



**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, 2004**

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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, 2004, which collectively comprise the county's primary government financial statements as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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 General Fund. The amount by which this departure would affect the assets and revenues of 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, 2004, 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, except for the effects of not recording fines receivable, net of allowance for uncollectibles of the Circuit Court for the General Fund as described in the third 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, 2004, 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 governmental activities, the business-type activities, the County Road and Bridge Fund, the Road and Bridge Construction Fund, the Leake County Hospital Bond Fund, the Industrial Park Construction - Economic Development Fund, the Regional Jail Fund and the aggregate remaining fund information of Leake County, Mississippi, as of September 30, 2004, 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 accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2005, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

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



PHIL BRYANT
State Auditor



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

June 30, 2005

LEAKE COUNTY

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

LEAKE COUNTY
Statement of Net Assets
September 30, 2004

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 3,673,414	2,942,969	6,616,383
Property tax receivable	4,552,567		4,552,567
Accounts receivable (net of allowance for uncollectibles of \$244,103)		456,062	456,062
Fines receivable (net of allowance for uncollectibles of \$163,740)	198,724		198,724
Intergovernmental receivables	95,843		95,843
Other receivables	473		473
Internal balances	12,764	(12,764)	
Deferred charge - issuance cost	132,547		132,547
Capital assets, net	9,012,795	3,822,793	12,835,588
Total Assets	<u>17,679,127</u>	<u>7,209,060</u>	<u>24,888,187</u>
LIABILITIES			
Claims payable	269,309	77,727	347,036
Intergovernmental payables	138,114		138,114
Deferred revenue	4,552,567		4,552,567
Other payables	30,164		30,164
Long-term liabilities			
Due within one year:			
Capital debt	650,034	286,677	936,711
Non-capital debt	130,000	87,176	217,176
Due in more than one year:			
Capital debt	4,632,658	4,551,730	9,184,388
Non-capital debt	3,971,062		3,971,062
Total Liabilities	<u>14,373,908</u>	<u>5,003,310</u>	<u>19,377,218</u>
NET ASSETS			
Invested in capital assets, net of related debt	3,730,103	(1,015,614)	2,714,489
Restricted:			
Expendable:			
Debt service	510,562		510,562
Public safety	247,190	2,210,613	2,457,803
Public works	932,169	1,010,751	1,942,920
Health and welfare	731,916		731,916
Culture and recreation	8,069		8,069
Economic development	35,994		35,994
Unrestricted	(2,890,784)		(2,890,784)
Total Net Assets	<u>\$ 3,305,219</u>	<u>2,205,750</u>	<u>5,510,969</u>

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

LEAKE COUNTY
Statement of Activities
For the Year Ended September 30, 2004

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	\$ 2,275,356	497,955			(1,777,401)		(1,777,401)
Public safety	2,300,780	463,868	248,403	181,363	(1,407,146)		(1,407,146)
Public works	697,414		794,281	283,696	380,563		380,563
Health and welfare	758,801		150,945		(607,856)		(607,856)
Culture and recreation	213,420				(213,420)		(213,420)
Conservation of natural resources	88,228				(88,228)		(88,228)
Economic development and assistance	213,471		127,444	568,660	482,633		482,633
Interest on long-term debt	823,776				(823,776)		(823,776)
Total Governmental Activities	<u>7,371,246</u>	<u>961,823</u>	<u>1,321,073</u>	<u>1,033,719</u>	<u>(4,054,631)</u>	<u>0</u>	<u>(4,054,631)</u>
Business-type activities:							
Regional jail	2,599,456	2,973,472	26,803			400,819	400,819
Solid waste	534,085	894,833	2,132			362,880	362,880
Total Business-type Activities	<u>3,133,541</u>	<u>3,868,305</u>	<u>28,935</u>	<u>0</u>		<u>763,699</u>	<u>763,699</u>
Total Primary Government	<u>\$ 10,504,787</u>	<u>4,830,128</u>	<u>1,350,008</u>	<u>1,033,719</u>	<u>(4,054,631)</u>	<u>763,699</u>	<u>(3,290,932)</u>
General revenues:							
Property taxes					\$ 4,134,928	159,284	4,294,212
Road & bridge privilege taxes					239,979		239,979
Grants and contributions not restricted to specific programs					413,748	102,098	515,846
Unrestricted investment income					52,685		52,685
Miscellaneous					780,856	9,999	790,855
Total General Revenues					<u>5,622,196</u>	<u>271,381</u>	<u>5,893,577</u>
Changes in Net Assets					<u>1,567,565</u>	<u>1,035,080</u>	<u>2,602,645</u>
Net Assets - Beginning					5,209,754	2,698,023	7,907,777
Fund reclassification					(511,261)	511,261	
Prior period adjustment					(2,960,839)	(2,038,614)	(4,999,453)
Net Assets - Beginning, as restated					<u>1,737,654</u>	<u>1,170,670</u>	<u>2,908,324</u>
Net Assets - Ending					<u>\$ 3,305,219</u>	<u>2,205,750</u>	<u>5,510,969</u>

