

# LEAKE COUNTY, MISSISSIPPI

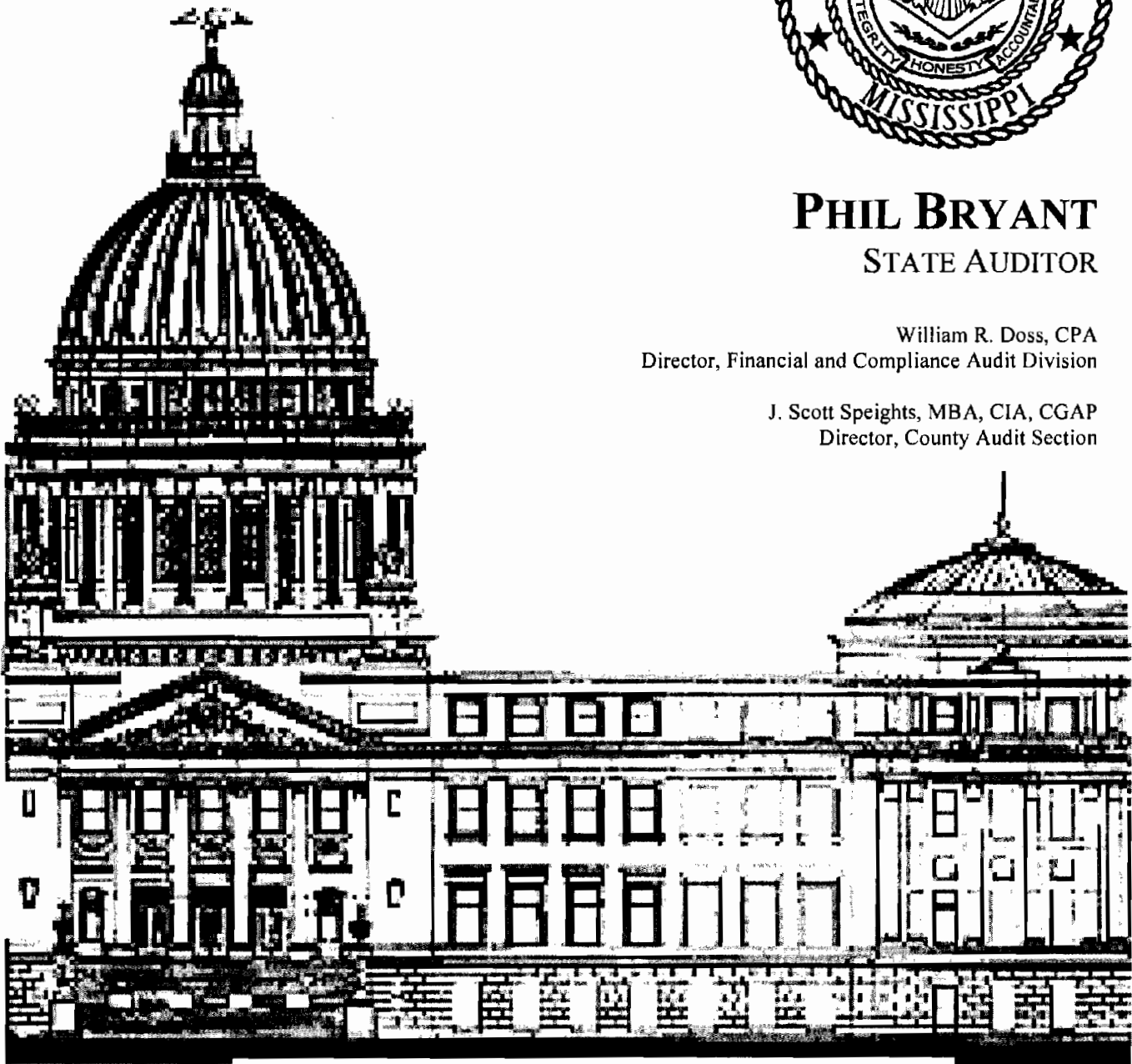
Audited Primary Government Financial Statements and Special Reports  
For the Year Ended September 30, 2006



**PHIL BRYANT**  
STATE AUDITOR

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A Report from the County Audit Section

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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, 2006, 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, 2006, 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, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2007 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.

Our audit was conducted for the purpose of forming opinions on the primary government financial statements that collectively comprise Leake County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



PHIL BRYANT  
State Auditor



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

September 25, 2007

LEAKE COUNTY

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

LEAKE COUNTY  
Statement of Net Assets  
September 30, 2006

Exhibit I

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>ASSETS</b>			
Cash and investments	\$ 3,601,646	3,808,157	7,409,803
Property tax receivable	5,297,231	112,866	5,410,097
Accounts receivable (net of allowance for uncollectibles of \$296,364)		556,952	556,952
Fines receivable (net of allowance for uncollectibles of \$662,935)	312,537		312,537
Intergovernmental receivables	145,339		145,339
Other receivables	162		162
Internal balances	44,484	(44,484)	
Deferred charges - issuance cost	117,819		117,819
Capital assets:			
Land and construction in progress	2,393,722	258,453	2,652,175
Other capital assets, net	8,971,276	3,731,326	12,702,602
Total Assets	<u>20,884,216</u>	<u>8,423,270</u>	<u>29,307,486</u>
<b>LIABILITIES</b>			
Claims payable	282,188	67,211	349,399
Amounts held in custody for others	1,671		1,671
Intergovernmental payables	136,019		136,019
Deferred revenue	5,297,231	112,866	5,410,097
Other payables	20,898		20,898
Long-term liabilities			
Due within one year:			
Capital related debt	812,936	338,071	1,151,007
Non-capital debt	140,000		140,000
Due in more than one year:			
Capital related debt	4,313,462	4,073,455	8,386,917
Non-capital debt	3,734,896	115,019	3,849,915
Total Liabilities	<u>14,739,301</u>	<u>4,706,622</u>	<u>19,445,923</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	6,238,600	(421,747)	5,816,853
Restricted:			
Expendable:			
General government	15,827		15,827
Debt service	577,171		577,171
Public safety	306,110	2,728,073	3,034,183
Public works	884,482	1,410,322	2,294,804
Health and welfare	770,817		770,817
Culture and recreation	2,863		2,863
Economic development	22,294		22,294
Unrestricted	(2,673,249)		(2,673,249)
Total Net Assets	<u>\$ 6,144,915</u>	<u>3,716,648</u>	<u>9,861,563</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, 2006

