



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

PHIL BRYANT
State Auditor

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

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Director, County Audit Section

LEAKE COUNTY, MISSISSIPPI

**Audited Primary Government Financial Statements and Special Reports
For the Year Ended September 30, 2005**

LEAKE COUNTY

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LEAKE COUNTY

FINANCIAL SECTION

LEAKE COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

INDEPENDENT AUDITOR'S REPORT ON THE PRIMARY GOVERNMENT BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Members of the Board of Supervisors
Leake County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Leake County, Mississippi, as of and for the year ended September 30, 2005, which collectively comprise the county's primary government financial statements as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements referred to above include only the primary government of Leake County, Mississippi, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the county's legal entity. The financial statements do not include financial data for the county's legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the county's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Leake County, Mississippi, as of September 30, 2005, and the respective changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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, each major fund and the aggregate remaining fund information for the primary government of Leake County, Mississippi, as of September 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

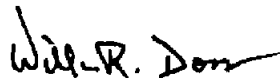
In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2006, on our consideration of Leake County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Leake County, Mississippi, has not presented Management's Discussion and Analysis that is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

The Budgetary Comparison Schedules and corresponding notes are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



PHIL BRYANT
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

May 10, 2006

LEAKE COUNTY

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 3,726,196	3,391,412	7,117,608
Property tax receivable	3,965,960	169,660	4,135,620
Accounts receivable (net of allowance for uncollectibles of \$277,873)		519,996	519,996
Fines receivable (net of allowance for uncollectibles of \$573,031)	314,473		314,473
Intergovernmental receivables	112,386		112,386
Other receivables	551		551
Internal balances	32,401	(32,401)	
Deferred charges - issuance costs	125,183		125,183
Capital assets, net	10,303,751	3,704,416	14,008,167
Total Assets	18,580,901	7,753,083	26,333,984
LIABILITIES			
Claims payable	245,298	82,060	327,358
Intergovernmental payables	255,218		255,218
Deferred revenue	3,965,960	169,660	4,135,620
Other payables	40,052		40,052
Long-term liabilities			
Due within one year:			
Capital debt	657,485	265,000	922,485
Non-capital debt	135,000		135,000
Due in more than one year:			
Capital debt	4,133,799	4,230,000	8,363,799
Non-capital debt	3,836,957	83,183	3,920,140
Total Liabilities	13,269,769	4,829,903	18,099,672
NET ASSETS			
Invested in capital assets, net of related debt	5,512,467	(790,584)	4,721,883
Restricted:			
Expendable:			
Debt service	489,272		489,272
Public safety	267,483	2,576,216	2,843,699
Public works	1,059,558	1,137,548	2,197,106
Health and welfare	745,272		745,272
Culture and recreation	9,790		9,790
Economic development	337,771		337,771
Unrestricted	(3,110,481)		(3,110,481)
Total Net Assets	\$ 5,311,132	2,923,180	8,234,312

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

LEAKE COUNTY
Statement of Activities
For the Year Ended September 30, 2005

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 2,424,465	539,195	113,535		(1,771,735)		(1,771,735)
Public safety	2,150,913	392,462	242,460	99,349	(1,416,642)		(1,416,642)
Public works	425,343		835,631	85,101	495,389		495,389
Health and welfare	129,182		33,144		(96,038)		(96,038)
Culture and recreation	171,431		10,968		(160,463)		(160,463)
Conservation of natural resources	68,712				(68,712)		(68,712)
Economic development and assistance	167,832				(167,832)		(167,832)
Interest on long-term debt	463,910				(463,910)		(463,910)
Total Governmental Activities	<u>6,001,788</u>	<u>931,657</u>	<u>1,235,738</u>	<u>184,450</u>	<u>(3,649,943)</u>	<u>0</u>	<u>(3,649,943)</u>
Business-type activities:							
Regional jail	2,587,798	3,015,153	29,415			456,770	456,770
Solid waste	545,111	513,283	10,238			(21,590)	(21,590)
Total Business-type Activities	<u>3,132,909</u>	<u>3,528,436</u>	<u>39,653</u>	<u>0</u>	<u>0</u>	<u>435,180</u>	<u>435,180</u>
Total Primary Government	<u>\$ 9,134,697</u>	<u>4,460,093</u>	<u>1,275,391</u>	<u>184,450</u>	<u>(3,649,943)</u>	<u>435,180</u>	<u>(3,214,763)</u>
General revenues:							
Property taxes					\$ 4,350,087	170,051	4,520,138
Road & bridge privilege taxes					240,181		240,181
Grants and contributions not restricted to specific programs					470,834	43,776	514,610
Unrestricted investment income					93,588	68,423	162,011
Miscellaneous					501,166		501,166
Total General Revenues					<u>5,655,856</u>	<u>282,250</u>	<u>5,938,106</u>
Changes in Net Assets					<u>2,005,913</u>	<u>717,430</u>	<u>2,723,343</u>
Net Assets - Beginning					<u>3,305,219</u>	<u>2,205,750</u>	<u>5,510,969</u>
Net Assets - Ending					<u>\$ 5,311,132</u>	<u>2,923,180</u>	<u>8,234,312</u>

