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LEAKE COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2009

LEAKE COUNTY

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LEAKE COUNTY

FINANCIAL SECTION

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American Institute of CPAs
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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, each major fund and the aggregate remaining fund information of Leake County, Mississippi, as of and for the year ended September 30, 2009, which collectively comprise the basic financial statements of the county's primary government as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The financial statements do not include financial data for the county's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for this component unit to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component unit. The county has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net assets, revenue and expenses of the aggregate discretely presented component unit is not reasonably determinable.

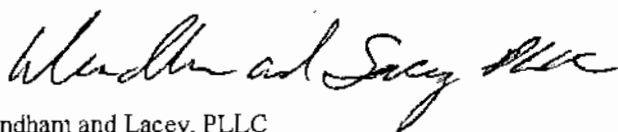
In our opinion, because of the omission of the discretely presented component unit, as discussed previously, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component unit of Leake County, Mississippi, as of September 30, 2009, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Leake County, Mississippi, as of September 30, 2009, 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 October 1, 2010, 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.



Windham and Lacey, PLLC
October 1, 2010

LEAKE COUNTY

FINANCIAL STATEMENTS

LEAKE COUNTY
Statement of Net Assets
September 30, 2009

Exhibit I

| | Primary Government | | Total |
|---|----------------------------|-----------------------------|-------------------|
| | Governmental Activities | Business-type Activities | |
| ASSETS | | | |
| Cash | \$ 5,024,825 | 2,089,358 | 7,114,183 |
| Investments | 362,588 | 2,298,921 | 2,661,509 |
| Property tax receivable | 3,818,550 | 79,206 | 3,897,756 |
| Accounts receivable, net of allowance for uncollectible of \$436,534 | | 812,378 | 812,378 |
| Fines receivable, net of allowance for uncollectible of \$966,740 | 604,985 | | 604,985 |
| Intergovernmental receivables | 65,923 | | 65,923 |
| Other receivables | 41,806 | 1,754 | 43,560 |
| Internal balances | 92,005 | (92,005) | 0 |
| Bond issue cost, net | 95,727 | | 95,727 |
| Capital assets: | | | |
| Land and construction in progress | 1,476,780 | 2,910 | 1,479,690 |
| Other capital assets, net | 10,907,087 | 4,397,408 | 15,304,495 |
| Total Assets | <u>22,490,276</u> | <u>9,589,930</u> | <u>32,080,206</u> |
| LIABILITIES | | | |
| Claims payable | 396,520 | 173,796 | 570,316 |
| Intergovernmental payables | 130,182 | | 130,182 |
| Deferred revenue | 3,818,550 | 79,206 | 3,897,756 |
| Other payables | 8,692 | | 8,692 |
| Accrued interest payable | 84,869 | 22,105 | 106,974 |
| Long-term liabilities: | | | |
| Due within one year: | | | |
| Capital debt | 473,601 | 509,798 | 983,399 |
| Non-capital debt | 440,792 | | 440,792 |
| Due in more than one year: | | | |
| Capital debt | 948,024 | 3,298,716 | 4,246,740 |
| Non-capital debt | 5,877,728 | | 5,877,728 |
| Compensated absences payable | 227,824 | 206,065 | 433,889 |
| Total Liabilities | <u>12,406,782</u> | <u>4,289,686</u> | <u>16,696,468</u> |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 10,962,242 | 591,804 | 11,554,046 |
| Restricted: | | | |
| General | 37,320 | | 37,320 |
| Debt service | 345,958 | | 345,958 |
| Public safety | 931,795 | 2,830,055 | 3,761,850 |
| Public works | 861,871 | 1,878,385 | 2,740,256 |
| Health and welfare | 780,200 | | 780,200 |
| Capital projects | 7,680 | | 7,680 |
| Unrestricted: | (3,843,572) | | (3,843,572) |
| Total Net Assets | <u>\$ 10,083,494</u> | <u>5,300,244</u> | <u>15,383,738</u> |

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

LEAKE COUNTY
Statement of Activities
For the Year Ended September 30, 2009

| Functions/Programs | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | | | |
|--|----------------------|--------------------------------------|------------------------------------|---|---------------------------------|--------------------------|--------------------|
| | Expenses | Fines, Fees and Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Governmental Activities | Business-type Activities | Total |
| Primary government: | | | | | | | |
| Governmental activities: | | | | | | | |
| General government | \$ 2,966,828 | 578,936 | 301,639 | | (2,086,253) | | (2,086,253) |
| Public safety | 2,050,551 | 770,485 | 217,249 | | (1,062,817) | | (1,062,817) |
| Public works | 2,833,778 | | 788,255 | 189,514 | (1,856,009) | | (1,856,009) |
| Health and welfare | 129,634 | | 29,483 | 10,304 | (89,847) | | (89,847) |
| Culture and recreation | 229,289 | | | 4,000 | (225,289) | | (225,289) |
| Conservation of natural resources | 91,123 | | | | (91,123) | | (91,123) |
| Economic development and assistance | 153,971 | | 246,893 | | 92,922 | | 92,922 |
| Interest on long-term debt | 405,763 | | | | (405,763) | | (405,763) |
| Total Governmental Activities | 8,860,937 | 1,349,421 | 1,583,519 | 203,818 | (5,724,179) | 0 | (5,724,179) |
| Business-type activities: | | | | | | | |
| Regional jail | 3,490,679 | 3,471,460 | 72,912 | | 53,693 | | 53,693 |
| Solid waste | 543,768 | 573,714 | | | 29,946 | | 29,946 |
| Total Primary Government | \$ 12,895,384 | \$ 5,394,595 | 1,656,431 | 203,818 | (5,724,179) | 83,639 | (5,640,540) |
| General revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes | | | | | \$ 5,325,976 | 71,811 | 5,397,787 |
| Road & bridge privilege taxes | | | | | 237,224 | | 237,224 |
| Grants and contributions not restricted to specific programs | | | | | 493,360 | | 493,360 |
| Unrestricted investment income | | | | | 61,863 | (18,992) | 42,871 |
| Miscellaneous | | | | | 398,202 | 80,811 | 479,013 |
| Gain from sale of assets | | | | | 2,847 | 59,969 | 62,816 |
| Total General Revenues and transfers | | | | | 6,519,472 | 193,599 | 6,713,071 |
| Changes in Net Assets | | | | | 795,293 | 277,238 | 1,072,531 |
| Net Assets - Beginning | | | | | 9,288,201 | 5,023,006 | 14,311,207 |
| Net Assets - Ending | | | | | \$ 10,083,494 | 5,300,244 | 15,383,738 |