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

LEAKE COUNTY
Balance Sheet - Governmental Funds
September 30, 2004

Exhibit 3

	Major Funds						
	General Fund	County Road and Bridge Fund	Road and Bridge Construction Fund	Leake County Hospital Bond Fund	Industrial Park Construction - Economic Development Fund	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and investments	\$ 1,062,858	812,227	149,998	368,889	15,384	1,264,058	3,673,414
Property tax receivable	2,375,432	1,496,406				680,729	4,552,567
Fines receivable (net of allowance for uncollectibles of \$163,740)	198,724						198,724
Intergovernmental receivables	95,843						95,843
Other receivables	473						473
Due from other funds	63,188	48,886				12,499	124,573
Total Assets	\$ 3,796,518	2,357,519	149,998	368,889	15,384	1,957,286	8,645,594
LIABILITIES AND FUND BALANCES							
Liabilities:							
Claims payable	\$ 81,268	44,235	34,707		1,695	107,404	269,309
Intergovernmental payables	131,868						131,868
Due to other funds	100,055					18,000	118,055
Deferred revenue	2,574,156	1,496,406				680,729	4,751,291
Other payables	30,164						30,164
Total Liabilities	2,917,511	1,540,641	34,707	0	1,695	806,133	5,300,687
Fund balances:							
Reserved for:							
Debt service						510,562	510,562
Unreserved, reported in:							
General Fund	879,007						879,007
Special Revenue Funds		816,878	115,291	368,889	13,689	640,591	1,955,338
Total Fund Balances	879,007	816,878	115,291	368,889	13,689	1,151,153	3,344,907
Total Liabilities and Fund Balances	\$ 3,796,518	2,357,519	149,998	368,889	15,384	1,957,286	8,645,594

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

LEAKE COUNTY

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2004Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 3,344,907
Amounts reported for governmental services in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$5,238,785.	9,012,795
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	198,724
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	(9,383,754)
Bond issuance costs are deferred in the Statement of Net Assets and amortized over the terms of the bonds.	<u>132,547</u>
Total Net Assets - Governmental Activities	<u>\$ 3,305,219</u>

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

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2004

	Major Funds						Total Governmental Funds
	General Fund	County Road and Bridge Fund	Road and Bridge Construction Fund	Leake County Hospital Bond Fund	Industrial Park Construction - Economic Development Fund	Other Governmental Funds	
REVENUES							
Property taxes	\$ 2,360,386	1,229,627				544,915	4,134,928
Road and bridge privilege taxes		239,979					239,979
Licenses, commissions and other revenue	203,211					7,234	210,445
Fines and forfeitures	291,710					1,238	292,948
Intergovernmental revenues	670,899	866,967			568,660	662,014	2,768,540
Charges for services	246,893	8,182				181,358	436,433
Interest income	24,932	7,953	3,547	5,464		10,789	52,685
Miscellaneous revenues	54,328	26,551		130,158		569,819	780,856
Total Revenues	3,852,359	2,379,259	3,547	135,622	568,660	1,977,367	8,916,814
EXPENDITURES							
Current:							
General government	2,208,048					18,731	2,226,779
Public safety	1,417,847					745,419	2,163,266
Public works	75,224	1,799,767	385,117			70,994	2,331,102
Health and welfare	114,595			275,000		358,345	747,940
Culture and recreation	153,267					58,964	212,231
Conservation of natural resources	88,228						88,228
Economic development and assistance	69,527				1,577,733	100,382	1,747,642
Debt service:							
Principal	75,739	294,412				398,614	768,765
Interest	6,764	39,046				774,730	820,540
Total Expenditures	4,209,239	2,133,225	385,117	275,000	1,577,733	2,526,179	11,106,493
Excess of Revenues over (under) Expenditures	(356,880)	246,034	(381,570)	(139,378)	(1,009,073)	(548,812)	(2,189,679)
OTHER FINANCING SOURCES (USES)							
Long-term capital debt issued					1,000,000	19,711	1,019,711
Transfers in					22,762	1,145,566	1,168,328
Transfers out	(268,081)			(873,158)		(27,089)	(1,168,328)
Total Other Financing Sources and Uses	(268,081)	0	0	(873,158)	1,022,762	1,138,188	1,019,711
Net Changes in Fund Balances	(624,961)	246,034	(381,570)	(1,012,536)	13,689	589,376	(1,169,968)
Fund Balances - Beginning	1,503,968	570,844	496,861	1,381,425		1,038,520	4,991,618
Fund reclassification						(476,743)	(476,743)
Fund Balances - Beginning, as restated	1,503,968	570,844	496,861	1,381,425	0	561,777	4,514,875
Fund Balances - Ending	\$ 879,007	816,878	115,291	368,889	13,689	1,151,153	3,344,907

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, 2004

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (1,169,968)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$3,615,475 exceeded depreciation of \$626,579 in the current period.	2,988,896
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	21,997
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments of \$768,765 were exceeded by debt proceeds of \$1,019,711.	(250,946)
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
The amount of increase in compensated absences.	(11,814)
The amortization of:	
Issuance cost on limited obligation bond	(7,364)
Discount on limited obligation bond	<u>(3,236)</u>
Change in Net Assets of Governmental Activities	\$ <u><u>1,567,565</u></u>

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

	Business-type Activities - Enterprise Funds		
	(Major Fund)	(Non-major Fund)	Total
	Regional Jail Fund	Solid Waste Fund	
ASSETS			
Current assets:			
Cash and investments	\$ 2,379,325	563,644	2,942,969
Accounts receivable (net of allowance for uncollectibles of \$244,103)		456,062	456,062
Due from other funds		32,424	32,424
Total Current Assets	<u>2,379,325</u>	<u>1,052,130</u>	<u>3,431,455</u>
Noncurrent assets:			
Capital assets, net	<u>3,682,580</u>	<u>140,213</u>	<u>3,822,793</u>
Total Noncurrent Assets	<u>3,682,580</u>	<u>140,213</u>	<u>3,822,793</u>
Total Assets	<u>6,061,905</u>	<u>1,192,343</u>	<u>7,254,248</u>
LIABILITIES			
Current liabilities:			
Claims payable	55,841	21,886	77,727
Due to other funds	36,690	8,498	45,188
Capital debt:			
Capital leases payable	5,874	25,803	31,677
Limited obligation bonds	255,000		255,000
Total Current Liabilities	<u>353,405</u>	<u>56,187</u>	<u>409,592</u>
Noncurrent liabilities:			
Capital debt:			
Capital leases payable		56,730	56,730
Limited obligation bonds	4,495,000		4,495,000
Non-capital debt:			
Compensated absences payable	76,181	10,995	87,176
Total Noncurrent Liabilities	<u>4,571,181</u>	<u>67,725</u>	<u>4,638,906</u>
NET ASSETS			
Invested in capital assets, net of related debt	(1,073,294)	57,680	(1,015,614)
Restricted for public safety	2,210,613		2,210,613
Restricted for public works		1,010,751	1,010,751
Total Net Assets	<u>\$ 1,137,319</u>	<u>1,068,431</u>	<u>2,205,750</u>