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

	Major Funds			
	General Fund	County Road and Bridge Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 793,706	989,431	1,943,059	3,726,196
Property tax receivable	2,370,991	1,008,383	586,586	3,965,960
Fines receivable (net of allowance for uncollectibles of \$573,031)	314,473			314,473
Intergovernmental receivables	112,386			112,386
Other receivables	551			551
Due from other funds	40,492	85,097	32,974	158,563
Advances to other funds	18,000			18,000
Total Assets	\$ 3,650,599	2,082,911	2,562,619	8,296,129
LIABILITIES AND FUND BALANCES				
Liabilities:				
Claims payable	\$ 121,883	76,904	46,511	245,298
Intergovernmental payables	240,720			240,720
Due to other funds	140,660			140,660
Advances from other funds			18,000	18,000
Deferred revenue	2,685,464	1,008,383	586,586	4,280,433
Other payables	40,052			40,052
Total Liabilities	3,228,779	1,085,287	651,097	4,965,163
Fund balances:				
Reserved for:				
Debt service			489,272	489,272
Advances	18,000			18,000
Unreserved, reported in:				
General Fund	403,820			403,820
Special Revenue Funds		997,624	1,422,250	2,419,874
Total Fund Balances	421,820	997,624	1,911,522	3,330,966
Total Liabilities and Fund Balances	\$ 3,650,599	2,082,911	2,562,619	8,296,129

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

LEAKE COUNTY
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2005

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 3,330,966
Amounts reported for governmental services in the Statement of Net Assets 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 \$4,577,959.	10,303,751
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	314,473
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	(8,763,241)
Bond issuance costs are deferred in the Statement of Net Assets and amortized over the terms of the bonds.	<u>125,183</u>
Total Net Assets - Governmental Activities	<u>\$ 5,311,132</u>

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

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2005

	Major Funds			Total Governmental Funds
	General Fund	County Road and Bridge Fund	Other Governmental Funds	
REVENUES				
Property taxes	\$ 2,383,953	1,299,165	666,969	4,350,087
Road and bridge privilege taxes		240,181		240,181
Licenses, commissions and other revenue	203,792		6,210	210,002
Fines and forfeitures	220,451		18,208	238,659
Intergovernmental revenues	757,189	803,483	330,350	1,891,022
Charges for services	179,815	15,728	171,704	367,247
Interest income	29,568	21,521	42,499	93,588
Miscellaneous revenues	84,620	64,523	352,023	501,166
Total Revenues	<u>3,859,388</u>	<u>2,444,601</u>	<u>1,587,963</u>	<u>7,891,952</u>
EXPENDITURES				
Current:				
General government	2,201,578		167,337	2,368,915
Public safety	1,549,332		530,497	2,079,829
Public works	54,971	1,870,565	289,860	2,215,396
Health and welfare	110,735		2,508	113,243
Culture and recreation	154,550		16,881	171,431
Conservation of natural resources	68,712			68,712
Economic development and assistance	68,799		65,582	134,381
Debt service:				
Principal	75,968	365,387	389,480	830,835
Interest	10,249	27,903	422,522	460,674
Total Expenditures	<u>4,294,894</u>	<u>2,263,855</u>	<u>1,884,667</u>	<u>8,443,416</u>
Excess of Revenues over (under) Expenditures	<u>(435,506)</u>	<u>180,746</u>	<u>(296,704)</u>	<u>(551,464)</u>
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued	61,484		147,943	209,427
Proceeds from sale of capital assets			320,000	320,000
Compensation for loss of capital assets	8,096			8,096
Transfers in	17,844		109,105	126,949
Transfers out	(109,105)		(17,844)	(126,949)
Total Other Financing Sources and Uses	<u>(21,681)</u>	<u>0</u>	<u>559,204</u>	<u>537,523</u>
Net Changes in Fund Balances	<u>(457,187)</u>	<u>180,746</u>	<u>262,500</u>	<u>(13,941)</u>
Fund Balances - Beginning	<u>879,007</u>	<u>816,878</u>	<u>1,649,022</u>	<u>3,344,907</u>
Fund Balances - Ending	<u>\$ 421,820</u>	<u>997,624</u>	<u>1,911,522</u>	<u>3,330,966</u>

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

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, 2005

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (13,941)
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 assets differs from the change in fund balances by the amount that capital outlays of \$2,216,367 exceeded depreciation of \$589,171 in the current period.	1,627,196
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 assets differs from the change in fund balances by the amount of the net loss of \$8,144 and the proceeds from the sale and compensation for losses of \$328,096 in the current period.	(336,240)
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.	115,749
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments of \$830,835 exceeded debt proceeds of \$209,427.	621,408
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 assets differs from the change in fund balances by a combination of the following items:	
The amount of decrease in compensated absences	2,341
The amortization of:	
Issuance cost on limited obligation bond	(7,364)
Discount on limited obligation bond	<u>(3,236)</u>
Change in Net Assets of Governmental Activities	\$ <u><u>2,005,913</u></u>

