

PIKE COUNTY, MISSISSIPPI
Audited Financial Statements
For the Year Ended September 30, 2006

PIKE COUNTY

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PIKE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

The discussion and analysis of Pike County's financial performance provides an overall narrative review of the County's financial activities for the year ended September 30, 2006. The intent of this discussion and analysis is to look at the County's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the County's financial performance.

This discussion and analysis is a new element of required supplementary information specified in the "Governmental Accounting Standards Board's (GASB) Statement No. 34 - Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" issued June 1999.

Pike County is located in southwestern Mississippi along Interstate I-55. The population, according to the 2000 census, is 38,940. The local economic base is driven by Manufacturing, Medical, Retail Trade and Agriculture.

FINANCIAL HIGHLIGHTS

Pike County is financially stable. The County has committed itself to financial excellence for many years by using sound financial planning, budgeting and strong internal controls. The County is committed to maintaining sound fiscal management to meet the challenges of the future.

Pike County continues to grow both economically and in population. This has allowed the County to maintain a steady growth in tax revenues without a tax increase. The County government tax rate has decreased by 2.12 mills over the last 10 years. This does not include School tax increases.

Total net assets increased \$596,725, which represents a 1.20% increase from the prior fiscal year. If an analysis is made without the Capital Assets and Long-term debt there was an increase of \$4,219,033, which represents a 33.66% increase from the prior fiscal year. The County's ending cash balance, for all funds, increased by \$4,840,086, which represents a 54.56% increase from the prior fiscal year.

The County had \$21,838,322 in total Governmental Funds revenues. Tax revenues account for \$9,736,653 or 44.59% of total revenues. State revenues, in the form of reimbursements, shared revenue or grants, account for \$3,040,462 or 13.92% of total revenues. Long-term Debt was issued in the amount of 3.2 million dollars during fiscal year October 1, 2005 thru September 30, 2006.

The County had \$17,404,029 in total Governmental Funds expenses, which represents an increase of \$1,576,871 or 9.96% increase (decrease) from the prior fiscal year. Expenses in the amount of \$1,744,907 were offset by grants, outside contributions or debt being issued. General revenues of \$17,224,964 were adequate to provide for the remainder of the expenses.

Among major funds, the General Fund had \$9,942,488 in revenues and \$9,290,903 in expenditures. The General Fund's fund balance increased \$651,585 over the prior year. The increase in the General Fund's Fund Balance was due to an increase in state revenues and some repair and maintenance projects not being completed during the year.

Among major funds, the Countywide Road Fund had \$2,982,447 in revenues and \$2,866,647 in expenditures. The Countywide Road Fund's fund balance increased \$115,800 over the prior year. The reason for the increase in the Countywide Road Fund was cost under runs on various projects and higher than expected fuel tax monies.

Among major funds, the Countywide Bridge Fund had \$784,080 in revenues and \$749,182 in expenditures. The Countywide Bridge Fund's fund balance increased \$34,898 over the prior year. The increase in the Countywide Bridge Fund was immaterial in amount.

Capital assets, net of accumulated depreciation, decreased by \$1,396,916, under the prior year.

Long-term debt increased by \$1,958,074. During fiscal year 2005/2006 new long term debt in the amount of 3.2 million was incurred for the Jail Renovation project.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) Government-wide financial statements, 2) Fund financial statements and 3) Notes to the basic financial statements. Required Supplementary Information is included in addition to the basic financial statements.

Figure 1 – Required Components of the County's Annual Report

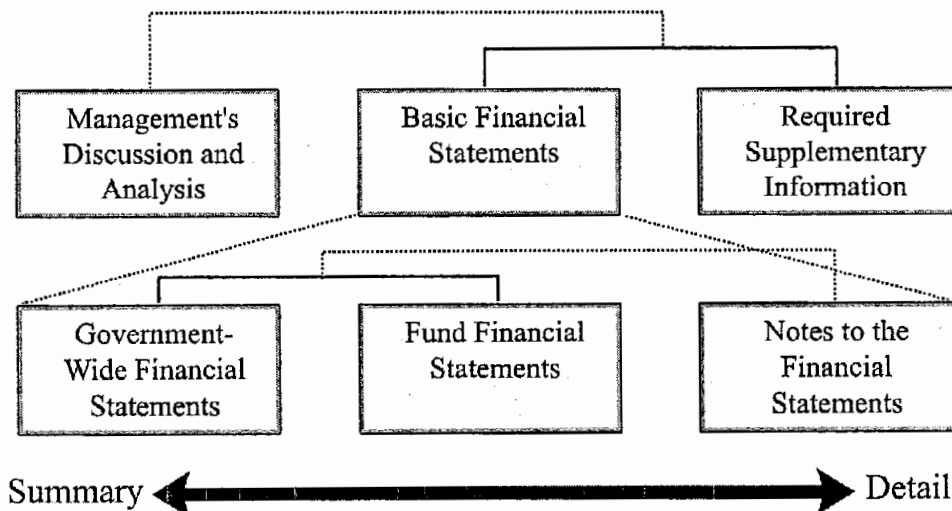


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

Figure 2 summarizes the major features of the County's financial statements, including the portion of the County's government they cover and the types of information they contain. The remainder of this section of Management's Discussion and Analysis explains the structure and content of each of the statements.

Figure 2 – Major Features of the County's Government-Wide and Fund Financial Statements

	Government-Wide Financial Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire County government (except fiduciary funds) and component units	All activities of the County that are not business-type or fiduciary in nature	Activities of the County that operate similar to private businesses	The County is the trustee or agent for someone else's resources
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital and short and long term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short and long term	All assets and liabilities, both short and long term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services are received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the County finances, in a manner similar to private-sector businesses.

The **statement of net assets** presents information on all County assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The **statement of activities** presents information showing how net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or part of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government; public safety; public works (roads and bridges); health and welfare; culture and recreation; education; economic development; and interest on long-term debt.

Component units are included in our basic financial statements and consist of legally separate entities for which the County is financially accountable and that have substantially the same board as the County or provide services entirely to the County. The County has the following discretely presented component units.

- Pike County Economic Development District

Each discretely presented component unit is reported in a separate column in the combined financial statements to emphasize that it is legally separate from the primary government. The discretely presented component unit financial information is not presented in these statements; however, we expect them to be added by the State Auditor's Office as they perform our annual audit.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a county's near-term financing requirements. Governmental funds include the general, special revenue, debt service, and capital projects funds.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The "Governmental Funds Balance Sheet" and the "Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances" provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains individual governmental funds in accordance with the *Mississippi County Financial Accounting Manual* issued by the Mississippi Office of the State Auditor. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

Proprietary funds are maintained two ways. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statement. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its self-insured Health Insurance program. Because this service predominantly benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

Fund financial statements for the proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Data from the other enterprise funds are combined into a single, aggregated presentation. The County's internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements.

Fiduciary funds are used to account for resources held for the benefit of parties outside the County government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accrual basis of accounting is used for fiduciary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The County's fiduciary activities are presented in a separate Statement of Fiduciary Net Assets.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are not included in this report; however, we expect them to be included in the Audit Report issued by the State Department of Audit once our audit is complete.

In addition to the basic financial statements and accompanying notes, this report also presents **Required Supplementary Information** concerning the County's budget process.

The County adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major fund.

Pike County is subject to a Single Audit, due to the amount of Federal Grants it receives. Additionally, a schedule of expenditures of federal awards is required by OMB Circular A-133 and will be prepared by the State Auditor's Office in conjunction with our annual audit.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets – Net assets may serve over time as a useful indicator of government's financial position. In the case of Pike County, assets exceeded liabilities by \$50,357,047 as of September 30, 2006.