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

Statement of Revenues, Expenses and Changes in Fund Net Assets -
 Proprietary Funds
 For the Year Ended September 30, 2004

	Business-type Activities - Enterprise Funds		Totals
	(Major Fund) Regional Jail Fund	(Non-major Fund) Solid Waste Fund	
Operating Revenues			
Charges for services	\$ 2,973,472	894,833	3,868,305
Miscellaneous	26,803	2,132	28,935
Total Operating Revenues	<u>3,000,275</u>	<u>896,965</u>	<u>3,897,240</u>
Operating Expenses			
Personal services	1,455,580	245,418	1,700,998
Contractual services	402,654	231,305	633,959
Materials and supplies	312,104	33,765	345,869
Depreciation expense	106,751	11,660	118,411
Indirect administrative cost	36,690	8,498	45,188
Total Operating Expenses	<u>2,313,779</u>	<u>530,646</u>	<u>2,844,425</u>
Operating Income (Loss)	<u>686,496</u>	<u>366,319</u>	<u>1,052,815</u>
Nonoperating Revenues (Expenses)			
Property tax		159,284	159,284
Interest income	3,254	6,745	9,999
Nonoperating grants	73,837	28,261	102,098
Interest expense	(285,677)	(3,439)	(289,116)
Net Nonoperating Revenue (Expenses)	<u>(208,586)</u>	<u>190,851</u>	<u>(17,735)</u>
Changes in Net Assets	<u>477,910</u>	<u>557,170</u>	<u>1,035,080</u>
Net Assets - Beginning	2,698,023		2,698,023
Fund reclassification		511,261	511,261
Prior period adjustment	(2,038,614)		(2,038,614)
Net Assets - Beginning, as restated	<u>659,409</u>	<u>511,261</u>	<u>1,170,670</u>
Net Assets - Ending	<u>\$ 1,137,319</u>	<u>1,068,431</u>	<u>2,205,750</u>

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

LEAKE COUNTY
Statement of Cash Flows - Proprietary Funds
For the Year Ended September 30, 2004

Exhibit 7

	Business-type Activities - Enterprise Funds		
	(Major Fund)	(Non-major Fund)	Totals
	Regional Jail Fund	Solid Waste Fund	
Cash Flows From Operating Activities			
Receipts from users	\$ 2,984,764		2,984,764
Receipts from customers		438,771	438,771
Payments to suppliers	(715,868)	(265,234)	(981,102)
Payments to employees	(1,441,500)	(234,423)	(1,675,923)
Payments to General Fund for indirect costs	(41,990)		(41,990)
Other operating cash receipts	26,803	2,132	28,935
Net Cash Provided (Used) by Operating Activities	<u>812,209</u>	<u>(58,754)</u>	<u>753,455</u>
Cash Flows From Noncapital Financing Activities			
Nonoperating grants received	73,837		73,837
Cash received from property taxes		155,121	155,121
Net Cash Provided (Used) by Noncapital Financing Activities	<u>73,837</u>	<u>155,121</u>	<u>228,958</u>
Cash Flows From Capital and Related Financing Activities			
Principal paid on long-term debt	(245,995)	(34,822)	(280,817)
Interest paid on debt	(285,677)	(3,439)	(289,116)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(531,672)</u>	<u>(38,261)</u>	<u>(569,933)</u>
Cash Flows From Investing Activities			
Interest on investments	3,254	6,745	9,999
Net Cash Provided (Used) by Investing Activities	<u>3,254</u>	<u>6,745</u>	<u>9,999</u>
Net Increase (Decrease) in Cash and Cash Equivalents	357,628	64,851	422,479
Cash and Cash Equivalents at Beginning of Year	2,021,697	0	2,021,697
Adjustments to Beginning of Year Cash Due to Fund Reclassification		498,793	498,793
Cash and Cash Equivalents at End of Year	<u>\$ 2,379,325</u>	<u>563,644</u>	<u>2,942,969</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 686,496	366,319	1,052,815
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	106,751	11,660	118,411
Provision for uncollectible accounts		244,103	244,103
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable		(700,165)	(700,165)
(Increase) decrease in interfund receivables	11,292		11,292
Increase (decrease) in claims payable	(1,110)	(164)	(1,274)
Increase (decrease) in compensated absences liability	14,080	10,995	25,075
Increase (decrease) in interfund payables	(5,300)	8,498	3,198
Total Adjustments	<u>125,713</u>	<u>(425,073)</u>	<u>(299,360)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 812,209</u>	<u>(58,754)</u>	<u>753,455</u>

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

LEAKE COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2004

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 193,305
Due from other funds	6,246
Total Assets	<u>\$ 199,551</u>
LIABILITIES	
Amounts held in custody for others	\$ 169,020
Intergovernmental payables	30,531
Total Liabilities	<u>\$ 199,551</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, 2004

(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 and 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, 2004

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, 2004

The county reports the following major Governmental Funds:

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

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

Road and Bridge Construction Fund - This fund is used to account for monies from a 2001 bond issue that are restricted for road and bridge construction.

