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PIKE COUNTY, MISSISSIPPI

**Audited Financial Statements
For the Year Ended September 30, 2008**

PIKE COUNTY

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PIKE COUNTY

FINANCIAL SECTION

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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, 2008, 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 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 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 provides a reasonable basis for our opinions.

In our opinion, based on our audit, 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, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2009, 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 have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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



Windham and Lacey, PLLC
June 15, 2009

PIKE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

PIKE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

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, 2008. 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 more than 8 mills over the last 10 years. This does not include School tax increases.

Total net assets increased \$2,767,958, which represents a 5.76% increase from the prior fiscal year. If an analysis is made without the Capital Assets and Long Term debt there was an increase of \$466,650, which represents a 3.09% increase from the prior fiscal year. The County's ending cash balance, for all funds, increased by \$524,275, which represents a 4.38% increase from the prior fiscal year.

The County had \$21,951,295 in total Governmental Funds revenues. Property tax revenues account for \$10,798,105 or 49.20% of total revenues. State revenues, in the form of reimbursements, shared revenue or grants, account for \$6,669,192 or 30.39% of total revenues. Long Term Debt was issued in the amount of \$123,658 during fiscal year October 1, 2007 thru September 30, 2008.

The County had \$19,183,335 in total Governmental Funds expenses, which represents a decrease of \$2,770,684 or 12.62% decrease from the prior fiscal year. Expenses in the amount of \$8,497,050 were offset by program revenues. General revenues of \$17,790,799 were adequate to provide for the remainder of the expenses.

Among major funds, the General Fund had \$10,747,510 in revenues and \$9,767,974 in expenditures. The General Fund's fund balance increased \$473,401 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 \$2,672,108 in revenues and \$3,052,520 in expenditures. The County Wide Road Fund's fund balance increased \$82,247 over the prior year.

Capital assets, net of accumulated depreciation, increased by \$1,472,898, compared to the prior year.

Long-term debt decreased by \$827,194. During fiscal year 2007/2008 new long term debt in the amount of \$123,658 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

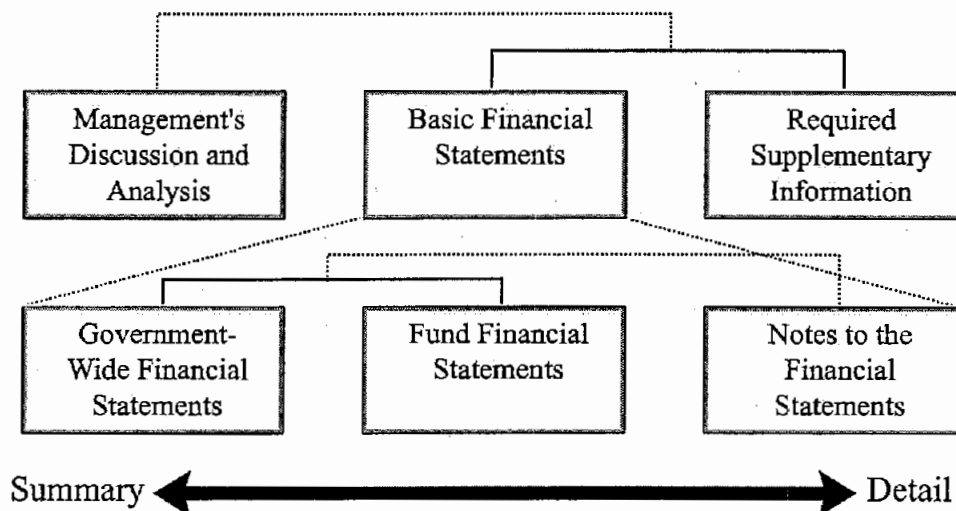


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

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

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

<p>Type of inflow/outflow information</p>	<p>All revenues and expenses during year, regardless of when cash is received or paid</p>	<p>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</p>	<p>All revenues and expenses during year, regardless of when cash is received or paid</p>	<p>All revenues and expenses during year, regardless of when cash is received or paid</p>
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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.

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 \$50,837,128 as of September 30, 2008.

By far, the largest portion of the County's net assets (73.61%) 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, 2008, as compared to fiscal year ended September 30, 2007:

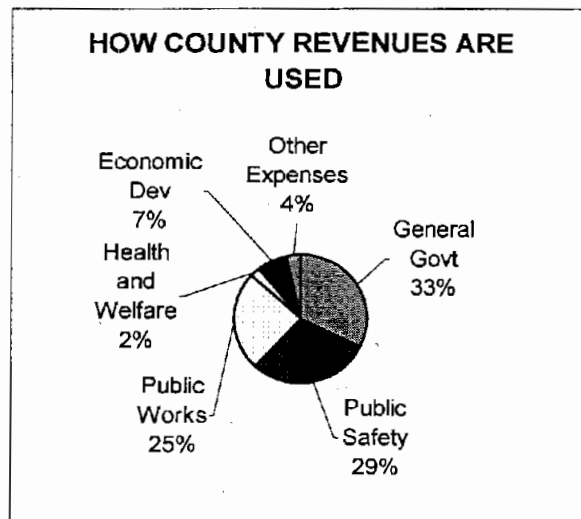
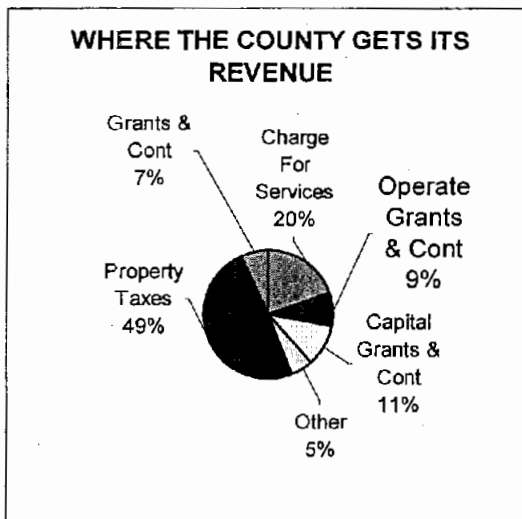
	<u>Current Year Governmental Activities</u>	<u>Prior Year Governmental Activities</u>
Current assets	\$ 25,256,983	24,186,865
Capital assets, net	<u>44,347,895</u>	<u>42,874,997</u>
Total assets	<u>69,604,878</u>	<u>67,061,862</u>
Current liabilities	9,670,243	9,066,775
Long-term debt outstanding	<u>9,097,507</u>	<u>9,925,918</u>
Total liabilities	<u>18,767,750</u>	<u>18,992,693</u>
Net assets:		
Invested in capital assets, net of related debt	37,420,199	35,463,504
Restricted	7,268,622	7,308,600
Unrestricted	<u>6,148,308</u>	<u>5,297,065</u>
Total net assets	<u>\$ 50,837,128</u>	<u>48,069,169</u>

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

- A large asset class (road type) was fully depreciated at fye September 30, 2007, accordingly, depreciation expense decreased for fye September 30, 2008.
- \$950,852 of long-term debt principal was retired and \$123,658 was issued.

Changes in Net Assets – Pike County’s total revenues for the fiscal year ended September 30, 2008 was \$21,951,295. The total cost for all services provided was \$19,183,335. The increase in net assets was \$2,767,958. The following table presents a summary of the changes in net assets for the fiscal year ended September 30, 2008, as compared to fiscal year ended September 30, 2007:

	Current Year Amount	Prior Year Amount
Revenues:		
Program revenues		
Charges for services	\$ 4,306,002	3,460,935
Operating grants & contributions	1,835,346	1,967,995
Capital grants & contributions	2,325,150	1,158,270
General revenues		
Property taxes	10,798,105	10,150,874
Grants & contributions	1,519,667	1,435,250
Other	1,167,026	1,492,817
Total Revenues	<u>21,951,295</u>	<u>19,666,141</u>
Expenses:		
General government	6,164,468	5,197,500
Public safety	5,639,318	7,974,683
Public works	4,834,597	7,080,318
Health and welfare	441,860	436,476
Economic development	1,415,226	473,035
Other expenses	687,868	792,007
Total Expenses	<u>19,183,335</u>	<u>21,954,019</u>
Increase (Decrease) in Net Assets	<u>\$ 2,767,958</u>	<u>(2,287,878)</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	\$ 6,164,468	\$ 4,245,890
Public Safety	5,639,318	3,389,573
Public Works	4,834,597	1,611,625
Health & Welfare	441,860	368,674
Economic Development	1,415,226	413,005

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 \$11,387,161, a decrease of \$419,633. 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 \$473,401. 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, 2008, Pike County's total capital assets was \$108,874,642. 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 \$2,194,612.

Total accumulated depreciation as of September 30, 2008 was \$64,526,747, including \$883,800 of deprecation expense for the year. The balance in total net capital assets was \$44,347,895 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 10/01/07	Additions	Deletions	Balance 09/30/08
Land	\$ 1,497,953	195,000		1,692,953
Construction in progress	1,379,830	283,709	(83,381)	1,580,158
Buildings	13,920,684			13,920,684
Improvements other than buildings	213,329			213,329
Mobile equipment	4,256,863	386,199	144,702	4,498,360
Other furniture & equipment	667,877	49,911	40,402	677,386
Infrastructure - roads	78,292,686	699,444		78,992,130
Infrastructure - bridges	6,020,941	725,176		6,746,117
Property under capital lease	429,867	123,658		553,525
Total	\$ <u>106,680,030</u>	<u>2,379,716</u>	<u>101,723</u>	<u>108,874,642</u>

Fixed Asset Accumulated**Depreciation Expense**

Asset Classification	Balance 10/01/07	Additions	Deletions	Balance 09/30/08
Buildings	\$ 3,321,016	273,752		3,594,768
Improvements other than buildings	170,663			170,663
Mobile equipment	2,694,024	332,881	124,830	2,902,075
Other furniture & equipment	616,754	15,415	37,256	594,913
Infrastructure - roads	53,309,619	109,032		53,418,651
Infrastructure - bridges	3,587,283	119,260		3,706,543
Property under capital lease	105,674	33,460		139,134
Total	\$ <u>63,805,033</u>	<u>883,800</u>	<u>162,086</u>	<u>64,526,747</u>

Debt Administration – At September 30, 2008, Pike County had \$9,097,507 in long-term debt outstanding. This includes general obligation bonds, other and obligations under capital lease. Of this debt, \$1,098,668 is due within one year.