By far, the largest portion of the County's net assets (67%) reflects its investment in capital assets (e.g. roads, bridges, land, buildings, mobile equipment, furniture & equipment, leased property under capital lease and construction in progress) less related outstanding debt used to acquire such assets. The county uses these capital assets to provide services to its citizens.

The County's financial position is a product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

The following table presents a summary of the County's net assets for the fiscal year ended September 30, 2006, as compared to fiscal year ended September 30, 2005.

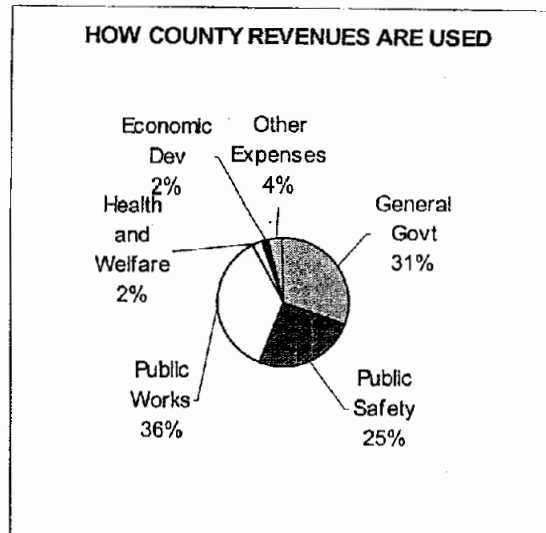
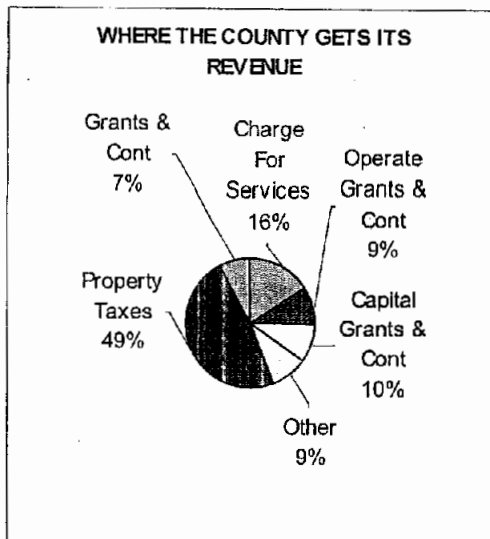
	<u>Current Year Governmental Activities</u>	<u>Prior Year Governmental Activities</u>
Current assets	\$25,801,570	\$21,131,823
Capital assets, net	<u>44,034,879</u>	<u>45,431,795</u>
Total assets	<u>69,836,449</u>	<u>66,563,618</u>
Current liabilities	10,178,851	9,572,785
Long-term debt outstanding	<u>9,300,551</u>	<u>7,230,511</u>
Total liabilities	<u>19,479,402</u>	<u>16,803,296</u>
Net assets:		
Invested in capital assets, net of related debt	33,602,972	37,225,279
Restricted	9,305,322	5,588,802
Unrestricted	<u>7,448,753</u>	<u>6,946,240</u>
Total net assets	<u>\$50,357,047</u>	<u>\$49,760,321</u>

The following are significant current year transactions that have had an impact on the Statement of Net Assets.

- Revenue from the State of Mississippi exceeded expectations.
- Cost under runs on several Road projects helped increase the Road fund balance.
- \$974,609 of long-term debt principal was retired and 3.2 million was issued.

Changes in Net Assets – Pike County's total revenues for the fiscal year ended September 30, 2006 was \$20,035,593. The total cost for all services provided was \$19,438,867. The increase in net assets was \$596,726. The following table presents a summary of the changes in net assets for the fiscal year ended September 30, 2006, as compared to fiscal year ended September 30, 2005.

Revenues:	<u>Current Year Amount</u>	<u>Prior Year Amount</u>
Program revenues		
Charges for services	\$ 3,255,043	\$ 3,071,113
Operating grants & contributions	1,845,286	1,560,692
Capital grants & contributions	1,905,759	724,667
General revenues		
Property taxes	9,736,653	8,959,119
Grants and contributions	1,501,540	1,369,286
Other	<u>1,791,312</u>	<u>1,024,640</u>
Total Revenues	<u>20,035,593</u>	<u>16,709,517</u>
Expenses:		
General government	5,969,878	5,431,929
Public safety	4,868,037	4,133,029
Public works	7,148,412	6,605,043
Health and welfare	400,114	410,574
Economic development	345,435	331,139
Other expenses	<u>706,991</u>	<u>749,092</u>
Total Expenses	<u>19,438,867</u>	<u>17,660,806</u>
Increase (Decrease) in Net Assets	<u>\$ 596,726</u>	<u>\$ (951,289)</u>



Governmental Activities – The following table presents the cost of five major functional activities of the County: General Government, Public Safety, Public Works, Health & Welfare and Economic Development.

The table also shows each function's net cost (total cost less charges for services generated by the activity and intergovernmental aid provided for that activity.) The net cost shows the financial burden that was placed on Pike County's taxpayers by each of these functions.

	Total Costs	Net Costs
General Government	\$ 5,969,878	\$ 4,272,904
Public safety	4,868,037	3,037,105
Public works	6,776,601	3,786,370
Health & welfare	400,114	323,259
Economic development	345,435	306,149

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Governmental funds – At the close of the fiscal year, Pike County's governmental funds reported a combined fund balance of \$12,844,799, an increase of \$4,434,292. The primary reasons for this increase are highlighted in the analysis of governmental activities. In addition, others factors that affected ending fund balance are as follows:

- An increase in the Cash Balance due to the issuance of 3.2 million in G/O bonds.

The General Fund is the principal operating fund of the County. The increase in the fund balance of the General Fund for the fiscal year was \$651,585. This increase was due to higher than expected State Revenues and lower than expected cost on some projects.

BUDGETARY HIGHLIGHTS OF MAJOR FUNDS

Over the course of the year, Pike County did not revise its annual operating budget, until the end of the fiscal year. At the end of the fiscal year Pike County amended its budget to reflect actual revenues received and expenditures made.

After the final adjustment, actual revenues and disbursements were equal to the final budget amounts.

A schedule showing the original and final budget amounts compared to the County's actual financial activity for the General Fund and other major funds is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – As of September 30, 2006, Pike County's total capital assets was \$104,849,760. This includes roads, bridges, other infrastructure, land, buildings, mobile equipment, furniture and equipment, leased property under capital lease and construction in progress. This amount represents an increase from the previous year of \$1,367,389.

Total accumulated depreciation as of September 30, 2006 was \$60,814,881, including \$3,484,752 of depreciation expense for the year. The balance in total net capital assets was \$44,034,879 at year-end.

Shown below are two tables that show the activity for Capital Assets and Accumulated Depreciation from the prior year audit report to this fiscal year.