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

LEAKE COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2009

Exhibit 3

| | Major Funds | | | Total Governmental Funds |
|--|---------------------|-----------------------------------|--------------------------------|--------------------------------|
| | General Funds | County Road and Bridge Fund | Other Governmental Funds | |
| ASSETS | | | | |
| Cash | \$ 2,219,602 | 982,113 | 1,823,110 | 5,024,825 |
| Investments | | | 362,588 | 362,588 |
| Property tax receivable | 2,372,991 | 986,020 | 459,539 | 3,818,550 |
| Fines receivable, net of allowance for uncollectible of \$966,740 | 604,985 | | | 604,985 |
| Intergovernmental receivables | 65,923 | | | 65,923 |
| Other receivables | 1,806 | | 40,000 | 41,806 |
| Due from other funds | 100,593 | 62,755 | 11,412 | 174,760 |
| Advances to other funds | 18,000 | | | 18,000 |
| Total Assets | <u>\$ 5,383,900</u> | <u>2,030,888</u> | <u>2,696,649</u> | <u>10,111,437</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Claims payable | \$ 125,460 | 237,680 | 33,378 | 396,518 |
| Intergovernmental payables | 130,182 | | | 130,182 |
| Due to other funds | 52,200 | 6,175 | 24,380 | 82,755 |
| Advances from other funds | | | 18,000 | 18,000 |
| Deferred revenue | 2,977,976 | 986,020 | 459,539 | 4,423,535 |
| Other payables | 8,691 | | | 8,691 |
| Total Liabilities | <u>3,294,509</u> | <u>1,229,875</u> | <u>535,297</u> | <u>5,059,681</u> |
| Fund balances: | | | | |
| Reserved for: | | | | |
| Debt Service | | | 345,958 | 345,958 |
| Advances | 18,000 | | | 18,000 |
| Unreserved - undesignated, reported in: | | | | |
| General Fund | 2,071,391 | | | 2,071,391 |
| Special Revenue Funds | | 801,013 | 1,815,394 | 2,616,407 |
| Total Fund Balances | <u>2,089,391</u> | <u>801,013</u> | <u>2,161,352</u> | <u>5,051,756</u> |
| Total Liabilities and Fund Balances | <u>\$ 5,383,900</u> | <u>2,030,888</u> | <u>2,696,649</u> | <u>10,111,437</u> |

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

LEAKE COUNTY

Exhibit 3-1Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2009

| | <u>Amount</u> |
|---|----------------------|
| Total Fund Balance - Governmental Funds (Exhibit 3) | \$ 5,051,756 |
| Amounts reported for governmental services in the Statement of Net Assets (Exhibit 1) are different because: | |
| Capital assets are used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation. | 12,383,867 |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. | |
| Fines Receivable | 604,985 |
| Bond Issue Cost, Net | 95,727 |
| Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds. | |
| Long-term liabilities | (7,740,145) |
| Compensated absences | (227,824) |
| Accrued interest on debt | (84,869) |
| Other | <u>(3)</u> |
| Total net assets - Governmental Activities (Exhibit 1) | <u>\$ 10,083,494</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, 2009

| | Major Funds | | | Total Governmental Funds |
|---|---------------------|-----------------------------------|--------------------------------|--------------------------------|
| | General Fund | County Road and Bridge Fund | Other Governmental Funds | |
| REVENUES | | | | |
| Property taxes | \$ 3,555,239 | 1,138,902 | 631,835 | 5,325,976 |
| Road and bridge privilege taxes | | 237,224 | | 237,224 |
| Licenses, commissions and other revenue | 216,189 | | | 216,189 |
| Fines and forfeitures | 331,928 | | 123,099 | 455,027 |
| Intergovernmental revenues | 1,001,079 | 740,363 | 498,102 | 2,239,544 |
| Charges for services | 532,050 | | 186,732 | 718,782 |
| Interest income | 55,476 | 3,953 | 2,861 | 62,290 |
| Miscellaneous revenues | 139,089 | 72,661 | 168,149 | 379,899 |
| Total Revenues | <u>5,831,050</u> | <u>2,193,103</u> | <u>1,610,778</u> | <u>9,634,931</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 2,795,392 | | 266,932 | 3,062,324 |
| Public safety | 1,613,965 | | 407,888 | 2,021,853 |
| Public works | 48,266 | 2,421,960 | 160,609 | 2,630,835 |
| Health and welfare | 104,565 | | 10,304 | 114,869 |
| Culture and recreation | 190,714 | | 29,968 | 220,682 |
| Conservation of natural resources | 88,083 | | | 88,083 |
| Economic development and assistance | 67,297 | | 55,934 | 123,231 |
| Debt service: | | | | |
| Principal | 106,262 | 358,509 | 431,031 | 895,802 |
| Interest | 15,353 | 52,909 | 337,898 | 406,160 |
| Total Expenditures | <u>5,029,897</u> | <u>2,833,378</u> | <u>1,700,564</u> | <u>9,563,839</u> |
| Excess of Revenues over (under) Expenditures | <u>801,153</u> | <u>(640,275)</u> | <u>(89,786)</u> | <u>71,092</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Long-term capital debt issued | | 57,350 | 32,246 | 89,596 |
| Proceeds from sale of capital assets | | 5,462 | | 5,462 |
| Transfers in | 24,194 | | 183,549 | 207,743 |
| Transfers out | (183,549) | | (24,194) | (207,743) |
| Total Other Financing Sources and Uses | <u>(159,355)</u> | <u>62,812</u> | <u>191,601</u> | <u>95,058</u> |
| Net Changes in Fund Balances | 641,798 | (577,463) | 101,815 | 166,150 |
| Fund Balances - Beginning | <u>1,447,593</u> | <u>1,378,476</u> | <u>2,059,537</u> | <u>4,885,606</u> |
| Fund Balances - Ending | <u>\$ 2,089,391</u> | <u>801,013</u> | <u>2,161,352</u> | <u>5,051,756</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, 2009

