





PIKE COUNTY, MISSISSIPPI

Audited Financial Statements  
For the Year Ended September 30, 2007

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, 2007. 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 5 mills over the last 10 years. This does not include School tax increases.

Total net assets decreased \$2,287,878, which represents a 4.54% decrease from the prior fiscal year. If an analysis is made without the Capital Assets and Long Term debt there was a decrease of \$1,840,549, which represents a 10.85% decrease from the prior fiscal year. The County's ending cash balance, for all funds, decreased by \$1,726,520, which represents a 12.59% decrease from the prior fiscal year.

The County had \$19,666,141 in total Governmental Funds revenues. Property tax revenues account for \$10,150,874 or 51.62% of total revenues. State revenues, in the form of reimbursements, shared revenue or grants, account for \$3,126,265 or 15.9% of total revenues. Long Term Debt was issued in the amount of \$440,218 during fiscal year October 1, 2006 thru September 30, 2007.

The County had \$21,954,019 in total Governmental Funds expenses, which represents an increase of \$2,515,152 or 12.94% increase from the prior fiscal year. Expenses in the amount of \$6,587,200 were offset by program revenues. General revenues of \$16,539,876 and beginning net assets of \$2,287,878 were adequate to provide for the remainder of the expenses.

Among major funds, the General Fund had \$9,837,286 in revenues and \$9,444,199 in expenditures. The General Fund's fund balance increased \$138,135 over the prior year. The increase in the General Fund's Fund Balance was due to an increase in state revenues.

Among major funds, the County Wide Road Fund had \$2,707,592 in revenues and \$3,040,709 in expenditures. The County Wide Road Fund's fund balance increased \$260,297 over the prior year. The reason for the increase in the County Wide Road Fund was cost under runs on various projects and higher than expected fuel tax monies.

Among major funds, the County Wide Bridge Fund had \$742,515 in revenues and \$737,763 in expenditures. The County Wide Bridge Fund's fund balance increased \$4,752 over the prior year. The increase in the County Wide Bridge Fund was immaterial in amount.

Capital assets, net of accumulated depreciation, decreased by \$1,159,882, under the prior year.

Long-term debt decreased by \$712,553. During fiscal year 2006/2007 new long term debt in the amount of \$470,974 was incurred.

### ***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**

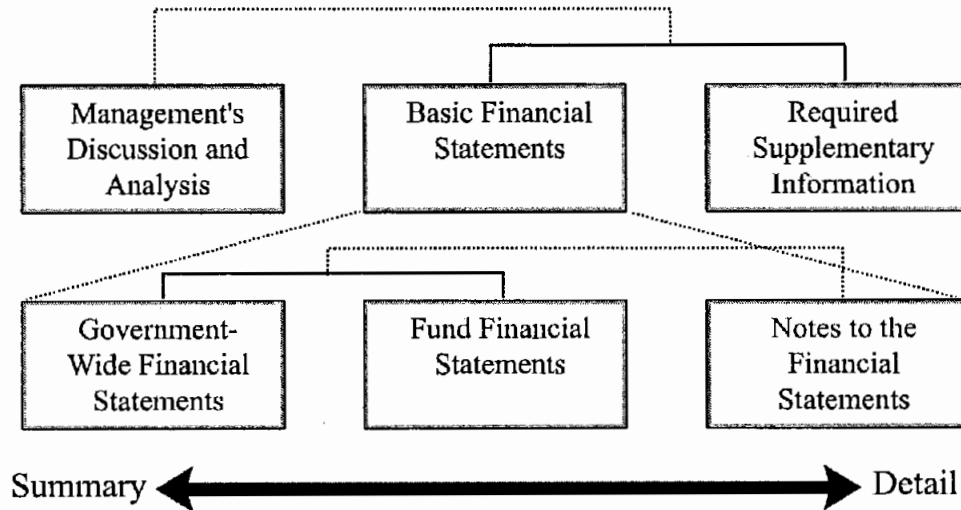


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

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**

	<b>Government-Wide Financial Statements</b>	<b>Fund Financial Statements</b>		
		<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
<b>Scope</b>	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
<b>Required financial statements</b>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in net assets</li> </ul>
<b>Accounting basis and measurement focus</b>	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
<b>Type of asset/liability information</b>	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
<b>Type of inflow/outflow information</b>	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.

**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.

### ***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 \$48,069,169 as of September 30, 2007.

By far, the largest portion of the County's net assets (74%) 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, 2007, as compared to fiscal year ended September 30, 2006.