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

	Business-type Activities - Enterprise Funds		
	Major Funds		Total
	Regional Jail Fund	Solid Waste Fund	
ASSETS			
Current assets:			
Cash and investments	\$ 2,743,417	647,995	3,391,412
Property tax receivable		169,660	169,660
Accounts receivable (net of allowance for uncollectibles of \$277,873)		519,996	519,996
Due from other funds		8,091	8,091
Total Current Assets	<u>2,743,417</u>	<u>1,345,742</u>	<u>4,089,159</u>
Noncurrent assets:			
Capital assets, net	3,610,843	93,573	3,704,416
Total Noncurrent Assets	<u>3,610,843</u>	<u>93,573</u>	<u>3,704,416</u>
Total Assets	<u>6,354,260</u>	<u>1,439,315</u>	<u>7,793,575</u>
LIABILITIES			
Current liabilities:			
Claims payable	59,305	22,755	82,060
Due to other funds	33,127	7,365	40,492
Deferred revenue		169,660	169,660
Capital debt:			
Limited obligation bonds	265,000		265,000
Total Current Liabilities	<u>357,432</u>	<u>199,780</u>	<u>557,212</u>
Noncurrent liabilities:			
Capital debt:			
Limited obligation bonds	4,230,000		4,230,000
Non-capital debt:			
Compensated absences payable	74,769	8,414	83,183
Total Noncurrent Liabilities	<u>4,304,769</u>	<u>8,414</u>	<u>4,313,183</u>
NET ASSETS			
Invested in capital assets, net of related debt	(884,157)	93,573	(790,584)
Restricted for public safety	2,576,216		2,576,216
Restricted for public works		1,137,548	1,137,548
Total Net Assets	<u>\$ 1,692,059</u>	<u>1,231,121</u>	<u>2,923,180</u>

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

Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds
For the Year Ended September 30, 2005

	Business-type Activities - Enterprise Funds		
	Major Funds		Totals
	Regional Jail Fund	Solid Waste Fund	
Operating Revenues			
Charges for services	\$ 3,015,153	513,283	3,528,436
Miscellaneous	29,415	10,238	39,653
Total Operating Revenues	<u>3,044,568</u>	<u>523,521</u>	<u>3,568,089</u>
Operating Expenses			
Personal services	1,399,907	194,976	1,594,883
Contractual services	422,809	265,866	688,675
Materials and supplies	346,978	28,931	375,909
Depreciation expense	109,462	46,640	156,102
Indirect administrative cost	33,127	7,365	40,492
Total Operating Expenses	<u>2,312,283</u>	<u>543,778</u>	<u>2,856,061</u>
Operating Income (Loss)	<u>732,285</u>	<u>(20,257)</u>	<u>712,028</u>
Nonoperating Revenues (Expenses)			
Property tax		170,051	170,051
Interest income	54,194	14,229	68,423
Noncapital grants	43,776		43,776
Loss on disposal of capital assets	(5,270)		(5,270)
Interest expense	(270,245)	(1,333)	(271,578)
Net Nonoperating Revenue (Expenses)	<u>(177,545)</u>	<u>182,947</u>	<u>5,402</u>
Changes in Net Assets	<u>554,740</u>	<u>162,690</u>	<u>717,430</u>
Net Assets - Beginning	<u>1,137,319</u>	<u>1,068,431</u>	<u>2,205,750</u>
Net Assets - Ending	<u>\$ 1,692,059</u>	<u>1,231,121</u>	<u>2,923,180</u>

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

LEAKE COUNTY
Statement of Cash Flows - Proprietary Funds
For the Year Ended September 30, 2005