| | <u>Amount</u> |
|--|-------------------|
| Net changes in Fund Balances - Governmental Funds (Exhibit 4) | \$ 166,150 |
| 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 depreciation of \$702,877 exceeded capital outlays of \$558,265 in the current period. | (144,612) |
| 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 and loss from the sale of capital assets decrease financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the gain of \$2,847 and the proceeds from the sale in the current period of \$5,462. | (2,615) |
| 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. Thus, the change in net assets differs from the change in fund balance by the increase (decrease) in fines receivable. | 31,466 |
| 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 \$895,802 exceeded debt proceeds of \$89,596. | 806,206 |
| 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: | |
| Change in compensated absences | (54,335) |
| Change in accrued interest payable | 3,633 |
| The amortization of: | |
| Issuance cost on limited obligation bond | (7,364) |
| Discount on limited obligation bond | (3,236) |
| | <u>795,293</u> |
| Change in Net Assets of Governmental Activities (Exhibit 2) | \$ <u>795,293</u> |

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

LEAKE COUNTY
Statement of Net Assets - Proprietary Funds
September 30, 2009

Exhibit 5

| | Business-type Activities - Enterprise Funds | | |
|--|---|---------------------|------------------|
| | Major Funds | | |
| | Regional Jail Fund | Solid Waste Fund | Total |
| ASSETS | | | |
| Current assets: | | | |
| Cash | \$ 990,036 | 1,099,322 | 2,089,358 |
| Investments | 2,298,921 | | 2,298,921 |
| Property tax receivable | | 79,206 | 79,206 |
| Accounts receivable (net of allowance for uncollectibles of \$436,534) | | 812,378 | 812,378 |
| Other receivable | | 1,754 | 1,754 |
| Due from other funds | | 7,588 | 7,588 |
| Total Current Assets | <u>3,288,957</u> | <u>2,000,248</u> | <u>5,289,205</u> |
| Noncurrent assets: | | | |
| Capital assets: | | | |
| Other capital assets, net | 4,075,694 | 324,624 | 4,400,318 |
| Total Noncurrent Assets | <u>4,075,694</u> | <u>324,624</u> | <u>4,400,318</u> |
| Total Assets | <u>7,364,651</u> | <u>2,324,872</u> | <u>9,689,523</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Claims payable | 150,968 | 22,828 | 173,796 |
| Due to other funds | 86,578 | 13,015 | 99,593 |
| Accrued interest payable | 22,105 | | 22,105 |
| Deferred revenue | | 79,206 | 79,206 |
| Capital debt: | | | |
| Capital leases payable | | 49,624 | 49,624 |
| Other long-term liabilities | 460,174 | | 460,174 |
| Total Current Liabilities | <u>719,825</u> | <u>164,673</u> | <u>884,498</u> |
| Noncurrent liabilities: | | | |
| Capital debt: | | | |
| Capital leases payable | | 149,481 | 149,481 |
| Other long-term liabilities | 3,149,235 | | 3,149,235 |
| Compensated absences payable | 199,251 | 6,814 | 206,065 |
| Total Noncurrent Liabilities | <u>3,348,486</u> | <u>156,295</u> | <u>3,504,781</u> |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 466,285 | 125,519 | 591,804 |
| Restricted for: | | | |
| Public Works | | 1,878,385 | 1,878,385 |
| Public Safety | 2,830,055 | | 2,830,055 |
| Total Net Assets | \$ <u>3,296,340</u> | <u>2,003,904</u> | <u>5,300,244</u> |

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

LEAKE COUNTY

Exhibit 6

Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds
For the Year Ended September 30, 2009

| | Business-type Activities - Enterprise Funds | | |
|-------------------------------------|---|---------------------|------------------|
| | Major Funds | | |
| | Regional Jail Fund | Solid Waste Fund | Total |
| Operating Revenues | | | |
| Charges for services | \$ 3,471,460 | 573,714 | 4,045,174 |
| Miscellaneous revenue | 24,515 | 116,264 | 140,779 |
| Total Operating Revenues | <u>3,495,975</u> | <u>689,978</u> | <u>4,185,953</u> |
| Operating Expenses | | | |
| Personal services | 2,015,626 | 193,735 | 2,209,362 |
| Contractual services | 439,020 | 243,044 | 682,065 |
| Materials and supplies | 695,295 | 66,249 | 761,545 |
| Depreciation expense | 137,199 | 28,202 | 165,401 |
| Indirect administrative cost | 44,150 | 6,884 | 51,034 |
| Total Operating Expenses | <u>3,331,291</u> | <u>538,115</u> | <u>3,869,406</u> |
| Operating Income (Loss) | <u>164,684</u> | <u>151,863</u> | <u>316,547</u> |
| Nonoperating Revenues (Expenses) | | | |
| Property tax | | 71,811 | 71,811 |
| Interest income | (22,508) | 3,517 | (18,991) |
| Operating grants | 72,912 | | 72,912 |
| Interest expense | (159,388) | (5,653) | (165,041) |
| Net Nonoperating Revenue (Expenses) | <u>(108,984)</u> | <u>69,675</u> | <u>(39,309)</u> |
| Changes in Net Assets | 55,700 | 221,538 | 277,238 |
| Net Assets - Beginning | <u>3,240,640</u> | <u>1,782,366</u> | <u>5,023,006</u> |
| Net Assets - Ending | <u>\$ 3,296,340</u> | <u>2,003,904</u> | <u>5,300,244</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, 2009