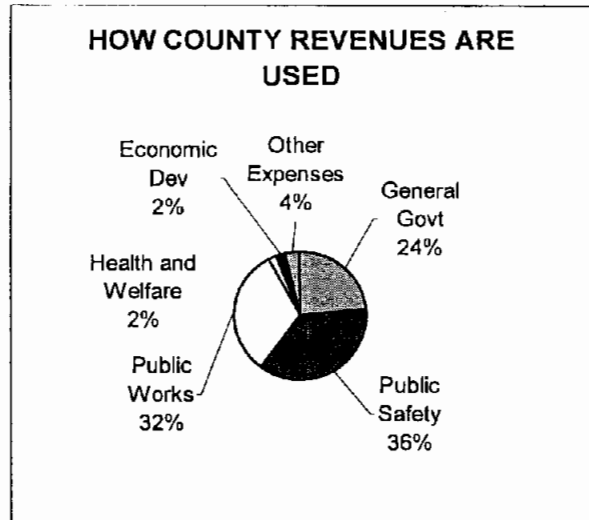
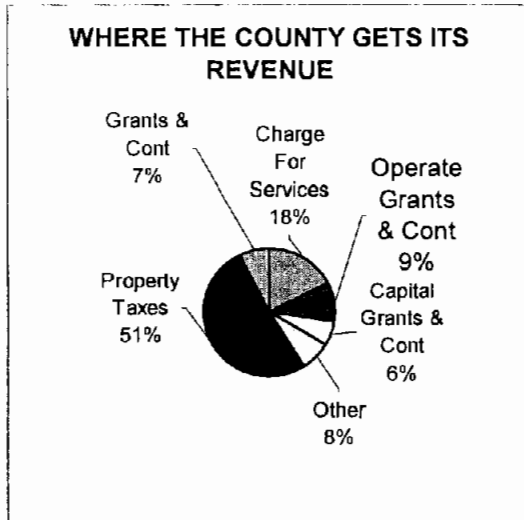
	<u>Current Year Governmental Activities</u>	<u>Prior Year Governmental Activities</u>
<b>Current assets</b>	24,186,865	21,131,823
<b>Capital assets, net</b>	<u>42,874,997</u>	<u>45,431,795</u>
<b>Total assets</b>	<u>67,061,862</u>	<u>66,563,618</u>
<b>Current liabilities</b>	9,066,775	9,572,785
<b>Long-term debt outstanding</b>	<u>9,925,918</u>	<u>7,230,511</u>
<b>Total liabilities</b>	<u>18,992,693</u>	<u>16,803,296</u>
<b>Net assets:</b>		
<b>Invested in capital assets, net of related debt</b>	35,463,504	37,225,279
<b>Restricted</b>	7,308,600	5,588,802
<b>Unrestricted</b>	<u>5,297,065</u>	<u>6,946,240</u>
<b>Total net assets</b>	<u>48,069,169</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.
- \$1,183,527 of long-term debt principal was retired and \$470,974 was issued.

**Changes in Net Assets** – Pike County's total revenues for the fiscal year ended September 30, 2007 was \$19,666,141. The total cost for all services provided was \$21,954,019. The decrease in net assets was \$2,287,878. The following table presents a summary of the changes in net assets for the fiscal year ended September 30, 2007, as compared to fiscal year ended September 30, 2006.

	<u>Current Year Amount</u>	<u>Prior Year Amount</u>
Revenues:		
Program revenues		
Charges for services	3,460,935	3,255,043
Operating Grants & Contributions	1,967,995	1,845,286
Capital Grants & Contributions	1,158,270	1,905,759
General revenues		
Property taxes	10,150,874	9,736,653
Grants and Contributions	1,435,250	1,501,540
Other	1,492,817	1,791,312
Total Revenues	<u>19,666,141</u>	<u>20,035,593</u>
Expenses:		
General government	5,197,500	5,969,878
Public safety	7,974,683	4,868,037
Public works	7,080,318	7,148,412
Health and welfare	436,476	400,114
Economic development	473,035	345,435
Other expenses	792,007	706,991
Total Expenses	<u>21,954,019</u>	<u>19,438,867</u>
Increase (Decrease) in Net Assets	<u>(2,287,878)</u>	<u>596,726</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	\$ 5,197,500	\$ 3,597,527
Public Safety	7,974,683	6,028,122
Public Works	7,080,318	4,124,685
Health & Welfare	436,476	387,943
Economic Development	473,035	436,535

## ***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 \$10,967,526, a decrease of \$1,877,273. The primary reasons for this increase are highlighted in the analysis of governmental activities.

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 \$138,135. 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, 2007, Pike County's total capital assets was \$106,680,030. 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 \$1,830,270.

Total accumulated depreciation as of September 30, 2007 was \$63,805,033, including \$3,499,402 of depreciation expense for the year. The balance in total net capital assets was \$42,874,997 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**

Asset Classification	Balance			Balance 09/30/07
	10/01/06	Additions	Deletions	
Land	1,456,914	41,926	887	1,497,953
Construction in Progress	1,554,139	25,873		1,580,012
Buildings	13,407,610	513,074		13,920,684
Improvements other than Buildings	213,329			213,329
Mobile Equipment	4,186,853	510,897	440,887	4,256,863
Other Furniture & Equipment	769,969	6,500	108,592	667,877
Infrastructure-Roads	76,952,922	1,139,582		78,092,504
Infrastructure-Bridges	6,020,941			6,020,941
Property under Capital Lease	287,083	181,771	38,987	429,867
<b>Total</b>	<b>104,849,760</b>	<b>2,419,623</b>	<b>589,353</b>	<b>106,680,030</b>

**Fixed Asset Accumulated  
Depreciation Expense**

Asset Classification	Balance			Balance 09/30/07
	10/01/06	Additions	Deletions	
Buildings	3,047,264	273,752		3,321,016
Improvements other than Buildings	170,663			170,663
Mobile Equipment	2,736,683	331,290	373,949	2,694,024
Other Furniture & Equipment	706,260	10,707	100,213	616,754
Infrastructure-Roads	50,569,411	2,740,208		53,309,619
Infrastructure-Bridges	3,482,528	104,755		3,587,283
Property under Capital Lease	102,072	38,690	35,088	105,674
<b>Total</b>	<b>60,814,881</b>	<b>3,499,402</b>	<b>509,250</b>	<b>63,805,033</b>

**Debt Administration** – At September 30, 2007, Pike County had \$9,688,598 in long-term debt outstanding. This includes general obligation bonds, other and obligations under capital lease. Of this debt, \$948,431 is due within one year.