Exhibit 7

	Business-type Activities - Enterprise Funds		
	Major Funds		
	Regional Jail Fund	Solid Waste Fund	Totals
Cash Flows From Operating Activities			
Receipts from users	\$ 3,015,153		3,015,153
Receipts from customers		449,349	449,349
Payments to suppliers	(766,323)	(293,928)	(1,060,251)
Payments to employees	(1,401,319)	(197,557)	(1,598,876)
Payments to General Fund for indirect costs	(36,690)	(8,498)	(45,188)
Other operating cash receipts	29,415	10,238	39,653
Net Cash Provided (Used) by Operating Activities	<u>840,236</u>	<u>(40,396)</u>	<u>799,840</u>
Cash Flows From Noncapital Financing Activities			
Noncapital grants received	43,776		43,776
Cash received from property taxes		166,123	166,123
Cash received from other funds:			
Interfund loan repayments		28,261	28,261
Net Cash Provided (Used) by Noncapital Financing Activities	<u>43,776</u>	<u>194,384</u>	<u>238,160</u>
Cash Flows From Capital and Related Financing Activities			
Acquisition and construction of capital assets	(42,995)		(42,995)
Principal paid on long-term debt	(260,874)	(82,533)	(343,407)
Interest paid on debt	(270,245)	(1,333)	(271,578)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(574,114)</u>	<u>(83,866)</u>	<u>(657,980)</u>
Cash Flows From Investing Activities			
Interest on investments	54,194	14,229	68,423
Net Cash Provided (Used) by Investing Activities	<u>54,194</u>	<u>14,229</u>	<u>68,423</u>
Net Increase (Decrease) in Cash and Cash Equivalents	364,092	84,351	448,443
Cash and Cash Equivalents at Beginning of Year	<u>2,379,325</u>	<u>563,644</u>	<u>2,942,969</u>
Cash and Cash Equivalents at End of Year	<u>\$ 2,743,417</u>	<u>647,995</u>	<u>3,391,412</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ <u>732,285</u>	<u>(20,257)</u>	<u>712,028</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	109,462	46,640	156,102
Provision for uncollectible accounts		33,770	33,770
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable		(97,704)	(97,704)
Increase (decrease) in claims payable	3,464	869	4,333
Increase (decrease) in compensated absences liability	(1,412)	(2,581)	(3,993)
Increase (decrease) in interfund payables	(3,563)	(1,133)	(4,696)
Total Adjustments	<u>107,951</u>	<u>(20,139)</u>	<u>87,812</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 840,236</u>	<u>(40,396)</u>	<u>799,840</u>

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

LEAKE COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2005

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 119,881
Due from other funds	14,498
Total Assets	<u>\$ 134,379</u>
LIABILITIES	
Amounts held in custody for others	\$ 102,969
Intergovernmental payables	31,410
Total Liabilities	<u>\$ 134,379</u>

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

LEAKE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2005

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

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

Management has chosen to omit from these financial statements the following component unit which has a significant operational or financial relationship with the county. Accordingly, the financial statements do not include the data of this component unit necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

- Leake County Memorial Hospital

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 Assets and a Statement of Activities and fund financial statements, which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Assets 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 which are generally financed through taxes, intergovernmental revenues and other nonexchange revenues are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support.

LEAKE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2005

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

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

The Government-wide, Proprietary Funds and Fiduciary 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.

The county's Proprietary Funds apply all applicable Governmental Accounting Standards Board (GASB) pronouncements and only the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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.

LEAKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2005

The county reports the following major Governmental Funds:

General Fund - This fund is used to account for all activities of the general government for which a separate fund has not been established.

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

The county reports the following major Proprietary Funds:

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

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

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Special Revenue Funds account for, among others, certain federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose.

Debt Service Funds - These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

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 2005 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.

LEAKE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2005

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 fund balance reserve account in applicable Governmental Funds to indicate that they are not available for appropriation and are not expendable available financial resources. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. 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. The extent to which capital assets costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

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

LEAKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2005

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

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

I. 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 Funds in the 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 Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

J. Equity Classifications.

Government-wide Financial Statements:

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

Invested in capital assets, net of related debt - 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 improvements of those assets.

Restricted net assets - Consists of net assets 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 assets - All other net assets not meeting the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is classified as reserved or unreserved.

Unreserved fund balance represents the amount available for budgeting future operations. Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose.

LEAKE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2005

K. Property Tax Revenues.

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

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

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

L. 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.

M. 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) Changes in Accounting Standards.

For the fiscal year ended September 30, 2005, the county implemented Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures, an amendment of GASB Statement No. 3*. GASB Statement No. 40 addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. The provisions of this new statement have been incorporated into the financial statements and the accompanying notes.

LEAKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2005

(3) Deposits and Investments.

Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2005, was \$5,794,872, and the bank balance was \$5,834,623. 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 Depository Insurance Corporation.

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

Investments:

Investments balances at September 30, 2005, are as follows:

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Rating</u>
U.S. T-Bills	Less than 1 year	\$ 492,338	Not rated
Hancock Horizon Treasury Securities Money Market Fund	Less than 1 year	<u>950,279</u>	AAAm
Total		<u>\$ 1,442,617</u>	

These investments are held by the Hancock Bank trust department. All of the county's investments are uninsured and unregistered. The Hancock Horizon Treasury funds are not backed by the full faith and credit of the federal government.

Interest Rate Risk. The county does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, Section 19-9-29, Miss. Code Ann. (1972), limits the maturity period of any investment to no more than one year.

Credit Risk. State law limits investments to those authorized by Section 19-9-29, Miss. Code Ann. (1972). The county does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

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

LEAKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2005

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2005:

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
General	Regional Jail	\$ 33,127
General	Solid Waste	7,365
County Road and Bridge	General	85,097
Other Governmental Funds	General	32,974
Solid Waste	General	8,091
Agency Funds	General	14,498
		\$ <u>181,152</u>
Total		

The General Fund receivables from the Regional Jail Fund and Solid Waste Fund represent indirect costs incurred during the fiscal year. All other receivables represent the tax revenue collected but not settled until October, 2005. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances From/To Other Funds:

Receivable Fund	Payable Fund	Amount
General	Other Governmental Funds	\$ <u>18,000</u>

The amount payable to the General Fund represents a loan for a debt service payment.