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>							
<b>Governmental activities:</b>							
General government	\$ 2,582,948	453,802	240,661		(1,888,485)		(1,888,485)
Public safety	2,223,677	382,792	157,695	321,326	(1,361,864)		(1,361,864)
Public works	2,105,410		827,297	183,413	(1,094,700)		(1,094,700)
Health and welfare	113,783		33,829		(79,954)		(79,954)
Culture and recreation	205,549		4,000		(201,549)		(201,549)
Conservation of natural resources	78,002				(78,002)		(78,002)
Economic development and assistance	181,045			73,851	(107,194)		(107,194)
Interest on long-term debt	799,174				(799,174)		(799,174)
<b>Total Governmental Activities</b>	<b>8,289,588</b>	<b>836,594</b>	<b>1,263,482</b>	<b>578,590</b>	<b>(5,610,922)</b>	<b>0</b>	<b>(5,610,922)</b>
<b>Business-type activities:</b>							
Regional jail	2,794,387	3,187,807	87,187			480,607	480,607
Solid waste	538,483	539,275				792	792
<b>Total Business-type Activities</b>	<b>3,332,870</b>	<b>3,727,082</b>	<b>87,187</b>	<b>0</b>	<b>0</b>	<b>481,399</b>	<b>481,399</b>
<b>Total Primary Government</b>	<b>\$ 11,622,458</b>	<b>4,563,676</b>	<b>1,350,669</b>	<b>578,590</b>	<b>(5,610,922)</b>	<b>481,399</b>	<b>(5,129,523)</b>
<b>General revenues:</b>							
Property taxes					\$ 4,633,475	179,757	4,813,232
Road & bridge privilege taxes					244,581		244,581
Grants and contributions not restricted to specific programs					479,512		479,512
Unrestricted investment income					139,591	113,861	253,452
Miscellaneous					947,546	18,451	965,997
<b>Total General Revenues</b>					<b>6,444,705</b>	<b>312,069</b>	<b>6,756,774</b>
Changes in Net Assets					833,783	793,468	1,627,251
Net Assets - Beginning					5,311,132	2,923,180	8,234,312
Net Assets - Ending					<b>\$ 6,144,915</b>	<b>3,716,648</b>	<b>9,861,563</b>

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

LEAKE COUNTY  
 Balance Sheet - Governmental Funds  
 September 30, 2006

Exhibit 3

	Major Funds			Total Governmental Funds
	General Fund	County Road and Bridge Fund	Other Governmental Funds	
<b>ASSETS</b>				
Cash and investments	\$ 882,793	992,369	1,726,484	3,601,646
Property tax receivable	3,238,593	1,410,045	648,593	5,297,231
Fines receivable (net of allowance for uncollectibles \$662,935)	312,537			312,537
Intergovernmental receivables	141,839		3,500	145,339
Other receivables	162			162
Due from other funds	48,861	44,642	15,045	108,548
Advances to other funds	18,000			18,000
Total Assets	<u>\$ 4,642,785</u>	<u>2,447,056</u>	<u>2,393,622</u>	<u>9,483,463</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Claims payable	\$ 97,712	159,776	24,700	282,188
Amounts held in custody for others	1,671			1,671
Intergovernmental payables	129,542			129,542
Due to other funds	70,541			70,541
Advances from other funds			18,000	18,000
Deferred revenue	3,551,130	1,410,045	648,593	5,609,768
Other payables	20,898			20,898
Total Liabilities	<u>3,871,494</u>	<u>1,569,821</u>	<u>691,293</u>	<u>6,132,608</u>
Fund balances:				
Reserved for:				
Debt service			577,171	577,171
Advances	18,000			18,000
Unreserved:				
Undesignated, reported in:				
General Fund	753,291			753,291
Special Revenue Funds		877,235	1,125,158	2,002,393
Total Fund Balances	<u>771,291</u>	<u>877,235</u>	<u>1,702,329</u>	<u>3,350,855</u>
Total Liabilities and Fund Balances	<u>\$ 4,642,785</u>	<u>2,447,056</u>	<u>2,393,622</u>	<u>9,483,463</u>

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, 2006

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 3,350,855
Amounts reported for governmental activities 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 \$5,238,683.	11,364,998
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	312,537
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	(9,001,294)
Bond issuance costs are deferred in the Statement of Net Assets and amortized over the terms of the bonds.	<u>117,819</u>
Total Net Assets - Governmental Activities	\$ <u><u>6,144,915</u></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, 2006