In the past year, the County issued \$440,218 of other loans and obligations under capital lease.

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 is breaks down the debt by the type of issue.

## Long Term Debt Analysis

General Obligation Bonds	Balance		Retired	Balance	
	10/1/2006	Issued		9/30/2007	Due Within One Year
Jail Construction	300,000		300,000	0	0
Pike Industrial Bonds 1988-Series A	120,000		60,000	60,000	60,000
Chancery Court Annex	730,000		105,000	625,000	110,000
Sanderson Farms Bonds	2,320,000		275,000	2,045,000	295,000
Pike-Amite-Walthall Library	1,580,000		100,000	1,480,000	110,000
Courthouse Renovation	1,030,000		40,000	990,000	45,000
Industrial Park Expansion	810,000		105,000	705,000	105,000
Jail Renovation Bonds	3,200,000		100,000	3,100,000	100,000
<b>Total General Obligation Bonds</b>	<b>10,090,000</b>	<b>0</b>	<b>1,085,000</b>	<b>9,005,000</b>	<b>825,000</b>
<b>Other Loans</b>					
Magnolia Armory CAP Loan	140,988		17,154	123,834	18,065
Energy Equipment	0	259,447	27,416	232,031	48,397
<b>Total Other Loans</b>	<b>140,988</b>	<b>259,447</b>	<b>44,570</b>	<b>355,865</b>	<b>66,462</b>
<b>Capital Leases</b>					
Dump Truck	7,042		7,042	0	0
Motorgrader Lease	125,575		12,679	112,896	13,071
Loader Lease	68,302		9,481	58,821	9,774
Trackloader Lease	0	180,771	24,755	156,016	34,124
<b>Total Capital Leases</b>	<b>200,919</b>	<b>180,771</b>	<b>53,957</b>	<b>327,733</b>	<b>56,969</b>
<b>Total All Long Term Debt</b>	<b>10,431,907</b>	<b>440,218</b>	<b>1,183,527</b>	<b>9,688,598</b>	<b>948,431</b>

## ***CURRENT AND FUTURE ITEMS OF IMPACT***

The budget for the next fiscal year reflected an increase of \$854,647 or 4.10% in revenues and an increase of \$80,112 or 0.36% in expenses. The Pike County Jail renovation project will be completed during the next fiscal year. Pike County is planning to renovate a building for use as the County and Youth Court.

As of September 30, 2008 Pike County had eight Road and Bridge projects under contract. The project numbers and amount remaining on the contracts were as follows: SAP 57(62) - \$304,746, STP 1175(7)B - \$7,279, STP 0239(6)B - \$244,505, SAP 57(58) - \$52,588, LSBP 57(9)- \$372,061, SAP 57 (59) - \$37,230, LSBP 57(10) – \$21,673 and BR 1175(8)B - \$4,200.

Pike County has an unemployment rate of 8.8% versus 8.1% a year ago.

### ***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

# Windham and Lacey, PLLC

*Certified Public Accountants*

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Pearl, MS 39208  
(601)939-8676

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, 2007, which collectively comprise the county's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of 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, 2007, 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 July 25, 2008, 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.

A handwritten signature in black ink, appearing to read "Windham and Lacey, PLLC". The signature is written in a cursive, flowing style.

Windham and Lacey, PLLC  
July 25, 2008

PIKE COUNTY

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

FIKE COUNTY  
Statement of Net Assets  
September 30, 2007

Exhibit 1

	Primary Government	Component Unit
	Governmental Activities	Economic Development
<b>ASSETS</b>		
Cash	\$ 11,985,423	440,939
Accrued interest receivable	1,366	
Property tax receivable	7,412,951	
Accounts receivable, net of allowance for uncollectible of \$387,585	470,694	16,726
Fines receivable, net of allowance for uncollectible of \$6,645,951	862,547	
Loans receivable	450,000	
Capital lease receivable	2,433,350	
Intergovernmental receivables	413,584	
Other receivables, net	146,578	
Inventories and prepaid items	10,372	
Restricted assets		
Capital assets, net	<u>42,874,997</u>	<u>774,486</u>
Total Assets	<u>67,061,862</u>	<u>1,232,151</u>
<b>LIABILITIES</b>		
Claims payable	343,970	4,072
Intergovernmental payables	423,525	
Accrued interest payable	123,745	
Deferred revenue	7,796,301	
Other payables	379,234	
Long-term liabilities		
Due within one year:		
Capital related debt	605,034	5,754
Non-capital debt	343,397	
Due in more than one year:		
Capital related debt	6,761,454	80,821
Non-capital debt	2,216,033	
Total Liabilities	<u>18,992,693</u>	<u>90,647</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	35,463,504	774,486
Restricted net assets:		
General government	830,657	
Debt service	272,825	
Public safety	2,229,442	
Public works	2,587,100	
Economic development	693,981	
Unemployment compensation	27,886	
Capital projects	606,565	
Other	60,144	
Unrestricted	<u>5,297,065</u>	<u>367,018</u>
Total Net Assets	<u>\$ 48,069,169</u>	<u>1,141,504</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, 2007