Fixed Asset Inventory Values

<u>Asset Classification</u>	<u>Balance 10/01/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 09/30/06</u>
Land	\$ 1,456,914			1,456,914
Construction in progress	614,669	1,311,281	371,811	1,554,139
Buildings	13,407,610			13,407,610
Improvements other than buildings	820,540		607,211	213,329
Mobile equipment	3,941,867	438,005	193,019	4,186,853
Other furniture & equipment	784,487	24,059	38,577	769,969
Infrastructure - roads	76,855,365	97,557		76,952,922
Infrastructure - bridges	5,313,836	733,113	26,008	6,020,941
Property under capital lease	287,083			287,083
Total	\$ <u>103,482,371</u>	<u>2,604,015</u>	<u>1,236,626</u>	<u>104,849,760</u>

**Fixed Asset Accumulated
Depreciation Expense**

Asset Classification	Balance 10/01/05	Additions	Deletions	Balance 09/30/06
Buildings	\$ 2,783,774	263,490		3,047,264
Improvements other than buildings	656,432		485,769	170,663
Mobile equipment	2,611,729	298,672	173,718	2,736,683
Other furniture & equipment	646,083	95,129	34,952	706,260
Infrastructure - roads	47,876,047	2,693,364		50,569,411
Infrastructure - bridges	3,403,781	104,755	26,008	3,482,528
Property under capital lease	72,730	29,342		102,072
Total	\$ 58,050,576	3,484,752	720,447	60,814,881

Debt Administration – At September 30, 2006, Pike County had \$10,431,907 in long-term debt outstanding. This includes general obligation bonds, other and obligations under capital lease. Of this debt, \$1,131,356 is due within one year.

In the past year, the County issued 3.2 million dollars of G/O Bonds for the Jail project.

The State of Mississippi limits the amount of debt a county can issue to generally 15% of total assessed value. The County's outstanding debt is significantly below its current limit of 30 million dollars.

Shown below is a table showing the activity on long-term debt for this fiscal year. This table breaks down the debt by the type of issue.

Long-term Debt Analysis

	Balance 10/1/2005	Issued	Retired	Balance 9/30/2006	Due Within One Year
General Obligation Bonds					
Jail construction	\$ 575,000		275,000	300,000	300,000
Pike industrial bonds 1988-Series A	180,000		60,000	120,000	60,000
Chancery Court annex	830,000		100,000	730,000	105,000
Sanderson Farms bonds	2,580,000		260,000	2,320,000	275,000
Pike-Amite-Walthall Library	1,675,000		95,000	1,580,000	100,000
Courthouse renovation	1,070,000		40,000	1,030,000	40,000
Industrial park expansion	910,000		100,000	810,000	105,000
Jail renovation bonds	0	3,200,000	0	3,200,000	100,000
Total General Obligation Bonds	7,820,000	3,200,000	930,000	10,090,000	1,085,000
Other Loans					
Magnolia Armory CAP loan	155,951		14,963	140,988	17,154
Total Other Loans	155,951	0	14,963	140,988	17,154

	Balance <u>10/1/2005</u>	Issued	Retired	Balance <u>9/30/2006</u>	Due Within One Year
Capital Leases					
Dump truck	15,193		8,151	7,042	7,042
Motorgrader lease	137,873		12,298	125,575	12,679
Loader lease	<u>77,499</u>		<u>9,197</u>	<u>68,302</u>	<u>9,481</u>
Total Capital Leases	<u>230,565</u>	<u>0</u>	<u>29,646</u>	<u>200,919</u>	<u>29,202</u>
Total All Long-term Debt	\$ <u>8,206,516</u>	<u>3,200,000</u>	<u>974,609</u>	<u>10,431,907</u>	<u>1,131,356</u>

CURRENT AND FUTURE ITEMS OF IMPACT

The budget for the next fiscal year reflected a decrease of \$837,103 or 4.10% in revenues and an increase of \$2,355,794 or 10.95% in expenses. The decrease in revenues is due to the fact that the bonds for the Jail Renovation were accounted for in the 2005/2006 year and deleted for the 2006/2007 year. The increase in expenses reflects several maintenance and construction projects being paid out of the beginning cash balance.

As of September 30, 2006 Pike County had eight Road and Bridge projects under contract. The project numbers and amount remaining on the contracts were as follows: SAP 57 (58) - \$10,454.65, LSBP 57(9)- \$400,295.04, SAP 57(59) - \$40,963.09, SAP 57(62) - \$308,713.75, STP 0239(6)B - \$744,427.92, SAP-57 (13) S - \$23,805.22, 57-03-03 - \$11,288.11 and 57-02-06 - \$13,339.47.

Pike County has an unemployment rate of 6.1% versus 12.3% a year ago. This decrease was due to people returning to New Orleans and the Gulf Coast following the recovery from Hurricane Katrina.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the funds it receives. If you have questions about this report or need additional financial information, please contact the County Administrator's office at P.O. Box 431, Magnolia, Mississippi 39652.

PIKE COUNTY

FINANCIAL SECTION

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Members:
American Institute of CPAs
Mississippi Society of CPAs

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

Members of the Board of Supervisors
Pike County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Pike County, Mississippi, as of and for the year ended September 30, 2006, which collectively comprise the county's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Pike County Economic Development District, a component unit, which represents 100% of the assets and revenues of the discretely presented component unit. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned component unit, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Economic Development District audited by other auditors, were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Pike County, Mississippi, as of September 30, 2006, and the respective changes in financial position and cash flows, where applicable, 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 7, 2007, on our consideration of Pike County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and 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 and other auditors 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 Pike 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.

Windham and Lacey, PLLC

Windham & Lacey, PLLC
June 7, 2007

PIKE COUNTY

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

PIKE COUNTY
Statement of Net Assets
September 30, 2006

Exhibit 1

	Primary Government	Component Unit
	Governmental Activities	Economic Development
ASSETS		
Cash	\$ 13,711,943	364,891
Accrued interest receivable	686	
Property tax receivable	6,995,582	
Accounts receivable, net of allowance for uncollectible of \$322,727	388,638	19,618
Fines receivable, net of allowance for uncollectible of \$6,190,356	786,269	
Loans receivable	450,000	
Capital lease receivable	2,839,300	
Intergovernmental receivables	431,802	
Other receivables, net	186,338	
Inventories and prepaid items	11,012	
Restricted assets		
Capital assets, net	44,034,879	775,177
Total Assets	<u>69,836,449</u>	<u>1,159,686</u>
LIABILITIES		
Claims payable	392,881	3,768
Claims and judgments	52,994	
Intergovernmental payables	469,203	
Accrued interest payable	142,944	
Deferred revenue	7,509,882	
Other payables	273,027	
Long-term liabilities		
Due within one year:		
Capital related debt	856,356	
Non-capital debt	275,000	
Due in more than one year:		
Capital related debt	7,255,551	
Non-capital debt	2,251,564	
Total Liabilities	<u>19,479,402</u>	<u>3,768</u>
NET ASSETS		
Invested in capital assets, net of related debt	35,922,972	775,177
Restricted net assets:		
General government	646,542	
Debt service	474,496	
Public safety	2,015,886	
Public works	2,256,625	
Economic development	485,038	
Unemployment compensation	19,557	
Capital projects	3,355,882	
Other	51,296	
Unrestricted	5,128,753	380,741
Total Net Assets	<u>\$ 50,357,047</u>	<u>1,155,918</u>

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

PIKE COUNTY
Statement of Activities
For the Year Ended September 30, 2006

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Fines, Fees and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Unit Economic Development
Primary government:						
Governmental activities:						
General government	\$ 5,969,878	1,309,124	60,460	327,390	(4,272,904)	
Public safety	4,868,037	923,915	907,017		(3,037,105)	
Public works	7,148,412	1,022,004	764,454	1,575,583	(3,786,371)	
Health and welfare	400,114		76,855		(323,259)	
Culture and recreation	72,766				(72,766)	
Conservation of natural resources	129,754				(129,754)	
Economic development and assistance	345,435		36,500	2,786	(306,149)	
Interest on long-term debt	504,471				(504,471)	
Total Governmental Activities	\$ 19,438,867	3,255,043	1,845,286	1,905,759	(12,432,779)	
Component unit:						
Economic Development District	\$ 312,014	0	299,382	0		(12,632)
General revenues:						
Property taxes					\$ 9,736,653	
Road & bridge privilege taxes					481,050	
Grants and contributions not restricted to specific programs					1,501,540	5,933
Unrestricted investment income					634,535	61,295
Miscellaneous					621,313	
Gain from sale of assets					54,413	
Total General Revenues					13,029,504	67,228
Changes in Net Assets					596,725	54,596
Net Assets - Beginning					49,760,322	1,101,322
Net Assets - Ending					\$ 50,357,047	1,155,918

