does not provide for the abatement of school or state tax levies:

LEAKE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2018

All allowable property tax levies

<u>Category</u>	<u>% of Taxes Abated</u>	<u>Abated During the year</u>
Construction and expansion of a manufacturing facility	57%	\$ 18,881

The companies were not required to comply with any special provisions in order to receive the abatements, and the County made no commitments as part of the agreement other than to reduce taxes.

(16) Subsequent Events.

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Leake County evaluated the activity of the County through March 19, 2020, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2018, the County issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue</u>	<u>Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
1/24/2019	3.87%	238,662		Capital Lease	Ad valorem taxes
11/7/2019	2.29%	600,000		Negotiable Note	Ad valorem taxes

LEAKE COUNTY

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LEAKE COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

LEAKE COUNTY

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LEAKE COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2018
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 4,323,534	4,258,804	4,258,804	
Licenses, commissions and other revenue	284,400	237,614	237,614	
Fines and forfeitures	280,075	227,096	227,096	
Intergovernmental revenues	1,711,250	602,142	602,142	
Charges for services	383,000	51,560	51,560	
Interest income	33,020	28,210	28,210	
Miscellaneous revenues	517,700	396,297	396,297	
Total Revenues	<u>7,532,979</u>	<u>5,801,723</u>	<u>5,801,723</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	3,679,266	3,203,068	3,203,068	
Public safety	1,894,909	1,693,681	1,693,681	
Public works	79,448	57,093	57,093	
Health and welfare	129,018	129,840	129,840	
Culture and recreation	208,150	238,539	238,539	
Conservation of natural resources	91,541	76,982	76,982	
Economic development and assistance	45,142	35,758	35,758	
Debt service:				
Principal		69,495	69,495	
Interest		2,745	2,745	
Total Expenditures	<u>6,127,474</u>	<u>5,507,201</u>	<u>5,507,201</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>1,405,505</u>	<u>294,522</u>	<u>294,522</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources		2,569,037	2,569,037	
Other financing uses	<u>(100,000)</u>	<u>(102,490)</u>	<u>(2,692,715)</u>	<u>(2,590,225)</u>
Total Other Financing Sources and Uses	<u>(100,000)</u>	<u>2,466,547</u>	<u>(123,678)</u>	<u>(2,590,225)</u>
Net Change in Fund Balance	1,305,505	2,761,069	170,844	(2,590,225)
Fund Balances - Beginning		<u>1,276,294</u>	<u>1,154,279</u>	<u>(122,015)</u>
Fund Balances - Ending	<u>\$ 1,305,505</u>	<u>4,037,363</u>	<u>1,325,123</u>	<u>(2,712,240)</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, 2018
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,163,217	1,137,322	1,137,322	
Licenses, commissions and other revenue	235,000	187,167	187,167	
Intergovernmental revenues	931,000	1,043,814	1,043,814	
Charges for services	4,000			
Interest income	9,000	6,087	6,087	
Miscellaneous revenues	103,525	23,051	23,051	
Total Revenues	<u>2,445,742</u>	<u>2,397,441</u>	<u>2,397,441</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	2,780,170	2,564,851	2,564,851	
Debt service:				
Principal	352,802	564,437	564,437	
Interest	28,894	35,858	35,858	
Total Expenditures	<u>3,161,866</u>	<u>3,165,146</u>	<u>3,165,146</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(716,124)</u>	<u>(767,705)</u>	<u>(767,705)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources	500,000	462,500	490,039	27,539
Other financing uses			(20,000)	(20,000)
Total Other Financing Sources and Uses	<u>500,000</u>	<u>462,500</u>	<u>470,039</u>	<u>7,539</u>
Net Change in Fund Balance	(216,124)	(305,205)	(297,666)	7,539
Fund Balances - Beginning		567,000	567,000	
Fund Balances - Ending	<u>\$ (216,124)</u>	<u>261,795</u>	<u>269,334</u>	<u>7,539</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, 2018
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 152,803	149,475	149,475	
Charges for services	1,001,000	1,055,306	1,055,306	
Interest income	13,000	12,218	12,218	
Miscellaneous revenues	6,500	1,881	1,881	
Total Revenues	<u>1,173,303</u>	<u>1,218,880</u>	<u>1,218,880</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	<u>1,229,885</u>	<u>1,066,770</u>	<u>1,066,770</u>	
Total Expenditures	<u>1,229,885</u>	<u>1,066,770</u>	<u>1,066,770</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(56,582)</u>	<u>152,110</u>	<u>152,110</u>	<u>0</u>
Net Change in Fund Balance	(56,582)	152,110	152,110	
Fund Balances - Beginning	<u>-</u>	<u>913,742</u>	<u>912,976</u>	<u>(766)</u>
Fund Balances - Ending	<u>\$ (56,582)</u>	<u>1,065,852</u>	<u>1,065,086</u>	<u>(766)</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, 2018
UNAUDITED

