



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

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State Auditor

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LEAKE COUNTY, MISSISSIPPI

**Audited Primary Government Financial Statements and Special Reports
For the Year Ended September 30, 2003**

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LEAKE COUNTY

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LEAKE COUNTY

FINANCIAL SECTION

LEAKE COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Members of the Board of Supervisors
Leake County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Leake County, Mississippi, as of and for the year ended September 30, 2003, 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.

As discussed in Note 1(H) to the financial statements, management has not maintained adequate subsidiary records documenting the existence, completeness and valuation of the capital assets reported on the Statement of Net Assets at \$14,964,556, as of September 30, 2003, nor has management recorded current general infrastructure assets in governmental activities. Also, management has not maintained depreciation schedules or reported depreciation expense on the capital assets. Accounting principles generally accepted in the United States of America require that the capital assets be depreciated which would decrease the assets and increase the expenses of the governmental activities and business-type activities. The amount by which this departure would affect the assets and expenses of the governmental activities and business-type activities is not reasonably determinable. Accordingly, we were unable to satisfy ourselves as to the fair presentation of the capital assets and related transactions of the governmental activities and business-type activities.

Management has neither maintained adequate records documenting fines receivable of the Circuit Court nor adopted procedures for reviewing the collectibility of these fines. Accounting principles generally accepted in the United States of America require that fines receivable be recorded and an adequate allowance be provided for uncollectible receivables, which would increase the assets and change the revenues in the governmental activities and the General Fund. The amount by which this departure would affect the assets and revenues of the governmental activities and the General Fund is not reasonably determinable.

The financial statements referred to above include only the primary government of Leake County, Mississippi, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the county's legal entity. The financial statements do not include financial data for the county's legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the county's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Leake County, Mississippi, as of September 30, 2003, and the respective changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, because of the effects, if any, of the matters discussed in the third and fourth paragraphs, the primary government financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities and the business-type activities of Leake County, Mississippi, as of September 30, 2003, and the changes in financial position thereof for the year then ended.

In our opinion, except for the effects, if any, of not recording fines receivable, net of allowance for uncollectibles, of the Circuit Court in the General Fund as described in the fourth paragraph, the primary government financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund of Leake County, Mississippi, as of September 30, 2003, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the primary government financial statements referred to above present fairly, in all material respects, the respective financial position of the County Road and Bridge Fund, the Road and Bridge Construction Fund, the Leake County Hospital Fund and the aggregate remaining fund information of Leake County, Mississippi, as of September 30, 2003, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, Leake County, Mississippi, implemented a new financial reporting model as required by the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*; and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, effective October 1, 2002.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2004, on our consideration of Leake County, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

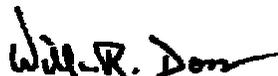
Leake County, Mississippi, has not presented Management's Discussion and Analysis that is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

The Budgetary Comparison Schedules and corresponding notes on pages 36 through 41 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the primary government financial statements that collectively comprise Leake County, Mississippi's basic financial statements. The accompanying Reconciliation of Operating Costs of Solid Waste is also presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



PHIL BRYANT
State Auditor



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

October 29, 2004

LEAKE COUNTY

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LEAKE COUNTY

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

LEAKE COUNTY
Statement of Net Assets
September 30, 2003

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and investments	\$ 5,343,033	2,021,697	7,364,730
Property tax receivable	3,774,478		3,774,478
Fines receivable (net of allowance for uncollectibles of \$141,050)	176,727		176,727
Intergovernmental receivables	86,295		86,295
Other receivables	264		264
Internal balances	30,698	(30,698)	
Deferred charge - issuance cost	139,911		139,911
Capital assets	9,136,611	5,827,945	14,964,556
Total Assets	18,688,017	7,818,944	26,506,961
LIABILITIES			
Claims payable	298,294	56,951	355,245
Intergovernmental payables	124,152		124,152
Deferred revenue	3,774,478		3,774,478
Other payables	46,226		46,226
Long-term liabilities			
Due within one year:			
Capital related debt	712,533	245,996	958,529
Due in more than one year:			
Capital related debt	4,436,568	4,755,873	9,192,441
Non-capital debt	4,086,012	62,101	4,148,113
Total Liabilities	13,478,263	5,120,921	18,599,184
NET ASSETS			
Invested in capital assets, net of related debt	3,987,510	826,076	4,813,586
Restricted:			
Expendable:			
General government	2,279		2,279
Debt service	245,802		245,802
Public safety	311,749		311,749
Public works	1,541,317		1,541,317
Health and welfare	1,381,425		1,381,425
Conservation of natural resources	172		172
Economic development	4,906		4,906
Unrestricted	(2,265,406)	1,871,947	(393,459)
Total Net Assets	\$ 5,209,754	2,698,023	7,907,777

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

LEAKE COUNTY
Statement of Activities
For the Year Ended September 30, 2003

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 2,441,316	541,663			(1,899,653)		(1,899,653)
Public safety	1,487,595	210,337	200,249	2,800	(1,074,209)		(1,074,209)
Public works	3,411,392	428,255	715,540	30,452	(2,237,145)		(2,237,145)
Health and welfare	2,321,402		33,946		(2,287,456)		(2,287,456)
Culture and recreation	213,875		4,226		(209,649)		(209,649)
Conservation of natural resources	82,043				(82,043)		(82,043)
Economic development and assistance	144,901			63,452	(81,449)		(81,449)
Interest on long-term debt	262,367				(262,367)		(262,367)
Total Governmental Activities	<u>10,364,891</u>	<u>1,180,255</u>	<u>953,961</u>	<u>96,704</u>	<u>(8,133,971)</u>	<u>0</u>	<u>(8,133,971)</u>
Business-type activities:							
Regional Jail	<u>2,429,148</u>	<u>2,872,885</u>	<u>12,572</u>			<u>456,309</u>	<u>456,309</u>
Total Primary Government	<u>\$ 12,794,039</u>	<u>4,053,140</u>	<u>966,533</u>	<u>96,704</u>	<u>(8,133,971)</u>	<u>456,309</u>	<u>(7,677,662)</u>
General revenues:							
Property taxes					\$ 3,905,127		3,905,127
Road & bridge privilege taxes					235,833		235,833
Grants and contributions not restricted to specific programs					415,990	55,566	471,556
Unrestricted investment income					94,541	4,623	99,164
Miscellaneous					<u>271,686</u>		<u>271,686</u>
Total General Revenues					<u>4,923,177</u>	<u>60,189</u>	<u>4,983,366</u>
Changes in Net Assets					<u>(3,210,794)</u>	<u>516,498</u>	<u>(2,694,296)</u>
Net Assets - Beginning, as restated					<u>8,420,548</u>	<u>2,181,525</u>	<u>10,602,073</u>
Net Assets - Ending					<u>\$ 5,209,754</u>	<u>2,698,023</u>	<u>7,907,777</u>