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	County Road and Bridge Fund		
<b>REVENUES</b>				
Property taxes	\$ 2,807,520	1,123,094	702,861	4,633,475
Road and bridge privilege taxes		241,483		241,483
Licenses, commissions and other revenue	185,444		5,642	191,086
Fines and forfeitures	234,765		65,659	300,424
Intergovernmental revenues	993,273	920,442	407,869	2,321,584
Charges for services	161,727	1,489	186,902	350,118
Interest income	56,331	25,014	58,246	139,591
Miscellaneous revenues	72,214	54,662	785,999	912,875
Total Revenues	<u>4,511,274</u>	<u>2,366,184</u>	<u>2,213,178</u>	<u>9,090,636</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,499,493		230,217	2,729,710
Public safety	1,521,001		516,907	2,037,908
Public works	46,098	3,424,398	176,535	3,647,031
Health and welfare	99,018			99,018
Culture and recreation	160,550		11,548	172,098
Conservation of natural resources	78,002			78,002
Economic development and assistance	65,276		117,081	182,357
Debt service:				
Principal	46,453	806,495	410,060	1,263,008
Interest	2,717	26,778	759,080	788,575
Total Expenditures	<u>4,518,608</u>	<u>4,257,671</u>	<u>2,221,428</u>	<u>10,997,707</u>
Excess of Revenues over (under) Expenditures	<u>(7,334)</u>	<u>(1,891,487)</u>	<u>(8,250)</u>	<u>(1,907,071)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term capital debt issued	155,862	1,307,260		1,463,122
Proceeds from sale of capital assets		463,838		463,838
Transfers in	300,000		134,799	434,799
Transfers out	(99,057)		(335,742)	(434,799)
Total Other Financing Sources and Uses	<u>356,805</u>	<u>1,771,098</u>	<u>(200,943)</u>	<u>1,926,960</u>
Net Changes in Fund Balances	349,471	(120,389)	(209,193)	19,889
Fund Balance - Beginning	<u>421,820</u>	<u>997,624</u>	<u>1,911,522</u>	<u>3,330,966</u>
Fund Balances - Ending	<u>\$ 771,291</u>	<u>877,235</u>	<u>1,702,329</u>	<u>3,350,855</u>

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

## LEAKE COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended September 30, 2006

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 19,889
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 \$2,205,465 exceeded depreciation of \$715,051 in the current period.	1,490,414
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 gain of \$34,671 and the proceeds from the sale of \$463,838 in the current period.	(429,167)
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.	(1,936)
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the statement of 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 proceeds of \$1,463,122 exceeded debt repayments of \$1,263,008.	(200,114)
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 increase in compensated absences.	(34,703)
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>\$ 833,783</u>

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

LEAKE COUNTY  
Statement of Net Assets - Proprietary Funds  
September 30, 2006

Exhibit 5

	Business-type Activities - Enterprise Funds		
	Major Funds		
	Regional Jail Fund	Solid Waste Fund	Total
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 2,938,388	869,769	3,808,157
Property tax receivable		112,866	112,866
Accounts receivable (net of allowance for uncollectibles \$296,364)		556,952	556,952
Due from other funds		4,377	4,377
Total Current Assets	<u>2,938,388</u>	<u>1,543,964</u>	<u>4,482,352</u>
Noncurrent assets:			
Capital assets, net	<u>3,770,680</u>	<u>219,099</u>	<u>3,989,779</u>
Total Noncurrent Assets	<u>3,770,680</u>	<u>219,099</u>	<u>3,989,779</u>
Total Assets	<u>6,709,068</u>	<u>1,763,063</u>	<u>8,472,131</u>
<b>LIABILITIES</b>			
Current liabilities:			
Claims payable	61,130	6,081	67,211
Due to other funds	41,134	7,727	48,861
Deferred revenue		112,866	112,866
Current portions of long-term capital-related debt:			
Capital leases payable		58,071	58,071
Limited obligation bonds	<u>280,000</u>		<u>280,000</u>
Total Current Liabilities	<u>382,264</u>	<u>184,745</u>	<u>567,009</u>
Noncurrent liabilities:			
Capital leases payable		123,455	123,455
Limited obligation bonds	3,950,000		3,950,000
Non-capital debt:			
Compensated absences payable	<u>108,051</u>	<u>6,968</u>	<u>115,019</u>
Total Noncurrent Liabilities	<u>4,058,051</u>	<u>130,423</u>	<u>4,188,474</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	(459,320)	37,573	(421,747)
Restricted for public safety	2,728,073		2,728,073
Restricted for public works		1,410,322	1,410,322
Total Net Assets	<u>\$ 2,268,753</u>	<u>1,447,895</u>	<u>3,716,648</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, 2006

	Business-type Activities - Enterprise Funds		Totals
	Regional Jail Fund	Solid Waste Fund	
<b>Operating Revenues</b>			
Charges for services	\$ 3,187,807	539,275	3,727,082
Miscellaneous	10,639	7,812	18,451
<b>Total Operating Revenues</b>	<b>3,198,446</b>	<b>547,087</b>	<b>3,745,533</b>
<b>Operating Expenses</b>			
Personal services	1,523,665	184,869	1,708,534
Contractual services	441,589	227,935	669,524
Materials and supplies	410,249	61,952	472,201
Depreciation expense	114,364	56,000	170,364
Indirect administrative cost	41,134	7,727	48,861
<b>Total Operating Expenses</b>	<b>2,531,001</b>	<b>538,483</b>	<b>3,069,484</b>
<b>Operating Income (Loss)</b>	<b>667,445</b>	<b>8,604</b>	<b>676,049</b>
<b>Nonoperating Revenues (Expenses)</b>			
Property tax		179,757	179,757
Interest income	85,448	28,413	113,861
Operating grants	87,187		87,187
Loss on disposal of capital assets	(9,284)		(9,284)
Interest expense	(254,102)		(254,102)
<b>Net Nonoperating Revenue (Expenses)</b>	<b>(90,751)</b>	<b>208,170</b>	<b>117,419</b>
<b>Changes in Net Assets</b>	<b>576,694</b>	<b>216,774</b>	<b>793,468</b>
<b>Net Assets - Beginning</b>	<b>1,692,059</b>	<b>1,231,121</b>	<b>2,923,180</b>
<b>Net Assets - Ending</b>	<b>\$ 2,268,753</b>	<b>1,447,895</b>	<b>3,716,648</b>

