

LEAKE COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2007

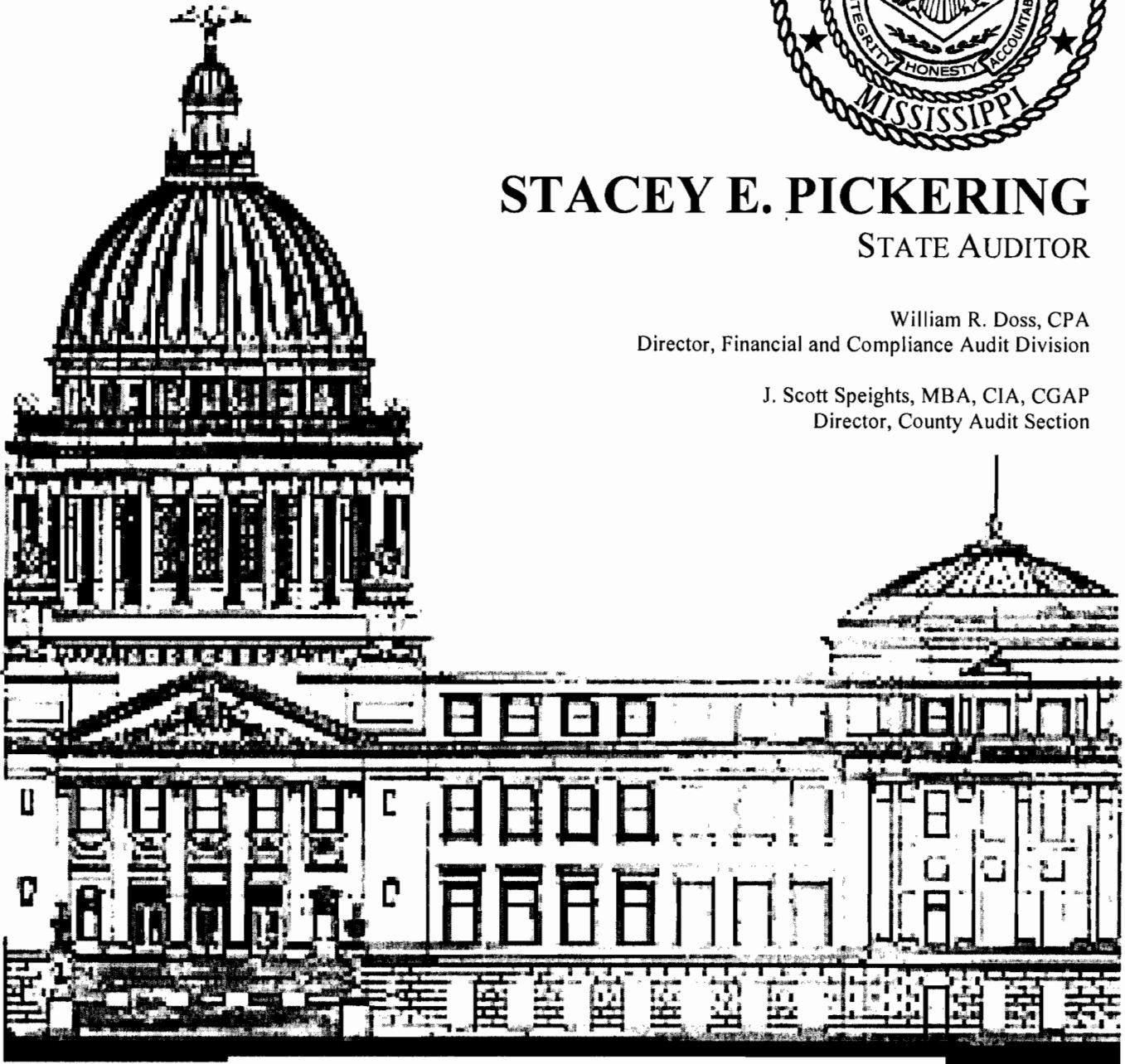


STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA
Director, Financial and Compliance Audit Division

J. Scott Speights, MBA, CIA, CGAP
Director, County Audit Section



A Report from the County Audit Section

www.osa.state.ms.us

*The Office of the State Auditor does not discriminate on the basis of
race, religion, national origin, sex, age or disability*

LEAKE COUNTY

TABLE OF CONTENTS

FINANCIAL SECTION 1

INDEPENDENT AUDITOR'S REPORT 3

FINANCIAL STATEMENTS 5

 Statement of Net Assets 7

 Statement of Activities 8

 Balance Sheet - Governmental Funds 9

 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets 10

 Statement of Revenues, Expenditures and Changes in Fund Balances -
 Governmental Funds 11

 Reconciliation of the Statement of Revenues, Expenditures and Changes in
 Fund Balances of Governmental Funds to the Statement of Activities 12

 Statement of Net Assets - Proprietary Funds 13

 Statement of Revenues, Expenses and Changes in Fund Net Assets -
 Proprietary Funds 14

 Statement of Cash Flows - Proprietary Funds 15

 Statement of Fiduciary Assets and Liabilities 16

 Notes to Financial Statements 17

REQUIRED SUPPLEMENTARY INFORMATION 37

 Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis)
 General Fund 39

 County Road and Bridge Fund 40

 Notes to the Required Supplementary Information 41

SUPPLEMENTAL INFORMATION 43

 Schedule of Expenditures of Federal Awards 44

SPECIAL REPORTS 47

 Independent Auditor's Report on Internal Control Over Financial Reporting and on
 Compliance and Other Matters Based on an Audit of the Financial Statements
 Performed in Accordance with *Government Auditing Standards* 49

 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 51

 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)) 53

 Limited Internal Control and Compliance Review Management Report 59

SCHEDULE OF FINDINGS AND QUESTIONED COSTS 63

AUDITEE'S CORRECTIVE ACTION PLAN 69

LEAKE COUNTY

FINANCIAL SECTION

LEAKE COUNTY

(This page left blank intentionally)



State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

INDEPENDENT AUDITOR'S REPORT ON THE 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, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of Leake County, Mississippi, as of and for the year ended September 30, 2007, which collectively comprise the county's basic 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 did not audit the financial statements of Leake County Memorial Hospital, a component unit, which represents 100 percent of the assets and revenues of the discretely presented component unit. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinions, insofar as it relates to the amounts included for the aforementioned component unit, is based on the report of the other auditors.

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 and the report of the other auditor provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Leake County, Mississippi, as of September 30, 2007, 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 December 19, 2008, 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.

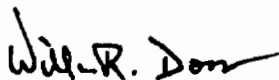
Leake County, Mississippi, has not presented Management's Discussion and Analysis that is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

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 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 by us in the audit of the basic financial statements and, in our opinion, based on our audit, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



STACEY E. PICKERING
State Auditor



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

December 19, 2008

LEAKE COUNTY

FINANCIAL STATEMENTS

LEAKE COUNTY

(This page left blank intentionally)