In the past year, the County issued \$123,658 an obligation 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 42 million dollars.

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

Long-term Debt Analysis

	Balance			Balance	Due
General Obligation Bonds	10/1/2007	Issued	Retired	9/30/2008	Within
					One Year
Pike Industrial Bonds 1988 - Series A	\$ 60,000		60,000	60,000	
Chancery Court Annex	625,000		110,000	515,000	120,000
Sanderson Farms Bonds	2,045,000		295,000	1,750,000	310,000
Pike-Amite-Walthall Library	1,480,000		110,000	1,370,000	115,000
Courthouse Renovation	990,000		45,000	945,000	45,000
Industrial Park Expansion	705,000		105,000	600,000	110,000
Jail Renovation Bonds	<u>3,100,000</u>		<u>100,000</u>	<u>3,000,000</u>	<u>115,000</u>
Total General Obligation Bonds	<u>9,005,000</u>	<u>0</u>	<u>825,000</u>	<u>8,180,000</u>	<u>815,000</u>
Other Loans					
Magnolia Armory CAP Loan	123,760		18,065	105,695	19,024
Energy Equipment	<u>232,105</u>		<u>48,397</u>	<u>183,708</u>	<u>50,631</u>
Total Other Loans	<u>355,865</u>	<u>0</u>	<u>66,462</u>	<u>289,403</u>	<u>69,655</u>
Capital Leases					
Motor grader Lease	112,896		13,071	99,825	13,071
Loader Lease	58,821		9,774	49,047	9,774
Track loader Lease	56,016		34,124	121,892	34,124
Asphalt Distributor Truck		<u>123,658</u>	<u>2,421</u>	<u>121,237</u>	<u>29,553</u>
Total Capital Leases	<u>227,733</u>	<u>123,658</u>	<u>59,390</u>	<u>392,001</u>	<u>56,969</u>
Total All Long-term Debt	<u>\$ 9,688,598</u>	<u>123,658</u>	<u>950,852</u>	<u>8,861,404</u>	<u>1,098,668</u>

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 renovating a building for use as the County and Youth Court.

Pike County has an unemployment rate of 8.9% versus 8.8% 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 STATEMENTS

PIKE COUNTY
Statement of Net Assets
September 30, 2008

Exhibit 1

	Primary Government	Component Unit
	Governmental Activities	Economic Development
ASSETS		
Cash	\$ 12,509,698	377,512
Accrued interest receivable	79	
Property tax receivable	7,972,137	
Accounts receivable, net of allowance for uncollectible of \$449,171	534,441	14,387
Fines receivable, net of allowance for uncollectible of \$7,318,245	1,024,564	
Loans receivable	450,000	
Capital lease receivable	2,024,500	
Intergovernmental receivables	584,371	
Other receivables, net	146,947	
Inventories and prepaid items	10,246	
Capital assets, net	44,347,895	858,417
Total Assets	<u>69,604,878</u>	<u>1,250,316</u>
LIABILITIES		
Claims payable	404,650	4,036
Intergovernmental payables	424,257	80,821
Accrued interest payable	110,987	
Deferred revenue	8,246,636	
Other payables	483,713	
Long-term liabilities		
Due within one year:		
Capital related debt	738,037	
Non-capital debt	360,631	
Due in more than one year:		
Capital related debt	6,189,659	
Non-capital debt	1,809,180	
Total Liabilities	<u>18,767,750</u>	<u>84,857</u>
NET ASSETS		
Invested in capital assets, net of related debt	37,420,199	858,417
Restricted net assets:		
General government	854,289	
Debt service	279,495	
Public safety	2,354,271	
Public works	2,849,077	
Economic development	687,347	
Unemployment compensation	21,968	
Capital projects	149,911	
Other	72,263	
Unrestricted	6,148,308	307,042
Total Net Assets	<u>\$ 50,837,128</u>	<u>1,165,459</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, 2008

Exhibit 2

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	Component Unit	
					Governmental Activities	Economic Development
Primary government:						
Governmental activities:						
General government	\$ 6,164,468	1,864,610	53,968	(4,245,890)		
Public safety	5,639,318	1,337,304	912,236	(3,389,778)		
Public works	4,834,597	1,104,088	759,456	(1,611,625)		
Health and welfare	441,860		73,186	(368,674)		
Culture and recreation	74,463			(74,463)		
Conservation of natural resources	145,973			(145,973)		
Economic development and assistance	1,415,226		36,500	(413,004)		
Interest on long-term debt	467,431			(467,431)		
Total Governmental Activities	\$ 19,183,336	4,306,002	1,835,346	(10,716,838)		
Component unit:						
Economic Development District	\$ 369,413	0	313,039			(56,374)
General revenues:						
Property taxes				\$ 10,798,105		
Road & bridge privilege taxes				482,211		
Grants and contributions not restricted to specific programs				1,519,667		16,417
Unrestricted investment income				662,241		63,912
Miscellaneous				22,573		80,329
Total General Revenues				13,484,797		
Changes in Net Assets				2,767,959		23,955
Net Assets - Beginning				48,069,169		1,141,504
Net Assets - Ending				\$ 50,837,128		1,165,459