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	\$ 5,197,500	1,543,218	56,755		(3,597,527)	
Public safety	7,974,683	868,871	1,061,600	16,090	(6,028,122)	
Public works	7,080,318	1,048,846	764,607	1,142,180	(4,124,685)	
Health and welfare	436,476		48,533		(387,943)	
Culture and recreation	131,976				(131,976)	
Conservation of natural resources	137,642				(137,642)	
Economic development and assistance	473,035		36,500		(436,535)	
Interest on long-term debt	522,389				(522,389)	
Total Governmental Activities	\$ 21,954,019	3,460,935	1,967,995	1,158,270	(15,366,819)	
Component unit:						
Economic Development District	\$ 373,914	0	292,372	0		(81,542)
General revenues:						
Property taxes					\$ 10,150,874	
Road & bridge privilege taxes					480,412	
Grants and contributions not restricted to specific programs					1,435,250	
Unrestricted investment income					945,967	16,676
Miscellaneous					66,438	50,452
Total General Revenues					13,078,941	67,128
Changes in Net Assets					(2,287,878)	(14,414)
Net Assets - Beginning					50,357,047	1,155,918
Net Assets - Ending					\$ 48,069,169	\$ 1,141,504

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

PIKE COUNTY  
Balance Sheet - Governmental Funds  
September 30, 2007

	Major Funds						Total Governmental Funds
	General Funds	Sanderson Farms MBIA Bond Fund	Countywide Road Maintenance Fund	Countywide Bridge Fund	Jail Renovations	Capital Projects	
<b>ASSETS</b>							
Cash	\$ 4,250,374		1,283,313	947,860	451,222		11,074,799
Accrued interest receivable	1,366						1,366
Property tax receivable	4,239,272		989,612	550,559			7,412,951
Accounts receivable, net of allowance for uncollectible of \$387,585							
Fines receivable, net of allowance for uncollectible of \$6,645,951	862,547						470,694
Loans receivable							
Capital lease receivable		2,433,350					862,547
Intergovernmental receivables	281,937		81,402				450,000
Other receivables	17,652						2,433,350
Due from other funds			56,609	11,110			413,584
Inventories and prepaid items	6,372						50,238
Total Assets	\$ 9,659,520	2,433,350	2,410,936	1,509,529	451,222	6,828,120	23,292,677

LIABILITIES AND FUND BALANCES

<b>LIABILITIES</b>							
Claims payable	\$ 107,650		92,447				230,071
Intergovernmental payables	397,053					154	397,207
Due to other funds	139,096						139,096
Deferred revenue	5,101,819	2,433,350	989,612	550,559		2,104,203	11,179,543
Other payables	379,235						379,235
Total Liabilities	6,124,853	2,433,350	1,082,059	550,559	0	2,134,331	12,325,152
<b>Fund balances:</b>							
Reserved for:							
Debt service							
Loans receivable							
Unemployment compensation							
Unreserved, reported in:							
General fund	3,534,667		1,328,877	958,970			396,570
Special revenue funds							450,000
Capital project funds					451,222		27,886
Total Fund Balances	3,534,667	0	1,328,877	958,970	451,222	4,693,790	3,860,570
Total Liabilities and Fund Balances	\$ 9,659,520	2,433,350	2,410,936	1,509,529	451,222	6,828,121	5,625,936
							606,564
							10,967,526
							23,292,678

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, 2007

Exhibit 3-1

	<u>Amount</u>
Total fund balance - governmental funds (Exhibit 3)	\$ 10,967,526
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 \$63,805,033.	42,874,997
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,338,245
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	(9,925,918)
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds.	2,045,000
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.	893,064
Liabilities not due and payable in the current period are not reported in the funds: Accrued bond interest payable	<u>(123,745)</u>
Total net assets - governmental activities (Exhibit 1)	\$ <u><u>48,069,169</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, 2007

Exhibit 4

	Major Funds							Total Governmental Funds
	General Fund	Sanderson Farms MBIA Bond Fund	Countywide Road Maintenance Fund	Countywide Bridge Fund	Jail Renovations	Capital Projects	Other Governmental Funds	
<b>REVENUES</b>								
Property taxes	\$ 6,032,104		1,220,383	657,429			2,240,958	10,150,874
Road and bridge privilege taxes			480,412					480,412
Licenses, commissions and other revenue	511,833						79,831	591,664
Fines and forfeitures	731,964						153,750	885,714
Intergovernmental revenues	1,672,757		926,190	29,020			948,199	3,576,166
Charges for services	394,859						1,430,364	1,825,223
Interest income	393,696	130,950	79,288	56,066	118,513		247,895	1,026,408
Miscellaneous revenues	100,073		1,319				274,314	375,706
<b>Total Revenues</b>	<b>9,837,286</b>	<b>130,950</b>	<b>2,707,592</b>	<b>742,515</b>	<b>118,513</b>		<b>5,375,311</b>	<b>18,912,167</b>
<b>EXPENDITURES</b>								
Current:								
General government	5,073,135						852,463	5,925,598
Public safety	3,568,331				2,867,631		1,494,376	7,930,338
Public works	20,000		2,975,492	737,763			1,158,267	4,891,522
Health and welfare	394,366							394,366
Culture and recreation	63,500						12,763	76,263
Conservation of natural resources	137,642							137,642
Economic development and assistance	126,940						339,505	466,445
Debt service:								
Principal	44,570	275,000					810,000	1,183,526
Interest	15,715	130,950					376,849	534,775
<b>Total Expenditures</b>	<b>9,444,199</b>	<b>405,950</b>	<b>3,040,709</b>	<b>737,763</b>	<b>2,867,631</b>		<b>5,044,223</b>	<b>21,540,475</b>
<b>Excess of Revenues over (under) Expenditures</b>	<b>393,087</b>	<b>(275,000)</b>	<b>(333,117)</b>	<b>4,752</b>	<b>(2,749,118)</b>		<b>331,088</b>	<b>(2,628,308)</b>