C. Transfers In/Out:

Transfer In	Transfer Out	Amount
General Fund	Other Governmental Funds	\$ 17,844
Other Governmental Funds	General Fund	109,105
		\$ <u>126,949</u>
Total		

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

LEAKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2005

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2005, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tag credit	\$ <u>112,386</u>

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2005:

Governmental activities:

	<u>Balance Oct. 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments *</u>	<u>Balance Sept. 30, 2005</u>
<u>Non-depreciable capital assets:</u>					
Land	\$ 1,351,560				1,351,560
Construction in progress	731,805	1,402,402		(275,330)	1,858,877
Total non-depreciable capital assets	<u>2,083,365</u>	<u>1,402,402</u>	<u>0</u>	<u>(275,330)</u>	<u>3,210,437</u>
<u>Depreciable capital assets:</u>					
Infrastructure	2,055,755	522,341		275,330	2,853,426
Buildings	4,938,679		1,503,820		3,434,859
Mobile equipment	2,514,837	24,094	18,114	326,963	2,847,780
Furniture and equipment	406,100	58,103	44,547	176,270	595,926
Leased property under capital leases	2,252,844	209,427	19,756	(503,233)	1,939,282
Total depreciable capital assets	<u>12,168,215</u>	<u>813,965</u>	<u>1,586,237</u>	<u>275,330</u>	<u>11,671,273</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	93,014	78,298			171,312
Buildings	2,113,263	55,176	1,203,056		965,383
Mobile equipment	1,861,605	137,477	16,303	267,503	2,250,282
Furniture and equipment	286,566	42,892	23,524	126,920	432,854
Leased property under capital leases	884,337	275,328	7,114	(394,423)	758,128
Total accumulated depreciation	<u>5,238,785</u>	<u>589,171</u>	<u>1,249,997</u>	<u>0</u>	<u>4,577,959</u>
Total depreciable capital assets, net	<u>6,929,430</u>	<u>224,794</u>	<u>336,240</u>	<u>275,330</u>	<u>7,093,314</u>
Governmental activities capital assets, net	\$ <u>9,012,795</u>	<u>1,627,196</u>	<u>336,240</u>	<u>0</u>	<u>10,303,751</u>

LEAKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2005

Business-type activities:

	Balance Oct. 1, 2004	Additions	Deletions	Adjustments *	Balance Sept. 30, 2005
<u>Non-depreciable capital assets:</u>					
Land	\$ 2,910				2,910
Total non-depreciable capital assets	2,910	0	0	0	2,910
<u>Depreciable capital assets:</u>					
Buildings	4,310,237				4,310,237
Mobile equipment	428,493		13,150	129,542	544,885
Furniture and equipment	127,730	42,995	15,880	27,945	182,790
Leased property under capital leases	157,487			(157,487)	
Total depreciable capital assets	5,023,947	42,995	29,030	0	5,037,912
<u>Less accumulated depreciation for:</u>					
Buildings	689,648	86,206			775,854
Mobile equipment	350,989	59,788	9,468	23,320	424,629
Furniture and equipment	114,957	10,108	14,292	25,150	135,923
Leased property under capital leases	48,470			(48,470)	
Total accumulated depreciation	1,204,064	156,102	23,760	0	1,336,406
Total depreciable capital assets, net	3,819,883	(113,107)	5,270	0	3,701,506
Business-type activities capital assets, net	\$ 3,822,793	(113,107)	5,270	0	3,704,416

* Adjustments to capital assets were to reclassify completed construction in progress to infrastructure and to reclassify paid out lease purchases to mobile equipment and furniture and equipment.

Depreciation expense was charged to the following functions:

	Amount
<u>Governmental activities:</u>	
General government	\$ 45,542
Public safety	209,265
Public works	284,974
Health and welfare	15,939
Economic development	33,451
Total governmental activities depreciation expense	\$ 589,171

LEAKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2005

	<u>Amount</u>
Business-type activities:	
Solid waste	\$ 46,640
Regional jail	<u>109,462</u>
 Total business-type activities depreciation expense	 \$ <u><u>156,102</u></u>

Commitments with respect to unfinished capital projects at September 30, 2005, consisted of the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
New Sheriff's building	\$ 200,000	July 2006
Shed beside jail	1,500	February 2006
Bridge replacement - BR-0040(19)	8,905	January 2006
SAP 40(74)	30,000	August 2006
SAP 40(66)	214,000	July 2006
Box bridge & approach STP-0521(9)B	123,000	August 2006
Bridge & approach LSBP-40(9)	125,000	July 2006
Countywide roads	5,600	October 2005
Bridge replacement FEMA funded	8,113	November 2005

(7) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$750,000 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, 2005, to January 1, 2006. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

LEAKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2005

(8) Operating Leases.