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

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Major Funds</u>		
	<u>Regional Jail Fund</u>	<u>Solid Waste Fund</u>	<u>Totals</u>
<b>Cash Flows From Operating Activities</b>			
Receipts from users	\$ 3,187,807		3,187,807
Receipts from customers		502,049	502,049
Payments to suppliers		(306,561)	(306,561)
Payments to employees	(1,490,383)	(186,315)	(1,676,698)
Payments for contractual services	(850,013)		(850,013)
Payments to General Fund for indirect costs		(7,365)	(7,365)
Other operating cash receipts	10,639	8,082	18,721
Other operating cash payments	(33,127)		(33,127)
Net Cash Provided (Used) by Operating Activities	<u>824,923</u>	<u>9,890</u>	<u>834,813</u>
<b>Cash Flows From Noncapital Financing Activities</b>			
Operating grants received	87,187		87,187
Cash received from property taxes		183,471	183,471
Net Cash Provided (Used) by Noncapital Financing Activities	<u>87,187</u>	<u>183,471</u>	<u>270,658</u>
<b>Cash Flows From Capital and Related Financing Activities</b>			
Acquisition and construction of capital assets	(283,485)		(283,485)
Principal paid on long-term debt	(265,000)		(265,000)
Interest paid on debt	(254,102)		(254,102)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(802,587)</u>	<u>0</u>	<u>(802,587)</u>
<b>Cash Flows From Investing Activities</b>			
Interest on investments	85,448	28,413	113,861
Net Cash Provided (Used) by Investing Activities	<u>85,448</u>	<u>28,413</u>	<u>113,861</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	194,971	221,774	416,745
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>2,743,417</u>	<u>647,995</u>	<u>3,391,412</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 2,938,388</u>	<u>869,769</u>	<u>3,808,157</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ 667,445	8,604	676,049
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	114,364	56,000	170,364
Provision for uncollectible accounts		18,491	18,491
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable		(55,447)	(55,447)
Increase (decrease) in claims payable	1,825	(16,674)	(14,849)
Increase (decrease) in compensated absences liability	33,282	(1,446)	31,836
Increase (decrease) in interfund payables	8,007	362	8,369
Total Adjustments	<u>157,478</u>	<u>1,286</u>	<u>158,764</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 824,923</u>	<u>9,890</u>	<u>834,813</u>

**Noncash Capital Financing Activity:**

Leake County lease purchased mobile equipment for \$181,526 for 5 years at 4.14% interest. No principal payments were made on the lease during the year.

Leake County had a gain on investments in T-Bills of \$4,063 and a loss on investments in FHLB of \$13,209 for the year ended September 30, 2006.

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

LEAKE COUNTY  
Statement of Fiduciary Assets and Liabilities  
September 30, 2006

Exhibit 8

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	\$ 126,715
Due from other funds	6,477
Total Assets	<u>\$ 133,192</u>
<b>LIABILITIES</b>	
Amounts held in custody for others	\$ 92,780
Intergovernmental payables	40,412
Total Liabilities	<u>\$ 133,192</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, 2006

#### (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 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, 2006

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-type activities 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 (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 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.

## LEAKE COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2006

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 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.

## LEAKE COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2006

#### 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.

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. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

## LEAKE COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2006

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 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. 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.

LEAKE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2006

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 with unreserved classified as designated and undesignated.

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.

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.

LEAKE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2006

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) Deposits and Investments.

Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2006, was \$6,063,022 and the bank balance was \$6,359,568. 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, 2006, are as follows:

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Rating</u>
Federal Home Loan Bank Bonds	6 years 4 months	\$ 531,153	Not rated
U.S. T-Bill	Less than 1 year	546,525	Not rated
Hancock Horizon Treasury Securities			
Money Market Mutual Fund	Less than 1 year	395,818	AAAm
Total		\$ <u>1,473,496</u>	

LEAKE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2006

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. The average weighted maturity of the securities in the Hancock Horizon Treasury Security Money Market Fund was less 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 investments choices or one that addresses credit risk.

Custodial Credit Risk - Investments. Custodial credit risk is the risk that in the event of the failure of the counterparty, the county will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. These investments are held by the Hancock Bank trust department. All of the county's investments are uninsured and unregistered. The investment in the Hancock Horizon Treasury Money Market Mutual Funds is not backed by the full faith and credit of the federal government.

Concentration of Credit Risk. The county places no limit on the amount the county may invest in any one issuer. More than five percent of the county's investments are in Federal Home Loan Bank Bonds. These investments are 36.0% of the county's total investments and are reported in the Regional Jail Fund.

(3) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2006:

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
General	Solid Waste	\$ 7,727
General	Regional Jail	41,134
County Road and Bridge	General	44,642
Other Governmental Funds	General	15,045
Solid Waste	General	4,377
Agency Funds	General	6,477
Total		\$ 119,402

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, 2006. 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	\$ 18,000

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

LEAKE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2006

C. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 300,000
Other Governmental Funds	General Fund	99,057
Other Governmental Funds	Other Governmental Funds	<u>35,742</u>
<b>Total</b>		<b>\$ <u>434,799</u></b>

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.

(4) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2006, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tag credit	\$ 100,682
Enforcing underage drinking laws program	706
State domestic preparedness equipment support program	40,451
Wildland urban interface community fire assistance	<u>3,500</u>
<b>Total Governmental Activities</b>	<b>\$ <u>145,339</u></b>

(5) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2006:

Governmental activities:

	<u>Balance</u> <u>Oct. 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u> *	<u>Balance</u> <u>Sept. 30, 2006</u>
<u>Non-depreciable capital assets:</u>					
Land	\$ 1,351,560	14,000			1,365,560
Construction in progress	<u>1,858,877</u>	<u>666,318</u>		(1,497,033)	<u>1,028,162</u>
Total non-depreciable capital assets	<u>3,210,437</u>	<u>680,318</u>	<u>0</u>	<u>(1,497,033)</u>	<u>2,393,722</u>
<u>Depreciable capital assets:</u>					
Infrastructure	2,853,426			1,497,033	4,350,459
Buildings	3,434,859	99,428			3,534,287