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

LEAKE COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2003

Exhibit 3

	<u>Major Funds</u>					<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>County Road and Bridge Fund</u>	<u>Road and Bridge Construction Fund</u>	<u>Leake County Hospital Bond Fund</u>	<u>Other Governmental Funds</u>	
ASSETS						
Cash and investments	\$ 1,711,634	588,466	580,195	1,381,425	1,081,313	5,343,033
Property tax receivable	2,329,874	1,444,604				3,774,478
Fines receivable (net of allowance for uncollectibles of \$141,050)	176,727					176,727
Intergovernmental receivables	86,295					86,295
Other receivables	264					264
Due from other funds	41,990	46,083			10,260	98,333
Total Assets	\$ 4,346,784	2,079,153	580,195	1,381,425	1,091,573	9,479,130
LIABILITIES AND FUND BALANCES						
Liabilities:						
Claims payable	\$ 98,202	63,705	83,334		53,053	298,294
Intergovernmental payables	118,566					118,566
Due to other funds	73,221					73,221
Deferred revenue	2,506,601	1,444,604				3,951,205
Other payables	46,226					46,226
Total Liabilities	2,842,816	1,508,309	83,334	0	53,053	4,487,512
Fund balances:						
Reserved for:						
Debt service					245,802	245,802
Unreserved, reported in:						
General Fund	1,503,968					1,503,968
Special Revenue Funds		570,844	496,861	1,381,425	792,718	3,241,848
Total Fund Balances	1,503,968	570,844	496,861	1,381,425	1,038,520	4,991,618
Total Liabilities and Fund Balances	\$ 4,346,784	2,079,153	580,195	1,381,425	1,091,573	9,479,130

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

LEAKE COUNTY

Exhibit 3-1

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2003

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 4,991,618
Amounts reported for governmental services in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds.	9,136,611
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	176,727
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	(9,235,113)
Bond issuance costs are deferred in the Statement of Net Assets and amortized over the terms of the bonds.	<u>139,911</u>
Total Net Assets - Governmental Activities	<u><u>\$ 5,209,754</u></u>

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

LEAKE COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2003

	Major Funds					Total Governmental Funds
	General Fund	County Road and Bridge Fund	Road and Bridge Construction Fund	Leake County Hospital Bond Fund	Other Governmental Funds	
REVENUES						
Property taxes	\$ 2,261,414	1,178,704			465,009	3,905,127
Road and bridge privilege taxes		235,833				235,833
Licenses, commissions and other revenue	197,150				9,930	207,080
Fines and forfeitures	361,608				10,507	372,115
Intergovernmental revenues	809,836	540,703			116,116	1,466,655
Charges for services	4,090	11,780			585,190	601,060
Interest income	32,684	9,328	11,424	25,819	15,286	94,541
Miscellaneous revenues	53,364	23,688			194,634	271,686
Total Revenues	<u>3,720,146</u>	<u>2,000,036</u>	<u>11,424</u>	<u>25,819</u>	<u>1,396,672</u>	<u>7,154,097</u>
EXPENDITURES						
Current:						
General government	2,433,952					2,433,952
Public safety	1,008,722				478,873	1,487,595
Public works	39,458	1,808,565	906,349		670,550	3,424,922
Health and welfare	113,648			2,207,754		2,321,402
Culture and recreation	146,106				67,769	213,875
Conservation of natural resources	82,043					82,043
Economic development and assistance	71,556				73,345	144,901
Debt service:						
Principal	61,501	518,425			263,922	843,848
Interest	3,301	64,069			191,761	259,131
Bond issue costs				147,275		147,275
Total Expenditures	<u>3,960,287</u>	<u>2,391,059</u>	<u>906,349</u>	<u>2,355,029</u>	<u>1,746,220</u>	<u>11,358,944</u>
Excess of Revenues over (under) Expenditures	<u>(240,141)</u>	<u>(391,023)</u>	<u>(894,925)</u>	<u>(2,329,210)</u>	<u>(349,548)</u>	<u>(4,204,847)</u>
OTHER FINANCING SOURCES (USES)						
Long-term capital debt issued	369,986	78,280		3,775,355	129,542	4,353,163
Proceeds from sale of capital assets		5,310				5,310
Compensation for loss of capital assets	10,621					10,621
Transfers in					169,293	169,293
Transfers out	(63,100)				(106,193)	(169,293)
Discount on bonds issued				(64,720)		(64,720)
Total Other Financing Sources and Uses	<u>317,507</u>	<u>83,590</u>	<u>0</u>	<u>3,710,635</u>	<u>192,642</u>	<u>4,304,374</u>
Net Changes in Fund Balances	<u>77,366</u>	<u>(307,433)</u>	<u>(894,925)</u>	<u>1,381,425</u>	<u>(156,906)</u>	<u>99,527</u>
Fund Balances - Beginning, as restated	<u>1,426,602</u>	<u>878,277</u>	<u>1,391,786</u>	<u>0</u>	<u>1,195,426</u>	<u>4,892,091</u>
Fund Balances - Ending	<u>\$ 1,503,968</u>	<u>570,844</u>	<u>496,861</u>	<u>1,381,425</u>	<u>1,038,520</u>	<u>4,991,618</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, 2003