LEAKE COUNTY
Statement of Net Assets
September 30, 2007

Exhibit 1

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit Leake Memorial Hospital
ASSETS				
Cash	\$ 4,097,587	3,244,256	7,341,843	1,449,735
Investments		1,641,524	1,641,524	
Inventories				158,923
Cost report receivable				16,708
Property tax receivable	5,695,338	122,880	5,818,218	
Patient accounts receivable(net of allowance for uncollectibles of \$746,689)				1,600,441
Accounts receivable (net of allowance for uncollectibles of \$341,988)		641,668	641,668	
Fines receivable (net of allowance for uncollectibles of \$702,264)	319,957		319,957	
Intergovernmental receivables	469,622		469,622	
Other receivables	2,814		2,814	
Internal balances	66,755	(66,755)		
Prepaid expenses				172,936
Deferred charges - issuance cost	110,455		110,455	171,608
Capital assets:				
Land and construction in progress	1,673,088	2,910	1,675,998	
Other capital assets, net	10,378,616	3,851,071	14,229,687	412,089
Total Assets	22,814,232	9,437,554	32,251,786	3,982,440
LIABILITIES				
Claims payable	803,344	100,329	903,673	181,436
Accounts payable				125,987
Accrued interest payable				53,755
Amounts held in custody for others	3,948		3,948	
Intergovernmental payables	134,295		134,295	
Deferred revenue	5,695,338	122,880	5,818,218	
Other payables	20,774		20,774	260,218
Long-term liabilities				
Due within one year:				
Capital debt	714,459	447,536	1,161,995	
Non-capital debt	145,000		145,000	165,207
Due in more than one year:				
Capital debt	4,215,477	4,118,421	8,333,898	
Non-capital debt	3,600,969	155,355	3,756,324	3,525,715
Total Liabilities	15,333,604	4,944,521	20,278,125	4,312,318
NET ASSETS				
Invested in capital assets, net of related debt	7,121,768	(711,976)	6,409,792	412,089
Restricted:				
Expendable:				
General government	22,713		22,713	
Debt service	473,543		473,543	
Public safety	476,363	3,619,323	4,095,686	
Public works	716,064	1,585,686	2,301,750	
Health and welfare	810,950		810,950	
Economic development	6,319		6,319	
Unrestricted	(2,147,092)		(2,147,092)	(741,967)
Total Net Assets	\$ 7,480,628	4,493,033	11,973,661	(329,878)

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

LEAKE COUNTY
Statement of Activities
For the Year Ended September 30, 2007

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit Leake Memorial Hospital
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 2,630,614	543,167	185,919		(1,901,528)		(1,901,528)	
Public safety	2,032,023	370,192	147,347	33,505	(1,480,979)		(1,480,979)	
Public works	2,890,718	85	826,069	456,277	(1,608,287)		(1,608,287)	
Health and welfare	213,962		144,506		(69,456)		(69,456)	
Culture and recreation	231,568		4,000		(227,568)		(227,568)	
Conservation of natural resources	85,204			303,883	218,679		218,679	
Economic development and assistance	101,871		2,003	53,078	(46,790)		(46,790)	
Interest on long-term debt	727,205				(727,205)		(727,205)	
Total Governmental Activities	<u>8,913,165</u>	<u>913,444</u>	<u>1,309,844</u>	<u>846,743</u>	<u>(5,843,134)</u>	<u>0</u>	<u>(5,843,134)</u>	
Business-type activities:								
Regional jail	2,872,726	3,255,852	86,241			469,367	469,367	
Solid waste	604,322	597,477				(6,845)	(6,845)	
Total Business-type Activities	<u>3,477,048</u>	<u>3,853,329</u>	<u>86,241</u>	<u>0</u>	<u>0</u>	<u>462,522</u>	<u>462,522</u>	
Total Primary Government	<u>\$ 12,390,213</u>	<u>4,766,773</u>	<u>1,396,085</u>	<u>846,743</u>	<u>(5,843,134)</u>	<u>462,522</u>	<u>(5,380,612)</u>	
Component unit:								
Leake Memorial Hospital	<u>\$ 8,676,008</u>	<u>8,302,136</u>	<u>0</u>	<u>0</u>				<u>(373,872)</u>
General revenues:								
Property taxes					\$ 5,095,065	105,236	5,200,301	
Road & bridge privilege taxes					222,085		222,085	
Grants and contributions not restricted to specific programs					470,939		470,939	11,763
Unrestricted gifts and donations					17,700		17,700	356,797
Unrestricted investment income					229,655	168,715	398,370	62,820
Miscellaneous					1,143,403	39,912	1,183,315	3,000
Total General Revenues					<u>7,178,847</u>	<u>313,863</u>	<u>7,492,710</u>	<u>434,380</u>
Changes in Net Assets					1,335,713	776,385	2,112,098	60,508
Net Assets - Beginning					<u>6,144,915</u>	<u>3,716,648</u>	<u>9,861,563</u>	<u>(390,386)</u>
Net Assets - Ending					<u>\$ 7,480,628</u>	<u>4,493,033</u>	<u>11,973,661</u>	<u>(329,878)</u>

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

LEAKE COUNTY
Balance Sheet - Governmental Funds
September 30, 2007

Exhibit 3

	Major Funds			Total Governmental Funds
	General Fund	County Road and Bridge Fund	Other Governmental Funds	
ASSETS				
Cash and Investments	\$ 1,068,237	1,144,035	1,885,315	4,097,587
Property tax receivable	3,535,677	1,470,029	689,632	5,695,338
Fines receivable (net of allowance for uncollectibles of \$702,264)	319,957			319,957
Intergovernmental receivables	390,100	76,509	3,013	469,622
Other receivables	2,814			2,814
Due from other funds	94,025	61,149	11,652	166,826
Advances to other funds	18,000			18,000
Total Assets	\$ 5,428,810	2,751,722	2,589,612	10,770,144
LIABILITIES AND FUND BALANCES				
Liabilities:				
Claims payable	\$ 172,674	548,018	82,652	803,344
Amounts held in custody for others	3,948			3,948
Intergovernmental payables	128,527			128,527
Due to other funds	78,164	25,175	2,500	105,839
Advances from other funds			18,000	18,000
Deferred revenue	3,855,634	1,470,029	689,632	6,015,295
Other payables	20,774			20,774
Total Liabilities	4,259,721	2,043,222	792,784	7,095,727
Fund balances:				
Reserved for:				
Debt service			473,543	473,543
Advances	18,000			18,000
Unreserved - undesignated, reported in:				
General Fund	1,151,089			1,151,089
Special Revenue Funds		708,500	1,323,285	2,031,785
Total Fund Balances	1,169,089	708,500	1,796,828	3,674,417
Total Liabilities and Fund Balances	\$ 5,428,810	2,751,722	2,589,612	10,770,144

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, 2007

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 3,674,417
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 \$5,344,919.	12,051,704
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	319,957
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(8,675,905)
Bond issuance costs are deferred in the Statement of Net Assets and amortized over the term of the bonds	<u>110,455</u>
Total Net Assets - Governmental Activities	<u>\$ 7,480,628</u>

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

LEAKE COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2007

	Major Funds			Total Governmental Funds
	General Fund	County Road and Bridge Fund	Other Governmental Funds	
REVENUES				
Property taxes	\$ 3,124,610	1,353,590	616,865	5,095,065
Road and bridge privilege taxes		222,085		222,085
Licenses, commissions and other revenue	192,229		7,408	199,637
Fines and forfeitures	276,595		113,737	390,332
Intergovernmental revenues	1,037,410	1,173,323	434,493	2,645,226
Charges for services	113,429	10,895	191,731	316,055
Interest income	86,891	70,190	72,574	229,655
Miscellaneous revenues	45,130	99,335	588,247	732,712
Total Revenues	<u>4,876,294</u>	<u>2,929,418</u>	<u>2,025,055</u>	<u>9,830,767</u>
EXPENDITURES				
Current:				
General government	2,429,214		204,956	2,634,170
Public safety	1,438,008		470,928	1,908,936
Public works	50,011	4,255,714	73,712	4,379,437
Health and welfare	105,854		102,860	208,714
Culture and recreation	187,384		12,796	200,180
Conservation of natural resources	85,204			85,204
Economic development and assistance	71,746		30,140	101,886
Debt service:				
Principal	71,638	1,272,447	432,399	1,776,484
Interest	7,284	74,403	634,918	716,605
Total Expenditures	<u>4,446,343</u>	<u>5,602,564</u>	<u>1,962,709</u>	<u>12,011,616</u>
Excess of Revenues over (under) Expenditures	<u>429,951</u>	<u>(2,673,146)</u>	<u>62,346</u>	<u>(2,180,849)</u>
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued		1,440,022		1,440,022
Proceeds from sale of capital assets		1,064,389		1,064,389
Transfers in			32,153	32,153
Transfers out	(32,153)			(32,153)
Total Other Financing Sources and Uses	<u>(32,153)</u>	<u>2,504,411</u>	<u>32,153</u>	<u>2,504,411</u>
Net Changes in Fund Balances	397,798	(168,735)	94,499	323,562
Fund Balances - Beginning	<u>771,291</u>	<u>877,235</u>	<u>1,702,329</u>	<u>3,350,855</u>
Fund Balances - Ending	<u>\$ 1,169,089</u>	<u>708,500</u>	<u>1,796,828</u>	<u>3,674,417</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, 2007