LEAKE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2006

	Balance <u>Oct. 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments *</u>	Balance <u>Sept. 30, 2006</u>
Mobile equipment	2,847,780	23,352		801,129	3,672,261
Furniture and equipment	595,926	54,245	15,294		634,877
Leased property under capital leases	1,939,282	1,348,122	468,200	(801,129)	2,018,075
Total depreciable capital assets	<u>11,671,273</u>	<u>1,525,147</u>	<u>483,494</u>	<u>1,497,033</u>	<u>14,209,959</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	171,312	130,156			301,468
Buildings	965,383	55,176			1,020,559
Mobile equipment	2,250,282	173,742		314,036	2,738,060
Furniture and equipment	432,854	80,853	12,182		501,525
Leased property under capital leases	758,128	275,124	42,145	(314,036)	677,071
Total accumulated depreciation	<u>4,577,959</u>	<u>715,051</u>	<u>54,327</u>	<u>0</u>	<u>5,238,683</u>
Total depreciable capital assets, net	<u>7,093,314</u>	<u>810,096</u>	<u>429,167</u>	<u>1,497,033</u>	<u>8,971,276</u>
Governmental activities capital assets, net	<u>\$ 10,303,751</u>	<u>1,490,414</u>	<u>429,167</u>	<u>0</u>	<u>11,364,998</u>
Business-type activities:					
	Balance <u>Oct. 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	Balance <u>Sept. 30, 2006</u>
<u>Non-depreciable capital assets:</u>					
Land	\$ 2,910				2,910
Construction in progress		255,543			255,543
Total non-depreciable capital assets	<u>2,910</u>	<u>255,543</u>	<u>0</u>	<u>0</u>	<u>258,453</u>
<u>Depreciable capital assets:</u>					
Buildings	4,310,237				4,310,237
Mobile equipment	544,885		52,839		492,046
Furniture and equipment	182,790	27,942	40,000		170,732
Leased property under capital leases		181,526			181,526
Total depreciable capital assets	<u>5,037,912</u>	<u>209,468</u>	<u>92,839</u>	<u>0</u>	<u>5,154,541</u>

LEAKE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2006

	Balance <u>Oct. 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	Balance <u>Sept. 30, 2006</u>
<u>Less accumulated depreciation for:</u>					
Buildings	775,854	86,206			862,060
Mobile equipment	424,629	36,458	47,555		413,532
Furniture and equipment	135,923	15,020	36,000		114,943
Leased property under capital leases		32,680			32,680
Total accumulated depreciation	<u>1,336,406</u>	<u>170,364</u>	<u>83,555</u>	<u>0</u>	<u>1,423,215</u>
Total depreciable capital assets, net	<u>3,701,506</u>	<u>39,104</u>	<u>9,284</u>	<u>0</u>	<u>3,731,326</u>
Business-type activities capital assets, net	<u>\$ 3,704,416</u>	<u>294,647</u>	<u>9,284</u>	<u>0</u>	<u>3,989,779</u>

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

Depreciation expense was charged to the following functions:

	<u>Amount</u>
<b>Governmental Activities:</b>	
General government	\$ 20,199
Public safety	219,003
Public works	427,633
Health and welfare	14,765
Economic development	<u>33,451</u>
Total governmental activities depreciation expense	<u>\$ 715,051</u>
<b>Business-type activities:</b>	
Solid waste	\$ 56,000
Regional jail	<u>114,364</u>
Total business-type activities depreciation expense	<u>\$ 170,364</u>

LEAKE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2006

Commitments with respect to unfinished capital projects at September 30, 2006, consisted of the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
SAP 40(74)	\$ 29,389	December 2006
SAP 40(66)	13,398	January 2007
SAP 40(3)	288,556	January 2008
SAP 40(11)	261,327	January 2008
Pleasant Hill Road	31,059	June 2007
Shiloh Road	27,500	October 2006
Standing Pine Road	8,995	June 2007
Jail Expansion	500,000	December 2007
Salem Voting Precinct	14,300	June 2007
New Justice Court Building	95,515	June 2008

(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 \$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, 2006, to January 1, 2007. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(7) Operating Leases.

As Lessor:

The county receives income from property it leases under noncancellable operating leases. Total income from such leases was \$115,183 for the year ended September 30, 2006. The future minimum lease receivables for these leases are as follows:

<u>Year Ended September 30</u>	<u>Amount</u>
2007	\$ 115,183
2008	115,183
2009	28,796
Total Minimum Payments Required	<u>\$ 259,162</u>

LEAKE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2006

(8) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2006:

<u>Classes of Property</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Mobile equipment	\$ 1,932,359	181,526
Furniture and equipment	85,716	
Total	2,018,075	181,526
Less: Accumulated depreciation	677,071	32,680
Leased Property Under Capital Leases	<u>\$ 1,341,004</u>	<u>148,846</u>

The following is a schedule by years of the total payments due as of September 30, 2006:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 501,503	35,532	58,071	7,515
2008	336,070	22,734	60,476	5,111
2009	299,623	11,193	62,979	2,607
Total	<u>\$ 1,137,196</u>	<u>69,459</u>	<u>181,526</u>	<u>15,233</u>

(9) Long-term Debt.