PIKE COUNTY

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

(Exhibit 4 Continued)

	Major Funds							Total Governmental Funds
	General Fund	Sanderson Farms MBIA Bond Fund	Countywide Road Maintenance Fund	Countywide Bridge Fund	Jail Renovations	Capital Projects	Other Governmental Funds	
OTHER FINANCING SOURCES (USES)								
Proceeds from long-term debt	259,447		180,771					440,218
Proceeds from sale of capital assets	1,674		32,643				1,500	35,817
Transfers in			380,000				237,001	617,001
Transfers out	(516,073)						(100,928)	(617,001)
Lease principal payments received		275,000						275,000
Total Other Financing Sources and Uses	(254,952)	275,000	593,414	0	0	0	137,573	751,035
Net Changes in Fund Balances	138,135	0	260,297	4,752	(2,749,118)		468,661	(1,877,273)
Fund Balances - Beginning	3,396,532	0	1,068,580	954,218	3,200,340		4,225,129	12,844,799
Fund Balances - Ending	\$ 3,534,667	0	1,328,877	958,970	451,222		4,693,790	10,967,526

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, 2007

Net changes in fund balances - total governmental funds (Exhibit 4) \$ (1,877,273)

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  
\$3,499,402 exceeded capital outlays \$2,419,623 in the current period. (1,079,779)

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 \$44,285 and  
the proceeds from the sale in the current period of \$35,817. (80,102)

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. 76,280

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. 82,056

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  
repayments of \$1,183,527 exceeded debt proceeds of \$440,218. 743,309

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	19,199
Change in compensated absences	(30,756)

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. (275,000)

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. 134,188

Change in net assets of governmental activities (Exhibit 2) \$ (2,287,878)

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

PIKE COUNTY  
Statement of Net Assets - Proprietary Fund  
September 30, 2007

Exhibit 5

	Governmental Activities
	Self-Insurance Internal Service Fund
<b>ASSETS</b>	
Current Assets:	
Cash	\$ 910,623
Other receivables	<u>96,340</u>
Total Assets	<u>\$ 1,006,963</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Claims and judgments	\$ <u>113,899</u>
Total Liabilities	<u>\$ 113,899</u>
<b>NET ASSETS</b>	
Restricted for health insurance	\$ <u>893,064</u>
Total Net Assets	<u>\$ 893,064</u>

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

PIKE COUNTY

Exhibit 6

Statement of Revenues, Expenses and Changes in Fund Net Assets -  
 Proprietary Fund  
 For the Year Ended September 30, 2007

	Governmental Activities
	Self-Insurance Internal Service Fund
<b>OPERATING REVENUES</b>	
Premiums	\$ 1,169,240
Total Operating Revenues	<u>1,169,240</u>
<b>OPERATING EXPENSES</b>	
Claims payments	792,827
Insurance premiums	212,218
Administrative fees	80,516
Total Operating Expenses	<u>1,085,561</u>
Operating Income (Loss)	<u>83,679</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest income	<u>50,509</u>
Total Nonoperating Revenue (Expenses)	<u>50,509</u>
Change in Net Assets	134,188
Total Net Assets - Beginning	<u>758,876</u>
Total Net Assets - Ending	<u>\$ 893,064</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, 2007

Exhibit 7

	Governmental Activities
	Self-Insurance Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from premiums	\$ 1,169,370
Payments to administrator for services	(75,388)
Payments for re-insurance premiums	(210,747)
Payments for insurance claims	(738,521)
Net Cash Provided (Used) by Operating Activities	<u>144,714</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Other receipts (payments)	<u>0</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>0</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	<u>50,509</u>
Net Cash Provided (Used) by Investing Activities	<u>50,509</u>
Net Increase (Decrease) in Cash and Cash Equivalents	195,223
Cash and Cash Equivalents - Beginning of Year	<u>715,400</u>
Cash and Cash Equivalents - End of Year	<u>\$ 910,623</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ <u>83,679</u>
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:	
Change in assets and liabilities:	
(Increase) decrease in other receivables	130
Increase (decrease) in claims and judgments payable	<u>60,905</u>
Total adjustments	<u>61,035</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 144,714</u>

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

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

Exhibit 8

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	\$ 429,462
Due from other funds	26,320
Other receivable	<u>928</u>
Total Assets	<u>\$ 456,710</u>
<b>LIABILITIES</b>	
Other payables	\$ 167,603
Intergovernmental payables	<u>289,107</u>
Total Liabilities	<u>\$ 456,710</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, 2007

(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, 2007

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

The county's proprietary 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, 2007

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.