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 323,562
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 \$2,292,053 exceeded depreciation of \$951,649 in the current period.	1,340,404
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 \$410,691 and the proceeds from the sale of \$1,064,389 in the current period.	(653,698)
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.	7,420
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments of \$1,776,484 exceeded debt proceeds of \$1,440,022.	336,462
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.	(7,837)
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>\$ 1,335,713</u>

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

LEAKE COUNTY
Statement of Net Assets - Proprietary Funds
September 30, 2007

Exhibit 5

	Business-type Activities - Enterprise Funds		
	Major Funds		
	Regional Jail Fund	Solid Waste Fund	Total
ASSETS			
Current assets:			
Cash	\$ 2,267,905	976,351	3,244,256
Investments	1,641,524		1,641,524
Property tax receivable		122,880	122,880
Accounts receivable (net of allowance for uncollectibles of \$341,988)		641,668	641,668
Due from other funds		27,270	27,270
Total Current Assets	<u>3,909,429</u>	<u>1,768,169</u>	<u>5,677,598</u>
Noncurrent assets:			
Other capital assets, net	3,704,411	149,570	3,853,981
Total Noncurrent Assets	<u>3,704,411</u>	<u>149,570</u>	<u>3,853,981</u>
Total Assets	<u>7,613,840</u>	<u>1,917,739</u>	<u>9,531,579</u>
LIABILITIES			
Current liabilities:			
Claims payable	63,772	36,557	100,329
Due to other funds	78,714	15,311	94,025
Deferred revenue		122,880	122,880
Current portions of long-term capital related debt:			
Capital leases payable		60,475	60,475
Other long-term liabilities	387,061		387,061
Total Current Liabilities	<u>529,547</u>	<u>235,223</u>	<u>764,770</u>
Noncurrent liabilities:			
Capital debt:			
Capital leases payable		62,980	62,980
Other long-term liabilities	4,055,441		4,055,441
Non-capital debt:			
Compensated absences payable	147,620	7,735	155,355
Total Noncurrent Liabilities	<u>4,203,061</u>	<u>70,715</u>	<u>4,273,776</u>
NET ASSETS			
Invested in capital assets, net of related debt	(738,091)	26,115	(711,976)
Restricted for:			
Public safety	3,619,323		3,619,323
Public works		1,585,686	1,585,686
Total Net Assets	<u>\$ 2,881,232</u>	<u>1,611,801</u>	<u>4,493,033</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, 2007

	Business-type Activities - Enterprise Funds		
	Major Funds		
	Regional Jail Fund	Solid Waste Fund	Total
Operating Revenues			
Charges for services	\$ 3,255,852	597,477	3,853,329
Miscellaneous	15,588	12,698	28,286
Total Operating Revenues	<u>3,271,440</u>	<u>610,175</u>	<u>3,881,615</u>
Operating Expenses			
Personal services	1,577,192	190,665	1,767,857
Contractual services	425,321	272,177	697,498
Materials and supplies	467,247	70,401	537,648
Depreciation expense	126,083	55,980	182,063
Indirect administrative cost	37,580	7,584	45,164
Total Operating Expenses	<u>2,633,423</u>	<u>596,807</u>	<u>3,230,230</u>
Operating Income (Loss)	<u>638,017</u>	<u>13,368</u>	<u>651,385</u>
Nonoperating Revenues (Expenses)			
Property tax		105,236	105,236
Interest income	127,524	41,191	168,715
Operating grants	86,241		86,241
Gain (loss) on sale of capital assets		11,626	11,626
Interest expense	(239,303)	(7,515)	(246,818)
Net Nonoperating Revenue (Expenses)	<u>(25,538)</u>	<u>150,538</u>	<u>125,000</u>
Changes in Net Assets	612,479	163,906	776,385
Net Assets - Beginning	<u>2,268,753</u>	<u>1,447,895</u>	<u>3,716,648</u>
Net Assets - Ending	<u>\$ 2,881,232</u>	<u>1,611,801</u>	<u>4,493,033</u>

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

LEAKE COUNTY
Statement of Cash Flows - Proprietary Funds
For the Year Ended September 30, 2007

Exhibit 7

	Business-type Activities - Enterprise Funds		
	Major Funds		
	Regional Jail Fund	Solid Waste Fund	Total
Cash Flows From Operating Activities			
Receipts from users	\$ 3,255,852		3,255,852
Receipts from customers		512,376	512,376
Payments to suppliers		(311,717)	(311,717)
Payments to employees	(1,537,623)	(189,898)	(1,727,521)
Payments for contractual services	(889,926)		(889,926)
Other operating cash receipts	15,588	12,698	28,286
Net Cash Provided (Used) by Operating Activities	<u>843,891</u>	<u>23,459</u>	<u>867,350</u>
Cash Flows From Noncapital Financing Activities			
Operating grants received	86,241		86,241
Cash received from property taxes		107,518	107,518
Net Cash Provided (Used) by Noncapital Financing Activities	<u>86,241</u>	<u>107,518</u>	<u>193,759</u>
Cash Flows From Capital and Related Financing Activities			
Proceeds of long-term debt	500,000		500,000
Acquisition and construction of capital assets	(59,814)		(59,814)
Principal paid on long-term debt	(287,498)	(58,071)	(345,569)
Interest paid on debt	(239,303)	(7,515)	(246,818)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(86,615)</u>	<u>(65,586)</u>	<u>(152,201)</u>
Cash Flows From Investing Activities			
Interest and dividends on investments	127,524	41,191	168,715
Net Cash Provided (Used) by Investing Activities	<u>127,524</u>	<u>41,191</u>	<u>168,715</u>
Net Increase (Decrease) in Cash and Cash Equivalents	971,041	106,582	1,077,623
Cash and Cash Equivalents at Beginning of Year	2,938,388	869,769	3,808,157
Cash and Cash Equivalents at End of Year	<u>\$ 3,909,429</u>	<u>976,351</u>	<u>4,885,780</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 638,017	13,368	651,385
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	126,083	55,980	182,063
Provision for uncollectible accounts		45,624	45,624
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable		(130,340)	(130,340)
Increase (decrease) in claims payable	2,642	30,476	33,118
Increase (decrease) in compensated absences liability	39,569	767	40,336
Increase (decrease) in interfund payables	37,580	7,584	45,164
Total Adjustments	<u>205,874</u>	<u>10,091</u>	<u>215,965</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 843,891</u>	<u>23,459</u>	<u>867,350</u>

Noncash Capital Financing Activity:

Leake County lease purchased mobile equipment for \$181,526 for 5 years at 4.14% interest. Principal payments of \$58,071 were made on the lease during the year.

Leake County had an other loan for \$500,000 for 5 years at 4.23% interest. Principal payments of \$7,498 were made on the other loan during the year.

Leake County had a gain on investments in T-Bills of \$1,580 and a loss in investments in FHLB of \$13,209 for the year ended September 30, 2007.

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

LEAKE COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2007

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 217,849
Due from other funds	5,768
Total Assets	<u>\$ 223,617</u>
LIABILITIES	
Amounts held in custody for others	\$ 161,356
Intergovernmental payables	62,261
Total Liabilities	<u>\$ 223,617</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, 2007

(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.

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. Individual Component Unit Disclosures.

Discretely Presented Component Unit

The component unit column in the financial statements includes the financial data of the following component unit of the county. It is reported in a separate column to emphasize that it is legally separate from the county. All of the members of the governing body of this component unit are appointed by the county Board of Supervisors.

The Leake Memorial Hospital-Nursing Home is a public corporation; the Board of Supervisors of Leake County created it to operate, control, and manage all matters concerning the county's health care functions. The Leake County Board of Supervisors appoints the Board of Trustee members of the Hospital, and the Hospital may not issue debt or levy taxes without the county's approval.