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

PIKE COUNTY
Balance Sheet - Governmental Funds
September 30, 2006

	Major Funds							Total Governmental Funds
	General Funds	Sanderson Farms MBIA Bond Fund	Countywide Road Maintenance Fund	Countywide Bridge Fund	Jail Renovations	Capital Projects	Other Governmental Funds	
ASSETS								
Cash	\$ 4,079,229		1,019,187	942,013	3,221,911		3,734,203	12,996,543
Accrued interest receivable	686							686
Property tax receivable	4,042,869		881,014	492,794			1,578,905	6,995,582
Accounts receivable, net of allowance for uncollectible of \$322,727								
Fines receivable, net of allowance for uncollectible of \$6,190,356	786,269						388,638	388,638
Loans receivable								
Capital lease receivable		2,839,300					450,000	786,269
Intergovernmental receivables	341,220		57,527				33,055	450,000
Other receivables	11,522		47,253				31,093	2,839,300
Due from other funds			63,515	13,315			52,441	431,802
Inventories and prepaid items	7,012						4,000	89,868
Total Assets	\$ 9,268,807	2,839,300	2,068,496	1,448,122	3,221,911		6,272,335	25,118,971
LIABILITIES AND FUND BALANCES								
Liabilities:								
Claims payable	\$ 171,636		118,902	1,110	21,571		79,663	392,882
Intergovernmental payables	436,251							436,251
Due to other funds	162,223							162,223
Deferred revenue	4,829,138	2,839,300	881,014	492,794			1,967,543	11,009,789
Other payables	273,027							273,027
Total Liabilities	5,872,275	2,839,300	999,916	493,904	21,571		2,047,206	12,274,172
Fund balances:								
Reserved for:								
Debt service							617,440	617,440
Loans receivable							450,000	450,000
Unemployment compensation							19,557	19,557
Unreserved, reported in:								
General fund	3,396,532		1,068,580	954,218			302,697	3,699,229
Special revenue funds							2,679,894	4,702,692
Capital project funds					3,200,340		155,541	3,355,881
Total Fund Balances	3,396,532	0	1,068,580	954,218	3,200,340		4,225,129	12,844,799
Total Liabilities and Fund Balances	\$ 9,268,807	2,839,300	2,068,496	1,448,122	3,221,911		6,272,335	25,118,971

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

PIKE COUNTY

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2006

Exhibit 3-1

	<u>Amount</u>
Total fund balance - governmental funds (Exhibit 3)	\$ 12,844,799
Amounts reported for governmental services in the statement of net assets (Exhibit 1) are different because:	
Capital assets are used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$58,050,576.	44,034,879
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,179,908
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	(10,638,471)
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds.	2,320,000
Internal Service Funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Assets.	758,876
Liabilities not due and payable in the current period are not reported in the funds: Accrued bond interest payable	<u>(142,944)</u>
Total net assets - governmental activities (Exhibit 1)	\$ <u><u>50,357,047</u></u>

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

PIKE COUNTY

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

For the Year Ended September 30, 2006

Exhibit 4

	Major Funds							Total Governmental Funds
	General Fund	Sanderson Farms MBIA Bond Fund	Countywide Road Maintenance Fund	Countywide Bridge Fund	Capital Projects Jail Renovations	Other Governmental Funds	Governmental Funds	
REVENUES								
Property taxes	\$ 5,788,384		1,129,358	651,037		2,167,874	9,736,653	
Road and bridge privilege taxes			481,050				481,050	
Licenses, commissions and other revenue	544,385					84,475	628,860	
Fines and forfeitures	677,732					141,892	819,624	
Intergovernmental revenues	1,719,878		856,409	87,616		915,743	3,579,646	
Charges for services	449,935					1,367,003	1,816,938	
Interest income	296,734	147,000	61,348	45,427	31,890	170,059	752,458	
Miscellaneous revenues	195,312		6,465			45,386	247,163	
Total Revenues	9,672,360	147,000	2,534,630	784,080	31,890	4,892,432	18,062,392	
EXPENDITURES								
Current:								
General government	4,686,669					817,863	5,503,136	
Public safety	3,216,799				331,549	1,325,360	4,873,708	
Public works	22,856		2,830,281	749,182		1,169,980	4,772,299	
Health and welfare	358,004						358,004	
Culture and recreation	3,500					11,890	15,390	
Conservation of natural resources	129,754						129,754	
Economic development and assistance	39,462					299,383	338,845	
Debt service:								
Principal	14,963	260,000	29,646			670,000	976,005	
Interest	8,176	147,000	6,720			274,992	436,888	
Total Expenditures	8,480,183	407,000	2,866,647	749,182	331,549	4,569,468	17,404,029	
Excess of Revenues over (under) Expenditures	1,192,177	(260,000)	(332,017)	34,898	(299,660)	322,964	658,360	

	Major Funds							Total Governmental Funds
	General Fund	Sanderson Farms MBIA Bond Fund	Countywide Road Maintenance Fund	Countywide Bridge Fund	Capital Projects Jail Renovations	Other Governmental Funds		
OTHER FINANCING SOURCES (USES)								
Proceeds from long-term debt	38,528		47,253		3,200,000	3,000	3,200,000	3,200,000
Proceeds from sale of capital assets	191,587		35,564				88,781	88,781
Compensation for loss on capital assets	40,014		365,000		300,000	211,346	916,360	227,151
Transfers in						(105,640)	(916,360)	916,360
Transfers out	(810,720)	260,000					260,000	(916,360)
Lease principal payments received		260,000					260,000	260,000
Total Other Financing Sources and Uses	(540,591)	260,000	447,817	0	3,500,000	108,706	3,775,932	3,775,932
Net Changes in Fund Balances	651,586	0	115,800	34,898	3,200,340	431,669	4,434,292	4,434,292
Fund Balances - Beginning	2,744,947	0	952,780	919,320	0	3,793,460	8,410,507	8,410,507
Fund Balances - Ending	\$ 3,396,532	0	1,068,580	954,218	3,200,340	4,225,129	12,844,799	12,844,799

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

PIKE COUNTY

Exhibit 4-1

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

Net changes in fund balances - total governmental funds (Exhibit 4)	\$ 4,434,292
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that depreciation expense \$3,484,752 exceeded capital outlays \$2,232,204 in the current period.	(1,252,548)
In the statement of activities, only gains and losses from the sale of capital assets are reported, whereas in the governmental funds, proceeds from the sale of capital assets increase financial resources and loss from the sale of capital assets decrease financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the gain of \$54,413 and the proceeds from the sale in the current period of \$198,781.	(144,368)
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.	(40,282)
Solid waste 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.	29,904
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt proceeds (\$3,200,000) exceeded debt repayments \$974,609.	(2,225,391)
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:	
Accrued bond interest payable	(66,187)
Change in compensated absences	(3,433)
In the statement of activities, only interest income from payments received on capital leases are reported, whereas in the governmental funds, both principal and interest payments received increase financial resources. Thus, the change in net assets differs from change in fund balances by the principal collections on the capital leases.	(260,000)
An Internal Service Fund is used by management to charge the cost of insurance to individual funds. The net revenue (expense) is reported within governmental activities.	124,738
Change in net assets of governmental activities (Exhibit 2)	\$ <u>596,725</u>