	2018	2017	2016	2015
County's proportion of the net pension liability (asset)	0.072492%	0.069812%	0.069710%	0.072881%
County's proportionate share of the net pension liability (asset)	\$ 12,057,573	11,605,124	12,451,948	11,265,965
Covered payroll	\$ 4,629,292	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	260.46%	259.13%	278.95%	247.43%
Plan fiduciary net position as a percentage of the total pension liability	62.54%	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, 2018
UNAUDITED

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 740,695	708,912	721,956	716,454
Contributions in relation to the contractually required contribution	<u>740,695</u>	<u>708,912</u>	<u>721,956</u>	<u>716,454</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll	\$ 4,702,816	4,501,022	4,583,847	4,548,914
Contributions as a percentage of covered payroll	15.75%	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, 2018

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 supplementary 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)	\$ 170,844	(297,666)	152,110
Increase (Decrease)			
Net adjustments for revenue accruals	(1,469,754)	135,800	(1,944)
Net adjustments for expenditure accruals	1,561,146	(551,496)	(1,146)
GAAP Basis	\$ 262,236	(713,362)	149,020

LEAKE COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2018

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 were 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.

LEAKE COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2018

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	36.6 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

SUPPLEMENTARY INFORMATION

LEAKE COUNTY

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LEAKE COUNTY
Reconciliation of Operating Costs of Solid Waste
For the Year Ended September 30, 2018

Operating Expenditures, Cash Basis:

Salaries	\$	67,561
Contractual services		21,523
Contractual services - Solid Waste Disposal		959,702
Consumable supplies		3,551
Miscellaneous		<u>14,434</u>

Solid Waste Cash Basis Operating Expenditures		1,066,771
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Full Cost Expenses:

Indirect administrative costs		15,692
Pension expense		14,119
Depreciation on equipment		<u>2,718</u>

Solid Waste Full Cost Operating Expenses	\$	<u><u>1,099,300</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, 2018
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
Corey Wooten	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	RLI	\$ 50,000
Mary Sharp	Assistant Receiving Clerk	Travelers	\$ 50,000
Jackie Watkins	Assistant Receiving Clerk	RLI	\$ 50,000
Teisha Johnson	Assistant Receiving Clerk	RLI	\$ 10,000
Kristye Horn	Inventory Control Clerk	RLI	\$ 75,000
Ron Alford	Road Manager	Travelers	\$ 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
Johnny W. Pope	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 Assessor/Collector	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
Beth Moore	Deputy Tax Collector	Travelers	\$ 50,000
Stephanie Johnston	Deputy Tax Collector	RLI	\$ 50,000
Kaitlyn Myers	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, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 19, 2020. Our report includes a qualified opinion on the General Fund because the county did not maintain adequate subsidiary records documenting the existence and valuation of Circuit Clerk fines receivable, which is 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 a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as 2018-001 that we consider to be a material weakness.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we 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 March 19, 2020, included within this document.

Leake County's Responses to Findings

Leake County's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. Leake County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

A handwritten signature in black ink, reading "Joe E. McKnight". The signature is fluid and cursive, with the first name "Joe" and last name "McKnight" clearly legible.

JOE E. MCKNIGHT, CPA
Director, County Audit Section

March 19, 2020



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, 2018. 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 finding and recommendation and your response are disclosed below:

Board of Supervisors/Purchase Clerk.

1. Competitive quotes should be obtained for purchases over \$5,000.

Repeat Finding No

Criteria Section 31-7-13, Miss. Code Ann. (1972) requires purchases of more than \$5,000 but not more than \$50,000, exclusive of freight and shipping charges, may be made from the lowest and best bidder without publishing or posting advertisement for bids, provided at least two competitive written bids have been obtained.