	Amount
Net Changes in Fund Balances - Governmental Funds	\$ 99,527
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>	
<p>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 proceeds of \$4,353,163 exceeded debt repayments of \$843,848.</p>	(3,509,315)
<p>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:</p>	
The amount of increase in compensated absences.	(2,401)
The amortization of:	
Issuance cost on limited obligation bond	139,911
Discount on limited obligation bond	61,484
	101,395
Change in Net Assets of Governmental Activities	\$ (3,210,794)

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

LEAKE COUNTY
Statement of Net Assets - Proprietary Fund
September 30, 2003

Exhibit 5

	Business-type Activities - Enterprise Fund
	<u>Regional Jail Fund</u>
ASSETS	
Current assets:	
Cash and investments	\$ 2,021,697
Due from other funds	11,292
Total Current Assets	<u>2,032,989</u>
Noncurrent assets:	
Capital assets	5,827,945
Total Noncurrent Assets	<u>5,827,945</u>
Total Assets	<u>7,860,934</u>
LIABILITIES	
Current liabilities:	
Claims payable	56,951
Due to other funds	41,990
Current portions of long-term capital-related debt:	
Capital leases payable	5,996
Limited obligation bonds	240,000
Total Current Liabilities	<u>344,937</u>
Noncurrent liabilities:	
Capital-related debt:	
Capital leases payable	5,873
Limited obligation bonds	4,750,000
Non-capital debt:	
Compensated absences payable	62,101
Total Noncurrent Liabilities	<u>4,817,974</u>
NET ASSETS	
Invested in capital assets, net of related debt	826,076
Unrestricted	1,871,947
Total Net Assets	<u>\$ 2,698,023</u>

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

LEAKE COUNTY
Statement of Revenues, Expenses and Changes in Fund Net Assets -
Proprietary Fund
For the Year Ended September 30, 2003

Exhibit 6

	Business-type Activities - Enterprise Fund
	<u>Regional Jail Fund</u>
Operating Revenues	
Charges for services	\$ 2,872,885
Miscellaneous	12,572
Total Operating Revenues	<u>2,885,457</u>
Operating Expenses	
Personal services	1,348,730
Contractual services	386,938
Materials and supplies	350,789
Indirect administrative cost	41,990
Total Operating Expenses	<u>2,128,447</u>
Operating Income (Loss)	<u>757,010</u>
Nonoperating Revenues (Expenses)	
Interest income	4,623
Nonoperating grants	55,566
Interest expense	(300,701)
Net Nonoperating Revenue (Expenses)	<u>(240,512)</u>
Changes in Net Assets	516,498
Net Assets - Beginning, as restated	<u>2,181,525</u>
Net Assets - Ending	<u>\$ 2,698,023</u>

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

LEAKE COUNTY
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2003

Exhibit 7

	Business-type Activities - Enterprise Fund
	<u>Regional Jail Fund</u>
Cash Flows From Operating Activities	
Receipts from users	\$ 2,872,885
Payments to suppliers	(680,776)
Payments to employees	(1,348,730)
Other operating cash receipts	12,572
Net Cash Provided (Used) by Operating Activities	<u>855,951</u>
Cash Flows From Noncapital Financing Activities	
Nonoperating grants received	44,274
Net Cash Provided (Used) by Noncapital Financing Activities	<u>44,274</u>
Cash Flows From Capital and Related Financing Activities	
Principal paid on long-term debt	(230,595)
Interest paid on debt	(300,701)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(531,296)</u>
Cash Flows From Investing Activities	
Interest on investments	4,623
Net Cash Provided (Used) by Investing Activities	<u>4,623</u>
Net Increase (Decrease) in Cash and Cash Equivalents	373,552
Cash and Cash Equivalents at Beginning of Year	0
Adjustments to Beginning of Year Cash Due to Fund Reclassification	<u>1,648,145</u>
Cash and Cash Equivalents at End of Year	<u>\$ 2,021,697</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ <u>757,010</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
Increase (decrease) in claims payable	56,951
Increase (decrease) in interfund payables	41,990
Total Adjustments	<u>98,941</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 855,951</u>

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

LEAKE COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2003

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 150,878
Due from other funds	5,586
Total Assets	<u>\$ 156,464</u>
LIABILITIES	
Intergovernmental payables	\$ 156,464
Total Liabilities	<u>\$ 156,464</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, 2003

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

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

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

- Leake County Memorial Hospital

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

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

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

LEAKE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2003

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

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

The Government-wide, Proprietary Funds and Fiduciary Funds financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the county. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied.

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

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

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

LEAKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

The county reports the following major Governmental Funds:

General Fund - Accounts for all activities of the general government for which a separate fund has not been established.

County Road and Bridge Fund - Accounts for monies from specific revenue sources that are restricted for road maintenance.

Road and Bridge Construction Fund - Accounts for monies from a 2001 bond issue that are restricted for road and bridge construction.

Leake County Hospital Bond Fund - Accounts for monies from a limited special obligation bond issue to repay and pay obligations and expenditures of the hospital.

The county reports the following major Proprietary Fund:

Regional Jail Fund - Accounts for monies from inmate housing agreement income with the Mississippi Department of Corrections for housing state prisoners.

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

PROPRIETARY FUND TYPE

Enterprise Funds - These funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the county has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

FIDUCIARY FUND TYPE

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

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2001 by the Government Finance Officers Association and the *Mississippi County Financial Accounting Manual* as revised in 2002 by the Office of the State Auditor.