Exhibit 7

| | Business-type Activities - Enterprise Funds | | |
|---|---|---------------------|-------------|
| | Major Funds | | |
| | Regional Jail Fund | Solid Waste Fund | Total |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from users | \$ 3,471,460 | | 3,471,460 |
| Receipts from customers | | 573,714 | 573,714 |
| Payments to suppliers | | (312,599) | (312,599) |
| Payments to employees | (1,971,147) | (191,114) | (2,162,261) |
| Payments for contractual services | (1,091,849) | | (1,091,849) |
| Other operating cash receipts | 24,515 | 15,784 | 40,299 |
| Net Cash Provided (Used) by Operating Activities | 432,979 | 85,785 | 518,764 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Operating grants received | 72,912 | | 72,912 |
| Cash received from property taxes | | 71,811 | 71,811 |
| Net Cash Provided (Used) by Noncapital Financing Activities | 72,912 | 71,811 | 144,723 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Proceeds of long-term debt | | 223,328 | 223,328 |
| Proceeds from sale of capital assets | | 59,969 | 59,969 |
| Acquisition and construction of capital assets | (47,388) | (291,828) | (339,216) |
| Principle paid on long-term debt | (446,032) | (87,203) | (533,235) |
| Interest paid on debt | (159,388) | (5,653) | (165,041) |
| Net Cash Flows From Capital and Related Financing Activities | (652,808) | (101,387) | (754,195) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest and dividends on investments | (22,508) | 3,517 | (18,991) |
| Net Cash Provided (Used) by Investing Activities | (22,508) | 3,517 | (18,991) |
| Net Increase (Decrease) in Cash and Cash Equivalents | (169,425) | 59,726 | (109,699) |
| Cash and Cash Equivalents at Beginning of Year | 3,458,382 | 1,039,596 | 4,497,978 |
| Cash and Cash Equivalents at End of Year | \$ 3,288,957 | 1,099,322 | 4,388,279 |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | |
| Operating income (loss) | \$ 164,684 | 151,863 | 316,547 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | |
| Depreciation expense | 137,199 | 28,202 | 165,401 |
| Change in assets and liabilities: | | | |
| (Increase) decrease in accounts receivable | | (95,264) | (95,264) |
| (Increase) decrease in interfund receivables | | (5,216) | (5,216) |
| Increase (decrease) in claims payable | 44,801 | (3,305) | 41,496 |
| Increase (decrease) in interfund payables | 44,150 | 6,884 | 51,034 |
| Increase (decrease) in accrued interest payable | (2,334) | | (2,334) |
| Increase (decrease) in compensated absences liability | 44,479 | 2,621 | 47,100 |
| Total adjustments | 268,295 | (66,078) | 202,217 |
| Net Cash Provided (Used) by Operating Activities | \$ 432,979 | 85,785 | 518,764 |

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

LEAKE COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2009

Exhibit 8

| | <u>Agency Funds</u> |
|------------------------------------|-------------------------|
| ASSETS | |
| Cash | \$ 148,126 |
| Intergovernmental receivables | <u>229,920</u> |
| Total Assets | <u>\$ 378,046</u> |
| LIABILITIES | |
| Amounts held in custody for others | \$ 130,553 |
| Intergovernmental payables | <u>247,493</u> |
| Total Liabilities | <u>\$ 378,046</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, 2009

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

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

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

- Leake Memorial Hospital

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the county legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chaucery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor-Collector
- Sheriff

B. Basis of Presentation.

The county's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities and fund financial statements, which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the county as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues and are reported separately from business-type activities. 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, 2009

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 activity or governmental function is self-financing or draws from the general revenues of the county.

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

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

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

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

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, 2009

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 (other than for major capital projects) 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 TYPES

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 TYPES

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the county, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association.

LEAKE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2009

E. Deposits and Investments.

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

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value.

F. Receivables.

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

G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable Governmental Funds to indicate that they are not available for appropriation and are not expendable financial resources. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

H. 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.

I. 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.

LEAKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2009

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

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements and Proprietary Funds. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

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

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

J. Long-term Liabilities.

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

In the government-wide financial statements and in the Proprietary Fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or Proprietary Funds Statement of Net 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.

K. 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."

LEAKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2009

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

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements and Proprietary Funds. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

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

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

J. Long-term Liabilities.

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

In the government-wide financial statements and in the Proprietary Fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or Proprietary Funds Statement of Net 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.

K. 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."

LEAKE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2009

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is classified as reserved or unreserved with unreserved classified as designated and undesignated.

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

L. 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.

M. 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.

N. 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.

LEAKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2009

(2) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2009, was \$7,262,309, and the bank balance was \$7,596,711. 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 (FDIC).

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

Investment balances at September 30, 2009, are as follows:

| <u>Investment Type</u> | <u>Maturities</u> | <u>Fair Value</u> | <u>Rating</u> |
|--|-------------------|-------------------|---------------|
| US Treasury Notes 4.25% | 8/15/2015 | \$ 836,399 | AAA |
| Hancock Horizon Treasury Securities Money Market Mutual Fund | Less than 1 year | 1,825,110 | Aaa |
| Total | | \$ 2,661,509 | |

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

Credit Risk. State law limits investments to those authorized by Sections 19-9-29 and 91-13-8, Miss. Code Ann. (1972). The county does not have a formal investment policy that would further limit its 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 Hancock Horizon Treasury Securities Money Market Mutual Fund. These investments are 69% of the county's total investments and are reported in the Regional Jail Fund.

LEAKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2009

(3) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2009:

A. Due From/To Other Funds:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|-----------------------------|-----------------------------|-------------------|
| General Fund | Other Governmental Funds | \$ 1,000 |
| General Fund | Regional Jail Fund | 86,578 |
| General Fund | Solid Waste Fund | 13,015 |
| County Road and Bridge Fund | General Fund | 39,375 |
| County Road and Bridge Fund | Other Governmental Funds | 23,380 |
| Other Governmental Funds | General Fund | 11,412 |
| Solid Waste Fund | General Fund | 1,413 |
| Solid Waste Fund | County Road and Bridge Fund | <u>6,175</u> |
| Total | | <u>\$ 182,347</u> |

The General Fund receivables from the Regional Jail Fund and Solid Waste Fund represent indirect costs incurred during the fiscal year. All other receivables represent tax revenue collected but not settled until October, 2009. 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> |
| Total | | <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> |
|--------------------------|--------------------------|-------------------|
| Major Funds: | Major Funds: | |
| General Fund | Other Governmental Funds | \$ 24,194 |
| Other Governmental Funds | General Fund | <u>183,549</u> |
| Total | Total | <u>\$ 207,743</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, 2009