Capital Projects Funds – These Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. Such resources are derived principally from proceeds of general obligation bond issues and federal grants.

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. The county's internal service fund reports on self-insurance programs for employee medical benefits.

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.

PIKE COUNTY

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

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.

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, 2007

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

	<u>Capitalization Thresholds</u>	<u>Estimated Useful Life</u>
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
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, 2007

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, 2007, was \$12,414,909, and the bank balance was \$13,429,426. The carrying amount of the component unit's total deposits with financial institutions at September 30, 2007, was \$440,939, and the bank balance was \$451,931. 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, 2007

(3) Interfund Transactions and Balances.

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

A. Due To/From Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Countywide Road Maintenance	General Fund	\$ 56,609
Countywide Bridge	General Fund	11,110
Other Governmental Funds	General Fund	45,057
Agency Funds	General Fund	<u>26,320</u>
Total		<u>\$ 139,096</u>

All amounts listed are the tax revenues or court fees collected but not settled until October, 2007. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Countywide Road Maintenance	General Fund	\$ 222,000
Countywide Road Maintenance	Other Governmental Funds	158,000
Other Governmental Funds	General Fund	136,073
Other Governmental Funds	Other Governmental Funds	<u>100,928</u>
Total		<u>\$ 617,001</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.

(4) Intergovernmental Receivables.

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

Governmental Activities:

<u>Description</u>	<u>Amount</u>
Legislative tag credit	\$ 180,181
Oil severance	41,050
Motor vehicle fuel tax	27,113
Other	<u>165,240</u>
Total Governmental Activities	<u>\$ 413,584</u>

PIKE COUNTY

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

(5) Loans Receivable.

Loans receivable balance at September 30, 2007, is as follows:

Description	Date of Loan	Interest Rate	Maturity Date	Balance Payable
Low income housing loan	03/10/2000	1.00%	03/10/2050	\$ <u>450,000</u>

(6) Capital Assets.

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

	Beginning Balance	Increases	Decreases	Adjustments	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 1,456,914	41,926	(887)		1,497,953
Construction in progress	<u>1,554,139</u>	<u>25,873</u>		<u>(200,182)</u>	<u>1,379,830</u>
Total capital assets, not being depreciated	<u>3,011,053</u>	<u>67,799</u>	<u>(887)</u>	<u>(200,182)</u>	<u>2,877,783</u>
Capital assets, being depreciated:					
Buildings	13,407,610	513,074			13,920,684
Improvements other than buildings	213,329				213,329
Mobile equipment	4,186,853	510,897	(440,887)		4,256,863
Furniture and equipment	769,969	6,500	(108,592)		667,877
Property under capital leases	287,083	181,771	(38,987)		429,867
Infrastructure	<u>82,973,863</u>	<u>1,139,582</u>		<u>200,182</u>	<u>84,313,627</u>
Total capital assets being depreciated	<u>101,838,707</u>	<u>2,351,824</u>	<u>(588,466)</u>	<u>200,182</u>	<u>103,802,247</u>
Less: Accumulated depreciation for:					
Buildings	3,047,264	273,752			3,321,016
Improvements other than buildings	170,663				170,663
Mobile equipment	2,736,683	331,290	(373,949)		2,694,024
Furniture and equipment	706,260	10,707	(100,213)		616,754
Property under capital leases	102,072	38,690	(35,088)		105,674
Infrastructure	<u>54,051,939</u>	<u>2,844,963</u>			<u>56,896,902</u>
Total accumulated depreciation	<u>60,814,881</u>	<u>3,499,402</u>	<u>(509,250)</u>	<u>0</u>	<u>63,805,033</u>
Total capital assets, being depreciated, net	<u>41,023,826</u>	<u>(1,147,578)</u>	<u>(79,216)</u>	<u>200,182</u>	<u>39,997,214</u>
Governmental activities capital assets, net	\$ <u>44,034,879</u>	<u>(1,079,779)</u>	<u>(80,103)</u>	<u>0</u>	<u>42,874,997</u>

Adjustments are made to capital assets to transfer completed projects from construction in progress to infrastructure.

PIKE COUNTY

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

Depreciation expense was charged to the following functions:

Governmental activities:	
General government	\$ 120,745
Public safety	261,373
Public works	3,012,871
Health and welfare	42,110
Culture and recreation	55,713
Economic development and assistance	<u>6,590</u>
Total depreciation expense - governmental activities	<u>\$ 3,499,402</u>

COMPONENT UNIT - PIKE COUNTY ECONOMIC DEVELOPMENT DISTRICT:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
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	20,677	1,202		21,879
Total capital assets being depreciated	<u>20,677</u>	<u>1,202</u>	<u>0</u>	<u>21,879</u>
Less: Accumulated depreciation for:				
Machinery & equipment	14,895	1,893		16,788
Total accumulated depreciation	<u>14,895</u>	<u>1,893</u>	<u>0</u>	<u>16,788</u>
Total capital assets, being depreciated, net	<u>5,782</u>	<u>(691)</u>	<u>0</u>	<u>5,091</u>
Governmental activities capital assets, net	<u>\$ 775,177</u>	<u>(691)</u>	<u>0</u>	<u>774,486</u>

(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 \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2007, to January 1, 2008. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

PIKE COUNTY

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

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 \$50,000.