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

PIKE COUNTY
 Statement of Net Assets - Proprietary Fund
 September 30, 2006

Exhibit 5

	Governmental Activities
	<u>Self-Insurance Internal Service Fund</u>
ASSETS	
Current Assets:	
Cash	\$ 715,400
Other receivables	<u>96,470</u>
Total Assets	<u>\$ 811,870</u>
LIABILITIES	
Current Liabilities:	
Claims and judgments	\$ <u>52,994</u>
Total Liabilities	<u>\$ 52,994</u>
NET ASSETS	
Restricted for health insurance	\$ <u>758,876</u>
Total Net Assets	<u>\$ 758,876</u>

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

PIKE COUNTY
 Statement of Revenues, Expenses, and Changes in Fund Net Assets
 Proprietary Fund
 For the Year Ended September 30, 2006

Exhibit 6

	Governmental Activities
	Self-Insurance Internal Service Fund
OPERATING REVENUES	
Premiums	\$ 1,119,180
Total Operating Revenues	<u>1,119,180</u>
OPERATING EXPENSES	
Claims payments	747,065
Insurance premiums	213,551
Administrative fees	62,903
Total Operating Expenses	<u>1,023,519</u>
Operating Income (Loss)	<u>95,661</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	29,077
Total Nonoperating Revenue (Expenses)	<u>29,077</u>
Change in Net Assets	124,738
Total Net Assets - Beginning	<u>634,138</u>
Total Net Assets - Ending	<u>\$ 758,876</u>

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

PIKE COUNTY
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2006

Exhibit 7

	Governmental Activities
	Self-Insurance Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from premiums	\$ 1,114,950
Payments to administrator for services	(58,027)
Payments for re-insurance premiums	(196,249)
Payments for insurance claims	(796,522)
Net Cash Provided (Used) by Operating Activities	<u>64,152</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Other receipts (payments)	<u>0</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>0</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>29,078</u>
Net Cash Provided (Used) by Investing Activities	<u>29,078</u>
Net Increase (Decrease) in Cash and Cash Equivalents	93,230
Cash and Cash Equivalents - Beginning of Year	<u>622,170</u>
Cash and Cash Equivalents - End of Year	<u>\$ 715,400</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ <u>95,661</u>
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:	
Change in assets and liabilities:	
(Increase) decrease in intergovernmental receivables	0
(Increase) decrease in other receivables	(4,230)
Increase (decrease) in claims and judgments payable	<u>(27,279)</u>
Total adjustments	<u>(31,509)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 64,152</u>

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

PIKE COUNTY
Statement of Fiduciary Assets & Liabilities
September 30, 2006

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 413,138
Due from other funds	<u>32,952</u>
Total Assets	<u>\$ 446,090</u>
LIABILITIES	
Other payables	\$ 163,149
Intergovernmental payables	<u>282,941</u>
Total Liabilities	<u>\$ 446,090</u>

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

PIKE COUNTY

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

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Pike 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 Pike County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county.

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

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

B. Individual Component Unit Disclosures.

Discretely Presented Component Unit

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

Pike County Economic Development District is a legally separate entity organized under Section 57-31-1, Miss. Code Ann. (1972), for the purpose of promoting economic development within the county. The entity is governed by a 16-member board of directors. Pike County appoints nine board members, which includes four recommendations by the Chamber of Commerce. The City of McComb appoints four board members. The Cities of Summit, Osyka and Magnolia each appoint one board member. Pike County funds almost all of the entity's operating budget.

C. Basis of Presentation.

The county's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities and fund financial statements, which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the county as a whole. The statements include all nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

PIKE COUNTY

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

The Statement of Net Assets presents the financial condition of the governmental activities 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. 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. Internal service fund balances have been eliminated against expense and program revenue. The comparison of direct expenses with program revenues identifies the extent to which each 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. Funds are organized into governmental, proprietary and fiduciary. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

D. Measurement Focus and Basis of Accounting.

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

The county's proprietary fund applies 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 the proprietary fund 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.

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.

PIKE COUNTY

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

Sanderson Farms MBIA Bond Fund – This fund is used to account for a lease receivable and deferred revenues due on long-term debt paid by Sanderson Farms, Inc., using the county as a paying intermediary.

Countywide Road Maintenance Fund – This fund is used to account for monies from specific revenue sources that are restricted for road maintenance.

Countywide Bridge Fund – This fund is used to account for monies from specific revenue sources that are restricted for bridge and culvert activities.

Capital Projects Jail Renovations – This fund is used to account for financial resources to be used for the construction of jail renovations. Such resources are derived from proceeds of general obligation bond issues.

The county reports the following major proprietary fund:

Self-insurance Internal Service Fund – This fund is used to account for the health insurance activities provided to governmental departments on a cost reimbursement basis.

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

PROPRIETARY FUND TYPE

Internal Service Funds - These funds are used to account for those operations that provide services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis.

FIDUCIARY FUND TYPE

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

E. Account Classifications.

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

F. Deposits and Investments.

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

PIKE COUNTY

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

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. However, the county did not invest in any governmental securities during the fiscal year.

G. Receivables.

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

H. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

I. Inventories and Prepaid Items.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items, such as prepaid insurance, are not reported for Governmental Fund Types since the costs of such items are accounted for as expenditures in the period of acquisition.

J. Capital Assets.

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

Governmental accounting and financial reporting standards allow governments meeting certain criteria to retroactively report major general infrastructure assets by September 30, 2007. Current year general infrastructure assets are required to be reported. General infrastructure assets acquired after September 30, 1980, are reported on the government-wide financial statements. Current year general infrastructure assets are reported on the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets.

PIKE COUNTY

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

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

	Capitalization Thresholds	Estimated Useful Life
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

* Leased property useful lives will correspond with the amounts for the asset classification, as listed above.

K. Long-term Liabilities.

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

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Assets.

L. Equity Classifications.

Government-wide Financial Statements:

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

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, constructions or improvements of those assets.

Restricted net assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or law through constitutional provisions or enabling legislation.

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

Fund Financial Statements:

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

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.

PIKE COUNTY

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

M. Property Tax Revenues.

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

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

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

N. Intergovernmental Revenues in Governmental Funds.

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

O. Compensated Absences.

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

(2) Deposits.

PRIMARY GOVERNMENT:

The carrying amount of the county's total deposits with financial institutions at September 30, 2006, was \$14,125,081, and the bank balance was \$15,720,276. The carrying amount of the component unit's total deposits with financial institutions at September 30, 2006, was \$364,891, and the bank balance was \$376,732. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the county will not be able to recover deposits or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the county. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the county.

PIKE COUNTY

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

(3) Interfund Transactions and Balances.

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

A. Due To/From Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Countywide Road Maintenance	General Fund	\$ 63,515
Countywide Bridge	General Fund	13,315
Nonmajor Governmental Funds	General Fund	52,441
Agency Funds	General Fund	<u>32,952</u>
Total		<u>\$ 162,223</u>

All amounts listed are the tax revenues or court fees collected but not settled until October, 2006.
All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 40,014
Countywide Road Maintenance	General Fund	205,000
Countywide Road Maintenance	Other Governmental Funds	160,000
Capital Improvements Jail Renovations	General Fund	300,000
Other Governmental Funds	General Fund	145,720
Other Governmental Funds	Other Governmental Funds	<u>65,626</u>
Total		<u>\$ 916,360</u>

The principal purpose of interfund transfers was to allocate Grand Gulf proceeds received from the state, to allocate reappraisal escrow funds, and to transfer released seizure funds. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

PIKE COUNTY

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

(4) Intergovernmental Receivables.