(4) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2009, consisted of the following:

| <u>Description</u> | <u>Amount</u> |
|-------------------------------|------------------|
| Legislative tag credit | \$ 65,923 |
| Total Governmental Activities | <u>\$ 65,923</u> |

(5) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2009:

Governmental Activities:

| | Balance Oct. 1, 2008 | Additions | Deletions | Adjustments * | Balance Sept. 30, 2009 |
|--|-------------------------|------------------|-----------------|------------------|---------------------------|
| <u>Non-depreciable capital assets:</u> | | | | | |
| Land | \$ 1,375,560 | | | | 1,375,560 |
| Construction in progress | 236,081 | 178,652 | | (313,513) | 101,220 |
| Total non-depreciable capital assets | <u>1,611,641</u> | <u>178,652</u> | <u>0</u> | <u>(313,513)</u> | <u>1,476,780</u> |
| <u>Depreciable capital assets:</u> | | | | | |
| Buildings | 3,575,953 | 156,343 | | | 3,732,296 |
| Improvements other than buildings | 0 | | | | 0 |
| Mobile equipment | 3,682,194 | 110,779 | (26,147) | 90,662 | 3,857,488 |
| Furniture and equipment | 675,864 | 5,000 | | (49,800) | 631,064 |
| Leased property under capital leases | 2,164,111 | 107,491 | | (40,862) | 2,230,740 |
| Infrastructure | 6,364,192 | | | 313,513 | 6,677,705 |
| Total depreciable capital assets | <u>16,462,314</u> | <u>379,613</u> | <u>(26,147)</u> | <u>313,513</u> | <u>17,129,293</u> |
| <u>Less accumulated depreciation for:</u> | | | | | |
| Buildings | 1,134,891 | 60,293 | | | 1,195,184 |
| Improvements other than buildings | 0 | | | | 0 |
| Mobile equipment | 2,815,485 | 195,134 | (23,532) | 51,842 | 3,038,929 |
| Furniture and equipment | 585,337 | 18,644 | | (22,410) | 581,571 |
| Leased property under capital leases | 412,649 | 261,990 | | (29,432) | 645,207 |
| Infrastructure | 594,499 | 166,816 | | | 761,315 |
| Total accumulated depreciation | <u>5,542,861</u> | <u>702,877</u> | <u>(23,532)</u> | <u>0</u> | <u>6,222,206</u> |
| Total depreciable capital assets, net | <u>10,919,453</u> | <u>(323,264)</u> | <u>(2,615)</u> | <u>0</u> | <u>10,907,087</u> |
| Governmental activities capital assets, net | <u>\$ 12,531,094</u> | <u>(144,612)</u> | <u>(2,615)</u> | <u>0</u> | <u>12,383,867</u> |

LEAKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2009

Business-type Activities:

| | Balance Oct. 1, 2008 | Additions | Deletions | Adjustments * | Balance Sept. 30, 2009 |
|--|-------------------------|----------------|------------------|---------------|---------------------------|
| <u>Non-depreciable capital assets:</u> | | | | | |
| Land | \$ 2,910 | | | | 2,910 |
| Total non-depreciable capital assets | <u>2,910</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>2,910</u> |
| <u>Depreciable capital assets:</u> | | | | | |
| Buildings | 5,131,896 | | | | 5,131,896 |
| Improvements other than buildings | 0 | | | | 0 |
| Mobile equipment | 395,385 | 110,213 | (91,470) | | 414,128 |
| Furniture and equipment | 171,272 | 5,675 | | | 176,947 |
| Leased property under capital leases | 181,526 | 223,328 | (181,526) | | 223,328 |
| Total depreciable capital assets | <u>5,880,079</u> | <u>339,216</u> | <u>(272,996)</u> | <u>0</u> | <u>5,946,299</u> |
| <u>Less accumulated depreciation for:</u> | | | | | |
| Buildings | 1,068,681 | 102,641 | | | 1,171,322 |
| Improvements other than buildings | 0 | | | | 0 |
| Mobile equipment | 297,203 | 21,200 | (82,323) | | 236,080 |
| Furniture and equipment | 132,604 | 5,458 | | | 138,062 |
| Leased property under capital leases | 98,028 | 36,102 | (130,704) | | 3,426 |
| Total accumulated depreciation | <u>1,596,516</u> | <u>165,401</u> | <u>(213,027)</u> | <u>0</u> | <u>1,548,890</u> |
| Total depreciable capital assets, net | <u>4,283,563</u> | <u>173,815</u> | <u>(59,969)</u> | <u>0</u> | <u>4,397,409</u> |
| Business-type activities capital assets, net | <u>\$ 4,286,473</u> | <u>173,815</u> | <u>(59,969)</u> | <u>0</u> | <u>4,400,319</u> |

* Adjustments to capital assets were reclassifications of construction in progress to infrastructure and transfers of assets to mobile equipment from leased property and furniture and equipment.

LEAKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2009

Depreciation expense was charged to the following functions:

| | |
|---|-------------------|
| Governmental activities: | |
| General government | \$ 89,819 |
| Public safety | 108,547 |
| Public works | 455,107 |
| Health and welfare | 14,765 |
| Culture and recreation | 1,188 |
| Conservation of natural resources | 2,711 |
| Economic development and assistance | <u>30,740</u> |
| Total governmental activities depreciation expense | <u>\$ 702,877</u> |
| Business-type activities: | |
| Solid waste | \$ 28,202 |
| Correctional facility | <u>137,199</u> |
| Total business-type activities depreciation expense | <u>\$ 165,401</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, 2009, to January 1, 2010. 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 \$47,993 for the year ended September 30, 2009. Lease contracts for income property were not renewed; therefore, no lease receivable exists.

LEAKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2009

(8) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2009:

| <u>Classes of Property</u> | <u>Governmental Activities</u> | <u>Business-type Activities</u> |
|--------------------------------------|------------------------------------|-------------------------------------|
| Mobile equipment | \$ 2,068,215 | 223,328 |
| Furniture and equipment | 162,525 | _____ |
| Total | 2,230,740 | 223,328 |
| Less: Accumulated depreciation | (645,207) | (3,426) |
| Leased Property Under Capital Leases | <u>\$ 1,585,533</u> | <u>219,902</u> |

The following is a schedule by years of the total payments due as of September 30, 2009:

| <u>Year Ending September 30</u> | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | |
|---------------------------------|--------------------------------|-----------------|---------------------------------|-----------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2010 | \$ 473,601 | 56,654 | 49,624 | 5,798 |
| 2011 | 491,976 | 35,504 | 149,481 | 3,293 |
| 2012 | 282,447 | 15,521 | _____ | _____ |
| 2013 | 172,434 | 6,575 | _____ | _____ |
| 2014 | 1,167 | 5 | _____ | _____ |
| Total | <u>\$ 1,421,625</u> | <u>114,259</u> | <u>199,105</u> | <u>9,091</u> |

(9) Long-term Debt.

Debt outstanding as of September 30, 2009, consisted of the following:

| <u>Description and Purpose</u> | <u>Amount Outstanding</u> | <u>Interest Rate</u> | <u>Final Maturity Date</u> |
|--|-------------------------------|--------------------------|------------------------------------|
| Governmental Activities: | | | |
| A. General Obligation Bonds: | | | |
| Road and bridge bonds, Series 2001 | \$ 1,800,000 | 4.10/4.87% | 02/2021 |
| Industrial park development bonds, Series 2002 | 744,000 | 4.75% | 02/2022 |
| Total General Obligation Bonds | <u>2,544,000</u> | | |
| B. Limited Obligation Bonds: | | | |
| Special obligation bonds - Leake Memorial Hospital | <u>3,300,000</u> | 3.625/6.45% | 01/2023 |

LEAF

Notes to Financial Statements
For the Year Ended September 30, 2009

| Description and Purpose | Amount Outstanding | Interest Rate | Final Maturity Date |
|--|-----------------------|------------------|---------------------------|
| C. Capital Leases: | | | |
| Five motor graders | 404,414 | 3.95% | 11/2011 |
| Two Maek dump trucks | 56,056 | 4.22% | 05/2012 |
| Computer software nprgrade | 49,129 | 4.37% | 10/2012 |
| IBM computer upgrade | 55,330 | 4.54% | 10/2012 |
| Three 2008 Crown Vietorias | 40,906 | 3.97% | 01/2011 |
| Heating and cooling system | 101,071 | 3.24% | 05/2013 |
| Five Maek dump trucks / One Mack tractor truck | 513,172 | 4.06% | 11/2012 |
| 2006 Caterpillar D4G dozer | 46,825 | 3.14% | 04/2012 |
| Four John Deere tractors | 70,122 | 3.12% | 05/2011 |
| 911 upgrade | 27,250 | 3.40% | 11/2013 |
| John Deere tractor | <u>57,350</u> | 3.21% | 02/2012 |
| Total Capital Leases | <u>1,421,625</u> | | |
| D. Other Loans: | | | |
| Justice Court building | 54,737 | 4.22% | 10/2010 |
| TVA loan - Hisan Industries | 226,699 | 2.75% | 09/2013 |
| TVA loan - Hisan Industries | <u>235,152</u> | 3.00% | 12/2014 |
| Total Other Loans | <u>516,588</u> | | |
| Total Governmental Activities | <u>\$ 7,782,214</u> | | |
| Business-type Activities: | | | |
| A. Limited Obligation Bonds: | | | |
| Urban renewal revenue refunding bonds | <u>\$ 3,305,000</u> | 4.00/4.13% | 08/2017 |
| B. Capital Leases: | | | |
| Two 2009 garbage trucks | <u>199,105</u> | 3.25% | 05/2011 |
| C. Other Loans: | | | |
| Correctional facility addition | <u>304,409</u> | 4.23% | 08/2012 |
| Total Business-type Activities | <u>\$ 3,808,514</u> | | |

LEAKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2009

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

Governmental Activities:

| Year Ending September 30 | General Obligation Bonds | | Limited Obligation Bonds | |
|--------------------------|--------------------------|----------|--------------------------|-----------|
| | Principal | Interest | Principal | Interest |
| 2010 | \$ 153,000 | 116,005 | 160,000 | 197,729 |
| 2011 | 160,000 | 109,278 | 165,000 | 189,500 |
| 2012 | 167,000 | 102,146 | 175,000 | 180,022 |
| 2013 | 180,000 | 94,474 | 185,000 | 169,222 |
| 2014 | 187,000 | 86,201 | 195,000 | 157,823 |
| 2015-2019 | 1,101,000 | 287,005 | 1,180,000 | 590,665 |
| 2020-2024 | 596,000 | 39,511 | 1,240,000 | 166,410 |
| Total | \$ 2,544,000 | 834,620 | 3,300,000 | 1,651,371 |

| Year Ending September 30 | Other Loans | |
|--------------------------|-------------|----------|
| | Principal | Interest |
| 2010 | \$ 127,792 | 14,240 |
| 2011 | 141,946 | 10,223 |
| 2012 | 112,208 | 5,649 |
| 2013 | 115,445 | 2,412 |
| 2014 | 19,197 | 120 |
| Total | \$ 516,588 | 32,644 |

Business-type Activities:

| Year Ending September 30 | Limited Obligation Bonds | | Other Loans | |
|--------------------------|--------------------------|----------|-------------|----------|
| | Principal | Interest | Principal | Interest |
| 2010 | \$ 360,000 | 132,631 | 100,174 | 10,949 |
| 2011 | 380,000 | 118,231 | 104,494 | 6,629 |
| 2012 | 400,000 | 103,031 | 99,741 | 2,122 |
| 2013 | 420,000 | 87,031 | | |
| 2014 | 445,000 | 70,232 | | |
| 2015-2019 | 1,300,000 | 100,494 | | |
| Total | \$ 3,305,000 | 611,650 | 304,409 | 19,700 |

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, 2009, the amount of outstanding debt was equal to 2.65% of the latest property assessments.

LEAKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2009

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2009:

| | Balance Oct. 1, 2008 | Additions | Reductions | Adjustments | Balance Sept. 30, 2009 | Amount due within one year |
|--|-------------------------|----------------|----------------|-------------|---------------------------|----------------------------------|
| Governmental Activities: | | | | | | |
| General obligation bonds | \$ 2,686,000 | | 142,000 | | 2,544,000 | 153,000 |
| Limited obligation bonds | 3,450,000 | | 150,000 | | 3,300,000 | 160,000 |
| Less deferred amounts: for issuance discounts - limited obligation bonds | (45,304) | | (3,236) | | (42,068) | |
| Total bonds payable | 6,090,696 | | 288,764 | | 5,801,932 | |
| Capital leases | 1,780,867 | 89,596 * | 448,838 | | 1,421,625 | 473,601 |
| Other loans | 671,552 | | 154,964 | | 516,588 | 127,792 |
| Compensated absences | 173,489 | 54,335 | | | 227,824 | |
| Total | \$ 8,716,604 | 143,931 | 892,566 | 0 | 7,967,969 | 601,393 |
| Business-type Activities: | | | | | | |
| Compensated absences | \$ 158,966 | 47,099 | | | 206,065 | |
| Limited obligation bonds | 3,655,000 | | 350,000 | | 3,305,000 | 360,000 |
| Capital leases | 62,980 | 223,328 | 87,203 | | 199,105 | 49,624 |
| Other loans | 400,441 | | 96,032 | | 304,409 | 100,174 |
| Total | \$ 4,277,387 | 270,427 | 533,235 | 0 | 4,014,579 | 509,798 |

* The difference between additions to capital lease debt and additions to leased property under capital leases represents a down payment.

Compensated absences will be paid from the fund from which the employees' salaries were paid which are generally the General Fund, County Road and Bridge Fund, Regional Jail Fund, Solid Waste Fund, E-911 Fund and the 8th District Drug Court Fund.

(10) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances at September 30, 2009:

| Fund | Deficit Amount |
|----------------------------------|-------------------|
| Other Governmental Funds: | |
| Leake County Reereational Park | \$ (460) |
| Economic Development | (1,999) |
| Total | \$ (2,459) |

(11) Contingencies.

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

LEAKE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2009

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

(12) Joint Ventures.

The county participates in the following joint ventures:

Leake County is a participant with the City of Carthage in a joint venture authorized by Section 39-3-11, Miss. Code Ann. (1972), to operate the Carthage-Leake County Airport. The joint venture was created to provide airport facilities to the area and is governed by a six-member board appointed by the Board of Supervisors and the city council; three from each government. By contractual agreement, the county's appropriation to the joint venture was \$1,500 in fiscal year 2009. Complete financial statements for the Carthage-Leake County Airport can be obtained from the Carthage-Leake County Airport, P.O. Box 577, Carthage, MS 39051.

Leake County is a participant with the counties of Attala, Holmes, Montgomery and Winston in a joint venture authorized by Section 39-3-9, Miss. Code Ann. (1972), to operate the Mid-Mississippi Regional Library System. The joint venture was created to provide free public library service to the citizens of the member counties. The Leake County Board of Supervisors appoints one of the five members of the board of directors. By contractual agreement, the county's appropriation to the joint venture was \$161,000 in fiscal year 2009.

(13) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

East Central Community College operates in a district composed of the Counties of Leake, Neshoba, Newton, Scott and Winston. The Leake County Board of Supervisors appoints six of the 30 members of the college board of trustees. The county appropriated \$318,378 for maintenance and support of the college in fiscal year 2009.

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 2009.

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 2009.

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 2009.

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 2009.

LEAKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2009

(14) Defined Benefit Pension Plan.

Plan Description. Leake County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2009 was 12% 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, 2009, 2008 and 2007 were \$516,007, \$475,127 and \$452,044, respectively, equal to the required contributions for each year.

(15) Subsequent Events.

Subsequent to September 30, 2009, Leake County issued the following debt obligations:

| Issue Date | Interest Rate | | Issue Amount | Type of Financing | Source of Financing |
|------------|---------------|---|--------------|-------------------|----------------------|
| 10/28/2009 | 3.18% | S | 22,899 | Capital Lease | General Fund revenue |
| 02/04/2010 | 3.15% | | 63,207 | Capital Lease | General Fund revenue |
| 02/24/2010 | 3.10% | | 23,505 | Capital Lease | General Fund revenue |

LEAKE COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

LEAKE COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2009

| | Original Budget | Final Budget | Actual (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|---|---------------------|------------------|--------------------------------|---|
| REVENUES | | | | |
| Property taxes | \$ 3,478,893 | 3,559,262 | 3,559,262 | |
| Licenses, commissions and other revenue | 278,273 | 215,842 | 215,842 | |
| Fines and forfeitures | 297,275 | 322,901 | 322,901 | |
| Intergovernmental revenues | 930,700 | 1,001,079 | 1,001,079 | |
| Charges for services | 351,000 | 532,050 | 532,050 | |
| Interest income | 69,500 | 51,900 | 51,900 | |
| Miscellaneous revenues | 151,850 | 135,315 | 135,315 | |
| Total Revenues | <u>5,557,491</u> | <u>5,818,349</u> | <u>5,818,349</u> | <u>0</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 3,290,736 | 2,846,061 | 2,846,061 | |
| Public safety | 1,697,606 | 1,653,988 | 1,653,988 | |
| Public works | 62,614 | 48,159 | 48,159 | |
| Health and welfare | 119,280 | 103,643 | 103,643 | |
| Culture and recreation | 156,000 | 190,714 | 190,714 | |
| Conservation of natural resources | 102,571 | 88,414 | 88,414 | |
| Economic development and assistance | 96,772 | 67,447 | 67,447 | |
| Debt service: | | | | |
| Principal | 116,586 | 106,262 | 106,262 | |
| Interest | 15,182 | 15,353 | 15,353 | |
| Total Expenditures | <u>5,657,347</u> | <u>5,120,041</u> | <u>5,120,041</u> | <u>0</u> |
| Excess of Revenues over (under) Expenditures | <u>(99,856)</u> | <u>698,308</u> | <u>698,308</u> | <u>0</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 505,000 | 24,194 | 24,194 | |
| Transfers out | (100,000) | (183,549) | (183,549) | |
| Total Other Financing Sources and Uses | <u>405,000</u> | <u>(159,355)</u> | <u>(159,355)</u> | <u>0</u> |
| Net Change in Fund Balance | 305,144 | 538,953 | 538,953 | 0 |
| Fund Balances - Beginning | <u>1,403,380</u> | <u>1,403,380</u> | <u>1,403,380</u> | <u>0</u> |
| Fund Balances - Ending | <u>\$ 1,708,524</u> | <u>1,942,333</u> | <u>1,942,333</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, 2009