Leake County Hospital Bond Fund - This fund is used to account for monies from a limited special obligation bond issue to pay obligations and expenditures of the hospital.

Industrial Park Construction - Economic Development Fund - This fund is used to account for monies from two loans and a grant for construction of an industrial building.

The county reports the following major Proprietary Fund:

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

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, 2004

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. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. The extent to which capital assets costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

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

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

LEAKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

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

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

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

I. Long-term Liabilities.

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

In the government-wide financial statements and in the Proprietary Funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or Proprietary Funds Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

J. Equity Classifications.

Government-wide Financial Statements:

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

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, 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 and regulations of other governments; or law through constitutional provisions or enabling legislation.

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

LEAKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

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.

(2) Fund Reclassification.

The Solid Waste Fund's beginning fund balance of \$476,743 was reclassified from the Special Revenue Funds to a beginning retained earnings in the Proprietary Fund Type because, effective October 1, 2003, it became the objective to account for solid waste disposal operations in a manner similar to private business or to determine revenues earned, expenses incurred and/or net income of the fund.

LEAKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

The Proprietary Fund's beginning retained earnings of \$511,261, includes the solid waste funds beginning fund balance of \$476,743 plus the applicable capital assets of \$151,873 less the long-term debt liability of \$117,355.

(3) Prior Period Adjustment.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 - Statement of Activities.

Governmental Activities:

<u>Explanation</u>	<u>Amount</u>
Capital assets	\$ <u>(2,960,839)</u>
Total prior period adjustment	\$ <u><u>(2,960,839)</u></u>

Business-type Activities:

Capital assets	\$ <u>(2,038,614)</u>
Total prior period adjustment	\$ <u><u>(2,038,614)</u></u>

Exhibit 6 - Statement of Revenues, Expenses, and Changes in Fund Net Assets.

<u>Explanation</u>	<u>Amount</u>
Capital assets	\$ <u>(2,038,614)</u>
Total prior period adjustment	\$ <u><u>(2,038,614)</u></u>

(4) Deposits and Investments.

Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2004, was \$4,208,290 and the bank balance was \$4,408,708. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

LEAKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

Investments:

The county's investments at year end consisted entirely of investments in Hancock Horizon Treasury Securities money market mutual funds through the Hancock Bank trust department for the Leake County, Mississippi Regional Correctional Facility Urban Renewal Bonds and the Leake County, Mississippi Memorial Hospital Urban Renewal Bonds. At year end, the carrying amount of the county's investments was \$2,601,398 and the cost was \$2,601,398. All of the county's investments are uninsured and unregistered. The money market mutual fund investments are not backed by the full faith and credit of the federal government and are unallowable investment types under state law.

(5) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2004:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Regional Jail	\$ 36,690
General	Solid Waste Fund	8,498
General	Other Governmental Funds	18,000
County Road and Bridge	General	48,886
Other Governmental Funds	General	12,499
Solid Waste Fund	General	32,424
Agency Funds	General	6,246
Total		\$ 163,243

The General Fund receivables from the Regional Jail Fund and Other Enterprise Fund is the amount of indirect costs for the regional jail and solid waste operations. The General Fund receivable from other governmental funds was a loan to Industrial Park Bond & Interest Fund for a loan payment. All other amounts listed are the tax revenue collected but not settled until October, 2004. 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	General Fund	\$ 245,319
Industrial Park Construction - Economic Development Fund	General Fund	22,762
Other Governmental Funds	Other Governmental Funds	27,089
Other Governmental Funds	Leake County Hospital Bond Fund	873,158
Total		\$ 1,168,328

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

LEAKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

(6) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2004, consisted of the following:

Governmental Activities:

<u>Description</u>	<u>Amount</u>
Legislative tax credit	\$ <u>95,843</u>

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2004:

Governmental activities:

	<u>Balance</u> <u>Oct. 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Balance</u> <u>Sept. 30, 2004</u>
<u>Non-depreciable capital assets:</u>					
Land	\$ 1,294,032			57,528	1,351,560
Construction in progress		554,689		177,116	731,805
Total non-depreciable capital assets	<u>1,294,032</u>	<u>554,689</u>	<u>0</u>	<u>234,644</u>	<u>2,083,365</u>
<u>Depreciable capital assets:</u>					
Infrastructure		1,196,076		859,679	2,055,755
Buildings	2,092,749	1,536,882		1,309,048	4,938,679
Improvements other than buildings	39,550			(39,550)	
Mobile equipment	2,331,414	270,200		(86,777)	2,514,837
Furniture and equipment	1,059,320	57,628		(710,848)	406,100
Leased property under capital leases	2,319,546			(66,702)	2,252,844
Total depreciable capital assets	<u>7,842,579</u>	<u>3,060,786</u>	<u>0</u>	<u>1,264,850</u>	<u>12,168,215</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure		69,275		23,739	93,014
Buildings		55,176		2,058,087	2,113,263
Mobile equipment		209,452		1,652,153	1,861,605
Furniture and equipment		46,343		240,223	286,566
Leased property under capital leases		246,333		638,004	884,337
Total accumulated depreciation	<u>0</u>	<u>626,579</u>	<u>0</u>	<u>4,612,206</u>	<u>5,238,785</u>
Total depreciable capital assets, net	<u>7,842,579</u>	<u>2,434,207</u>	<u>0</u>	<u>(3,347,356)</u>	<u>6,929,430</u>
Governmental activities capital assets, net	<u>\$ 9,136,611</u>	<u>2,988,896</u>	<u>0</u>	<u>(3,112,712)</u>	<u>9,012,795</u>

LEAKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

Business-type activities:

	Balance <u>Oct. 1, 2003</u>	Additions	Deletions	Adjustments	Balance <u>Sept. 30, 2004</u>
<u>Non-depreciable capital assets:</u>					
Land	\$			2,910	2,910
Total non-depreciable capital assets	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,910</u>	<u>2,910</u>
<u>Depreciable capital assets:</u>					
Buildings	5,800,000			(1,489,763)	4,310,237
Mobile equipment				428,493	428,493
Furniture and equipment				127,730	127,730
Leased property under capital leases	27,945			129,542	157,487
Total depreciable capital assets	<u>5,827,945</u>	<u>0</u>	<u>0</u>	<u>(803,998)</u>	<u>5,023,947</u>
<u>Less accumulated depreciation for:</u>					
Buildings		86,206		603,442	689,648
Mobile equipment		15,515		335,474	350,989
Furniture and equipment				114,957	114,957
Leased property under capital leases		16,690		31,780	48,470
Total accumulated depreciation	<u>0</u>	<u>118,411</u>	<u>0</u>	<u>1,085,653</u>	<u>1,204,064</u>
Total depreciable capital assets, net	<u>5,827,945</u>	<u>(118,411)</u>	<u>0</u>	<u>(1,889,651)</u>	<u>3,819,883</u>
Business-type activities capital assets, net	\$ <u>5,827,945</u>	<u>(118,411)</u>	<u>0</u>	<u>(1,886,741)</u>	<u>3,822,793</u>

Adjustments were required to record prior period adjustments to capital assets and to record reclassification of Solid Waste Fund assets from governmental activities to business-type activities.

Depreciation expense was charged to the following functions:

	<u>Amount</u>
<u>Governmental activities:</u>	
General government	\$ 41,208
Public safety	470,601
Public works	69,275
Health and welfare	10,860
Economic development	33,448
Culture and recreation	<u>1,187</u>
Total governmental activities depreciation expense	\$ <u>626,579</u>

LEAKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

	<u>Amount</u>
Business-type activities:	
Solid waste	\$ 11,660
Correctional facility	<u>106,751</u>
Total business-type activities depreciation expense	<u>\$ 118,411</u>

Commitments with respect to unfinished capital projects at September 30, 2004, consisted of the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
Wright Road bridge replacement	\$ 36,384	November 2005
Midway Renfro Road - bridge	25,596	September 2005

(8) 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, fire fighters and road construction personnel and \$400,000 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, 2004, to January 1, 2005. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(9) Operating Leases.

As Lessor:

The county receives income from property it leases under noncancellable operating leases. Total income from such leases was \$76,789 for the year ended September 30, 2004. The future minimum lease receivables for these leases are as follows:

<u>Year Ended September 30</u>	<u>Amount</u>
2005	\$ 115,183
2006	115,183
2007	115,183
2008	115,183
2009	<u>38,395</u>
Total Minimum Payments Required	<u>\$ 499,127</u>

LEAKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

(10) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2004:

Classes of Property	Governmental Activities	Business-type Activities
Mobile equipment	\$ 1,939,558	129,542
Other furniture and equipment	<u>313,286</u>	<u>27,945</u>
Total	2,252,844	157,487
Less: Accumulated depreciation	<u>884,337</u>	<u>48,470</u>
Leased Property Under Capital Leases	<u>\$ 1,368,507</u>	<u>109,017</u>

The following is a schedule by years of the total payments due as of September 30, 2004:

Year Ending September 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2005	\$ 390,554	30,214	31,677	2,675
2006	322,866	11,934	26,717	1,555
2007	145,504	2,899	27,664	608
2008	<u>15,026</u>	<u>153</u>	<u>2,349</u>	<u>7</u>
Total	<u>\$ 873,950</u>	<u>45,200</u>	<u>88,407</u>	<u>4,845</u>

(11) Long-term Debt.

Debt outstanding as of September 30, 2004, 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	\$ 2,275,000	4.10/5.80%	02/21
Industrial park development bonds, Series 2002	<u>935,000</u>	4.75%	02/22
Total General Obligation Bonds	<u>\$ 3,210,000</u>		
B. Limited Obligation Bond:			
Special obligation bonds - Leake County Hospital	<u>\$ 4,000,000</u>	3.25/6.45%	01/23

LEAKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
C. Capital Leases:			
Caterpillar 426C loader	\$ 37,682	5.49%	06/05
Road equipment	30,150	5.47%	03/05
Tax Collector's software	11,653	6.60%	09/05
911 communication equipment	39,499	5.87%	09/05
Caterpillar D6M XL tractor dozer	44,704	5.03%	03/06
Two backhoes	70,344	4.98%	10/05
Backhoe	35,171	4.98%	10/05
Five Caterpillar motor graders	426,281	3.89%	05/07
Three 2002 Ford F-250 crew cab trucks	27,404	6.10%	05/06
John Deere tractor	32,655	3.69%	02/08
Computer system upgrade	58,949	3.84%	01/08
Boom mower and ditcher	23,907	3.69%	05/08
Two 2003 Ford Crown Victorias	22,461	3.49%	05/06
2004 Ford Crown Victoria	<u>13,090</u>	3.49%	08/06
Total Capital Leases	<u>\$ 873,950</u>		
D. Other Loans:			
Five fire trucks	\$ 250,396	4.65%	03/09
TVA loan - Hisan Industries	477,222	2.75%	09/13
CAP loan - Hisan Industries	<u>471,124</u>	3.00%	12/14
Total Other Loans	<u>\$ 1,198,742</u>		
Business-type Activities:			
A. Limited Obligation Bond:			
Urban renewal revenue bonds*	\$ <u>4,750,000</u>	5.51/5.71%	08/17
B. Capital Leases:			
Closed circuit surveillance camera	\$ 5,874	6.95%	08/05
Two Freightliner garbage trucks	<u>82,533</u>	3.49%	11/07
Total Capital Leases	<u>\$ 88,407</u>		