Debt outstanding as of September 30, 2006, consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
<b>Governmental Activities:</b>			
<b>A. General Obligation Bonds:</b>			
Road and bridge bonds, Series 2001	\$ 2,100,000	4.10/4.87%	02/21
Industrial park development bonds, Series 2002	864,000	4.75%	02/22
Total General Obligation Bonds	<u>\$ 2,964,000</u>		
<b>B. Limited Obligation Bonds:</b>			
Special obligation bonds - Leake County Hospital	<u>\$ 3,735,000</u>	3.625/6.45%	01/23

LEAKE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2006

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
<b>C. Capital Leases:</b>			
Three 2005 Ford Crown Victorias	\$ 22,763	2.85%	10/07
Computer system upgrade	24,599	3.84%	01/08
Two 2006 Ford Crown Victorias	38,717	3.97%	07/09
John Deere tractor	26,932	3.50%	04/08
Boom mower	15,318	3.29%	04/08
Two John Deere tractors	33,793	3.23%	02/08
Five Caterpillar motor graders	110,745	3.89%	05/07
John Deere tractor	14,040	3.69%	02/08
Boom mower & ditcher	11,269	3.69%	05/08
Five 2007 Mack dump trucks	474,950	4.12%	09/09
Six 2007 Mack dump trucks	83,150	3.29%	11/08
Three 2007 Mack dump trucks	<u>280,920</u>	3.29%	01/09
Total Capital Leases	<u>\$ 1,137,196</u>		
<b>D. Other Loans:</b>			
Justice Court building	\$ 115,000	4.22%	10/10
Five fire trucks	148,136	4.65%	03/09
TVA loan - Hisan Industries	381,112	2.75%	09/13
CAP loan - Hisan Industries	<u>380,954</u>	3.00%	12/14
Total Other Loans	<u>\$ 1,025,202</u>		
<b>Business-type Activities:</b>			
<b>A. Limited Obligation Bonds:</b>			
Urban renewal revenue bonds*	<u>\$ 4,230,000</u>	5.51/5.71%	08/17
<b>B. Capital Leases:</b>			
Two garbage trucks	<u>\$ 181,526</u>	4.14%	07/09

\* 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.

LEAKE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2006

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

Governmental Activities:

<u>Year Ending September 30</u>	<u>General Obligation Bonds</u>		<u>Limited Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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	160,000	109,278	165,000	189,500
2012 - 2016	940,000	428,168	985,000	785,512
2017 - 2021	1,217,000	177,654	1,330,000	435,415
2022 - 2026	74,000	3,515	660,000	43,215
Total	<u>\$ 2,964,000</u>	<u>1,219,744</u>	<u>3,735,000</u>	<u>2,286,327</u>

<u>Year Ending September 30</u>	<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 173,433	31,202
2008	179,764	24,873
2009	155,416	18,560
2010	127,792	14,240
2011	141,946	10,223
2012 - 2016	246,851	8,180
Total	<u>\$ 1,025,202</u>	<u>107,278</u>

Business-type Activities:

<u>Year Ending September 30</u>	<u>Limited Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 280,000	237,540
2008	295,000	220,040
2009	315,000	201,603
2010	330,000	183,884
2011	350,000	166,724
2012 - 2016	2,145,000	520,116
2017 - 2021	515,000	28,969
Total	<u>\$ 4,230,000</u>	<u>1,558,876</u>

LEAKE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2006

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, 2006, the amount of outstanding debt was equal to 2.6% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2006:

	Balance Oct. 1, 2005	Additions	Reductions	Adjustments	Balance Sept. 30, 2006	Amount due within one year
<b>Governmental Activities:</b>						
General obligation bonds	\$ 3,090,000		126,000		2,964,000	138,000
Limited obligation bonds	3,870,000		135,000		3,735,000	140,000
Less deferred amounts: for issuance discounts - limited obligation bonds	(55,012)		(3,236)		(51,776)	
Total bonds payable	6,904,988	0	257,764	0	6,647,224	278,000
Capital leases	642,022	1,348,122	852,948		1,137,196	501,503
Other loans	1,059,262	115,000	149,060		1,025,202	173,433
Compensated absences	156,969	34,703			191,672	
<b>Total</b>	<b>\$ 8,763,241</b>	<b>1,497,825</b>	<b>1,259,772</b>	<b>0</b>	<b>9,001,294</b>	<b>952,936</b>
<b>Business-type Activities:</b>						
Compensated absences	\$ 83,183	31,836			115,019	
Limited obligation bonds	4,495,000		265,000		4,230,000	280,000
Capital leases		181,526			181,526	58,071
<b>Total</b>	<b>\$ 4,578,183</b>	<b>213,362</b>	<b>265,000</b>	<b>0</b>	<b>4,526,545</b>	<b>338,071</b>

(10) Contingencies.

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

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

## LEAKE COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2006

#### (11) 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 2006. 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 \$135,500 in fiscal year 2006.

#### (12) 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 \$323,728 for maintenance and support of the college in fiscal year 2006.

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 2006.

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 2006.

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 2006.

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 2006.

LEAKE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2006

(13) 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, 2006 was 11.30% 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, 2006, 2005 and 2004 were \$411,160, \$369,108 and \$359,331, respectively, equal to the required contributions for each year.

(14) Subsequent Events.

Subsequent to September 30, 2006, 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>
11/28/06	3.88%	\$ 884,550	Capital lease	County Road and Bridge Fund revenue
11/29/06	4.24%	93,000	Capital lease	County Road and Bridge Fund revenue
12/07/06	4.24%	43,396	Capital lease	County Road and Bridge Fund revenue
02/21/07	4.24%	321,749	Capital lease	County Road and Bridge Fund revenue
05/27/07	4.22%	97,327	Capital lease	County Road and Bridge Fund revenue

LEAKE COUNTY

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LEAKE COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

LEAKE COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 General Fund  
 For the Year Ended September 30, 2006