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

Governmental Activities:

Description	Amount
Legislative tag credit	\$ 180,230
Oil severance	99,966
Motor vehicle fuel tax	26,872
Other	124,734
Total Governmental Activities	\$ 431,802

(5) Loans Receivable.

Loans receivable balance at September 30, 2006, is as follows:

Description	Date of Loan	Interest Rate	Maturity Date	Balance Payable
Low income housing loan	3/10/2000	1.00%	3/10/2050	\$ 450,000

(6) Capital Assets.

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,456,914			1,456,914
Construction in progress	614,669	939,470		1,554,139
Total capital assets, not being depreciated	2,071,583	939,470	0	3,011,053
Capital assets, being depreciated:				
Buildings	13,407,610			13,407,610
Improvements other than buildings	820,540		(607,211)	213,329
Mobile equipment	3,941,867	438,005	(193,019)	4,186,853
Furniture and equipment	784,487	24,059	(38,577)	769,969
Property under capital leases	287,083			287,083
Infrastructure	82,169,201	830,670	(26,008)	82,973,863
Total capital assets being depreciated	101,410,788	1,292,734	(864,815)	101,838,707

PIKE COUNTY

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

	Beginning Balance	Increases	Decreases	Ending Balance
Less: Accumulated depreciation for:				
Buildings	2,783,774	263,490		3,047,264
Improvements other than buildings	656,432		(485,769)	170,663
Mobile Equipment	2,611,729	298,672	(173,718)	2,736,683
Furniture and equipment	646,083	95,129	(34,952)	706,260
Property under capital leases	72,730	29,342		102,072
Infrastructure	51,279,828	2,798,119	(26,008)	54,051,939
Total accumulated depreciation	<u>58,050,576</u>	<u>3,484,752</u>	<u>(720,447)</u>	<u>60,814,881</u>
 Total capital assets, being depreciated, net	 <u>43,360,212</u>	 <u>(2,192,018)</u>	 <u>(144,368)</u>	 <u>41,023,826</u>
 Governmental activities capital assets, net	 \$ <u>45,431,795</u>	 <u>(1,252,548)</u>	 <u>(144,368)</u>	 <u>44,034,879</u>

Depreciation expense was charged to the following functions:

Governmental activities:		
General government	\$ 181,516	
Public safety	240,572	
Public works	2,956,588	
Health and Welfare	42,110	
Culture and recreation	57,376	
Economic development and assistance	<u>6,590</u>	
 Total depreciation expense - governmental activities	 \$ <u>3,484,752</u>	

COMPONENT UNIT - PIKE COUNTY ECONOMIC DEVELOPMENT DISTRICT:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 769,395			769,395
Total capital assets, not being depreciated	<u>769,395</u>	<u>0</u>	<u>0</u>	<u>769,395</u>
 Capital assets, being depreciated:				
Machinery & equipment	20,076	601		20,677
Total capital assets being depreciated	<u>20,076</u>	<u>601</u>	<u>0</u>	<u>20,677</u>
 Less: Accumulated depreciation for:				
Machinery & equipment	12,860	2,035		14,895
Total accumulated depreciation	<u>12,860</u>	<u>2,035</u>	<u>0</u>	<u>14,895</u>
 Total capital assets, being depreciated, net	 <u>7,216</u>	 <u>(1,434)</u>	 <u>0</u>	 <u>5,782</u>
 Governmental activities capital assets, net	 \$ <u>776,611</u>	 <u>(1,434)</u>	 <u>0</u>	 <u>775,177</u>

PIKE COUNTY

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

(7) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$750,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2006, to January 1, 2007. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

The county is exposed to risk of loss relating to employee health, accident and dental coverage. Beginning in January 2002 and pursuant to Section 25-15-101, Miss. Code Ann. (1972), the county established a risk management fund (included as an Internal Service Fund) to account for and finance its uninsured risk of loss. Under the plan, amounts payable to the risk management fund are based on actuarial estimates. Pike County pays the premium on a single coverage policy for its respective employees. Employees desiring additional and/or dependent coverage pay the additional premium through a payroll deduction. Premium payments to the risk management fund are determined on an actuarial basis. The county has a minimum uninsured risk retention to the extent that actual claims submitted exceed the predetermined premium. The county has implemented the following plan to minimize this potential loss:

The county has purchased coinsurance which functions on a specific stop loss coverage. This coverage is purchased from an outside commercial carrier. For the current fiscal year, the specific coverage begins when an individual participant's claim exceeds \$40,000.

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). At September 30, 2006, the amount of these liabilities was \$52,994. An analysis of claims activities is presented below:

Claims Liability at October 1, 2005	\$ 80,272
Current Year Claims	719,787
Claim Payments	<u>747,065</u>
Claims Liability at September 30, 2006	<u>\$ 52,994</u>

(8) Capital Leases.

As Lessor:

The county leases the following property with varying terms and options as of September 30, 2006:

Asset:	<u>Amount</u>
Industrial buildings	<u>\$ 6,050,000</u>
Total	<u>\$ 6,050,000</u>

PIKE COUNTY

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

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2006, are as follows:

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2007	\$ 275,000	130,950
2008	295,000	113,850
2009	310,000	95,700
2010	330,000	76,500
2011	350,000	56,100
2012-2013	760,000	46,200
Total	\$ 2,320,000	519,300

As Lessee:

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

Asset:	Governmental Activities
Machinery and equipment	\$ 287,083
Less: Accumulated depreciation	(102,072)
Property Under Capital Leases	\$ 185,011

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

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2007	\$ 29,202	5,731
2008	22,845	4,918
2009	148,872	2,196
Total	\$ 200,919	12,845

PIKE COUNTY

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

(9) Long-term Debt.

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

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Jail construction	\$ 300,000	6.20-6.25%	12/1/2006
Pike industrial 1998 - Series A	120,000	7.30-10.375%	9/1/2008
Chancery Court annex	730,000	5.00-5.25%	5/1/2012
Sanderson Farms	2,320,000	6.00%	11/1/2012
Industrial development - Series 2003	810,000	4.50-5.63%	1/1/2018
Pike-Amite-Walthall Library	1,580,000	4.90-6.50%	1/1/2018
Courthouse renovations	1,030,000	4.40-5.50%	7/1/2021
Jail renovation	<u>3,200,000</u>	4.00-5.625%	8/1/2026
Total General Obligation Bonds	<u>\$ 10,090,000</u>		
B. Capital Leases:			
Dump trucks	\$ 7,042	3.94%	7/18/2007
Caterpillar 12H motor grader	125,575	3.09%	2/6/2009
Front-end loader	<u>68,302</u>	3.09%	2/6/2009
Total Capital Leases	<u>\$ 200,919</u>		
C. Loans:			
Magnolia Armory Capital Improvements Loan	<u>\$ 140,988</u>	5.18%	9/1/2013
Total Loans	<u>\$ 140,988</u>		

PIKE COUNTY

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

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

Governmental Activities:

Year Ending September 30,	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2007	\$ 1,085,000	489,350	17,154	6,832
2008	825,000	436,575	19,612	5,917
2009	815,000	391,546	19,106	4,954
2010	865,000	347,700	20,121	3,939
2011	910,000	300,861	21,189	2,871
2012-2016	2,940,000	885,158	43,806	2,307
2017-2021	1,675,000	383,995		
2022-2026	975,000	116,200		
Total	\$ 10,090,000	3,351,385	140,988	26,820

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2006, the amount of outstanding debt was equal to 3.6% of the latest property assessments.