The discretely presented component unit is audited by an independent auditor and its financial statements are issued under a separate cover. The audited financial statements are available from Leake Memorial Hospital - Nursing Home, 311 Ellis Street, Carthage, MS 39051.

C. 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 and its component unit. 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. Business-type activities rely mainly on fees and charges for support. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

LEAKE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2007

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.

D. 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.

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

LEAKE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2007

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.

E. 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.

F. Deposits and Investments.

State law authorizes the county to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the county may invest in certain repurchase agreements.

LEAKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

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.

G. Receivables.

Receivables are reported net of allowances for uncollectible accounts, where applicable.

H. 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."

I. Restricted Assets.

Proprietary Fund assets required to be held and/or used as specified in bond indentures, bond resolutions, trustee agreements, board resolutions and donor specifications have been reported as restricted assets. When both restricted and nonrestricted assets are available for use, the policy is to use restricted assets first.

J. Capital Assets.

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

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

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

LEAKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

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:

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

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

K. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements and in the Proprietary Fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, discretely presented component unit, 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.

L. 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 improvement 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.

LEAKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

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.

M. Property Tax Revenues.

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

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

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

N. Intergovernmental Revenues in Governmental Funds.

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

O. Compensated Absences.

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

(2) Deposits and Investments.

Primary Government:

Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2007, was \$7,559,692, and the bank balance was \$8,710,193. The carrying amount of the component unit's total deposits with financial institutions at September 30, 2007, was \$1,449,735 and the bank balance was \$1,448,604. 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.

LEAKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

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:

As provided in Section 91-13-8, Miss. Code Ann. (1972), the following investments of the county are handled through a trust indenture between the county and the trustee related to the operations of the Leake County Mississippi Regional Correctional Facility.

Investments balances at September 30, 2007, are as follows:

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Rating</u>
U.S. T-Bill	Less than 1 year	\$ 250,420	Not rated
Federal Home Loan Bank Bonds	5 years and 4 months	949,227	Aaa
Hancock Horizon Treasury Securities			
Money Market Mutual Fund	Less than 1 year	<u>441,877</u>	Aaa
Total		<u>\$ 1,641,524</u>	

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 Sections 19-9-29 and 91-13-8, Miss. Code Ann. (1972). The county does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

Custodial Credit Risk - Investments. Custodial credit risk is the risk that in the event of the failure of the counterparty, the county will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. These investments are held by the Hancock Bank trust department. All of the county's investments are uninsured and unregistered and held by the counterparty in the entity's name. The investment in the Hancock Horizon Treasury Money Market Mutual Fund 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 58% of the county's total investments and are reported in the Regional Jail Fund.

Component Unit:

Deposits:

The carrying amount of the component unit's total deposits with financial institutions at September 30, 2007, was \$1,449,735 and the bank balance was \$1,448,604. The deposits of the hospital are also collateralized under Section 27-105-5, Miss. Code Ann. (1972). 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 hospital.

LEAKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

(3) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2007:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Solid Waste Fund	\$ 15,311
General Fund	Regional Jail Fund	78,714
Other Governmental Funds	General Fund	11,652
County Road and Bridge Fund	General Fund	43,312
County Road and Bridge Fund	General Fund	15,337
County Road and Bridge Fund	Other Governmental Funds	2,500
Solid Waste Fund	General Fund	2,095
Solid Waste Fund	County Road and Bridge Fund	25,175
Agency Funds	General Fund	<u>5,768</u>
Total		<u>\$ 199,864</u>

The General Fund receivables from the Regional Jail Fund and Solid Waste Fund represent indirect costs incurred during the fiscal year. The County Road and Bridge Fund receivable from an Other Governmental Fund is a short-term loan. Misclassification of proceeds from the sale of assets is the cause for the Solid Waste Fund receivable from the County Road and Bridge Fund. The County Road and Bridge Fund receivable from the General Fund represents a misclassification of revenue. All other receivables represent the tax revenue collected but not settled until October, 2007. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances from/to Other Funds:

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

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

C. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Other Governmental Funds	General Fund	<u>\$ 32,153</u>
Total		<u>\$ 32,153</u>

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

LEAKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

(4) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2007, consisted of the following:

Description	Amount
Governmental Activities:	
Legislative tax credit	\$ 95,200
State and community highway safety grant	1,285
Edward Byrne Memorial justice assistance program	2,784
Emergency watershed protection program	353,055
Disaster grants - public assistance	285
Community facilities loans and grants	14,000
Community development block grant	3,013
 Total Governmental Activities	 \$ 469,622

(5) Capital Assets.

Primary Government:

The following is a summary of capital assets activity for the year ended September 30, 2007:

Governmental activities:

	Balance Oct. 1, 2006	Additions	Deletions	Adjustments *	Balance Sept. 30, 2007
<u>Non-depreciable capital assets:</u>					
Land	\$ 1,365,560	10,000			1,375,560
Construction in progress	1,028,162	77,540		(808,174)	297,528
Total non-depreciable capital assets	2,393,722	87,540	0	(808,174)	1,673,088
<u>Depreciable capital assets:</u>					
Infrastructure	4,350,459	611,429		808,174	5,770,062
Buildings	3,534,287				3,534,287
Mobile equipment	3,672,261	496,606	453,461	226,223	3,941,629
Furniture and equipment	634,877	114,602			749,479
Leased property under capital leases	2,018,075	981,876	1,045,650	(226,223)	1,728,078
Total depreciable capital assets	14,209,959	2,204,513	1,499,111	808,174	15,723,535
<u>Less accumulated depreciation for:</u>					
Infrastructure	301,468	137,188			438,656
Buildings	1,020,559	57,166			1,077,725
Mobile equipment	2,738,060	320,070	356,578	104,169	2,805,721
Furniture and equipment	501,525	124,633			626,158
Leased property under capital leases	677,071	312,592	488,835	(104,169)	396,659
Total accumulated depreciation	5,238,683	951,649	845,413	0	5,344,919

LEAKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

	Balance Oct. 1, 2006	Additions	Deletions	Adjustments *	Balance Sept. 30, 2007
Total depreciable capital assets, net	8,971,276	1,252,864	653,698	808,174	10,378,616
Governmental activities capital assets, net	\$ 11,364,998	1,340,404	653,698	0	12,051,704
Business-type activities:					
	Balance Oct. 1, 2006	Additions	Deletions	Adjustments *	Balance Sept. 30, 2007
<u>Non-depreciable capital assets:</u>					
Land	\$ 2,910				2,910
Construction in progress	255,543	40,667		(296,210)	
Total non-depreciable capital assets	258,453	40,667	0	(296,210)	2,910
<u>Depreciable capital assets:</u>					
Buildings	4,310,237			296,210	4,606,447
Mobile equipment	492,046	19,147	135,483		375,710
Furniture and equipment	170,732				170,732
Leased property under capital leases	181,526				181,526
Total depreciable capital assets	5,154,541	19,147	135,483	296,210	5,334,415
<u>Less accumulated depreciation for:</u>					
Buildings	862,060	103,981			966,041
Mobile equipment	413,532	32,757	121,934		324,355
Furniture and equipment	114,943	12,653			127,596
Leased property under capital leases	32,680	32,672			65,352
Total accumulated depreciation	1,423,215	182,063	121,934	0	1,483,344
Total depreciable capital assets, net	3,731,326	(162,916)	13,549	296,210	3,851,071
Business-type activities capital assets, net	\$ 3,989,779	(122,249)	13,549	0	3,853,981

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

LEAKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental activities:	
General government	\$ 107,658
Public safety	123,196
Public works	684,159
Health and welfare	5,248
Culture and recreation	<u>31,388</u>
Total governmental activities depreciation expense	<u>\$ 951,649</u>
Business-type activities:	
Solid waste	\$ 55,980
Correctional facility	<u>126,083</u>
Total business-type activities depreciation expense	<u>\$ 182,063</u>