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, 2007, the amount of these liabilities was \$113,899. An analysis of claims activities is presented below:

	<u>2006</u>	<u>2007</u>
Claims Liability, Beginning of Fiscal Year	\$ 80,272	52,994
Incurred Claims	719,787	795,426
Claim Payments	<u>747,065</u>	<u>734,521</u>
Claims Liability, End of Fiscal Year	<u>\$ 52,994</u>	<u>113,899</u>

(8) Capital Leases.

As Lessor:

The county leases the following property with varying terms and options as of September 30, 2007:

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

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2007, are as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 295,000	113,850
2009	310,000	95,700
2010	330,000	76,500
2011	350,000	56,100
2012	370,000	34,500
2013	<u>390,000</u>	<u>11,700</u>
Total	<u>\$ 2,045,000</u>	<u>388,350</u>

PIKE COUNTY

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

As Lessee:

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

<u>Asset</u>	<u>Governmental Activities</u>
Machinery and equipment	\$ 429,867
Less: Accumulated depreciation	<u>(105,674)</u>
Property Under Capital Leases	<u>\$ 324,193</u>

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

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 56,969	10,951
2009	184,460	6,764
2010	37,116	3,040
2011	38,709	1,447
2012	<u>10,479</u>	<u>116</u>
Total	<u>\$ 327,733</u>	<u>22,318</u>

(9) Long-term Debt.

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

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
Governmental Activities:			
A. General Obligation Bonds:			
Pike Industrial 1998 - Series A	\$ 60,000	8.00%	09/01/2008
Chancery Court annex	625,000	5.10-5.25%	05/01/2012
Sanderson Farms	2,045,000	6.00%	11/01/2012
Industrial development - Series 2003	705,000	4.50-5.63%	01/01/2018
Pike-Amite-Walthall Library	1,480,000	4.90-6.50%	01/01/2018
Courthouse renovations	990,000	4.40-5.50%	07/01/2021
Jail renovation	<u>3,100,000</u>	4.00-5.625%	08/01/2026
Total General Obligation Bonds	<u>\$ 9,005,000</u>		

PIKE COUNTY

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

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
<b>B. Capital Leases:</b>			
Caterpillar 12H motor grader	\$ 112,896	3.09%	02/06/2009
Track loader	156,016	4.21%	01/02/2012
Front-end loader	<u>58,821</u>	3.09%	02/06/2009
Total Capital Leases	<u>\$ 327,733</u>		
<b>C. Loans:</b>			
Magnolia Armory capital improvements loan	\$ 123,760	5.18%	09/01/2013
Energy equipment	<u>232,105</u>	4.52%	02/15/2012
Total Loans	<u>\$ 355,865</u>		

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

Governmental Activities:

<u>Year Ending September 30,</u>	<u>General Obligation Bonds</u>		<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 825,000	436,575	66,462	15,412
2009	815,000	391,546	69,925	12,207
2010	865,000	347,700	73,286	8,846
2011	910,000	300,861	76,808	5,324
2012	960,000	251,301	46,419	2,017
2013-2017	1,980,000	633,856	22,965	561
2018-2022	1,675,000	383,995		
2023-2026	<u>975,000</u>	<u>116,200</u>		
Total	<u>\$ 9,005,000</u>	<u>2,862,034</u>	<u>355,865</u>	<u>44,367</u>

**Legal Debt Margin** - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2007, the amount of outstanding debt was equal to 3.1% of the latest property assessments.

PIKE COUNTY

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

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

	Balance Oct. 1, 2006	Additions	Reductions	Balance Sept. 30, 2007	Amount due within one year
Governmental Activities:					
Compensated absences	\$ 206,564	30,756		237,320	
General obligation bonds	10,090,000		(1,085,000)	9,005,000	825,000
Capital leases	200,919	180,771	(53,957)	327,733	56,969
Other loans	140,988	259,447	(44,570)	355,865	66,462
<b>Total</b>	<b>\$ 10,638,471</b>	<b>470,974</b>	<b>(1,183,527)</b>	<b>9,925,918</b>	<b>948,431</b>

(10) Contingencies.

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

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

(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 \$20,000 in fiscal year 2007. Complete financial statements for the McComb-Pike County Airport can be obtained from 2051 John E. Lewis Drive, McComb, MS 39648.

## PIKE COUNTY

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

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 2007. 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 \$58,248 for support of the district in fiscal year 2007.

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 2007.

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 \$1,315,494 for the operations and maintenance of the college in fiscal year 2007.

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 2007, is 11.85% of annual covered payroll. Prior to July 1, 2007, the county's contribution rate was 11.30%. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2007, 2006 and 2005 were \$675,200, \$609,781 and \$546,762, respectively, equal to the required contributions for each year.

PIKE COUNTY

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

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 11.85% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The district's and employees' contributions to PERS for the years ending September 30, 2007, 2006 and 2005 were \$29,599, \$30,086 and \$26,011, respectively, equal to the required contributions for each year.

(14) 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, 2007, totaled \$3,336,423 including change orders. The balance of the contract to completion at September 30, 2007, is \$261,736. These costs are funded by proceeds of a \$3,200,000 bond issued in August, 2007.