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

	Balance Oct. 1, 2005	Additions	Reductions	Balance Sept. 30, 2006	Amount due within one year
Governmental Activities:					
Compensated absences	\$ 203,131	3,433		206,564	
General obligation bonds	7,820,000	3,200,000	(930,000)	10,090,000	1,085,000
Capital leases	230,565		(29,646)	200,919	29,202
Other loans	155,951		(14,963)	140,988	17,154
Total	\$ 8,409,647	3,203,433	(974,609)	10,638,471	1,131,356

(10) Contingencies.

Federal Grants - The county has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the county.

PIKE COUNTY

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

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

(11) Joint Ventures.

The county participates in the following joint ventures:

Pike County participates in an interlocal agreement pertaining to a Multi-Jurisdictional Narcotics Enforcement Unit formed collectively with Walthall and Lincoln Counties, the municipalities of McComb and Brookhaven, the District Attorney's Office of the Fourteenth Circuit Court District and the Mississippi Bureau of Narcotics. The interlocal narcotics agreement, authorized under Sections 17-13-1 through 17-13-11, Miss. Code Ann. (1972), was formed as a joint effort to provide the maximum effectiveness and efficiency in the enforcement of the criminal laws of the state regarding controlled substances. Pike County's annual share of financing the unit is \$20,000, which is appropriated from the General Fund. These non-tax revenues are received from seizures made by the Narcotics Enforcement Unit and subsequently forfeited by the defendants through the courts. The agreement terminates yearly but may be renewed by the parties hereto. The county's intention is to renew, yearly, its commitment to the agreement for the indefinite future.

Pike County is a participant with the City of McComb in a joint venture, authorized by Section 61-3-5, Miss. Code Ann. (1972), to operate the McComb-Pike County Airport. The joint venture was created to furnish the McComb-Pike County area with air service. The two entities each appoint three members to the six-member board of commissioners. The county's contribution to the joint venture was \$22,856 in fiscal year 2006. Complete financial statements for the McComb-Pike County Airport can be obtained from 2051 John E. Lewis Drive, McComb, MS 39648.

Pike County is a participant with Amite County and the City of McComb in a joint venture, authorized by Section 41-13-15, Miss. Code Ann. (1972), to operate the Southwest Mississippi Regional Medical Center. The joint venture was created to provide medical service for the residents of the local area and is governed by seven board members. One member is appointed by Amite County, two by Pike County, two by the City of McComb and two jointly by Pike County and the City of McComb. The hospital is basically self-supporting. However, the counties and city have the power to approve or disapprove the hospital's budget and are authorized to levy taxes for the maintenance and operation of the hospital. Complete financial statements for the Southwest Mississippi Regional Medical Center can be obtained from 215 Marion Avenue, McComb, MS 39648.

Pike County is a participant with the Counties of Amite and Walthall in a joint venture, authorized by Section 39-3-11, Miss. Code Ann. (1972), to operate the Pike-Amite-Walthall Regional Library System. The joint venture was created to provide library service for the three counties and is governed by five board members. The Counties of Amite and Pike appoint two board members each and Walthall County appoints one board member. By contractual agreement, the county's appropriation to the joint venture was \$291,522 in fiscal year 2006. Complete financial statements for the Pike-Amite-Walthall Regional Library System can be obtained from 1022 Virginia Avenue, McComb, MS 39648.

(12) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Southwest Mississippi Planning and Development District operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The Pike County Board of Supervisors appoints four of the 40 members of the board of directors. The county appropriated \$49,286 for support of the district in fiscal year 2006.

Southwest Mississippi Mental Health Complex operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The Pike County Board of Supervisors appoints one of the ten members of the board of commissioners. The county appropriated \$69,450 for its support in fiscal year 2006.

PIKE COUNTY

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

Southwest Mississippi Community College operates in a district composed of the Counties of Amite, Pike, Walthall and Wilkinson. The Pike County Board of Supervisors appoints six of the 14 members of the college board of trustees. The county appropriated \$1,280,430 for the operations and maintenance of the college in fiscal year 2006.

Southwest Mississippi Development Corporation operates in a district comprised of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The entity is governed by ten members appointed by each county's lead industrial foundation or chamber of commerce. If no industrial foundation or chamber of commerce is present, the member is appointed by the county's Board of Supervisors. The member counties provide only modest financial support for the entity.

(13) Defined Benefit Pension Plan.

Plan Description. Pike 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, effective July 1 2006, is 11.3% of annual covered payroll. Prior to July 1 2006, the county's contribution rate was 10.75%. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2006, 2005 and 2004 were \$609,781, \$546,762 and \$508,564, respectively, equal to the required contributions for each year.

Funding Policy for the Pike County Economic Development District. PERS members are required to contribute 7.25% of their annual covered salary, and the district is required to contribute at an actuarially determined rate. The current rate is 11.3% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The district's and employees' contributions to PERS for the years ending September 30, 2006, 2005 and 2004 were \$30,086, \$26,011 and \$22,926, respectively, equal to the required contributions for each year.

(14) Subsequent Events.

Subsequent to September 30, 2006, Pike 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>
12/04/2006	4.21%	\$ 181,771	Lease purchase	Hancock Bank
02/01/2007	4.52%	290,362	Lease purchase	Regions Bank

(15) Commitments.

Pike County entered into a contract in August, 2006, for renovations to the jail and law enforcement complex. The total contract at September 30, 2006, totaled \$3,280,000 including change orders. The balance of the contract to completion at September 30, 2006, is \$3,225,134. These costs are funded by proceeds of a \$3,200,000 bond issued in August, 2006.

PIKE COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

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

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 5,525,330	5,791,273	5,791,273	
Licenses, commissions and other revenue	450,500	539,816	539,816	
Fines and forfeitures	543,300	672,984	672,984	
Intergovernmental revenues	1,467,975	1,676,708	1,676,708	
Charges for services	245,000	472,397	472,397	
Interest income	106,400	289,416	289,416	
Miscellaneous revenues	98,650	202,533	202,533	
Total Revenues	<u>8,437,155</u>	<u>9,645,127</u>	<u>9,645,127</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	4,525,704	4,597,844	4,597,844	
Public safety	3,266,425	3,216,225	3,216,225	
Public works	23,000	22,856	22,856	
Health and welfare	384,182	359,234	359,234	
Culture and recreation	3,500	3,500	3,500	
Conservation of natural resources	128,945	129,781	129,781	
Economic development and assistance	35,268	39,576	39,576	
Debt service:				
Principal	16,360	16,359	16,359	
Interest	7,700	8,176	8,176	
Total Expenditures	<u>8,391,084</u>	<u>8,393,551</u>	<u>8,393,551</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>46,071</u>	<u>1,251,576</u>	<u>1,251,576</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	39,720	40,014	40,014	
Transfers out	(510,720)	(810,720)	(810,720)	
Total Other Financing Sources and Uses	<u>(471,000)</u>	<u>(770,706)</u>	<u>(770,706)</u>	<u>0</u>
Net Change in Fund Balance	(424,929)	480,870	480,870	0
Fund Balances - Beginning	<u>1,862,050</u>	<u>2,459,998</u>	<u>2,459,998</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 1,437,121</u>	<u>2,940,868</u>	<u>2,940,868</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

PIKE COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Countywide Road Maintenance Fund
 For the Year Ended September 30, 2006