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

PIKE COUNTY
Balance Sheet - Governmental Funds
September 30, 2008

Exhibit 3

	Major Funds					Total Governmental Funds
	General Funds	Sanderson Farms MBIA Bond Fund	County-wide Road Maintenance Fund	E-911 Fund	Other Governmental Funds	
ASSETS						
Cash	\$ 4,708,442			1,826,012		11,479,734
Accrued interest receivable	79					79
Property tax receivable	4,533,252		1,107,783			7,972,137
Accounts receivable, net of allowance for uncollectible of \$449,171					534,442	534,442
Fines receivable, net of allowance for uncollectible of \$7,318,245	1,024,564					1,024,564
Loans receivable					450,000	450,000
Capital lease receivable		2,024,500				2,024,500
Intergovernmental receivables	409,559		76,783		98,031	584,373
Other receivables	14,391			32,823	373	47,587
Due from other funds			60,195		54,865	115,060
Inventories and prepaid items	5,800				4,446	10,246
Total Assets	\$ 10,696,087	2,024,500	2,638,516	1,858,835	7,024,784	24,242,722
LIABILITIES AND FUND BALANCES						
Liabilities:						
Claims payable	\$ 107,170		119,609	4,632	45,475	276,886
Intergovernmental payables	398,021					398,021
Due to other funds	141,298					141,298
Deferred revenue	5,557,817	2,024,500	1,107,783		2,865,543	11,555,643
Other payables	483,713					483,713
Total Liabilities	6,688,019	2,024,500	1,227,392	4,632	2,911,018	12,855,561
Fund balances:						
Reserved for:						
Debt service					390,482	390,482
Loans receivable					450,000	450,000
Unemployment compensation					21,968	21,968
Unreserved, reported in:						
General fund	4,008,068		1,411,124	1,854,203	253,689	4,261,757
Special revenue funds					2,847,714	6,113,041
Capital project funds					149,913	149,913
Total Fund Balances	4,008,068	0	1,411,124	1,854,203	4,113,766	11,387,161
Total Liabilities and Fund Balances	\$ 10,696,087	2,024,500	2,638,516	1,858,835	7,024,784	24,242,722

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

PIKE COUNTY

Exhibit 3-1

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2008

	<u>Amount</u>
Total fund balance - governmental funds (Exhibit 3)	\$ 11,387,161
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 \$64,526,747.	44,347,895
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	1,559,006
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(9,097,507)
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,750,000
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.	1,001,560
Liabilities not due and payable in the current period are not reported in the funds: Accrued bond interest payable	<u>(110,987)</u>
Total net assets - governmental activities (Exhibit 1)	\$ <u>50,837,128</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, 2008

	Major Funds					E-911 Fund	Other Governmental Funds	Total Governmental Funds
	General Fund	Sanderson Farms MIBIA Bond Fund	Road Maintenance Fund	County-wide Road Maintenance Fund	E-911 Fund			
REVENUES								
Property taxes	\$ 6,211,572			1,353,990			2,926,287	10,491,849
Road and bridge privilege taxes				482,174			37	482,211
Licenses, commissions and other revenue	563,756						95,062	658,818
Fines and forfeitures	957,720						180,803	1,138,523
Intergovernmental revenues	1,769,083			760,830			1,965,160	4,495,073
Charges for services	783,867					393,682	1,105,347	2,282,896
Interest income	299,374	113,850		71,793		75,801	171,046	731,864
Miscellaneous revenues	162,138			3,321			54,519	219,978
Total Revenues	10,747,510	113,850		2,672,108		469,483	6,498,261	20,501,212
EXPENDITURES								
Current:								
General government	5,200,049						1,095,404	6,295,453
Public safety	3,823,479					285,404	1,694,798	5,803,681
Public works	20,000			2,981,856			2,006,352	5,008,208
Health and welfare	399,750							399,750
Culture and recreation	3,500						15,250	18,750
Conservation of natural resources	145,973							145,973
Economic development and assistance	93,091						1,315,546	1,408,637
Debt service:								
Principal	66,462	295,000		59,390			530,000	950,852
Interest	15,670	113,850		11,274			339,395	480,189
Total Expenditures	9,767,974	408,850		3,052,520		285,404	6,996,745	20,511,493
Excess of Revenues over (under) Expenditures	979,536	(295,000)		(380,411)		184,079	(498,484)	(10,280)

PIKE COUNTY
 Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
 For the Year Ended September 30, 2008

	Major Funds					Total Governmental Funds
	General Fund	Sanderson Farms MBIA Bond Fund	Road Maintenance	County-wide Maintenance Fund	E-911 Fund	
OTHER FINANCING SOURCES (USES)						
Proceeds from long-term debt			123,658			123,658
Proceeds from sale of capital assets	875					11,255
Lease principal payments received		295,000	339,000			295,000
Transfers in	47,069					664,250
Transfers out	(554,079)					(664,250)
Total Other Financing Sources and Uses	(506,135)	295,000	462,658	0		429,913
Net Changes in Fund Balances	473,401	0	82,247	184,079	(320,094)	419,633
Fund Balances - Beginning	3,534,667	0	1,328,877	1,670,124	4,433,860	10,967,528
Fund Balances - Ending	\$ 4,008,068	0	1,411,124	1,854,203	4,113,766	11,387,161