Commitments with respect to unfinished capital projects at September 30, 2007, consisted of the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
SAP 40(11)S	\$ 64,336	May, 2008
Richardson Road	8,495	November, 2007
Blue Bird Road	21,312	October, 2007
New Justice Court Building	150,000	Unknown

Component Unit:

	<u>Balance Oct. 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Balance Sept. 30, 2007</u>
Non-depreciable capital assets:					
Land	\$ 75,297				75,297
Total non-depreciable capital assets	<u>75,297</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>75,297</u>
Depreciable capital assets:					
Buildings	1,570,756	56,620			1,627,376
Furniture and equipment	332,968	49,604			382,572
Total depreciable capital assets	<u>1,903,724</u>	<u>106,224</u>	<u>0</u>	<u>0</u>	<u>2,009,948</u>

LEAKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

	<u>Balance</u> <u>Oct. 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Balance</u> <u>Sept. 30, 2007</u>
<u>Less accumulated depreciation for:</u>					
Buildings, equipment, and furniture	1,616,099	57,057	.		1,673,156
Total accumulated depreciation	<u>1,616,099</u>	<u>57,057</u>	<u>0</u>	<u>0</u>	<u>1,673,156</u>
 Total depreciable capital assets, net	 <u>287,625</u>	 <u>49,167</u>	 <u>0</u>	 <u>0</u>	 <u>336,792</u>
 Component Unit capital assets, net	 \$ <u>362,922</u>	 <u>49,167</u>	 <u>0</u>	 <u>0</u>	 <u>412,089</u>

(6) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2007, to January 1, 2008. 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 \$105,585 for the year ended September 30, 2007. The future minimum lease receivables for these leases are as follows:

<u>Year Ended September 30</u>	<u>Amount</u>
2008	\$ 115,183
2009	<u>28,796</u>
Total Minimum Payments Required	\$ <u>143,979</u>

LEAKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

(8) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2007:

Classes of Property	Governmental Activities	Business-type Activities
Mobile equipment	\$ 1,642,362	181,526
Furniture and equipment	85,716	
Total	1,728,078	181,526
Less: Accumulated depreciation	396,659	65,352
Leased Property Under Capital Leases	\$ <u>1,331,419</u>	<u>116,174</u>

The following is a schedule by years of the total payments due as of September 30, 2007:

Year Ending September 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2008	\$ 394,693	45,657	60,476	5,111
2009	397,224	30,162	62,979	2,607
2010	202,077	14,728		
2011	210,128	6,407		
2012	48,266	439		
Total	\$ <u>1,252,388</u>	<u>97,393</u>	<u>123,455</u>	<u>7,718</u>

(9) Long-term Debt.

Primary Government:

Debt outstanding as of September 30, 2007, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Road and bridge bonds, Series 2001	\$ 2,000,000	4.10/4.87%	02/2021
Industrial park development bonds, Series 2002	826,000	4.75%	02/2022
Total General Obligation Bonds	\$ <u>2,826,000</u>		
B. Limited Obligation Bonds:			
Special obligation bonds - Leake Memorial Hospital	\$ <u>3,595,000</u>	3.625/6.45%	01/2023

LEAKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
C. Capital Leases:			
Three 2005 Ford Crown Victorias	\$ 1,682	2.85%	10/2007
Computer system upgrade	6,468	3.84%	01/2008
Two 2006 Ford Crown Victorias	25,546	3.97%	07/2009
Five 2007 Mack dump trucks	322,980	4.12%	09/2009
Five motorgraders	748,762	3.95%	11/2011
Six 2007 Mack dump trucks	54,017	3.29%	11/2008
Two Mack dump trucks	<u>92,933</u>	4.22%	05/2012
Total Capital Leases	<u>\$ 1,252,388</u>		
D. Other Loans:			
Justice Court building	\$ 95,745	4.22%	10/2010
Five fire trucks	90,961	4.65%	03/2009
TVA loan - Hisan Industries	331,040	2.75%	09/2013
TVA loan - Hisan Industries	<u>333,802</u>	3.00%	12/2014
Total Other Loans	<u>\$ 851,548</u>		
Business-type Activities:			
A. Limited Obligation Bonds:			
Urban renewal revenue bonds*	<u>\$ 3,950,000</u>	5.51/5.71%	08/2017
B. Capital Leases:			
Two garbage trucks	<u>\$ 123,455</u>	4.14%	07/2009
C. Other Loans:			
Correctional Facility addition	<u>\$ 492,502</u>	4.23%	08/2012

- 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 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, 2007

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>
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	940,000	428,168	985,000	785,512
2013 - 2017	1,217,000	177,654	1,330,000	435,415
2018 - 2022	74,000	3,515	660,000	43,215
Total	<u>\$ 2,826,000</u>	<u>1,085,295</u>	<u>3,595,000</u>	<u>2,068,599</u>

<u>Year Ending September 30</u>	<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 179,764	24,873
2009	155,196	18,560
2010	127,792	14,240
2011	141,946	10,223
2012	112,208	5,649
2013 - 2017	134,642	2,532
Total	<u>\$ 851,548</u>	<u>76,077</u>

Business-type Activities:

<u>Year Ending September 30</u>	<u>Limited Obligation Bonds</u>		<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 295,000	220,040	92,061	19,062
2009	315,000	201,603	96,032	15,091
2010	330,000	183,884	100,174	10,949
2011	350,000	166,724	104,494	6,629
2012	2,145,000	520,116	99,741	2,122
2013 - 2017	515,000	28,989		
Total	<u>\$ 3,950,000</u>	<u>1,321,356</u>	<u>492,502</u>	<u>53,853</u>

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2007, the amount of outstanding debt was equal to 2.4% the latest property assessments.

LEAKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2007:

	Balance Oct. 1, 2006	Additions	Reductions	Adjustments	Balance Sept. 30, 2007	Amount due within one year
Governmental Activities:						
General obligation bonds	\$ 2,964,000		138,000		2,826,000	140,000
Limited obligation bonds	3,735,000		140,000		3,595,000	145,000
Less deferred amounts: for issuance discounts - limited obligation bonds	(51,776)		(3,236)		(48,540)	
Total bonds payable	<u>6,647,224</u>	<u>0</u>	<u>274,764</u>	<u>0</u>	<u>6,372,460</u>	<u>285,000</u>
Capital leases	1,137,196	1,440,022	1,324,830		1,252,388	394,693
Other loans	1,025,202		173,654		851,548	179,764
Compensated absences	191,672	7,837			199,509	
Total	<u>\$ 9,001,294</u>	<u>1,447,859</u>	<u>1,773,248</u>	<u>0</u>	<u>8,675,905</u>	<u>859,457</u>
Business-type Activities:						
Compensated absences	\$ 115,019	40,336			155,355	
Limited obligation bonds	4,230,000		280,000		3,950,000	295,000
Capital leases	181,526		58,071		123,455	60,476
Other loans		500,000	7,498		492,502	92,061
Total	<u>\$ 4,526,545</u>	<u>540,336</u>	<u>345,569</u>	<u>0</u>	<u>4,721,312</u>	<u>447,537</u>

Component Unit:

Loan Agreement.

On January 1, 2003, Leake County, Mississippi and Leake Memorial Hospital entered into a loan agreement with the Mississippi Development Bank, a public body corporate and politic of the State of Mississippi (the "State"), exercising essential public functions (the "Bank" or "Issuer") and organized under the provisions of Mississippi Code of 1972, Section 31-25-1 et seq., as from time to time amended (the "Act") and Leake County, Mississippi, a political subdivision organized and validly existing under the Constitution and laws of the State of Mississippi (the "County") and Leake Memorial Hospital, a community hospital organized and validly existing under the Constitution and laws of the State of Mississippi. The loan is secured by a \$4,000,000 promissory note. The interest of the Mississippi Development Bank in this loan agreement, except for certain rights retained by the Issuer, has been assigned to Hancock Bank, as Indenture Trustee, in Jackson, Mississippi.