Condition	The Sheriff's office circumvented controls by purchasing new firearms totaling \$10,787 less a trade in amount of \$6,340 for the county's existing firearms. No quotes were documented for the purchase of the new firearms nor the sale/trade of the used firearms.
Cause	The County lacked the necessary controls to ensure there is compliance with state laws.
Effect	Not soliciting competitive quotes 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)	I do not agree with the above reasons. Total paid \$4,447 amount under \$5,000. I have board order for us to trade in old weapons. MS code 31-7-13 purchases which do not involve expenditures of more than \$5,000 can or may be made without advertising. This expenditure was under \$5,000. I have another PO issue same scenario that is above \$5,000. I got quotes. I will accept a verbal but not agree with the above finding.
Auditor's Note	The transaction in question was two separate events, the purchase of the new firearms and the sale of the old firearms. When determining whether or not a purchase exceeds the purchasing threshold the amount of the purchase should not be netted against any amount received for the trade of existing equipment. Equipment disposals should be made in accordance with Section 17-25-25, Miss. Code Ann. (1972)

In our opinion, 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, 2018.

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 response to the finding included in this report was not audited, and accordingly, we express no opinion on it.

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

March 19, 2020

LEAKE COUNTY

Schedule 1

Schedule of Purchases From Other Than the Lowest Bidder
For the Year Ended September 30, 2018

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, 2018

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
7/9/2018	Bridge Repair on Union Rd.	\$ 32,390	N L Carson Construction CO.	Inaccessible road due to flooding
5/25/2019	Tank Car & Pipe	20,335	The Railroad Yard	Inaccessible road due to flooding

LEAKE COUNTY

Schedule 3Schedule of Purchases Made Noncompetively From a Sole Source
For the Year Ended September 30, 2018

<u>Date</u>	<u>Item Purchased</u>		<u>Amount Paid</u>	<u>Vendor</u>
4/4/2018	Tear off, Foam & Coat Courthouse Roof	\$	48,000	Pro-Seal LLC

LEAKE COUNTY

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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, 2018, 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 March 19, 2020, on the financial statements of Leake County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

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

Board of Supervisors/Payroll Clerk.

1.	<u>PERS Retirees should not be paid more than the allowable salary per Form 4B.</u>
Repeat Finding	No
Criteria	Section 25-11-127(4)(a), Miss. Code Ann. (1972), requires a retiree to not exceed one-half of the normal working days for the position in any fiscal year during which the retiree will not receive no more than one-half of the salary in effect for the position at the time of employment.
Condition	According to test work performed, we noted a PERS retiree was paid \$4,375 more than the allowable one half of the regular salary for the position.
Cause	The County did not comply with state laws.
Effect	By overpaying PERS retirees, the County is not in compliance with state legal requirements.

Recommendation The County should ensure that PERS retirees are not being paid more than the allowable amount per the PERS Form 4B.

Views of Responsible Official(s) In the future, the county will closer monitor the pay of retirees in all departments. The correctional facility has to be able to operate within the guidelines of MDOC, and the only few that will work and are willing to work are the issue. Per diem payments were cut and extra staff cannot be hired with current budget.

Chancery Clerk.

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

Repeat Finding Yes

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

Condition As reported in the prior year's audit report the Chancery Clerk's bond records do not include bond certificates for all the county officials and employees.

Cause The Chancery Clerk did not comply with state laws.

Effect Failure to file a copy of the bond documentation with the Chancery Clerk's office could result in the officials not being properly bonded.

Recommendation All bonds for officials and employees should be obtained for filing and recording in the Chancery Clerk's office.

Views of Responsible Official Corrections are in progress.

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

March 19, 2020

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, 2018

Section 1: Summary of Auditor's Results

Financial Statements:

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

Governmental activities	Unmodified
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 weakness identified? Yes
 - b. Significant deficiency identified? None Reported
3. Noncompliance material to the financial statements noted? No

Section 2: Financial Statement Findings

Circuit Clerk

Material Weakness

2018-001. 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 two years' audit reports, 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 The Circuit Clerk lacked the necessary controls needed over fines receivable subsidiary records.

Effect Therefore, the Independent Auditor's report includes a qualified opinion on 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 Repsonsible Official(s) Improvements have been made to the fines receivable report. I will continue to identify unrecorded fines receivable and correct errors that have existed in the previous reports before I came into office. We are in the process of documenting all receipts from our receipt books on a spreadsheet so we can easily identify payments that need to be added to the fines receivable report. This will also allow us to remove defendants from the report that no longer owe a fine.