As Lessor:

The county receives income from property it leases under noncancellable operating leases. Total income from such leases was \$124,782 for the year ended September 30, 2005. The future minimum lease receivables for these leases are as follows:

Year Ended September 30	Amount
2006	\$ 115,183
2007	115,183
2008	115,183
2009	28,796
Total Minimum Payments Required	\$ 374,345

(9) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2005:

Classes of Property	Governmental Activities
Mobile equipment	\$ 1,853,566
Furniture and equipment	85,716
Total	1,939,282
Less: Accumulated depreciation	758,128
Leased Property Under Capital Leases	\$ 1,181,154

The following is a schedule by years of the total payments due as of September 30, 2005:

Year Ending September 30	Governmental Activities	
	Principal	Interest
2006	\$ 382,636	17,199
2007	216,646	5,054
2008	42,740	420
Total	\$ 642,022	22,673

LEAKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2005

(10) Long-term Debt.

Debt outstanding as of September 30, 2005, consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
Governmental Activities:			
A. General Obligation Bonds:			
Road and bridge bonds, Series 2001	\$ 2,190,000	4.10/5.80%	02/21
Industrial park development bonds, Series 2002	<u>900,000</u>	4.75%	02/22
Total General Obligation Bonds	<u>\$ 3,090,000</u>		
B. Limited Obligation Bonds:			
Special obligation bonds - Leake County Hospital	<u>\$ 3,870,000</u>	3.625/6.45%	01/23
C. Capital Leases:			
Caterpillar D6M XL tractor dozer	\$ 15,277	5.03%	03/06
Two backhoes	55,769	4.98%	10/05
Backhoe	27,884	4.98%	10/05
Five Caterpillar motor graders	271,576	3.89%	05/07
Three 2002 Ford F-250 crew cab trucks	14,108	6.10%	05/06
John Deere tractor	23,519	3.69%	02/08
Computer system upgrade	42,048	3.84%	01/08
Boom mower and ditcher	17,704	3.69%	05/08
2004 Ford Crown Victoria	6,370	3.49%	08/06
Three 2005 Ford Crown Victorias	43,251	2.85%	10/07
Two John Deere tractors	56,735	3.23%	02/08
John Deere tractor	43,192	3.50%	04/08
Boom mower	<u>24,589</u>	3.29%	04/08
Total Capital Leases	<u>\$ 642,022</u>		
D. Other Loans:			
Five fire trucks	\$ 202,721	4.65%	03/09
TVA loan - Hisan Industries	429,827	2.75%	09/13
CAP loan - Hisan Industries	<u>426,714</u>	3.00%	12/14
Total Other Loans	<u>\$ 1,059,262</u>		

LEAKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2005

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Business-type Activities:			
Limited Obligation Bond:			
Urban renewal revenue bonds*	\$ <u>4,495,000</u>	5.51/5.71%	08/17

* Limited obligation urban renewal bonds, designed as “qualified tax exempt obligations” for purposes of Section 265 of the Internal Revenue Code of 1986, were issued with a face value of \$5,800,000 for the purpose of financing the construction and equipping of the Leake County Mississippi Regional Correctional Facility. The bonds are not a general obligation of the county and, therefore, are not secured by the full faith and credit of the county. The sole source of payment for the revenue bonds is income derived from an inmate housing agreement with the Mississippi Department of Corrections for housing state prisoners and income received from any other governments for housing or holding prisoners. The revenue bonds are considered limited debt obligations of the county and, accordingly, are reflected in the long-term liabilities of the business-type activities.

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

Governmental Activities:

Year Ending September 30	General Obligation Bonds		Limited Obligation Bonds	
	Principal	Interest	Principal	Interest
2006	\$ 126,000	141,018	135,000	222,888
2007	138,000	134,449	140,000	217,728
2008	140,000	128,344	145,000	211,936
2009	142,000	122,331	150,000	205,292
2010	153,000	116,005	160,000	197,729
2011 - 2015	893,000	469,457	930,000	842,240
2016 - 2020	1,154,000	233,928	1,250,000	515,942
2021 - 2025	344,000	15,230	960,000	95,460
Total	\$ <u>3,090,000</u>	<u>1,360,762</u>	<u>3,870,000</u>	<u>2,509,215</u>
			Other Loans	
Year Ending September 30			Principal	Interest
2006			\$ 148,849	31,614
2007			154,178	26,282
2008			159,685	20,776
2009			134,698	15,314
2010			105,959	11,898
2011 - 2015			355,893	16,995
Total			\$ <u>1,059,262</u>	<u>122,879</u>

LEAKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2005

Business-type Activities:

<u>Year Ending September 30</u>	<u>Limited Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 265,000	254,103
2007	280,000	237,540
2008	295,000	220,040
2009	315,000	201,603
2010	330,000	183,884
2011 - 2015	2,010,000	630,590
2016 - 2020	<u>1,000,000</u>	<u>85,219</u>
Total	\$ <u>4,495,000</u>	<u>1,812,979</u>

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2005, the amount of outstanding debt was equal to 2.8% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2005:

	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments</u>	<u>Balance</u>	<u>Amount due</u>
	<u>Oct. 1, 2004</u>				<u>Sept. 30, 2005</u>	<u>within one</u>
						<u>year</u>
Governmental Activities:						
General obligation bonds	\$ 3,210,000		120,000		3,090,000	126,000
Limited obligation bonds	4,000,000		130,000		3,870,000	135,000
Less deferred amounts:						
for issuance discounts -						
limited obligation bonds	(58,248)		3,236		(55,012)	
Total bonds payable	7,151,752	0	246,764	0	6,904,988	261,000
Capital leases	873,950	209,427	441,355		642,022	382,636
Other loans	1,198,742		139,480		1,059,262	148,849
Compensated absences	159,310		2,341		156,969	
Total	\$ 9,383,754	209,427	829,940	0	8,763,241	792,485
Business-type Activities:						
Compensated absences	\$ 87,176		3,993		83,183	
Limited obligation bonds	4,750,000		255,000		4,495,000	265,000
Capital leases	88,407		88,407			
Total	\$ 4,925,583	0	347,400	0	4,578,183	265,000

LEAKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2005

(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) Joint Ventures.

The county participates in the following joint ventures:

Leake County is a participant with the City of Carthage in a joint venture authorized by Section 39-3-11, Miss. Code Ann. (1972), to operate the Carthage-Leake County Airport. The joint venture was created to provide airport facilities to the area and is governed by a six-member board appointed by the Board of Supervisors and the city council; three from each government. By contractual agreement, the county's appropriation to the joint venture was \$1,500 in fiscal year 2005. Complete financial statements for the Carthage-Leake County Airport can be obtained from the Carthage-Leake County Airport, P.O. Box 577, Carthage, MS 39051.

Leake County is a participant with the counties of Attala, Holmes, Montgomery and Winston in a joint venture authorized by Section 39-3-9, Miss. Code Ann. (1972), to operate the Mid-Mississippi Regional Library System. The joint venture was created to provide free public library service to the citizens of the member counties. The Leake County Board of Supervisors appoints one of the five members of the board of directors. By contractual agreement, the county's appropriation to the joint venture was \$129,500 in fiscal year 2005.

(13) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

East Central Community College operates in a district composed of the Counties of Leake, Neshoba, Newton, Scott and Winston. The Leake County Board of Supervisors appoints six of the 30 members of the college board of trustees. The county appropriated \$308,398 for maintenance and support of the college in fiscal year 2005.

Central Mississippi Emergency Medical Services District operates in a district composed of the Counties of Attala, Clarke, Copiah, Holmes, Lauderdale, Leake, Madison, Neshoba, Rankin, Scott, Smith, Warren and Yazoo. The Leake County Board of Supervisors appoints two of the 26 board members. The county provided no financial support in fiscal year 2005.

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 2005.

East Central Mississippi Planning and Development District operates in a district composed of the Counties of Clarke, Jasper, Kemper, Lauderdale, Leake, Neshoba, Newton, Scott and Smith. The Leake County Board of Supervisors appoints one of the 15 members of the board of directors. The county appropriated \$15,058 for support of the district in fiscal year 2005.

LEAKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2005

Region Ten Mental Health-Mental Retardation Commission operates in a district composed of the Counties of Clarke, Jasper, Kemper, Lauderdale, Leake, Neshoba, Newton, Scott and Smith. The Leake County Board of Supervisors appoints one of the nine members of the board of commissioners. The county appropriated \$18,200 for support of the commission in fiscal year 2005.

(14) Defined Benefit 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. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That 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.

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2005 was 10.75% of annual covered payroll. The contribution requirements of PERS members 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, 2005, 2004 and 2003 were \$369,108, \$359,331 and \$324,361, respectively, equal to the required contributions for each year.

(15) Subsequent Events.

Subsequent to September 30, 2005, Leake County issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
10/03/05	4.22%	\$ 115,000	Negotiable note	General Fund revenue
11/15/05	3.29%	280,920	Lease purchase	County Road and Bridge Fund revenue
11/25/05	3.29%	551,390	Lease purchase	County Road and Bridge Fund revenue

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, 2005

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 2,375,432	2,309,356	2,309,356	
Licenses, commissions and other revenue	183,375	200,676	200,676	
Fines and forfeitures	368,175	225,342	225,342	
Intergovernmental revenues	472,050	757,552	757,552	
Charges for services	321,500	179,815	179,815	
Interest income	30,400	30,338	30,338	
Miscellaneous revenues	5,050	83,796	83,796	
Total Revenues	<u>3,755,982</u>	<u>3,786,875</u>	<u>3,786,875</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	2,417,797	2,246,811	2,246,811	
Public safety	1,323,779	1,481,765	1,481,765	
Public works	56,572	53,115	53,115	
Health and welfare	116,359	110,059	110,059	
Culture and recreation	154,550	154,550	154,550	
Conservation of natural resources	77,994	67,961	67,961	
Economic development and assistance	67,058	67,544	67,544	
Debt service:				
Principal		49,096	49,096	
Interest		2,386	2,386	
Total Expenditures	<u>4,214,109</u>	<u>4,233,287</u>	<u>4,233,287</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(458,127)</u>	<u>(446,412)</u>	<u>(446,412)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	94,804	166,390	166,390	
Transfers out	(94,804)	(232,270)	(232,270)	
Total Other Financing Sources and Uses	<u>0</u>	<u>(65,880)</u>	<u>(65,880)</u>	<u>0</u>
Net Change in Fund Balances	(458,127)	(512,292)	(512,292)	0
Fund Balances - Beginning	<u>1,038,712</u>	<u>838,178</u>	<u>838,178</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 580,585</u>	<u>325,886</u>	<u>325,886</u>	<u>0</u>