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,095,000	1,129,724	1,129,724	
Road and bridge privilege taxes	450,000	486,647	486,647	
Intergovernmental revenues	708,400	890,307	890,307	
Charges for services	1,500			
Interest income	11,000	61,348	61,348	
Miscellaneous revenues	2,100	6,465	6,465	
Total Revenues	<u>2,268,000</u>	<u>2,574,491</u>	<u>2,574,491</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	2,587,145	2,741,874	2,741,874	
Debt service:				
Principal	29,650	29,646	29,646	
Interest	6,721	6,720	6,720	
Total Expenditures	<u>2,623,516</u>	<u>2,778,240</u>	<u>2,778,240</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(355,516)</u>	<u>(203,749)</u>	<u>(203,749)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Compensation for loss of capital assets		35,565	35,565	
Transfers in	365,000	365,000	365,000	
Total Other Financing Sources and Uses	<u>365,000</u>	<u>400,565</u>	<u>400,565</u>	<u>0</u>
Net Change in Fund Balance	9,484	196,816	196,816	0
Fund Balances - Beginning	<u>659,484</u>	<u>822,371</u>	<u>822,371</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 668,968</u>	<u>1,019,187</u>	<u>1,019,187</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

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

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 632,101	651,521	651,521	
Intergovernmental revenues	60,000	87,616	87,616	
Interest income	18,000	45,427	45,427	
Total Revenues	<u>710,101</u>	<u>784,564</u>	<u>784,564</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	802,601	841,425	841,425	
Total Expenditures	<u>802,601</u>	<u>841,425</u>	<u>841,425</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(92,500)</u>	<u>(56,861)</u>	<u>(56,861)</u>	<u>0</u>
Net Change in Fund Balance	(92,500)	(56,861)	(56,861)	0
Fund Balances - Beginning	723,203	998,874	998,874	0
Fund Balances - Ending	<u>\$ 630,703</u>	<u>942,013</u>	<u>942,013</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

PIKE COUNTY

Notes to Required Supplementary Information
For the Year Ended September 30, 2006

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

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

	<u>Governmental Fund Types</u>		
	General Fund	Countywide Road Maintenance Fund	Countywide Bridge Fund
Net Change in Fund Balance - Budget (Cash Basis)	\$ 480,870	196,816	(56,861)
Increase (decrease):			
Net adjustments for revenue accruals	257,348	7,391	(484)
Net adjustments for expenditure accruals	(86,633)	(88,407)	92,243
Net Change in Fund Balance GAAP Basis	<u>\$ 651,586</u>	<u>115,800</u>	<u>34,898</u>

PIKE COUNTY

SUPPLEMENTAL INFORMATION

PIKE COUNTY
Schedule of Expenditures of Federal Awards
September 30, 2006

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Grant Identification Number	Agency or Pass-through Number	Federal Disbursements/ Expenditures
Major Programs:				
U.S Department of Justice - Office of Justice Programs/Mississippi Department of Public Safety/Byrne Formula Grant Program	16579	5NM1571	5NM1571	\$ 244,877
Federal Election Commission - Election Assistance Commission/Mississippi Secretary of State/Help America Vote Act Voting Machines	90.401			<u>243,204</u>
Total Major Programs				<u>488,081</u>
Non-Major Programs:				
U.S. Department of Justice - Office of Juvenile and Delinquency Prevention/Mississippi Department of Public Safety/Juvenile Accountability Incentive Block Grants	16.523 16.523	2JB1571 1JB1571	2JB1571 1JB1571	20,708 18,281
U.S. Department of Justice - Office of Victims of Crime/Mississippi Department of Public Safety/Crime Victim Assistance	16.575 16.575	4VA1571 3VA1571	4VA1571 3VA1571	14,303 36,996
U.S. Department of Justice - Office of Justice Programs/Mississippi Department of Public Safety/Hurricane Relief	16.738	6HR1571	6HR1571	<u>85,433</u>
Total U.S. Department of Justice				<u>175,721</u>
Department of Homeland Security/FEMA/Mississippi Emergency Management Agency Emergency Management Performance Grant	97.036	113-99113-00	113-99113-00	<u>65,350</u>
Total Non-Major Programs				<u>241,071</u>
Total Major and Non-Major Programs				<u>\$ 729,152</u>

Note A - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Pike County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

Of the federal expenditures presented in the schedule, federal awards totaling \$243,204 represent non-cash awards for computerized voting machines during the fiscal year ended September 30, 2006.

PIKE COUNTY

SPECIAL REPORTS

Windham and Lacey, PLLC

Certified Public Accountants

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

Members of the Board of Supervisors
Pike County, Mississippi

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Pike County, Mississippi, as of and for the year ended September 30, 2006, and have issued our report thereon dated June 7, 2007. We did not audit the financial statements of the Pike County Economic Development District, a component unit, which represents 100% of the assets and revenues of the discretely presented component unit column. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned component unit, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Pike County Economic Development District audited by other auditors were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Pike County, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting 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 misstatements caused by error or fraud in amounts that would be material in relation to the 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pike County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Windham and Lacey, PLLC

Windham and Lacey, PLLC
June 7, 2007

Windham and Lacey, PLLC

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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
Pike County, Mississippi

Compliance

We have audited the compliance of Pike County, Mississippi, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended September 30, 2006. Pike 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 its major federal programs is the responsibility of Pike County, Mississippi's management. Our responsibility is to express an opinion on Pike 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 Pike 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 Pike County, Mississippi's compliance with those requirements.

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

Internal Control Over Compliance

The management of Pike 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 Pike 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 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 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.

Windham and Lacey, PLLC

Windham & Lacey, PLLC
June 7, 2007

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

Members of the Board of Supervisors
Pike County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Pike County, Mississippi, as of and for the year ended September 30, 2006. Our study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures as we considered necessary in the circumstances.

The Board of Supervisors of Pike 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 Pike 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, Pike 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 Pike County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.



Windham and Lacey, PLLC
June 7, 2007

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

Schedule 1

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

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

Schedule 2

Our test results did not identify any emergency purchases.

PIKE COUNTY

Schedule 3

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

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

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LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Pike County Mississippi

In planning and performing our audit of the financial statements of Pike County, Mississippi for the year ended September 30, 2006, we considered Pike County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Pike County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated June 7, 2007, on the financial statements of Pike County, Mississippi.

Although no findings came to our attention as a result of these review procedures and compliance tests, these procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

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



Windham and Lacey, PLLC
June 7, 2007

PIKE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PIKE COUNTY

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

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|-------------|
| 1. | Type of auditor's report issued on the financial statements: | Unqualified |
| 2. | Internal control over financial reporting: | |
| a. | Material weakness identified? | No |
| b. | Reportable condition identified that is not considered to be a material weakness? | No |
| 3. | Noncompliance material to the financial statements? | No |

Federal Awards:

- | | | |
|-----|--|-------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 5. | Internal control over major programs: | |
| a. | Material weaknesses identified? | No |
| b. | Reportable conditions identified that are not considered to be material weaknesses? | No |
| 6. | Any audit findings reported as required by Section __.510(a) of Circular A-133? | No |
| 7. | Federal programs identified as major programs: | |
| | U.S. Department of Justice/Byrne Formula Grant Program, CFDA #16.579 | |
| | Federal Election Commission/Help America Vote Act Voting Machines, CFDA #90.401 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | Yes |
| 10. | Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? | No |

PIKE COUNTY

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

Section 2: Financial Statement Findings

The results of our tests did not disclose any findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

Section 3: Federal Award Findings and Questioned Costs

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