LEAKE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2003

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." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

H. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the applicable governmental or business-type activities column in the government-wide financial statement. However, the capital assets amount reported in the governmental activities and business-type activities on the accompanying Statement of Net Assets, is not fairly presented because the county did not maintain adequate subsidiary records documenting the existence, completeness and valuation of capital assets, adequate records documenting the county's infrastructure, or records documenting depreciation on applicable assets. All purchased capital assets are stated at historical costs where records are available and at an estimated historical cost where no records exist. The extent to which capital assets costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Leake County meets this criteria and has so elected. Therefore, the major general infrastructure assets acquired prior to October 1, 2002, are not reported in the government-wide financial statements. Also, the because the county did not maintain adequate records documenting the value of the county's infrastructure, current year general infrastructure assets are not reported on the government-wide financial statements.

LEAKE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2003

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. The capital assets amount reported in the business-type activities on the accompanying Statement of Net Assets, is not fairly presented because the county did not maintain adequate subsidiary records documenting the existence, completeness and valuation of capital assets or records documenting depreciation on applicable assets. Therefore, the county did not record any capital asset activity for the current year.

I. Long-term Liabilities.

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

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

In the fund financial statements, Governmental Fund Types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

J. Equity Classifications.

Government-wide Financial Statements:

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

Invested in capital assets, net of related debt - Depreciation of capital assets is not recorded in governmental activities nor in business-type activities; therefore, invested in capital assets, net of related debt consists of capital assets including restricted capital assets reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, constructions or improvements of those assets.

Restricted net assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or 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, 2003

Fund Financial Statements:

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

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

K. Property Tax Revenues.

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

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

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

L. Intergovernmental Revenues in Governmental Funds.

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

M. Compensated Absences.

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

Therefore, the county's full liability in the amount of \$147,496 for accumulated unpaid personal leave up to a maximum of 20 days per employee payable from Governmental Funds is reported as a liability in the Statement of Net Assets. In Proprietary Funds, the compensated absences are reported as a liability of the fund in the amount of \$62,101, which represents an amount up to a maximum of 20 days per employee.

LEAKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

(2) Changes in Accounting Principles and Restatement of Fund Balance.

For the fiscal year ended September 30, 2003, the county implemented Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*; and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

GASB Statement No. 34, as amended by Statement No. 37, creates new basic financial statements for reporting on the county's financial activities. The financial statements now include government-wide financial statements prepared on the accrual basis of accounting and fund financial statements prepared on the modified accrual basis of accounting, which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total on the fund financial statements as other Governmental Funds. Fund reclassifications and adjustments to the fund equities reported in the prior year financial statements were required as a result of the conversion to GASB Statement No. 34.

GASB Statement No. 38 requires certain note disclosures with the implementation of GASB Statement No. 34.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

The provisions of these new statements have been incorporated into the financial statements and the accompanying notes. The following table summarizes the reclassifications and adjustments to the fund equity amounts reported in the prior year financial statements:

	Sept. 30, 2002 As Previously Reported	Fund and Account Group Reclassifications	Prior Period Adjustments	Sept. 30, 2002 As Restated
Governmental Funds and Governmental Activities				
Major Funds:				
General	\$ 1,426,602			1,426,602
County Road and Bridge		878,277		878,277
Road and Bridge Construction		1,391,786		1,391,786
Other Governmental Funds:				
Special Revenue	4,196,712	(3,195,930)		1,000,782
Debt Service	282,088	(87,444)		194,644
Total Governmental Funds	5,905,402	(1,013,311)	0	4,892,091
Governmental Activities:				
Capital assets		14,964,556	(5,827,945)	9,136,611
Long-term liabilities		(11,079,446)	5,294,565	(5,784,881)
Fines receivable			176,727	176,727
Total Governmental Funds and Governmental Activities	\$ 5,905,402	2,871,799	(356,653)	8,420,548
Proprietary Funds and Business-type Activities				
Regional Jail	\$ 0	1,648,145	533,380	2,181,525

LEAKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

	<u>Sept. 30, 2002</u> As Previously Reported	<u>Fund and</u> Account Group Reclassifications	<u>Prior Period</u> Adjustments	<u>Sept. 30, 2002</u> As Restated
Fiduciary Funds				
Expendable Trust	\$ <u>572,733</u>	<u>(572,733)</u>	<u>0</u>	<u>0</u>
Account Groups				
General Fixed Assets	\$ 14,964,556	(14,964,556)		
General Long-term Debt	<u>(11,079,446)</u>	<u>11,079,446</u>		
Total Account Groups	\$ <u>3,885,110</u>	<u>(3,885,110)</u>	<u>0</u>	<u>0</u>

(3) Deposits and Investments.

Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2003, was \$4,680,551, and the bank balance was \$4,708,505. 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.

Investments:

At year end, the carrying amount of the county's investments was \$2,835,057, and the cost was \$2,835,057. The county's investments at year end consisted entirely of money market mutual funds held by the Hancock Bank trust department in the county's name for the Leake County, Mississippi Regional Correctional Facility \$5,800,000 Urban Renewal Bonds and the Leake County, Mississippi Memorial Hospital \$4,000,000 Urban Renewal Bonds.

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2003:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Regional Jail	\$ 41,990
Regional Jail	General	11,292
County Road and Bridge	General	46,083
Other Governmental Funds	General	10,260
Agency Funds	General	<u>5,586</u>
Total		\$ <u>115,211</u>

LEAKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

The General Fund receivable is the amount of indirect costs for the Regional Jail operations. The Regional Jail Fund receivable represents an error in posting revenue for the nurse's salary. All other amounts listed are the tax revenue collected but not settled until October, 2003. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Other Governmental Funds	Other Governmental Funds	\$ 106,193
Other Governmental Funds	General Fund	<u>63,100</u>
Total		<u>\$ <u>169,293</u></u>

The principal purpose of interfund transfers was to provide funds for debt service expenditures. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2003, consisted of the following:

Governmental Activities:

<u>Description</u>	<u>Amount</u>
Legislative tag credit	<u>\$ 86,295</u>

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2003:

Governmental activities:

	Balance Oct. 1, 2002	Additions	Deletions	Adjustments *	Balance Sept. 30, 2003
<u>Non-depreciable capital assets:</u>					
Land	\$ <u>1,294,032</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,294,032</u>
<u>Depreciable capital assets:</u>					
Buildings	7,892,749			(5,800,000)	2,092,749
Improvements other than buildings	39,550				39,550
Mobile equipment	2,331,414				2,331,414
Furniture and equipment	1,059,320				1,059,320
Leased property under capital leases	<u>2,347,491</u>			<u>(27,945)</u>	<u>2,319,546</u>
Total depreciable capital assets	<u>13,670,524</u>	<u>0</u>	<u>0</u>	<u>(5,827,945)</u>	<u>7,842,579</u>
Governmental activities capital assets	<u>\$ 14,964,556</u>	<u>0</u>	<u>0</u>	<u>(5,827,945)</u>	<u>9,136,611</u>

LEAKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

Business-type activities:

	Balance <u>Oct. 1, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments *</u>	Balance <u>Sept. 30, 2003</u>
<u>Depreciable capital assets:</u>					
Buildings	\$			5,800,000	5,800,000
Leased property under capital leases				27,945	27,945
Total depreciable capital assets	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,827,945</u>	<u>5,827,945</u>
Business-type activities capital assets	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>5,827,945</u>	<u>5,827,945</u>

* Adjustments are the effect of a fund reclassification and implementing GASB 34.

(7) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$500,000 for law enforcement personnel and \$350,000 for all other employees 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, 2003, to January 1, 2004. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(8) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2003:

<u>Classes of Property</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Mobile equipment	\$ 2,357,374	
Other furniture and equipment	<u>313,286</u>	<u>27,945</u>
Leased Property Under Capital Leases	<u>\$ 2,670,660</u>	<u>27,945</u>

LEAKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

The following is a schedule by years of the total payments due as of September 30, 2003:

Year Ending September 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2004	\$ 467,527	54,410	5,996	636
2005	431,811	32,983	5,873	206
2006	349,583	13,489		
2007	173,168	3,507		
2008	17,375	160		
Total	<u>\$ 1,439,464</u>	<u>104,549</u>	<u>11,869</u>	<u>842</u>

(9) Long-term Debt.

Debt outstanding as of September 30, 2003, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Road and bridge bonds, Series 2001	\$ 2,355,000	4.10/5.80	02/21
Industrial park development bonds, Series 2002	<u>968,000</u>	4.75	02/22
Total General Obligation Bonds	<u>\$ 3,323,000</u>		
B. Limited Obligation Bond:			
Special obligation bonds - Leake County Hospital	<u>\$ 4,000,000</u>	3.25/6.45	01/23
C. Capital Leases:			
Linkbelt 2800 excavator	\$ 6,100	4.63	11/03
Two Chevrolet garbage trucks	9,904	4.11	01/04
1999 GMC Safari van	4,450	4.69	08/04
Caterpillar 426C loader	43,181	5.49	06/05
Road equipment	88,037	5.47	03/05
Fire truck	40,764	5.79	04/05
Tax Collector's software	22,564	6.60	09/05
911 communication equipment	76,751	5.87	09/05
Caterpillar D6M XL tractor dozer	72,691	5.03	03/06
Three 2002 Ford Crown Victorias	22,109	5.55	01/04
Two backhoes	84,212	4.98	10/05
Backhoe	42,105	4.98	10/05
Five Caterpillar motor graders	575,093	3.89	05/07
Three 2002 Ford F-250 crew cab trucks	39,936	6.10	05/06
Two Freightliner garbage trucks	107,451	3.49	11/07
John Deere tractor	41,461	3.69	02/08
Computer system upgrade	77,864	3.84	01/08

LEAKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
Boom mower and ditcher	29,886	3.69	05/08
Two 2003 Ford Crown Victorias	35,325	3.49	05/06
2004 Ford Crown Victoria	<u>19,580</u>	3.49	08/06
Total Capital Leases	<u>\$ 1,439,464</u>		
D. Other Loans:			
Five fire trucks	\$ 304,189	4.65	03/09
Negotiable note	<u>82,448</u>	4.19	02/04
Total Other Loans	<u>\$ 386,637</u>		
Business-type Activities:			
A. Limited Obligation Bond:			
Urban renewal revenue bonds *	<u>\$ 4,990,000</u>	5.51/5.71	08/17
B. Capital Lease:			
Closed circuit surveillance camera	<u>\$ 11,869</u>	6.95	08/05

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

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

Governmental Activities:

<u>Year Ending September 30</u>	<u>General Obligation Bonds</u>		<u>Limited Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ 113,000	154,109		344,340
2005	120,000	147,756	130,000	227,448
2006	126,000	141,018	135,000	222,888
2007	138,000	134,449	140,000	217,728
2008	140,000	128,344	145,000	211,936

LEAKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

<u>Year Ending September 30</u>	<u>General Obligation Bonds</u>		<u>Limited Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009 - 2013	802,000	544,234	835,000	941,765
2014 - 2018	1,044,000	337,055	1,110,000	659,962
2019 - 2023	840,000	75,662	1,505,000	254,936
Total	\$ <u>3,323,000</u>	<u>1,662,627</u>	<u>4,000,000</u>	<u>3,081,003</u>

<u>Year Ending September 30</u>	<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>
2004	\$ 132,006	16,502
2005	51,910	10,694
2006	54,374	8,231
2007	56,955	5,650
2008	59,657	2,947
2009 - 2013	31,735	420
Total	\$ <u>386,637</u>	<u>44,444</u>

Business-type Activities:

<u>Year Ending September 30</u>	<u>Limited Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2004	\$ 240,000	285,040
2005	255,000	270,040
2006	265,000	254,103
2007	280,000	237,540
2008	295,000	220,040
2009 - 2013	1,770,000	828,309
2014 - 2018	1,885,000	272,987
Total	\$ <u>4,990,000</u>	<u>2,368,059</u>

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2003, the amount of outstanding debt was equal to 3.2% of the latest property assessments.

LEAKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2003:

	Balance Oct. 1, 2002	Additions	Reductions	Adjustments *	Balance Sept. 30, 2003	Amount due within one year
Governmental Activities:						
Bonds payable:						
General obligation bonds	\$ 3,430,000		(107,000)		3,323,000	113,000
Limited obligation bonds	5,215,000	4,000,000		(5,215,000)	4,000,000	
Less deferred amounts:						
For issuance discounts -						
Limited obligation bonds		(64,720)	3,236		(61,484)	
Total bonds payable	<u>8,645,000</u>	<u>3,935,280</u>	<u>(103,764)</u>	<u>(5,215,000)</u>	<u>7,261,516</u>	<u>113,000</u>
Capital leases	1,659,893	353,163	(556,128)	(17,464)	1,439,464	467,527
Other loans	567,357		(180,720)		386,637	132,006
Compensated absences	<u>207,196</u>	<u>2,401</u>		<u>(62,101)</u>	<u>147,496</u>	
Total	<u>\$ 11,079,446</u>	<u>4,290,844</u>	<u>840,612</u>	<u>(5,294,565)</u>	<u>9,235,113</u>	<u>712,533</u>
Business-type Activities:						
Compensated absences	\$			62,101	62,101	
Limited obligation bonds			(225,000)	5,215,000	4,990,000	240,000
Capital leases			(5,595)	17,464	11,869	5,996
Total	<u>\$ 0</u>	<u>0</u>	<u>(230,595)</u>	<u>5,294,565</u>	<u>5,063,970</u>	<u>245,996</u>

* Adjustment is to move Regional Jail liabilities from governmental activities to business-type activities.

(10) Contingencies.

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

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

LEAKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

(11) Joint Venture.

The county participates in the following joint venture:

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 2003. 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 \$124,500 in fiscal year 2003.

(12) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

East Central Community College operates in a district composed of the Counties of Leake, Neshoba, Newton, Scott and Winston. The Leake County Board of Supervisors appoints six of the 30 members of the college board of trustees. The county appropriated \$290,171 for maintenance and support of the college in fiscal year 2003.

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 2003.

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 2003.

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 \$16,221 for support of the district in fiscal year 2003.

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 2003.

LEAKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

(13) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2003, 2002 and 2001 were \$324,361, \$320,750 and \$314,814, respectively, equal to the required contributions for each year.

(14) Other Information.

As a result of revenue shortfalls, the State Tax Commission had to withhold 7.5% of the March 2003 homestead exemption reimbursement from local governments. The amount withheld from Leake County during the 2002-2003 fiscal year was \$19,212.

(15) Subsequent Events.

Subsequent to September 30, 2003, Leake County issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
01/04	2.75	\$ 500,000	TVA loan	Hisan Industries rental revenue
03/04	3.00	500,000	CAP loan	Hisan Industries rental revenue
10/04	2.88	61,484	Lease purchase	General Fund revenue

LEAKE COUNTY

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LEAKE COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

LEAKE COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2003

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 2,259,308	2,310,869	2,310,869	
Licenses, commissions and other revenue	184,550	196,741	196,741	
Fines and forfeitures	382,075	331,456	331,456	
Intergovernmental revenues	504,744	822,019	822,019	
Charges for services	301,500	352,641	352,641	
Interest income	54,400	36,826	36,826	
Miscellaneous revenues	46,345	55,638	55,638	
Total Revenues	<u>3,732,922</u>	<u>4,106,190</u>	<u>4,106,190</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	2,214,415	2,380,161	2,380,161	
Public safety	1,297,389	1,371,330	1,371,330	
Public works	54,097	38,369	38,369	
Health and welfare	116,575	113,823	113,823	
Culture and recreation	146,106	146,106	146,106	
Conservation of natural resources	87,276	81,864	81,864	
Economic development and assistance	70,721	71,976	71,976	
Total Expenditures	<u>3,986,579</u>	<u>4,203,629</u>	<u>4,203,629</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(253,657)</u>	<u>(97,439)</u>	<u>(97,439)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued		224,645	224,645	
Compensation for loss of capital assets		10,621	10,621	
Transfers in	93,798	92,105	92,105	
Transfers out	(116,148)	(155,205)	(155,205)	
Total Other Financing Sources and Uses	<u>(22,350)</u>	<u>172,166</u>	<u>172,166</u>	<u>0</u>
Net Change in Fund Balance	(276,007)	74,727	74,727	
Fund Balances - Beginning	1,114,000	1,463,609	1,463,609	
Fund Balances - Ending	<u>\$ 837,993</u>	<u>1,538,336</u>	<u>1,538,336</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, 2003

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,190,220	1,203,082	1,203,082	
Road and bridge privilege taxes	200,000	254,338	254,338	
Intergovernmental revenues	478,000	540,703	540,703	
Charges for services	15,000	11,780	11,780	
Interest income	20,000	10,552	10,552	
Miscellaneous revenues	15,625	22,083	22,083	
Total Revenues	<u>1,918,845</u>	<u>2,042,538</u>	<u>2,042,538</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	2,147,787	1,700,877	1,700,877	
Debt service:				
Principal		518,425	518,425	
Interest		64,069	64,069	
Total Expenditures	<u>2,147,787</u>	<u>2,283,371</u>	<u>2,283,371</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(228,942)</u>	<u>(240,833)</u>	<u>(240,833)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets		5,310	5,310	
Transfers in		1,605	1,605	
Total Other Financing Sources and Uses	<u>0</u>	<u>6,915</u>	<u>6,915</u>	<u>0</u>
Net Change in Fund Balance	(228,942)	(233,918)	(233,918)	
Fund Balances - Beginning	<u>604,610</u>	<u>868,467</u>	<u>868,467</u>	
Fund Balances - Ending	<u>\$ 375,668</u>	<u>634,549</u>	<u>634,549</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)
 Road and Bridge Construction Fund
 For the Year Ended September 30, 2003