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, 2008

Net changes in fund balances - total governmental funds (Exhibit 4) \$ 419,633

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays \$2,379,716 exceeded depreciation expense \$883,800 in the current period. 1,495,916

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 net loss of \$11,763 and the proceeds from the sale in the current period of \$11,255. (23,018)

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. 157,017

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. 63,747

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 \$950,852 exceeded debt proceeds of \$123,658. 827,194

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	12,758
Change in compensated absences	1,217

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. (295,000)

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. 108,495

Change in net assets of governmental activities (Exhibit 2) \$ 2,767,959

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

PIKE COUNTY
 Statement of Net Assets - Proprietary Fund
 September 30, 2008

Exhibit 5

	Governmental Activities
	<u>Self-Insurance Internal Service Fund</u>
ASSETS	
Current Assets:	
Cash	\$ 1,029,963
Other receivables	99,360
Total Assets	<u>\$ 1,129,323</u>
LIABILITIES	
Current Liabilities:	
Claims and judgments	\$ 127,763
Total Liabilities	<u>\$ 127,763</u>
NET ASSETS	
Restricted for health insurance	\$ 1,001,560
Total Net Assets	<u>\$ 1,001,560</u>

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

PIKE COUNTY
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Year Ended September 30, 2008

Exhibit 6

	Governmental Activities
	<u>Self-Insurance Internal Service Fund</u>
OPERATING REVENUES	
Premiums	\$ 1,187,646
Total Operating Revenues	<u>1,187,646</u>
OPERATING EXPENSES	
Claims payments	839,173
Insurance premiums	216,165
Administrative fees	68,040
Total Operating Expenses	<u>1,123,378</u>
Operating Income (Loss)	<u>64,268</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	44,228
Total Nonoperating Revenue (Expenses)	<u>44,228</u>
Change in Net Assets	108,496
Total Net Assets – Beginning	<u>893,064</u>
Total Net Assets – Ending	<u>\$ 1,001,560</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, 2008

Exhibit 7

	Governmental Activities
	Self-Insurance Internal Service Fund
	<u>Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from premiums	\$ 1,184,626
Payments to administrator for services	(63,659)
Payments for re-insurance premiums	(217,293)
Payments for insurance claims	(828,562)
Net Cash Provided (Used) by Operating Activities	<u>75,112</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Other receipts (payments)	<u>0</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>0</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>44,228</u>
Net Cash Provided (Used) by Investing Activities	<u>44,228</u>
Net Increase (Decrease) in Cash and Cash Equivalents	119,340
Cash and Cash Equivalents - Beginning of Year	<u>910,623</u>
Cash and Cash Equivalents - End of Year	<u>\$ 1,029,963</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ <u>64,268</u>
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:	
Change in assets and liabilities:	
(Increase) decrease in other receivables	(3,020)
Increase (decrease) in claims and judgments payable	<u>13,864</u>
Total adjustments	<u>10,844</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 75,112</u>

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

PIKE COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2008

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 425,666
Due from other funds	26,238
Other receivable	<u>3,685</u>
Total Assets	<u>\$ 455,589</u>
LIABILITIES	
Claims payable	\$ 173,714
Intergovernmental payables	<u>281,875</u>
Total Liabilities	<u>\$ 455,589</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, 2008

(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, 2008

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, 2008

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.

E-911 Fund – This fund is used to account for monies from a specific revenue source (charge for service) that is restricted for provision of 911 services in the county.

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, 2008

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, 2008

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 appropriate or are legally segregated for a specific purpose.

PIKE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2008

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, 2008, was \$13,000,206, and the bank balance was \$14,237,513. The carrying amount of the component unit's total deposits with financial institutions at September 30, 2008, was \$377,512, and the bank balance was \$385,614. 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, 2008

(3) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2008:

A. Due To/From Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Countywide Bridge	General Fund	\$ 60,195
Other Governmental Funds	General Fund	55,382
Agency Funds	General Fund	<u>26,238</u>
Total		<u>\$ 141,815</u>

All amounts listed are the tax revenues or court fees collected but not settled until October, 2008. 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	\$ 339,000
General Fund	Other Governmental Funds	47,069
Other Governmental Funds	General Fund	215,079
Other Governmental Funds	Other Governmental Funds	<u>63,102</u>
Total		<u>\$ 664,250</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, 2008, consisted of the following:

Governmental Activities:

<u>Description</u>	<u>Amount</u>
Legislative tag credit	\$ 174,550
Oil severance	60,321
Motor vehicle fuel tax	26,872
Reimbursement for prisoners	86,480
Grants	98,179
State Aid Road reimbursement	58,227
Other	<u>79,742</u>
Total Governmental Activities	<u>\$ 584,371</u>

PIKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2008

(5) Loans Receivable.