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 2,370,991	2,875,404	2,875,404	
Licenses, commissions and other revenue	209,253	189,357	189,357	
Fines and forfeitures	339,275	205,610	205,610	
Intergovernmental revenues	522,850	712,897	712,897	
Charges for services	251,000	161,727	161,727	
Interest income	33,000	53,836	53,836	
Miscellaneous revenues	140,300	1,032,688	1,032,688	
Total Revenues	<u>3,866,669</u>	<u>5,231,519</u>	<u>5,231,519</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,467,597	2,426,331	2,426,331	
Public safety	1,367,593	1,464,507	1,464,507	
Public works	57,465	47,511	47,511	
Health and welfare	101,132	99,668	99,668	
Culture and recreation	160,550	160,550	160,550	
Conservation of natural resources	87,301	78,541	78,541	
Economic development and assistance	67,058	66,531	66,531	
Total Expenditures	<u>4,308,696</u>	<u>4,343,639</u>	<u>4,343,639</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(442,027)</u>	<u>887,880</u>	<u>887,880</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term capital debt issued		115,000	115,000	
Transfers in	94,000	845,492	845,492	
Transfers out		(541,146)	(541,146)	
Total Other Financing Sources and Uses	<u>94,000</u>	<u>419,346</u>	<u>419,346</u>	<u>0</u>
Net Change in Fund Balance	(348,027)	1,307,226	1,307,226	0
Fund Balances - Beginning	<u>580,585</u>	<u>325,886</u>	<u>325,886</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 232,558</u>	<u>1,633,112</u>	<u>1,633,112</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, 2006

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 1,184,330	1,161,256	1,161,256	
Road and bridge privilege taxes		243,777	243,777	
Licenses, commissions and other revenue	20,000			
Intergovernmental revenues	744,000	920,442	920,442	
Charges for services	2,000	1,489	1,489	
Interest income	16,000	25,014	25,014	
Miscellaneous revenues	62,925	54,662	54,662	
Total Revenues	<u>2,029,255</u>	<u>2,406,640</u>	<u>2,406,640</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
Public works	2,365,013	2,867,539	2,867,539	
Total Expenditures	<u>2,365,013</u>	<u>2,867,539</u>	<u>2,867,539</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(335,758)</u>	<u>(460,899)</u>	<u>(460,899)</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets		463,838	463,838	
Transfers in		375,000	375,000	
Total Other Financing Sources and Uses	<u>0</u>	<u>838,838</u>	<u>838,838</u>	<u>0</u>
Net Change in Fund Balance	(335,758)	377,939	377,939	0
Fund Balances - Beginning	<u>862,559</u>	<u>989,431</u>	<u>989,431</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 526,801</u>	<u>1,367,370</u>	<u>1,367,370</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, 2006

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:

	Governmental Fund Types	
	General Fund	County Road and Bridge Fund
	<u>          </u>	<u>          </u>
Budget (Cash Basis)	\$ 1,307,226	377,939
Increase (Decrease)		
Net adjustments for revenue accruals	(720,245)	(44,642)
Net adjustments for expenditure accruals	<u>(237,510)</u>	<u>(453,686)</u>
GAAP Basis	<u>\$ 349,471</u>	<u>(120,389)</u>

LEAKE COUNTY

SUPPLEMENTAL INFORMATION

LEAKE COUNTY  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2006

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
<b>MAJOR FEDERAL AWARDS</b>			
U.S. Election Assistance Commission/Passed-through the Mississippi Secretary of State's Office Help America Vote Act requirements payments (Note B)	90.401	N/A	\$ <u>115,366</u>
U.S. Department of Health and Human Services/ Passed-through the Mississippi Secretary of State Voting access for individuals with disabilities - grants to states	93.617	N/A	<u>14,251</u>
U.S. Department of Homeland Security/ Passed-through the Mississippi Emergency Management Agency State domestic preparedness equipment support program	97.004	3SSGR-4022	21,570
State domestic preparedness equipment support program	97.004	3SSG-2064	34,188
Passed-through the Mississippi Department of Public Safety/ Office of Homeland Security Homeland Security Cluster State domestic preparedness equipment support program	97.004	04HS040	50,145
State domestic preparedness equipment support program	97.004	04LE040	<u>8,359</u>
Subtotal			<u>114,262</u>
Homeland security grant program	97.067	05LE040	<u>19,769</u>
Total U.S. Department of Homeland Security			<u>134,031</u>
Total Expenditures of Major Federal Awards			<u>263,648</u>
<b>OTHER FEDERAL AWARDS</b>			
U.S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority Home investment partnerships program	14.239	M03-SG-28-01-0985	23,035
Community Development Block Grants/ Brownfields economic development initiative	14.246	B-02-SP-MS-0356	<u>73,851</u>
Total U.S. Department of Housing and Urban Development			<u>96,886</u>
U.S. Department of Interior - National Parks Service National fire plan - wildland urban interface community fire assistance	15.228	N/A	<u>6,600</u>

LEAKE COUNTY  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2006

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U.S. Department of Justice - Office of Community Oriented Policing/Passed-through the Mississippi Department of Public Safety			
Local law enforcement block grant program	16.592	05LB1401	1,786
Enforcing underage drinking laws program	16.727	04UA1401	<u>6,641</u>
Total U.S. Department of Justice			<u>8,427</u>
U.S. Department of Transportation - Federal Highway Administration/Passed-through the Mississippi Department of Transportation			
Highway planning and construction	20.205	N/A	10,130
Passed-through the Mississippi Department of Public Safety Division of Public Safety Planning			
State and community highway safety	20.600	06TA1401	<u>22,017</u>
Total U.S. Department of Transportation			<u>32,147</u>
U.S. Department of Homeland Security/Passed-through the Mississippi Emergency Management Agency			
Disaster grants - public assistance	97.036	1594-DR-MS	2,607
Disaster grants - public assistance	97.036	1459-DR-MS	31,743
Disaster grants - public assistance	97.036	1604-DR-MS	<u>61,191</u>
Subtotal			<u>95,541</u>
Emergency management performance grants	97.042	05EMP	7,732
Emergency management performance grants	97.042	06EMP	<u>14,373</u>
Subtotal			<u>22,105</u>
Total U.S. Department of Homeland Security			<u>117,646</u>
Total Expenditures of Other Federal Awards			<u>261,706</u>
Total Expenditures of Federal Awards			<u>\$ 525,354</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.