Mississippi Development Bank authorized the issuance of its Mississippi Development Bank Taxable Special Obligation Bonds, Series 2003, L.C. (Leake County, Mississippi, Leake Memorial Hospital Project) (The "Series 2003 Bonds") in the amount of \$4,000,000 in order to loan the proceeds thereof to the Hospital and the County to provide for the financing of the Series 2003 Bonds Project. The loan is secured by a promissory note whereby the amount of payments to be made to the Issuer by the County under the promissory note pursuant to a limited tax pledge shall be sufficient to pay the principal of, premium, if any, and interest on the Series 2003 Bonds as and when the same shall become due and payable.

To further secure the payment of the Series 2003 Bonds the County, an owner of the Hospital, has agreed to make note payments from the avails of the levy and pledge of up to 5 mills in ad valorem taxes on all taxable property within the County and from the other revenues of the Hospital.

LEAKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

The Hospital has (i) agreed to continue to comply with the terms and conditions of the loan agreement (ii) agreed to apply all Hospital revenues and receipts in accordance with the provisions set forth in the loan agreement and (iii) agreed to issue the promissory note, which promissory note and the loan agreement (except for certain rights of the Issuer) the Issuer has assigned to the Indenture Trustee, Hancock Bank.

To provide for the payment of the note, the County has agreed (i) to levy and pledge up to 5 mills in ad valorem taxes within the County and (ii) to provide for the withholding of certain Tax Monies through a Tax Intercept Agreement, whereby the County has covenanted, agreed and authorized the Mississippi State Tax Commission or any other State agency, department or commission to (1) withhold all or any part of any monies which the County is entitled to receive from time to time pursuant to any law and which is in possession of the Mississippi State Tax Commission or any other State agency, department or commission (the "Tax Monies") and (2) pay same over to the Indenture Trustee to satisfy any delinquent payment.

Under the terms of the loan agreement, the County shall pay to the Indenture Trustee, Hancock Bank, for the account of the Issuer an amount equal to the aggregate principal amount of the Series 2003 Bonds Outstanding and, as interest on its obligation to pay such amount, an amount equal to interest on the Series 2003 Bonds, such amounts to be due (A) semiannually as to interest, on each January 1 and July 1 of each year, commencing January 1, 2005 in the amounts and in the manner provided in the Indenture for the payment of interest on the Series 2005 Bonds on such dates and (B) annually as to principal, on January 1, each year commencing January 1, 2005, to and including January 1, 2003 in an amount equal to the principal scheduled to become due on such interest payment date, all in order that the Issuer can cause amounts to be deposited in the Series 2003 General Account of the General Fund under the Indenture for the payment of the principal of, premium, if any, and interest on the Series 2003 Bonds, whether at maturity, upon redemption, upon purchase or otherwise; provided, however, that the obligation of the County to make any such payment hereunder shall be reduced by (i) the amount of funds in the Series 2003 Capitalized Interest Account of the General Fund under the Indenture representing capitalized interest, including interest earned thereon, to be utilized for interest on the next succeeding interest payment date for the Series 2003 Bonds; and (ii) the amount of any reduction under the Indenture of the amount of the corresponding payment required to be made by the Issuer thereunder.

(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. As of September 30, 2007, the single audit performed on these federal grants disclosed a material instance of noncompliance, resulting in questioned costs by the auditor in the amount of \$35,337. Any disallowance by the grantor agency could result in a liability of the county, but ultimate resolution cannot presently be determined. Accordingly, 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.

(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 2007. 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

Notes to Financial Statements For the Year Ended September 30, 2007

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 \$145,000 in fiscal year 2007.

(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 \$321,114 for maintenance and support of the college in fiscal year 2007.

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 2007.

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 2007.

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 2007.

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 2007.

(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, 2007 was 11.85% 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, 2007, 2006 and 2005 were \$452,044, \$411,160 and \$369,108, respectively, equal to the required contributions for each year.

LEAKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

(14) Subsequent Events.

Subsequent to September 30, 2007, Leake County issued the following debt obligations :

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
10/15/07	4.54%	\$ 86,025	Capital lease	General Fund revenue
10/23/07	4.37%	76,500	Capital lease	General Fund revenue
11/09/07	4.06%	629,200	Capital lease	County Road and Bridge Fund revenue
01/11/08	3.97%	60,195	Capital lease	General Fund revenue
04/25/08	6.5%	5,000,000	Refunding bonds	Regional Jail Fund revenue
04/30/08	3.14%	61,493	Capital lease	County Road and Bridge Fund revenue
05/21/08	3.12%	103,600	Capital lease	County Road and Bridge Fund revenue
06/25/08	3.24%	124,360	Capital lease	General Fund revenue

LEAKE COUNTY

(This page left blank intentionally)

LEAKE COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

LEAKE COUNTY

(This page left blank intentionally)

LEAKE COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2007

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 3,238,593	3,127,570	3,127,570	
Licenses, commissions and other revenue	209,253	192,180	192,180	
Fines and forfeitures	347,275	386,617	386,617	
Intergovernmental revenues	499,450	591,225	591,225	
Charges for services	201,000	113,429	113,429	
Interest income	53,000	94,351	94,351	
Miscellaneous revenues	553,650	29,362	29,362	
Total Revenues	<u>5,102,221</u>	<u>4,534,734</u>	<u>4,534,734</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	2,756,454	2,481,608	2,481,608	
Public safety	1,398,670	1,416,961	1,416,961	
Public works	59,642	49,105	49,105	
Health and welfare	110,962	100,849	100,849	
Culture and recreation	172,402	172,402	172,402	
Conservation of natural resources	91,828	82,615	82,615	
Economic development and assistance	67,058	67,431	67,431	
Total Expenditures	<u>4,657,016</u>	<u>4,370,971</u>	<u>4,370,971</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>445,205</u>	<u>163,763</u>	<u>163,763</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	100,000			
Transfers out		201,770	201,770	
Total Other Financing Sources and Uses	<u>100,000</u>	<u>201,770</u>	<u>201,770</u>	<u>0</u>
Net Change in Fund Balance	545,205	365,533	365,533	0
Fund Balances - Beginning	<u>232,558</u>	<u>1,633,112</u>	<u>1,633,112</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 777,763</u>	<u>1,998,645</u>	<u>1,998,645</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, 2007

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,410,045	1,352,586	1,352,586	
Road and bridge privilege taxes	220,000	241,502	241,502	
Intergovernmental revenues	794,000	1,064,395	1,064,395	
Charges for services	2,000	10,895	10,895	
Interest income	20,000	83,738	83,738	
Miscellaneous revenues	78,525	79,642	79,642	
Total Revenues	<u>2,524,570</u>	<u>2,832,758</u>	<u>2,832,758</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	<u>2,737,212</u>	<u>3,808,766</u>	<u>3,808,766</u>	
Total Expenditures	<u>2,737,212</u>	<u>3,808,766</u>	<u>3,808,766</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(212,642)</u>	<u>(976,008)</u>	<u>(976,008)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Transfers in		200,000	200,000	
Total Other Financing Sources and Uses	<u>0</u>	<u>200,000</u>	<u>200,000</u>	<u>0</u>
Net Change in Fund Balance	(212,642)	(776,008)	(776,008)	0
Fund Balances - Beginning	<u>526,801</u>	<u>1,367,370</u>	<u>1,367,370</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 314,159</u>	<u>591,362</u>	<u>591,362</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, 2007

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

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

	<u>Governmental Fund Types</u>	
	<u>General Fund</u>	<u>County Road and Bridge Fund</u>
Budget (Cash Basis)	\$ 365,533	(776,008)
Increase (Decrease)		
Net adjustments for revenue accruals	399,430	122,321
Net adjustments for expenditure accruals	<u>(367,165)</u>	<u>484,952</u>
GAAP Basis	<u>\$ 397,798</u>	<u>(168,735)</u>

LEAKE COUNTY

(This page left blank intentionally)