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Interest income	\$ 40,000	14,235	14,235	
Total Revenues	<u>40,000</u>	<u>14,235</u>	<u>14,235</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	750,000	984,499	984,499	
Total Expenditures	<u>750,000</u>	<u>984,499</u>	<u>984,499</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(710,000)</u>	<u>(970,264)</u>	<u>(970,264)</u>	<u>0</u>
Net Change in Fund Balance	(710,000)	(970,264)	(970,264)	
Fund Balances - Beginning	<u>1,510,458</u>	<u>1,550,459</u>	<u>1,550,459</u>	
Fund Balances - Ending	<u>\$ 800,458</u>	<u>580,195</u>	<u>580,195</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)
 Leake County Hospital Bond Fund
 For the Year Ended September 30, 2003

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Interest income	\$	8,514	8,514	
Total Revenues	<u>0</u>	<u>8,514</u>	<u>8,514</u>	<u>0</u>
EXPENDITURES				
Current:				
Health and welfare		1,437,500	1,437,500	
Total Expenditures	<u>0</u>	<u>1,437,500</u>	<u>1,437,500</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>0</u>	<u>(1,428,986)</u>	<u>(1,428,986)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued		1,937,613	1,937,613	
Total Other Financing Sources and Uses	<u>0</u>	<u>1,937,613</u>	<u>1,937,613</u>	<u>0</u>
Net Change in Fund Balance	0	508,627	508,627	0
Fund Balances - Beginning				<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>508,627</u>	<u>508,627</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, 2003

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.

For the year ended September 30, 2003, the county implemented GASB Statement No. 41, *Budgetary Comparison Schedules - Perspective Differences*, which amends GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The statement clarifies the budgetary presentation requirements. 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).

LEAKE COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2003

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

	<u>Governmental Fund Types</u>			
	<u>General Fund</u>	<u>County Road and Bridge Fund</u>	<u>Road and Bridge Construction Fund</u>	<u>Leake County Hospital Bond Fund</u>
Budget (Cash Basis)	\$ 74,727	(233,918)	(970,264)	508,627
Increase (Decrease)				
Net adjustments for revenue accruals	781	(9,810)	158,673	1,020,073
Net adjustments for expenditure accruals	<u>1,858</u>	<u>(63,705)</u>	<u>(83,334)</u>	<u>(147,275)</u>
GAAP Basis	\$ <u><u>77,366</u></u>	<u><u>(307,433)</u></u>	<u><u>(894,925)</u></u>	<u><u>1,381,425</u></u>

LEAKE COUNTY

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LEAKE COUNTY

SUPPLEMENTAL INFORMATION

LEAKE COUNTY

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LEAKE COUNTY

Reconciliation of Operating Costs of Solid Waste
For the Year Ended September 30, 2003

Operating Expenditures, Cash Basis:

Salaries	\$	205,459
Expendable Commodities:		
Gasoline and petroleum products		16,745
Repair parts		12,939
Office, field and shop supplies		5,632
Clothing		2,226
Tires		262
Maintenance		959
Solid waste disposal fee		256,680
Professional fees, legal advertising and other fees		565
Postage and box rent		1,959
Telephone and utilities		2,254
Rent expense on real property		1,527
Rent on other equipment		<u>6,569</u>
Solid Waste Cash Basis Operating Expenditures		513,776
Full Cost Expenses:		
Indirect administrative costs		22,937
Depreciation on equipment		48,350
Net effect of other accrued expenses		<u>4,880</u>
Solid Waste Full Cost Operating Expenses	\$	<u><u>589,943</u></u>

LEAKE COUNTY

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LEAKE COUNTY

SPECIAL REPORTS

LEAKE COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Members of the Board of Supervisors
Leake County, Mississippi

We have audited the primary government financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Leake County, Mississippi, as of and for the year ended September 30, 2003, and have issued our report thereon dated October 29, 2004. The auditor's report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the county's component unit. Our report includes an adverse opinion on the governmental activities and business-type activities because the county did not maintain adequate subsidiary records documenting the existence, completeness, valuation and depreciation of the governmental activities and business-type activities capital assets and because management did not maintain records documenting Circuit Court fines receivable and the allowance for uncollectible amounts as required by accounting principles generally accepted in the United States of America. The report is also qualified on the General Fund because the county did not maintain records documenting Circuit Court fines receivables and the allowance for uncollectible amounts as required by accounting standards generally accepted in the United States of America. 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.

Compliance

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 grants, 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings as item 03-2. We also noted certain instances of noncompliance that we have reported to the management of Leake County, Mississippi, in our Independent Auditor's Report on Compliance with State Laws and Regulations and the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules dated October 29, 2004, included within this document.

Internal Control Over Financial Reporting

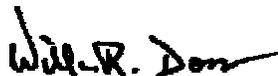
In planning and performing our audit, we considered Leake County, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the primary government financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Leake County, Mississippi's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 03-1, 03-2, 03-3 and 03-4.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the primary government financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider reportable conditions 03-1, 03-2 and 03-3 described above to be material weaknesses.

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



PHIL BRYANT
State Auditor



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

October 29, 2004



State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

INDEPENDENT AUDITOR'S REPORT ON CENTRAL PURCHASING SYSTEM, INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES (REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))

Members of the Board of Supervisors
Leake County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Leake County, Mississippi, as of and for the year ended September 30, 2003. 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.

The county did not maintain adequate subsidiary records documenting the existence, completeness and valuation and depreciation of the governmental activities and the business-type activities capital assets.

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.

The results of our audit procedures disclosed a certain instance of noncompliance with the aforementioned code sections. These instances of noncompliance were considered in forming our opinion on compliance. Our finding and recommendation and your response are disclosed below:

Inventory Control Clerk.

Finding

Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to maintain an inventory system. Management did not maintain an accurate inventory or adequate subsidiary records documenting the existence, completeness and valuation of governmental activities and business-type activities capital assets. Records were not maintained documenting the depreciation of capital assets. Therefore, the Independent Auditor's Report includes an adverse opinion on the financial position of the governmental and business-type activities.

Recommendation

The Inventory Control Clerk should establish procedures documenting the existence, completeness and valuation of the capital assets. Also, records should be maintained documenting depreciation on capital assets.