Loans receivable balance at September 30, 2008, 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	\$ 450,000

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2008:

	Beginning Balance	Increases	Decreases	Adjustments	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 1,497,953	195,000			1,692,953
Construction in progress	1,379,830	283,709		(83,381)	1,580,158
Total capital assets, not being depreciated	<u>2,877,783</u>	<u>478,709</u>	<u>0</u>	<u>(83,381)</u>	<u>3,273,111</u>
Capital assets, being depreciated:					
Buildings	13,920,684				13,920,684
Improvements other than buildings	213,329				213,329
Mobile equipment	4,256,863	386,199	(144,702)		4,498,360
Furniture and equipment	667,877	49,911	(40,402)		677,386
Property under capital leases	429,867	123,658			553,525
Infrastructure	84,313,627	1,341,239		83,381	85,738,247
Total capital assets being depreciated	<u>103,802,247</u>	<u>1,901,007</u>	<u>(185,104)</u>	<u>83,381</u>	<u>105,601,531</u>
Less: Accumulated depreciation for:					
Buildings	3,321,016	273,752			3,594,768
Improvements other than buildings	170,663				170,663
Mobile equipment	2,694,024	332,881	(124,830)		2,902,075
Furniture and equipment	616,754	15,415	(37,256)		594,913
Property under capital leases	105,674	33,460			139,134
Infrastructure	56,896,902	228,292			57,125,194
Total accumulated depreciation	<u>63,805,033</u>	<u>883,800</u>	<u>(162,086)</u>	<u>0</u>	<u>64,526,747</u>
Total capital assets, being depreciated, net	<u>39,997,214</u>	<u>1,017,207</u>	<u>(23,018)</u>	<u>83,381</u>	<u>41,074,784</u>
Governmental activities capital assets, net	\$ <u>42,874,997</u>	<u>1,495,916</u>	<u>(23,018)</u>	<u>0</u>	<u>44,347,895</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, 2008

Depreciation expense was charged to the following functions:

Governmental activities:	
General government	\$ 128,557
Public safety	238,610
Public works	412,220
Health and welfare	42,110
Culture and recreation	55,713
Economic development and assistance	<u>6,590</u>
Total depreciation expense - governmental activities	<u>\$ 883,800</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	82,500		851,895
Total capital assets, not being depreciated	<u>769,395</u>	<u>82,500</u>	<u>0</u>	<u>851,895</u>
Capital assets, being depreciated:				
Machinery & equipment	21,879	3,248		25,127
Total capital assets being depreciated	<u>21,879</u>	<u>3,248</u>	<u>0</u>	<u>25,127</u>
Less: Accumulated depreciation for:				
Machinery & equipment	16,788	1,817		18,605
Total accumulated depreciation	<u>16,788</u>	<u>1,817</u>	<u>0</u>	<u>18,605</u>
Total capital assets, being depreciated, net	<u>5,091</u>	<u>1,431</u>	<u>0</u>	<u>6,522</u>
Governmental activities capital assets, net	<u>\$ 774,486</u>	<u>83,931</u>	<u>0</u>	<u>858,417</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, 2008, to January 1, 2009. 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, 2008

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, 2008, the amount of these liabilities was \$127,763. An analysis of claims activities is presented below:

	2007	2008
Claims Liability, Beginning of Fiscal Year	\$ 52,994	113,899
Incurred Claims	795,426	853,037
Claim Payments	734,521	839,173
Claims Liability, End of Fiscal Year	\$ 113,899	127,763

(8) Capital Leases.

As Lessor:

The county leases the following property with varying terms and options as of September 30, 2008:

Asset	Amount
Industrial buildings	\$ 6,050,000
Total	\$ 6,050,000

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2008, are as follows:

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2009	\$ 310,000	95,700
2010	330,000	76,500
2011	350,000	56,100
2012	370,000	34,500
2013	390,000	11,700
Total	\$ 1,750,000	274,500

PIKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2008

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2008:

<u>Asset</u>	<u>Governmental Activities</u>
Machinery and equipment	\$ 553,525
Less: Accumulated depreciation	<u>(139,134)</u>
Property Under Capital Leases	<u>\$ 414,391</u>

The following is a schedule by years of the total payments due as of September 30, 2008:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 214,013	10,148
2010	67,611	5,483
2011	70,174	2,918
2012	<u>40,203</u>	<u>585</u>
Total	<u>\$ 392,001</u>	<u>19,134</u>

(9) Long-term Debt.

Debt outstanding as of September 30, 2008, 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:			
Chancery Court annex	\$ 515,000	5.20-5.25%	05/01/2012
Sanderson Farms	1,750,000	6.00%	11/01/2012
Industrial Development - Series 2003	600,000	4.50-5.63%	01/01/2018
Pike-Amite-Walthall Library	1,370,000	4.90-6.50%	01/01/2018
Courthouse renovations	945,000	4.40-5.50%	07/01/2021
Jail renovation	<u>3,000,000</u>	4.00-5.625%	08/01/2026
Total General Obligation Bonds	<u>\$ 8,180,000</u>		
B. Capital Leases:			
Caterpillar 12H motor grader	99,825	3.09%	02/06/2009
Track loader	121,892	4.21%	01/02/2012
Front-end loader	49,047	3.09%	02/06/2009
Asphalt distributor truck	<u>121,237</u>	3.14%	08/15/2012
Total Capital Leases	<u>\$ 392,001</u>		

PIKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2008

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
C. Loans:			
Magnolia Armory capital improvements loan	\$ 105,695	5.18%	09/01/2013
Energy equipment	<u>183,708</u>	4.52%	02/15/2012
Total Loans	<u>\$ 289,403</u>		

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

Governmental Activities:

Year Ending September 30,	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
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	865,000	198,765	22,966	561
2014-2018	1,525,000	544,624		
2019-2023	1,465,000	313,463		
2024-2026	<u>775,000</u>	<u>77,200</u>		
Total	<u>\$ 8,180,000</u>	<u>2,425,460</u>	<u>289,403</u>	<u>28,955</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, 2008, the amount of outstanding debt was equal to 2.8% of the latest property assessments.

PIKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2008

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2008:

	Balance Oct. 1, 2007	Additions	Reductions	Balance Sept. 30, 2008	Amount due within one year
Governmental Activities:					
Compensated absences	\$ 237,320		(1,217)	236,103	
General obligation bonds	9,005,000		(825,000)	8,180,000	815,000
Capital leases	327,733	123,658	(59,390)	392,001	214,013
Other loans	355,865		(66,462)	289,403	69,655
Total	\$ 9,925,918	123,658	(952,069)	9,097,507	1,098,668

(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 \$25,000, 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 2008. 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, 2008

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 \$322,487 in fiscal year 2008. 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 \$53,767 for support of the district in fiscal year 2008.

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 2008.

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 \$1,328,074 for the operations and maintenance of the college in fiscal year 2008.

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.

PIKE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2008

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, 2008, 2007 and 2006 were \$752,707, \$675,201 and \$609,781, respectively, equal to the required contributions for each year.

Funding Policy for the Pike County Economic Development District. PERS members are required to contribute 7.25% of their annual covered salary, and the district is required to contribute at an actuarially determined rate. The current rate is 11.85% 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, 2008, 2007 and 2006 were \$20,443, \$18,067 and \$17,771, respectively, equal to the required contributions for each year.

PIKE COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

PIKE COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2008

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 6,197,600	6,212,278	6,212,278	
Licenses, commissions and other revenue	527,900	567,159	567,159	
Fines and forfeitures	641,000	985,228	985,228	
Intergovernmental revenues	1,700,722	1,725,614	1,725,614	
Charges for services	362,500	697,387	697,387	
Interest income	279,500	302,848	302,848	
Miscellaneous revenues	105,500	162,501	162,501	
Total Revenues	<u>9,814,722</u>	<u>10,653,015</u>	<u>10,653,015</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	4,847,360	5,205,342	5,205,342	
Public safety	3,977,627	3,807,027	3,807,027	
Public works	23,000	20,000	20,000	
Health and welfare	412,478	395,285	395,285	
Culture and recreation	3,500	3,500	3,500	
Conservation of natural resources	151,551	145,611	145,611	
Economic development and assistance	42,268	93,393	93,393	
Debt service:				
Principal	66,725	66,722	66,722	
Interest	15,410	15,410	15,410	
Total Expenditures	<u>9,539,919</u>	<u>9,752,290</u>	<u>9,752,290</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>274,803</u>	<u>900,725</u>	<u>900,725</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets		875	875	
Transfers in	41,320	47,069	47,069	
Transfers out	(566,252)	(554,079)	(554,079)	
Total Other Financing Sources and Uses	<u>(524,932)</u>	<u>(506,135)</u>	<u>(506,135)</u>	<u>0</u>
Net Change in Fund Balance	(250,129)	394,590	394,590	0
Fund Balances - Beginning	<u>2,007,743</u>	<u>3,304,383</u>	<u>3,304,383</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 1,757,614</u>	<u>3,698,973</u>	<u>3,698,973</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, 2008

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,356,871	1,352,208	1,352,208	
Road and bridge privilege taxes	500,000	480,370	480,370	
Intergovernmental revenues	793,400	765,450	765,450	
Interest income	50,000	71,793	71,793	
Miscellaneous revenues	2,100	3,321	3,321	
Total Revenues	<u>2,702,371</u>	<u>2,673,142</u>	<u>2,673,142</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	3,064,452	2,831,036	2,831,036	
Debt service:				
Principal	57,089	59,510	59,510	
Interest	10,830	11,154	11,154	
Total Expenditures	<u>3,132,371</u>	<u>2,901,700</u>	<u>2,901,700</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(430,000)</u>	<u>(228,558)</u>	<u>(228,558)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	380,000	339,000	339,000	
Total Other Financing Sources and Uses	<u>380,000</u>	<u>339,000</u>	<u>339,000</u>	<u>0</u>
Net Change in Fund Balance	(50,000)	110,442	110,442	0
Fund Balances - Beginning	<u>1,050,000</u>	<u>1,283,314</u>	<u>1,283,314</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 1,000,000</u>	<u>1,393,756</u>	<u>1,393,756</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)
 E-911 Fund
 For the Year Ended September 30, 2008

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Charges for services	\$ 369,000	393,154	393,154	
Interest income	60,000	75,801	75,801	
Total Revenues	<u>429,000</u>	<u>468,955</u>	<u>468,955</u>	<u>0</u>
EXPENDITURES				
Current:				
Public safety	262,660	285,314	285,314	
Total Expenditures	<u>262,660</u>	<u>285,314</u>	<u>285,314</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>166,340</u>	<u>183,641</u>	<u>183,641</u>	<u>0</u>
Net Change in Fund Balance	166,340	183,641	183,641	0
Fund Balances - Beginning	<u>1,796,340</u>	<u>1,642,371</u>	<u>1,642,371</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 1,962,680</u>	<u>1,826,012</u>	<u>1,826,012</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, 2008