LEAKE COUNTY

SUPPLEMENTAL INFORMATION

LEAKE COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2007

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
MAJOR FEDERAL AWARDS			
U.S. Department of Agriculture - Natural Resources Conservation Service			\$
Watershed protection and flood prevention	10.904	69-4423-4-9987	303,883
Watershed protection and flood prevention	10.904	68-4423-7-1715	<u>76,509</u>
Total Expenditures of Major Federal Awards			<u>380,392</u>
OTHER FEDERAL AWARDS			
U.S. Department of Agriculture - Rural Housing Service Community facilities loans and grants	10.766	28-040-646000589	<u>32,041</u>
U.S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority Community development block grants/state's program	14.228	1123-06-040-PF-01	112,593
Community development block grants/BEDI	14.246	B-02-SP-MS-0356	<u>21,037</u>
Total U.S. Department of Housing and Urban Development			<u>133,630</u>
U.S. Department of Justice - Office of Community Oriented Policing/Passed-through the Mississippi Department of Public Safety Enforcing underage drinking laws program	16.727	06UA1401	<u>6,039</u>
U.S. Department of Justice - Office of Justice Programs/ Passed-through the Mississippi Department of Public Safety Edward Byrne Memorial justice assistance grant program	16.738	05LB1401	1,768
Edward Byrne Memorial justice assistance grant program	16.738	06LB1401	<u>2,784</u>
Subtotal			<u>4,552</u>
Total U.S. Department of Justice			<u>10,591</u>
U.S. Department of Transportation - Federal Highway Administration/Passed-through the Mississippi Department of Transportation Highway planning and construction	20.205	N/A	2,210
Passed-through the Mississippi Department of Public Safety Division of Public Safety Planning State and community highway safety	20.600	07TA1401	<u>23,133</u>
Total U.S. Department of Transportation			<u>25,343</u>

LEAKE COUNTY
 Schedule of Expenditures of Federal Awards
 For the Year Ended September 30, 2007

(Continued)

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U.S. Department of Homeland Security/Passed-through the Mississippi Emergency Management Agency			
Disaster grants - public assistance	97.036	FEMA-1604-DR-ms	6,102
Emergency management performance grants	97.042	06EMP/07EMP	<u>17,237</u>
Subtotal			<u>23,339</u>
Passed-through the Mississippi Department of Public Safety/ Office of Homeland Security			
Homeland security grant program	97.067	04HS040E	11,723
Homeland security grant program	97.067	04HS040F	8,977
Homeland security grant program	97.067	05LE040	<u>12,805</u>
Subtotal			<u>33,505</u>
 Total U.S. Department of Homeland Security			 <u>56,844</u>
 Total Expenditures of Other Federal Awards			 <u>258,449</u>
 Total Expenditures of Federal Awards			 <u>\$ 638,841</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.

LEAKE COUNTY

(This page left blank intentionally)

LEAKE COUNTY

SPECIAL REPORTS

LEAKE COUNTY

(This page left blank intentionally)



State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

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

Members of the Board of Supervisors
Leake County, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Leake County, Mississippi, as of and for the year ended September 30, 2007, which collectively comprise the county's basic financial statements and have issued our report thereon dated December 19, 2008. We did not audit the financial statements of the Leake County Memorial Hospital, a component unit, which represents 100 percent of the assets and revenues of the discretely presented component unit column. 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. The financial statements of the Leake County Memorial Hospital audited by other auditors, were audited in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we and the other auditor considered Leake County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Leake County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

Our and the other auditor's consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the county's financial statements that is more than inconsequential will not be prevented or detected by the county's internal control. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as finding 07-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the county's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 07-1 to be a material weakness.

The other auditor's report on the Leake County Memorial Hospital (a discretely presented component unit) did not identify any material weaknesses in internal control over financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Leake County, Mississippi's 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 and the other auditor's tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

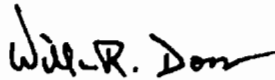
However, we noted certain matters that we reported to the management of Leake County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated December 19, 2008, included within this document.

Leake County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Leake County's responses and, accordingly, we express no opinion on them.

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.



STACEY E. PICKERING
State Auditor



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

December 19, 2008



State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
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 its major federal program for the year ended September 30, 2007. Leake County, Mississippi's major federal program is 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 its major federal program 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.

As described in items 07-3, 07-4 and 07-5 in the accompanying Schedule of Findings and Questioned Costs, Leake County, Mississippi, did not comply with requirements regarding procurement, suspension and debarment, the Davis-Bacon Act and other special tests and provisions that are applicable to the Emergency Watershed Protection Program. Compliance with such requirements is necessary, in our opinion, for Leake County, Mississippi, to comply with requirements applicable to that program.

In our opinion, because of the effects of the noncompliance described in the preceding paragraph, Leake County, Mississippi, did not comply in all material respects with the requirements referred to above that are applicable to the Emergency Watershed Protection Program.

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 the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the county's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A control deficiency in a county's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the county's internal control. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 07-2, 07-3 and 07-4 to be significant deficiencies.

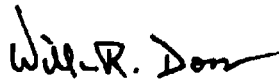
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider items 07-2, 07-3 and 07-4 to be material weaknesses.

Leake County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Leake County's responses and, accordingly, we express no opinion on them.

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.



STACEY E. PICKERING
State Auditor



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

December 19, 2008



State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
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, 2007. 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.

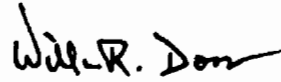
In our opinion, Leake County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements.

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.



STACEY E. PICKERING
State Auditor



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

December 19, 2008

LEAKE COUNTY
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2007

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, 2007

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
03/05/07	Metal culverts	\$ 6,174	Hanson Pipe	Repair of bridge

LEAKE COUNTY
Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2007

Schedule 3

<u>Date</u>	<u>Item Purchased</u>		<u>Amount Paid</u>	<u>Vendor</u>
06/26/07	Taser guns and supplies	\$	8,923	Barney's Police and Hunting Supply
08/02/07	Taser guns and supplies		7,065	Barney's Police and Hunting Supply
08/20/07	Tax office's software system		76,500	Delta Computer

LEAKE COUNTY

(This page left blank intentionally)



State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Leake County, Mississippi

In planning and performing our audit of the financial statements of Leake County, Mississippi for the year ended September 30, 2007, 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 December 19, 2008, 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

As reported in the prior year's audit report, 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 Leake County Board of Supervisors has directed that a revised personnel policy be prepared and it is anticipated that the policy will be adopted and become effective October 1, 2008.

2. Finding

As reported in the prior year's audit report, the county's personnel policy states that 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 Leake County Board of Supervisors shall direct all department directors to review the amount of accumulated compensation time and reduce the allowable hours to that permitted by the policy.

Circuit Clerk.

3. Finding

An effective system of internal control should include an adequate separation of duties. Cash collection and disbursement functions are not adequately separated for effective internal control. One person receipts funds, prepares all deposits, calculates the monthly settlements, posts the cash journal, reconciles the bank statements and disburses all funds. Failure to have an adequate separation of duties could result in the loss of public funds.

Recommendation

The Circuit Clerk should implement a system for review of the accounting records by another person.

Circuit Clerk's Response

The Circuit Clerk will implement a system for review of the accounting records by another person.

4. Finding

We noted that bank deposits were not being made on a daily basis, which is a deficiency of internal controls in the operation of the Circuit Clerk's accounting system. Failure to have adequate controls in place could result in the loss of misappropriation of public funds.

Recommendation

The Circuit Clerk should ensure that bank deposits are made on a daily basis.

Circuit Clerk's Response

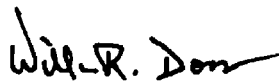
The Circuit Clerk will ensure that bank deposits are made on a daily basis.

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

This report is intended solely for the information and use of management 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.