Inventory Control Clerk's Response

As the new Inventory Control Clerk, I have taken the necessary steps to correct this deficiency.

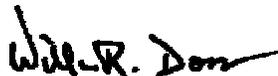
In our opinion, except as explained in the third paragraph and except for the noncompliance referred to in the preceding paragraph, Leake County, Mississippi complied in all material respects, with state laws governing central purchasing, inventory and bid requirements.

The accompanying schedules of (1) purchases not made from the lowest bidder, (2) emergency purchases and (3) purchases made noncompetitively from a sole source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned study and evaluation of the purchasing system and, in our opinion, is fairly presented when considered in relation to that study and evaluation.

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



PHIL BRYANT
State Auditor



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

October 29, 2004

LEAKE COUNTY
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2003

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, 2003

Schedule 2

Our test results did not identify any emergency purchases.

LEAKE COUNTY
Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2003

Schedule 3

Our test results did not identify any purchases made noncompetitively from a sole source.

LEAKE COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Members of the Board of Supervisors
Leake County, Mississippi

We have audited the primary government financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Leake County, Mississippi, as of and for the year ended September 30, 2003, and have issued our report thereon dated October 29, 2004. The auditor's report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the county's component unit. Our report includes an adverse opinion on the governmental activities and business-type activities because the county did not maintain adequate subsidiary records documenting the existence, completeness, valuation and depreciation of the governmental activities and business-type activities capital assets and because management did not maintain records documenting Circuit Court fines receivable and the allowance for uncollectible amounts as required by accounting principles generally accepted in the United States of America. The report is also qualified on the General Fund because the county did not maintain records documenting Circuit Court fines receivables and the allowance for uncollectible amounts as required by accounting standards generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the procedures prescribed by the Office of the State Auditor, and accordingly, included such tests of the accounting records and other such auditing procedures as we considered necessary in the circumstances.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. 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.

The results of our procedures and our audit of the primary government financial statements disclosed a certain immaterial instance of noncompliance with state laws and regulations. Our finding and recommendation and your response are disclosed below:

Election Commissioners.

Finding

Section 23-15-153, Miss. Code Ann. (1972), provides for the compensation of the Election Commissioners at \$70 for every day or period of no less than five hours accumulated over two or more days actually employed in the performance of their duties. The Election Commissioners received payments in excess of the amounts allowed by law.

Recommendation

The Election Commissioners should repay \$1,610 to the county and only claim the amounts allowed in the future.

Election Commissioners' Response

This has been corrected.

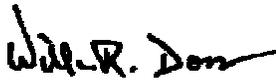
Auditor's Note

Amounts owed were repaid as of November 2004.

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



PHIL BRYANT
State Auditor



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

October 29, 2004

LEAKE COUNTY

SCHEDULE OF FINDINGS

LEAKE COUNTY

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LEAKE COUNTY

Schedule of Findings
For the Year Ended September 30, 2003

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|---------|
| 1. | Type of auditor's report issued on the primary government financial statements: | Adverse |
| 2. | Material noncompliance relating to the primary government financial statements? | Yes |
| 3. | Internal control over financial reporting: | |
| a. | Material weaknesses identified? | Yes |
| b. | Reportable conditions identified that are not considered to be material weaknesses? | Yes |

Section 2: Financial Statement Findings

Inventory Control Clerk.

03-1. Finding

Management did not maintain an accurate inventory or adequate subsidiary records documenting the existence, completeness and valuation of governmental activities and business-type activities capital assets. Records were not maintained documenting the depreciation of capital assets. Therefore, the Independent Auditor's Report includes an adverse opinion on the financial position of the governmental and business-type activities.

Recommendation

The Inventory Control Clerk should establish procedures documenting the existence, completeness and valuation of the capital assets. Also, records should be maintained documenting depreciation on capital assets.

Inventory Clerk's Response

As the new Inventory Control Clerk, I have taken the necessary steps to correct this deficiency.

Board of Supervisors.

03-2. Finding

Section 19-9-29(c), Miss. Code Ann. (1972), authorizes counties to invest in, among other securities, direct obligations of the United States of America. As reported in prior years' audit reports, the county had investments in mutual funds. At September 30, the amount invested in mutual funds was \$2,835,057. These investments are not direct obligations of the United States of America.

Recommendation

The county should establish and maintain procedures to ensure the county does not invest in mutual funds.

LEAKE COUNTY

Schedule of Findings
For the Year Ended September 30, 2003

Board of Supervisors' Response

The county has been assured by Hancock Bank that this problem would be corrected. The county will again direct Hancock Bank to correct this problem.

Circuit Clerk.

03-3. Finding

Management did not maintain adequate subsidiary records documenting the fines receivable and an aging of fines receivable in the Circuit Clerk's office, nor did they adopt procedures for reviewing the collectibility of fines receivable. Therefore, the Independent Auditor's Report is qualified for the General Fund because we were not able to satisfy ourselves as to the fair presentation of the Circuit Court fines receivable in the General Fund.

Recommendation

The Circuit Clerk should establish procedures documenting the aging of fines receivable and for reviewing the collectibility of fines receivables.

Circuit Clerk's Response

The Circuit Clerk is unavailable and unable to respond.

County Administrator and Board of Supervisors.

03-4. Finding

Inadequate controls exist in the payroll function.

Recommendation

The County Administrator and Board of Supervisors should establish procedures over the county payroll function. An adequate payroll system should include the following control features:

- a. The supervision and time-keeping responsibilities should be separate from personnel, payroll processing and disbursement responsibilities.
- b. Hours worked, overtime hours and other special benefits should be reviewed and approved by the employee's supervisor.
- c. Payroll records should be maintained for employee compensatory time hours.

County Administrator and Board of Supervisors' Response

Current policy provides that the department head is responsible for reviewing and confirming time records submitted by all hourly employees. The county will ensure that all pay records are properly signed and reviewed by department heads prior to processing by payroll manager.