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

LEAKE COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 County Road and Bridge Fund
 For the Year Ended September 30, 2005

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,524,914	1,265,287	1,265,287	
Road and bridge privilege taxes		237,847	237,847	
Licenses, commissions and other revenue	20,000			
Intergovernmental revenues	655,000	803,483	803,483	
Charges for services	7,500	15,728	15,728	
Interest income	9,000	21,521	21,521	
Miscellaneous revenues	17,525	64,523	64,523	
Total Revenues	<u>2,233,939</u>	<u>2,408,389</u>	<u>2,408,389</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	<u>2,246,767</u>	<u>2,231,185</u>	<u>2,231,185</u>	
Total Expenditures	<u>2,246,767</u>	<u>2,231,185</u>	<u>2,231,185</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(12,828)</u>	<u>177,204</u>	<u>177,204</u>	<u>0</u>
Net Change in Fund Balances	(12,828)	177,204	177,204	0
Fund Balances - Beginning	<u>875,387</u>	<u>812,227</u>	<u>812,227</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 862,559</u>	<u>989,431</u>	<u>989,431</u>	<u>0</u>

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

LEAKE COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2005

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and the major Special Revenue Fund:

	<u>Governmental Fund Types</u>	
	<u>General Fund</u>	<u>County Road and Bridge Fund</u>
Budget (Cash Basis)	\$ (512,292)	177,204
Increase (Decrease)		
Net adjustments for revenue accruals	26,967	36,211
Net adjustments for expenditure accruals	<u>28,138</u>	<u>(32,669)</u>
GAAP Basis	<u>\$ (457,187)</u>	<u>180,746</u>

LEAKE COUNTY

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LEAKE COUNTY

SPECIAL REPORTS

LEAKE COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Members of the Board of Supervisors
Leake County, Mississippi

We have audited the primary government financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Leake County, Mississippi, as of and for the year ended September 30, 2005, which collectively comprise the county's basic primary government financial statements and have issued our report thereon dated May 10, 2006. The auditor's report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the county's component unit. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Leake County, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the primary government financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the primary government financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.


Compliance and Other Matters

As part of obtaining reasonable assurance about whether Leake County, Mississippi's primary governmental financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than this specified party. However, this report is a matter of public record and its distribution is not limited.



PHIL BRYANT
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

May 10, 2006



State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

INDEPENDENT AUDITOR'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 made a study and evaluation of the central purchasing system and inventory control system of Leake County, Mississippi, as of and for the year ended September 30, 2005. Our study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures as we considered necessary in the circumstances.

The Board of Supervisors of Leake County, Mississippi, is responsible for 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). In addition, the Board of Supervisors is responsible for purchasing in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972). 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 evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

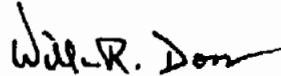
In our opinion, Leake County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements.

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 study and evaluation of the purchasing system and, in our opinion, is fairly presented when considered in relation to that study and evaluation.

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



PHIL BRYANT
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

May 10, 2006

Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2005

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

LEAKE COUNTY
 Schedule of Emergency Purchases
 For the Year Ended September 30, 2005

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
09/01/05	Fuel	\$ 4,402	Dickerson Petroleum	Hurricane Katrina
09/01/05	Chainsaw	1,139	Carthage Small Engine	Hurricane Katrina
09/06/05	Fuel	18,121	Dickerson Petroleum	Hurricane Katrina
09/06/05	Generator	1,400	Carthage Small Engine	Hurricane Katrina
09/30/05	Fuel	46,245	Dickerson Petroleum	Hurricane Katrina

LEAKE COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2005

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
03/01/05	Digital voice encryption board	\$ 5,212	Central Mississippi Communications

LEAKE COUNTY

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LEAKE COUNTY

SCHEDULE OF FINDINGS

LEAKE COUNTY

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LEAKE COUNTY

Schedule of Findings
For the Year Ended September 30, 2005

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|---------------|
| 1. | Type of auditor's report issued on the primary government financial statements: | Unqualified |
| 2. | Internal control over financial reporting: | |
| a. | Material weakness identified? | No |
| b. | Reportable condition identified that is not considered to be a material weakness? | None Reported |
| 3. | Noncompliance material to the primary government financial statements? | No |

Section 2: Financial Statement Findings

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