STACEY E. PICKERING
State Auditor



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

December 19, 2008

LEAKE COUNTY

(This page left blank intentionally)

LEAKE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

LEAKE COUNTY

(This page left blank intentionally)

LEAKE COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2007

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|---------------|
| 1. | Type of auditor's report issued on the financial statements: | Unqualified |
| 2. | Internal control over financial reporting: | |
| a. | Material weaknesses identified? | Yes |
| b. | Significant deficiencies identified that are not considered to be material weaknesses? | None Reported |
| 3. | Noncompliance material to the financial statements? | No |

Federal Awards:

- | | | |
|-----|--|---------------|
| 4. | Internal control over major programs: | |
| a. | Material weaknesses identified? | Yes |
| b. | Significant deficiencies identified that are not considered to be material weaknesses? | None Reported |
| 5. | Type of auditor's report issued on compliance for major federal programs: | Adverse |
| 6. | Any audit findings reported as required by Section __.510(a) of Circular A-133? | Yes |
| 7. | Federal program identified as major program: | |
| | Watershed protection and flood prevention, CFDA #10.904 | |
| 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, 2007

Section 2: Financial Statement Findings

Board of Supervisors.

Significant Deficiency - Material Weakness

07-1. Finding

A critical aspect of effective financial management is the preparation of accurate financial statements. Management did not have personnel that possessed the necessary expertise to prepare financial statements in accordance with generally accepted accounting principles. Therefore, since the county personnel lacked expertise to apply generally accepted accounting principles in preparing its financial statements, the auditor was relied upon to perform these tasks. Without adequate controls in place over the preparation of financial statements in accordance with generally accepted accounting principles, the risk increases that inaccurate information may be reported.

Recommendation

The Board of Supervisors should establish adequate controls and procedures to ensure the financial statements are presented and disclosed in accordance with generally accepted accounting principles.

Section 3: Federal Award Findings and Questioned Costs

07-2. Finding

Program: Watershed Protection and Flood Prevention
Agreement numbers: 69-4423-4-9987 and 68-4423-7-1715
U.S. Department of Agriculture - Natural Resources Conservation Service

Questioned Costs: \$35,337

*Significant Deficiency - Material Weakness
Material Noncompliance*

Compliance Requirement: Procurement, Suspension and Debarment - Controls Over Procurement, Suspension and Debarment Should Be Strengthened

The Leake County Project Agreement with the United States Department of Agriculture - Natural Resources Conservation Service (NRCS) requires that the Leake County Board of Supervisors contract for design and construction of the emergency watershed protection measures described in Section A in accordance with the *Code of Federal Regulations* Title 7, Section 3016.36, applicable state requirements and the Leake County Board of Supervisors' procurement regulations.

During our audit testing procedures, we noted no evidence that control activities were in place to ensure that competitive proposals were solicited and awarded for engineering services as required by the project agreement. Instead of soliciting competitive proposals for engineering services, conducting evaluations of the engineers' qualifications and selecting the most qualified engineer, subject to negotiation of fair and reasonable compensation, the county hired the county engineer to perform the engineering services. As a result, the county may have paid an excessive amount for engineering services.

LEAKE COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2007

Recommendation

The Leake County Board of Supervisors should take steps to ensure that controls are in place to ensure that procurement requirements are fulfilled, by ensuring that contracts for engineering services are awarded after soliciting competitive proposals as required by the project agreement.

07-3. Finding

Program: Watershed Protection and flood Prevention
Agreement numbers: 69-4423-4-9987 and 68-4423-7-1715
U.S. Department of Agriculture - Natural Resources Conservation
Service

*Significant Deficiency - Material Weakness
Material Noncompliance*

Compliance Requirement: Davis-Bacon Act - Controls Over Assurance that Laborers and Mechanics employed by Contractors and Subcontractors are Paid Prevailing Wages

The Leake County Project Agreement with the United States Department of Agriculture - Natural Resources Conservation Services (NRCS) requires that the Leake County Board of Supervisors understand its responsibility for monitoring compliance with the Davis-Bacon Act.

During our audit testing procedures, we requested documentation of payroll records that the county had monitored for the project. However, the county could not provide us with any evidence of such monitoring.

Recommendation

The Leake County Board of Supervisors should take steps to ensure that controls are in place to ensure that Davis-Bacon requirements are fulfilled, by monitoring payroll records of the contractor.

07-4. Finding

Program: Watershed Protection and Flood Prevention
Agreement numbers: 69-4423-4-9987 and 68-4423-7-1715
U.S. Department of Agriculture - Natural Resources Conservation
Service

*Significant Deficiency - Material Weakness
Material Noncompliance*

Compliance Requirement: Special Tests and Provisions - Controls over Requirements over Contracts for Construction of Emergency Watershed Projects Should Be Strengthened

The Leake County Project Agreement with the United States Department of Agriculture - Natural Resources Conservation Services requires that the county comply with the special requirements over contracts for construction of emergency watershed protection measures. These special requirements require that the county ensure that:

1. Equal opportunity clause is included in contracts.
2. A Certification of Nonsegregated Facilities is submitted prior to the award of a federally assisted construction contract exceeding \$10,000.

LEAKE COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2007

3. Standard federal equal employment opportunity construction contract specifications are included in federally assisted construction contracts in excess of \$10,000.

During our audit procedures, we noted no controls were in place to ensure that Leake County complied with these provisions. The county did not provide us with a signed Certification of Nonsegregated Facilities from the contractor. Therefore, federal funds were paid to a vendor who utilized labor for equipment operation and other activities without these provisions being met.

Recommendation

The Leake County Board of Supervisors should take steps to ensure that controls are in place so that equal opportunity hiring practices provisions are included in all construction contracts for emergency watershed projects.

LEAKE COUNTY

AUDITEE'S CORRECTIVE ACTION PLAN

LEAKE COUNTY

(This page left blank intentionally)

BOARD OF SUPERVISORS:

TONY SMITH
District One

JOE ANDY HELTON
District Two

OLIVER SMITH
District Three

MIKE SHERMAN
District Four

DAVIS GILL
District Five



FREDDIE TERRELL
County Administrator
Telephone 267-8002

DOT MERCHANT
Clerk
Telephone 267-7371

JEFFREY T. WEBB
Attorney
Telephone 267-9762

AMENDED CORRECTIVE ACTION PLAN

December 15, 2008

Office of the State Auditor
P.O. Box 956
Jackson, Mississippi 39205

To whom it may concern:

The Leake County Board of Supervisors respectfully submits the following corrective action plan for the year ended September 30, 2007.

The findings from the Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section 1: Summary of Auditor's Results, does not include findings and is not addressed.

SECTION 2: FINANCIAL STATEMENT FINDINGS

07-01 Corrective Action Planned:

The Leake County Board of Supervisors will review the possibility of retaining a certified public accountant to review these financial records and prepare the necessary financial statements in accordance with generally accepted accounting principles.

Anticipated Completion Date: January 2009

Name of Contact Person Responsible for Corrective Action:
Freddie Terrell and Kristye Horn

SECTION 3: FEDERAL AWARD FINDINGS

07-02 Corrective Action Planned:

The Leake County Board of Supervisors will publicly advertise and solicit bids for engineering services for any future projects involving an award of federal funds where compliance with Code of Federal Regulations Title 7, Section 3016 (A) is mandated.

Anticipated Completion Date: Immediately for any future projects

Name of Contact Person Responsible for Corrective Action:
Board of Supervisors and Jeff Webb, Attorney for Board

07-03 Corrective Action Planned:

In the future, the Leake County Board of Supervisors shall require detailed payroll records from any contractor when an award of federal grant funds is involved rather than rely upon an engineer's certificate of work completion.

Anticipated Completion Date: Immediately for any future projects

Name of Contact Person Responsible for Corrective Action:
Board of Supervisors and Jeff Webb, Attorney for Board

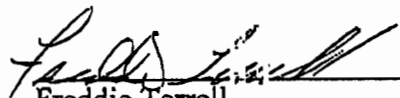
07-04 Corrective Action Planned:

The Leake County Board of Supervisors will require that, for all federally funded awards, an equal opportunity clause is included in any contracts. Also, a certification of non-segregated facilities will be required from the contractor and standard equal employment opportunity construction contract specifications shall be included in contracts in excess of \$10,000.00.

Anticipated Completion Date: Immediately for any future projects

Name of Contact Person Responsible for Corrective Action:
Board of Supervisors and Jeff Webb, Attorney for Board

Sincerely yours..


Freddie Terrell
County Administrator
601-267-8002