Note B - Help America Vote Act requirements payments (CFDA #90.401)

Of the federal expenditures presented in this schedule, federal awards totaling \$115,366 represent non-cash awards for computerized voting machines during the fiscal year ended September 30, 2006.

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, 2006, which collectively comprise the county's basic primary government financial statements and have issued our report thereon dated September 25, 2007. 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. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Leake County, Mississippi's ability to initiate, record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 06-I.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Leake County, Mississippi's primary government 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*.

However, we noted certain immaterial instances of noncompliance which we have reported to the management of Leake County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated September 25, 2007, included within this document.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. 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

September 25, 2007



## State of Mississippi

OFFICE OF THE STATE AUDITOR  
PHIL BRYANT  
AUDITOR

### INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Members of the Board of Supervisors  
Leake County, Mississippi

#### Compliance

We have audited the compliance of Leake County, Mississippi, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2006. Leake County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Leake County, Mississippi's management. Our responsibility is to express an opinion on Leake County, Mississippi's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Leake County, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Leake County, Mississippi's compliance with those requirements.

In our opinion, Leake County, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2006.

#### Internal Control Over Compliance

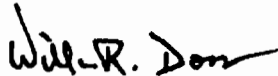
The management of Leake County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Leake County, Mississippi's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance 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 noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. 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

September 25, 2007



## 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, 2006. 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.

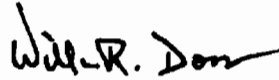
In our opinion, Leake County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements.

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

September 25, 2007

LEAKE COUNTY  
Schedule of Purchases Not Made From the Lowest Bidder  
For the Year Ended September 30, 2006

Schedule 1

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

LEAKE COUNTY  
Schedule of Emergency Purchases  
For the Year Ended September 30, 2006

Schedule 2

Our test results did not identify any emergency purchases.

## LEAKE COUNTY

Schedule 3Schedule of Purchases Made Noncompetitively From a Sole Source  
For the Year Ended September 30, 2006

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
02/28/06	Mobile deployment systems spike plates and training	\$ 5,421	Mobile Deployment Systems
06/06/06	Golden Eagle inmate management software	12,995	Law Enforcement Systems

LEAKE COUNTY

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# State of Mississippi

OFFICE OF THE STATE AUDITOR  
PHIL BRYANT  
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, 2006, 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 September 25, 2007, 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 and recommendations and your responses are disclosed below:

Board of Supervisors.

1. Finding

An effective system of internal controls should include an updated personnel policy adopted by the county. The personnel policy in use was adopted in 1990 and has had many amendments not included in the original document. New county employees are not given a copy of the personnel policy. Without a current personnel policy, county employees could unknowingly violate policies.

Recommendation

The Board of Supervisors should approve and provide a current, updated personnel policy to all county employees and have each employee sign a document acknowledging the receipt of such, with this document being filed in their respective personnel file. Also, the Chancery Clerk, Circuit Clerk, Tax Collector and Sheriff should either adopt the county's new policy or approve a separate policy for their employees and have their employees sign a document acknowledging the receipt of such in their respective personnel file.

Board of Supervisors' Response

The Board has begun a revision of the county's personnel policy which should be finalized and become effective in fiscal year 2007-2008.

2. Finding

According to the county's personnel policy, any accumulated compensatory leave time must be used within six work weeks after it is earned. Employees were allowed to accumulate compensatory time for longer than the approved personnel policy stated. By allowing employees to accumulate excessive amounts of compensatory time the county could incur a large financial liability.

Recommendation

The Board of Supervisors should not allow employees to accumulate more leave than their policy states.

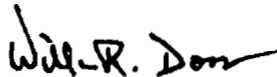
Board of Supervisors' Response

The Board will review all compensatory time currently due to the county employees and take such action as necessary to bring the accumulated compensatory time within the limits permitted by the personnel policy.

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 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

September 25, 2007

LEAKE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

LEAKE COUNTY

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LEAKE COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2006

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? | Yes         |
| 3. | Noncompliance material to the primary government financial statements?            | No          |

***Federal Awards:***

- |     |   |               |
|-----|---|---------------|
| 4.  | Internal control over major programs:   |               |
| a.  | Material weakness identified?   | No            |
| b.  | Reportable condition identified that is not considered to be a material weakness?   | None reported |
| 5.  | Type of auditor's report issued on compliance for major federal programs:   | Unqualified   |
| 6.  | Any audit findings reported as required by Section ____.510(a) of Circular A-133?   | No            |
| 7.  | Federal programs identified as major programs:  |               |
| a.  | CFDA #90.401, Help America Vote Act requirements payments   |               |
| b.  | CFDA #93.617, Voting access for individuals with disabilities - grants to states  |               |
| c.  | CFDA #97.004, State domestic preparedness equipment support program   |               |
| d.  | CFDA #97.067, Homeland security grant program   |               |
| 8.  | The dollar threshold used to distinguish between type A and type B programs:  | \$300,000     |
| 9.  | Auditee qualified as a low-risk auditee?  | No            |
| 10. | Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section _____.315(b) of OMB Circular A-133? | No            |

LEAKE COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2006

Section 2: Financial Statement Findings

Board of Supervisors/Comptroller.

Reportable Condition

06 - 1. Finding

An effective system of internal control should include an accounting for collections and disbursements of funds received in the drug court. The county comptroller who is not an employee of the drug court is handling, receipting and disbursing drug court funds. Drug court funds should be receipted by an employee of the drug court who is bonded through the appropriate court system for subsequent settlement to the county treasury. Failure to separate these duties increases the possibility of the loss or misappropriation of public funds.

Recommendation

The Board of Supervisors should provide an adequate system of collection and disbursement of drug court funds. The system should include having an employee of the drug court receipt drug court funds in a separate bank account for subsequent settlement of the county treasury.

Board of Supervisors' Response

The Board will implement such steps as necessary to correct this problem and separate the duties involved.

Section 3: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to federal awards.