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

LEAKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

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>
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
2009	142,000	122,331	150,000	205,292
2010 - 2014	847,000	508,104	880,000	894,296
2015 - 2019	1,101,000	287,005	1,180,000	590,665
2020 - 2024	<u>596,000</u>	<u>39,511</u>	<u>1,240,000</u>	<u>166,410</u>
Total	\$ <u>3,210,000</u>	<u>1,508,518</u>	<u>4,000,000</u>	<u>2,736,663</u>

<u>Year Ending September 30</u>	<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 139,480	36,035
2006	148,849	31,614
2007	154,178	26,282
2008	159,685	20,776
2009	134,698	15,314
2010 - 2014	<u>461,852</u>	<u>28,893</u>
Total	\$ <u>1,198,742</u>	<u>158,914</u>

Business-type Activities:

<u>Year Ending September 30</u>	<u>Limited Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 255,000	270,040
2006	265,000	254,103
2007	280,000	237,540
2008	295,000	220,040
2009	315,000	201,603
2010 - 2014	1,885,000	732,630
2015 - 2019	<u>1,455,000</u>	<u>167,063</u>
Total	\$ <u>4,750,000</u>	<u>2,083,019</u>

LEAKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

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, 2004, the amount of outstanding debt was equal to 3.0% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2004:

	Balance Oct. 1, 2003	Additions	Reductions	Adjustments *	Balance Sept. 30, 2004	Amount due within one year
Governmental Activities:						
Bonds payable:						
General obligation bonds	3,323,000		(113,000)		3,210,000	120,000
Limited obligation bonds	4,000,000				4,000,000	130,000
Less deferred amounts:						
For issuance discounts -						
Limited obligation bonds	(61,484)		3,236		(58,248)	
Total bonds payable	<u>7,261,516</u>	<u>0</u>	<u>(109,764)</u>	<u>0</u>	<u>7,151,752</u>	<u>250,000</u>
Capital leases	1,439,464	19,711	(467,870)	(117,355)	873,950	390,554
Other loans	386,637	1,000,000	(187,895)		1,198,742	139,480
Compensated absences	147,496	11,814			159,310	
Total	<u>\$ 9,235,113</u>	<u>1,031,525</u>	<u>(765,529)</u>	<u>(117,355)</u>	<u>9,383,754</u>	<u>780,034</u>
Business-type Activities:						
Compensated absences	\$ 62,101	25,075			87,176	
Limited obligation bonds	4,990,000		240,000		4,750,000	255,000
Capital leases	11,869		40,817	117,355	88,407	31,677
Total	<u>\$ 5,063,970</u>	<u>25,075</u>	<u>280,817</u>	<u>117,355</u>	<u>4,925,583</u>	<u>286,677</u>

* Adjustment was required to reclassify Solid Waste Fund liabilities from governmental activities to business-type activities.

(12) 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, 2004

(13) Joint Ventures.

The county participates in the following joint ventures:

Leake County is a participant with the City of Carthage in a joint venture authorized by Section 39-3-11, Miss. Code Ann. (1972), to operate the Carthage-Leake County Airport. The joint venture was created to provide airport facilities to the area and is governed by a six-member board appointed by the Board of Supervisors and the city council; three from each government. By contractual agreement, the county's appropriation to the joint venture was \$1,500 in fiscal year 2004. Complete financial statements for the Carthage-Leake County Airport can be obtained from the Carthage-Leake County Airport, P.O. Box 577, Carthage, MS 39051.

Leake County is a participant with the counties of Attala, Holmes, Montgomery and Winston in a joint venture, authorized by Section 39-3-9, Miss. Code Ann. (1972), to operate the Mid-Mississippi Regional Library System. The joint venture was created to provide free public library service to the citizens of the member counties. The Leake County Board of Supervisors appoints one of the five members of the board of directors. By contractual agreement, the county's appropriation to the joint venture was \$129,500 in fiscal year 2004.

(14) 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 \$295,547 for maintenance and support of the college in fiscal year 2004.

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 2004.

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 2004.

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 2004.

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 2004.

LEAKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

(15) 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, 2004, 2003 and 2002 were \$359,331, \$324,361 and \$320,750, respectively, equal to the required contributions for each year.

(16) Subsequent Events.

Subsequent to September 30, 2004, Leake County issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
10/05/04	2.88%	\$ 61,484	Lease purchase	General Fund revenue
02/22/05	3.23%	69,780	Lease purchase	Road Fund revenue
04/25/05	3.29%	28,363	Lease purchase	Road Fund revenue
04/25/05	3.49%	49,800	Lease purchase	Road Fund revenue