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	E-911 Fund
Net Change in Fund Balance - Budget (Cash Basis)	\$ 394,590	110,442	183,641
Increase (Decrease):			
Net adjustments for revenue accruals	124,575	122,624	528
Net adjustments for expenditure accruals	(15,684)	(150,819)	(90)
Net Change in Fund Balance GAAP Basis	<u>\$ 503,481</u>	<u>82,247</u>	<u>184,079</u>

PIKE COUNTY

SUPPLEMENTAL INFORMATION

PIKE COUNTY
 Schedule of Expenditures of Federal Awards
 September 30, 2008

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Grant Identification Number	Agency or Pass-through Number	Federal Disbursements/ Expenditures
MAJOR FEDERAL AWARDS:				
U.S. Department of Housing & Urban Development Mississippi Development Authority/ Community Development Block Grants	14.228/ 14.219	R-103	R-103-057-01-KED	\$ 973,222
Total Expenditures of Major Federal Awards				973,222
OTHER FEDERAL AWARDS:				
U.S. Department of Justice/Mississippi Department of Public Safety/ Crime Victim Assistance Program	16.575	N/A	05VA1571	52,641
U.S. Department of Justice/Mississippi Department of Public Safety/ Edward Byrne Memorial Formula Grant	16.579	N/A	6NM1541 7NM1541	43,454 195,143
U.S. Department of Justice/State Criminal Alien Assistance Program	16.606	SCAAP	N/A	1,500
U.S. Department of Justice/Public Safety Partnership and Community Policing Grants/ COPS Methamphetamine Initiative	16.710	2007CKWX0420 2007CKWX0022	N/A	78,685 5,187
U.S. Department of Transportation/ Federal Aviation Administration/Airport Airport Improvement Program	20.106	3-28-0003-007-2007	N/A	76,674
U.S. Department of Transportation/ Mississippi Department of Transportation/ Highway Planning and Construction Bridge Inspection	20.205	N/A	BR NBIS 068 B (57)	26,270
Department of Homeland Security/Homeland Security Grant Program:				
Mississippi Department of Public Safety	97.067	N/A	06LE057C	9,161
Mississippi Emergency Management Agency	97.067	N/A	N/A	29,276
Total Expenditures of Other Federal Awards				517,991
Total Expenditures of Federal Awards				\$ 1,491,213

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

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

PIKE COUNTY

SPECIAL REPORTS

Windham and Lacey, PLLC

Certified Public Accountants

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

Members of the Board of Supervisors
Pike County, Mississippi

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Pike County, Mississippi, as of and for the year ended September 30, 2008, and have issued our report thereon dated June 15, 2009. 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 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
June 15, 2009

Windham and Lacey, PLLC

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

Members of the Board of Supervisors
Pike County, Mississippi

Compliance

We have audited the compliance of Pike County, Mississippi, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended September 30, 2008. Pike County, Mississippi's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Pike County, Mississippi's management. Our responsibility is to express an opinion on Pike County, Mississippi's compliance based on our audit.

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

In our opinion, Pike County, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2008.

Internal Control Over Compliance

The management of Pike County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Pike County, Mississippi's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

A control deficiency in a county's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that 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 material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance 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 compliance that we consider to be material weaknesses, as defined above.

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.



Windham and Lacey, PLLC
June 15, 2009

Windham and Lacey, PLLC

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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, 2008. Our study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures as we considered necessary in the circumstances.

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

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

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

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

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



Windham and Lacey, PLLC
June 15, 2009

PIKE COUNTY
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2008

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, 2008

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, 2008

On August 28, 2008, the county purchased DREAMaps software from Smart Data Strategies that the Board of Supervisors declared a sole source purchase. The total expenditure was \$27,500.00.

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LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

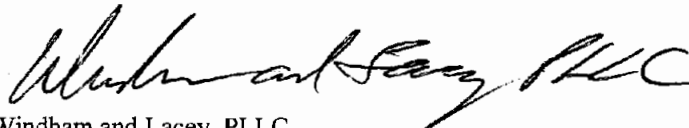
Members of the Board of Supervisors
Pike County Mississippi

In planning and performing our audit of the financial statements of Pike County, Mississippi for the year ended September 30, 2008, we considered Pike County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Pike County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated June 15, 2009, on the financial statements of Pike County, Mississippi.

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

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



Windham and Lacey, PLLC
June 15, 2009

PIKE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PIKE COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2008

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 weaknesses identified? | No |
| | b. Significant deficiencies identified that are not considered to be material weaknesses? | No |
| 3. | Noncompliance material to the financial statements? | No |

Federal Awards:

- | | | |
|-----|--|-------------|
| 4. | Internal control over major programs: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiencies identified that are not considered to be material weaknesses? | No |
| 5. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 6. | Any audit findings reported as required by Section __.510(a) of Circular A-133? | No |
| 7. | Federal program identified as a major program: | |
| | U.S. Department of Housing and Urban Development/Community
Development Block Grant, CFDA #14.219 & #14.228 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10. | Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? | No |

PIKE COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2008

Section 2: Financial Statement Findings

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

Section 3: Federal Award Findings and Questioned Costs

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