| | Original Budget | Final Budget | Actual (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|---|--------------------|------------------|--------------------------------|---|
| REVENUES | | | | |
| Property taxes | \$ 1,470,029 | 1,146,395 | 1,146,395 | |
| Road and bridge privilege taxes | 220,000 | 237,548 | 237,548 | |
| Intergovernmental revenues | 893,000 | 740,363 | 740,363 | |
| Charges for services | 2,000 | | | |
| Interest income | 60,000 | 3,953 | 3,953 | |
| Miscellaneous revenues | 93,525 | 72,661 | 72,661 | |
| Total Revenues | <u>2,738,554</u> | <u>2,200,920</u> | <u>2,200,920</u> | <u>0</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public works | 2,879,053 | 2,278,317 | 2,278,317 | |
| Debt service: | | | | |
| Principal | 474,000 | 358,509 | 358,509 | |
| Interest | 76,006 | 52,909 | 52,909 | |
| Total Expenditures | <u>3,429,059</u> | <u>2,689,735</u> | <u>2,689,735</u> | <u>0</u> |
| Excess of Revenues over (under) Expenditures | <u>(690,505)</u> | <u>(488,815)</u> | <u>(488,815)</u> | <u>0</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Long-term capital debt issued | | 57,350 | 57,350 | |
| Proceeds from sale of assets | | 5,462 | 5,462 | |
| Total Other Financing Sources and Uses | <u>0</u> | <u>62,812</u> | <u>62,812</u> | <u>0</u> |
| Net Change in Fund Balance | (690,505) | (426,003) | (426,003) | 0 |
| Fund Balances - Beginning | <u>1,422,820</u> | <u>1,422,820</u> | <u>1,422,820</u> | <u>0</u> |
| Fund Balances - Ending | <u>\$ 732,315</u> | <u>996,817</u> | <u>996,817</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, 2009

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 Special Revenue Fund:

| | Governmental Fund Types | |
|---|-------------------------|-----------------------------------|
| | General Fund | County Road and Bridge Fund |
| Net Change in Fund Balance - Budget (Cash Basis) | \$ 538,953 | (426,003) |
| Increase (decrease): | | |
| Net adjustments for revenue accruals | 12,701 | (7,817) |
| Net adjustments for expenditure accruals | 90,144 | (143,643) |
| Net Change in Fund Balance GAAP Basis | \$ 641,798 | (577,463) |

LEAKE COUNTY

SPECIAL REPORTS

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American Institute of CPAs
Mississippi Society of CPAs

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, each major fund and the aggregate remaining fund information of Leake County, Mississippi, as of and for the year ended September 30, 2009, which collectively comprise the county's basic financial statements and have issued our report thereon dated October 1, 2010. Our report includes an adverse opinion on the aggregate discretely presented component unit due to the omission of the discretely presented component unit which is required by accounting principles generally accepted in the United States of America to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component unit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Leake County, Mississippi's internal control over financial reporting 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 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 deficiencies described in the accompanying Schedule of Findings and Responses as 09-1 and 09-2 to be significant deficiencies 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 country'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 items 09-1 and 09-2 to be material weaknesses.

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

Leake County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. 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, the Board of Supervisors and others within the entity and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.


Windham and Lacey, PLLC
October 1, 2010

Windham and Lacey, PLLC

Certified Public Accountants

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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, 2009. 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.



Windham and Lacey, PLLC
October 1, 2010

LEAKE COUNTY
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2009

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, 2009

Schedule 2

Our test results did not identify any emergency purchases.

LEAKE COUTNY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2009

| <u>Date</u> | <u>Item Purchased</u> | <u>Amount Paid</u> | <u>Vendor</u> |
|-------------|-----------------------|--------------------|----------------|
| 10/07/2008 | System Upgrade | \$ 6,490 | Delta Computer |
| 10/20/2008 | 911 Phase 2 Upgrade | 43,936 | AT&T |

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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, 2009, 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 October 1, 2010, on the financial statements of Leake County, Mississippi.

Although no findings came to our attention as a result of these review procedures and compliance tests, these procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of the 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.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.



Windham and Lacey, PLLC
October 1, 2010

LEAKE COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

LEAKE COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2009

Section 1: Summary of Auditor's Results

Financial Statements:

| | | |
|----|--|---------------|
| 1. | Type of auditor's report issued on the financial statements: | |
| | Governmental Activities | Unqualified |
| | Business-type Activities | Unqualified |
| | General Fund | Unqualified |
| | County Road and Bridge Fund | Unqualified |
| | Aggregate remaining fund information | Unqualified |
| | Aggregate discretely presented component units | Adverse |
| 2. | Internal control over financial reporting: | |
| a. | Material weakness identified? | Yes |
| b. | Significant deficiencies identified that are not considered to be material weaknesses? | None Reported |
| 3. | Noncompliance material to the financial statements? | No |

Section 2: Financial Statement Findings

Board of Supervisors

Significant Deficiency - Material Weakness

09-1. Finding

Generally accepted accounting principles require the financial data for the county's component units to be reported with the financial data of the county's primary government unless the county also issued financial statements for the financial reporting entity that include the financial data for its component units. As reported in the prior year's audit report, the financial statements do not include the financial data for the county's legally separate component unit. The failure to properly follow generally accepted accounting principles resulted in an adverse opinion on the discretely presented component units.

Recommendation

The Board of Supervisors should provide the financial data for its discretely presented component units for inclusion in the county's financial statements.

Board of Supervisors' Response

The Board of Supervisors does not find that this is a material weakness. It would be cost prohibitive to require these small component units to have an audited financial statement prepared.

LEAKE COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2009

Significant Deficiency - Material Weakness

09-2. Finding

A critical aspect of effective financial management is the preparation of accurate financial statements. As reported in the prior year's audit report, 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.

Board of Supervisors' Response

The Board will establish adequate controls and procedures to ensure that financial statements are presented and disclosed in accordance with generally accepted accounting principles.