LEAKE COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

LEAKE COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2004

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 2,329,874	2,301,545	2,301,545	
Licenses, commissions and other revenue	180,275	199,673	199,673	
Fines and forfeitures	322,075	301,858	301,858	
Intergovernmental revenues	468,424	702,468	702,468	
Charges for services	321,500	246,893	246,893	
Interest income	41,250	23,638	23,638	
Miscellaneous revenues	2,800	51,772	51,772	
Total Revenues	<u>3,666,198</u>	<u>3,827,847</u>	<u>3,827,847</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	2,348,113	2,336,220	2,336,220	
Public safety	1,317,957	1,443,057	1,443,057	
Public works	57,226	76,519	76,519	
Health and welfare	116,575	115,248	115,248	
Culture and recreation	153,267	153,267	153,267	
Conservation of natural resources	91,497	88,815	88,815	
Economic development and assistance	70,721	69,527	69,527	
Total Expenditures	<u>4,155,356</u>	<u>4,282,653</u>	<u>4,282,653</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(489,158)</u>	<u>(454,806)</u>	<u>(454,806)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	95,479	41,990	41,990	
Transfers out	<u>(305,872)</u>	<u>(240,643)</u>	<u>(240,643)</u>	
Total Other Financing Sources and Uses	<u>(210,393)</u>	<u>(198,653)</u>	<u>(198,653)</u>	<u>0</u>
Net Change in Fund Balance	(699,551)	(653,459)	(653,459)	0
Fund Balances - Beginning	<u>1,307,975</u>			<u>0</u>
Fund Balances - Ending	<u>\$ 608,424</u>	<u>(653,459)</u>	<u>(653,459)</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
 For the Year Ended September 30, 2004

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,244,604	1,200,117	1,200,117	
Road and bridge privilege taxes	200,000	220,603	220,603	
Intergovernmental revenues	611,000	866,967	866,967	
Charges for services	7,500	8,182	8,182	
Interest income	10,000	7,953	7,953	
Miscellaneous revenues	15,525	26,551	26,551	
Total Revenues	<u>2,088,629</u>	<u>2,330,373</u>	<u>2,330,373</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	2,098,086	2,152,695	2,152,695	
Total Expenditures	<u>2,098,086</u>	<u>2,152,695</u>	<u>2,152,695</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(9,457)</u>	<u>177,678</u>	<u>177,678</u>	<u>0</u>
Net Change in Fund Balance	(9,457)	177,678	177,678	0
Fund Balances - Beginning	<u>535,291</u>	<u>588,466</u>	<u>588,466</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 525,834</u>	<u>766,144</u>	<u>766,144</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
 For the Year Ended September 30, 2004

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Charges for services	\$ 6,000	3,547	3,547	
Total Revenues	<u>6,000</u>	<u>3,547</u>	<u>3,547</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	585,620	433,744	433,744	
Total Expenditures	<u>585,620</u>	<u>433,744</u>	<u>433,744</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(579,620)</u>	<u>(430,197)</u>	<u>(430,197)</u>	<u>0</u>
Net Change in Fund Balance	(579,620)	(430,197)	(430,197)	0
Fund Balances - Beginning	<u>579,620</u>	<u>580,195</u>	<u>580,195</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>149,998</u>	<u>149,998</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 Bonds
 For the Year Ended September 30, 2004

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Interest income	\$ 1,000	5,464	5,464	
Miscellaneous revenues		130,158	130,158	
Total Revenues	<u>1,000</u>	<u>135,622</u>	<u>135,622</u>	<u>0</u>
EXPENDITURES				
Current:				
Health and welfare	508,800	275,000	275,000	
Total Expenditures	<u>508,800</u>	<u>275,000</u>	<u>275,000</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(507,800)</u>	<u>(139,378)</u>	<u>(139,378)</u>	<u>0</u>
Net Change in Fund Balance	(507,800)	(139,378)	(139,378)	0
Fund Balances - Beginning	<u>507,800</u>	<u>508,267</u>	<u>508,267</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>368,889</u>	<u>368,889</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)
 Industrial Park Construction - Economic Development
 For the Year Ended September 30, 2004

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental revenues	\$ 1,663,547	1,568,660	1,568,660	
Total Revenues	<u>1,663,547</u>	<u>1,568,660</u>	<u>1,568,660</u>	<u>0</u>
EXPENDITURES				
Current:				
Economic development and assistance	1,663,547	1,576,038	1,576,038	
Total Expenditures	<u>1,663,547</u>	<u>1,576,038</u>	<u>1,576,038</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>0</u>	<u>(7,378)</u>	<u>(7,378)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Transfers in		22,762	22,762	
Total Other Financing Sources and Uses	<u>0</u>	<u>22,762</u>	<u>22,762</u>	<u>0</u>
Net Change in Fund Balance	0	15,384	15,384	0
Fund Balances - Beginning	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>15,384</u>	<u>15,384</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, 2004

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

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

	Governmental Fund Types				
	General Fund	County Road and Bridge Fund	Road and Bridge Construction Fund	Leake County Hospital Bond Fund	Industrial Park Construction - Economic Development
Budget (Cash Basis)	\$ (653,459)	177,678	(430,197)	(139,378)	15,384
Increase (Decrease)					
Net adjustments for revenue accruals	46,798	48,886			
Net adjustments for expenditure accruals	(18,300)	19,470	48,627	(873,158)	(1,695)
GAAP Basis	<u>\$ (624,961)</u>	<u>246,034</u>	<u>(381,570)</u>	<u>(1,012,536)</u>	<u>13,689</u>