PIKE COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

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

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 5,949,237	6,043,390	6,043,390	
Licenses, commissions and other revenue	487,600	517,861	517,861	
Fines and forfeitures	590,700	699,501	699,501	
Intergovernmental revenues	1,580,882	1,731,579	1,731,579	
Charges for services	265,000	402,241	402,241	
Interest income	210,250	394,469	394,469	
Miscellaneous revenues	120,500	106,610	106,610	
Total Revenues	<u>9,204,169</u>	<u>9,895,651</u>	<u>9,895,651</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
General government	4,924,989	4,903,789	4,903,789	
Public safety	3,601,264	3,561,787	3,561,787	
Public works	23,000	20,000	20,000	
Health and welfare	400,824	393,642	393,642	
Culture and recreation	3,500	63,500	63,500	
Conservation of natural resources	137,444	137,250	137,250	
Economic development and assistance	326,468	126,810	126,810	
Debt service:				
Principal	49,405	44,570	44,570	
Interest	6,835	15,715	15,715	
Total Expenditures	<u>9,473,729</u>	<u>9,267,063</u>	<u>9,267,063</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(269,560)</u>	<u>628,588</u>	<u>628,588</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets		1,674	1,674	
Transfers in	41,320	41,320	41,320	
Transfers out	(552,440)	(557,393)	(557,393)	
Total Other Financing Sources and Uses	<u>(511,120)</u>	<u>(514,399)</u>	<u>(514,399)</u>	<u>0</u>
Net Change in Fund Balance	(780,680)	114,189	114,189	0
Fund Balances - Beginning	<u>2,019,958</u>	<u>3,170,984</u>	<u>3,170,984</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 1,239,278</u>	<u>3,285,173</u>	<u>3,285,173</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, 2007

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 1,221,000	1,222,280	1,222,280	
Road and bridge privilege taxes	525,000	485,421	485,421	
Intergovernmental revenues	723,400	902,315	902,315	
Charges for services				
Interest income	35,000	79,288	79,288	
Miscellaneous revenues	2,100	1,319	1,319	
Total Revenues	<u>2,506,500</u>	<u>2,690,623</u>	<u>2,690,623</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
Public works	2,905,333	2,821,175	2,821,175	
Debt service:				
Principal	29,205	53,956	53,956	
Interest	5,735	11,261	11,261	
Total Expenditures	<u>2,940,273</u>	<u>2,886,392</u>	<u>2,886,392</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(433,773)</u>	<u>(195,769)</u>	<u>(195,769)</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets		79,896	79,896	
Transfers in	380,000	380,000	380,000	
Total Other Financing Sources and Uses	<u>380,000</u>	<u>459,896</u>	<u>459,896</u>	<u>0</u>
Net Change in Fund Balance	(53,773)	264,127	264,127	0
Fund Balances - Beginning	<u>1,046,227</u>	<u>1,019,187</u>	<u>1,019,187</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 992,454</u>	<u>1,283,314</u>	<u>1,283,314</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, 2007

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 660,000	659,633	659,633	
Intergovernmental revenues	60,000	29,020	29,020	
Interest income	30,000	56,066	56,066	
Total Revenues	<u>750,000</u>	<u>744,719</u>	<u>744,719</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
Public works	829,250	738,872	738,872	
Total Expenditures	<u>829,250</u>	<u>738,872</u>	<u>738,872</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(79,250)</u>	<u>5,847</u>	<u>5,847</u>	<u>0</u>
Net Change in Fund Balance	(79,250)	5,847	5,847	0
Fund Balances - Beginning	<u>920,750</u>	<u>942,013</u>	<u>942,013</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 841,500</u>	<u>947,860</u>	<u>947,860</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, 2007

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

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

	Governmental Fund Types		
	General Fund	Countywide Road Maintenance Fund	Countywide Bridge Fund
Net Change in Fund Balance - Budget (Cash Basis)	\$ 114,189	264,127	5,847
Increase (decrease):			
Net adjustments for revenue accruals	201,082	150,487	(2,204)
Net adjustments for expenditure accruals	<u>(177,136)</u>	<u>(154,317)</u>	<u>1,109</u>
Net Change in Fund Balance GAAP Basis	<u>\$ 138,135</u>	<u>260,297</u>	<u>4,752</u>

PIKE COUNTY

SPECIAL REPORTS

# Windham and Lacey, PLLC

*Certified Public Accountants*

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Pearl, MS 39208  
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Members:  
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Mississippi Society of CPAs

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

Members of the Board of Supervisors  
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, 2007, and have issued our report thereon dated July 25, 2008. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

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

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

Our consideration of the internal controls over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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  
July 25, 2008

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*Certified Public Accountants*

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

Members of the Board of Supervisors  
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, 2007. Our study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures as we considered necessary in the circumstances.

The Board of Supervisors of 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  
July 25, 2008

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

Schedule 1

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

PIKE COUNTY  
Schedule of Emergency Purchases  
For the Year Ended September 30, 2007

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, 2007

On January 1, 2007, the county purchased Elan Mira Model Shorthand machines that the Board of Supervisors declared a sole source purchase. The total expenditure was \$8,939.98.

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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, 2007, 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 July 25, 2008, 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  
July 25, 2008

PIKE COUNTY

SCHEDULE OF FINDINGS

PIKE COUNTY

Schedule of Findings  
For the Year Ended September 30, 2007

Section 1: Summary of Auditor's Results

***Financial Statements:***

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

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*.