LEAKE COUNTY

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LEAKE COUNTY

SUPPLEMENTAL INFORMATION

LEAKE COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2004

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
MAJOR FEDERAL AWARDS			
U.S. Department of Agriculture - Rural Business Cooperative Service Rural business enterprise grants	10.769	N/A	\$ <u>474,546</u>
U.S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority Community development block grants/state's program	14.228	1119-02-040-PF-01	173,325
Community development block grants/state's program	14.228	1118-01-040-RC-01	<u>38,662</u>
Total U.S. Department of Housing and Urban Development			<u>211,987</u>
Total Expenditures of Major Federal Awards			<u>686,533</u>
OTHER FEDERAL AWARDS			
U.S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority HOME investment partnerships program	14.239	M03-SG-28-01	22,962
Community development block grants/state's program Brownfields economic development initiative	14.246	B-02-SP-MS-0356	<u>68,660</u>
Total U.S. Department of Housing and Urban Development			<u>91,622</u>
U.S. Department of Interior - Bureau of Land Management Wildland urban interface community and rural fire assistance	15.228		<u>7,843</u>
U.S. Department of Justice - Domestic cannabis eradication/suppression program Office of Justice Programs Local law enforcement block grants program	16.UN 16.592	N/A 3LB1401	15,000 2,400
Office of Community Oriented Policing Services Public safety partnership and community policing grants/ Passed-through the Mississippi Department of Public Safety Enforcing underage drinking laws program	16.710 16.727	2003CKWX0139 4-TA-140-1	94,383 <u>14,087</u>
Total U.S. Department of Justice			<u>125,870</u>
U.S. Department of Transportation - Federal Highway Administration/Passed-through the Mississippi Department of Transportation Highway planning and construction	20.205	N/A	10,180
Highway planning and construction	20.205	02-UA-140-1	<u>7,163</u>
Total U.S. Department of Transportation			<u>17,343</u>

LEAKE COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2004

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U.S. Department of Homeland Security/Passed-through the Mississippi Emergency Management Agency			
Public assistance grants	97.036	1365-DR-MS	30,888
Public assistance grants	97.036	1459-DR-MS	<u>63,623</u>
Subtotal			<u>94,511</u>
Homeland Security Cluster			
State domestic preparedness equipment support program	97.004	N/A	<u>29,137</u>
Total U.S. Department of Homeland Security			<u>123,648</u>
Total Expenditures of Other Federal Awards			<u>366,326</u>
Total Expenditures of Federal Awards			<u>\$ 1,052,859</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

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

LEAKE COUNTY

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LEAKE COUNTY

SPECIAL REPORTS

LEAKE COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Members of the Board of Supervisors
Leake County, Mississippi

We have audited the primary government financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Leake County, Mississippi, as of and for the year ended September 30, 2004, which collectively comprise the county's basic primary government financial statements and have issued our report thereon dated June 30, 2005. 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 is qualified on the General Fund because the county 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. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Leake County, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the primary government financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted 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 initiate, 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 and Questioned Costs as items 04-1 and 04-2.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Leake County, Mississippi's primary governmental financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 04-1.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



PHIL BRYANT
State Auditor



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

June 30, 2005



State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Members of the Board of Supervisors
Leake County, Mississippi

Compliance

We have audited the compliance of Leake County, Mississippi, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2004. Leake County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Leake County, Mississippi's management. Our responsibility is to express an opinion on Leake County, Mississippi's compliance based on our audit.

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

In our opinion, Leake County, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2004.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



PHIL BRYANT
State Auditor



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

June 30, 2005



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, 2004. Our study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures as we considered necessary in the circumstances.

The Board of Supervisors of Leake County, Mississippi, is responsible for establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972). In addition, the Board of Supervisors is responsible for purchasing in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972). The Board of Supervisors of Leake County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

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

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

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



PHIL BRYANT
State Auditor



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

June 30, 2005

LEAKE COUNTY
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2004

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, 2004

Schedule 2

Our test results did not identify any emergency purchases.

LEAKE COUNTY

Schedule 3Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2004

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
10/23/03	Afix Tracker system	\$ 30,000	The Phoenix Group
02/13/04	Concrete utility poles	5,000	Central Electric Power Association
02/20/04	Court reporter software	3,715	Stenograh LLC

LEAKE COUNTY

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LEAKE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

LEAKE COUNTY

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LEAKE COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2004

Section 1: Summary of Auditor's Results

Financial Statements:

1.	Type of auditor's report issued on the primary government financial statements:	
	Governmental activities	Unqualified
	Business-type activities	Unqualified
	General Fund	Qualified
	County Road and Bridge Fund	Unqualified
	Road and Bridge Construction Fund	Unqualified
	Leake County Hospital Bond Fund	Unqualified
	Industrial Park Construction - Economic Development Fund	Unqualified
2.	Internal control over financial reporting:	
	a. Material weaknesses identified?	Yes
	b. Reportable conditions identified that are not considered to be material weaknesses?	No
3.	Noncompliance material to the primary government financial statements?	Yes

Federal Awards:

4.	Internal control over major programs:	
	a. Material weakness identified?	No
	b. Reportable condition identified that is not considered to be a material weakness?	No
5.	Type of auditor's report issued on compliance for major federal programs:	Unqualified
6.	Any audit findings reported as required by Section ____.510(a) of Circular A-133?	No
7.	Federal programs identified as major programs:	
	a. Rural business enterprise grants, CFDA #10.769	
	b. Community development block grants/state's program, CFDA #14.228	
8.	The dollar threshold used to distinguish between type A and type B programs:	\$300,000
9.	Auditee qualified as a low-risk auditee?	No
10.	Prior fiscal year audit findings and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section _____.315(b) of OMB Circular A-133?	No

LEAKE COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2004

Section 2: Financial Statement Findings

Board of Supervisors.

04-1. 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 \$2,601,398. These investments are not direct obligations of the United States of America.

Recommendation

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

Board of Supervisors' Response

The Board has, in the past, requested that Hancock Bank correct this problem. Demand will be made to Hancock Bank to correct the investments.

Circuit Clerk.

04-2. Finding

As reported in the prior year's audit report, 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. 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 of the governmental activities and the General Fund. Therefore, the Independent Auditor's Report is qualified for the governmental activities and the General Fund because of this departure.

Recommendation

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

Circuit Clerk's Response

As the new Circuit Clerk, I have taken the necessary steps to correct this deficiency and will prepare the aging of accounts receivable schedule.

Section 3: Federal Award Findings and Questioned Costs

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