



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

**PHIL BRYANT
State Auditor**

**RODNEY D. ZEAGLER, CPA
Director, Financial and Compliance Audit Division**

PIKE COUNTY, MISSISSIPPI

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

PIKE COUNTY

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PIKE COUNTY

FINANCIAL SECTION

PIKE COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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, 2003, which collectively comprise the county's financial statements as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Pike County Economic Development District, a component unit, which represents 100% of the assets and revenues of the governmental component unit column. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned component unit, is based solely on the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Pike County, Mississippi, as of September 30, 2003, 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.

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

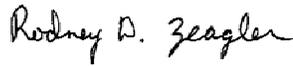
In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2004, on our consideration of Pike County, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 7 through 17 and the Budgetary Comparison Schedule and corresponding notes on pages 50 through 55 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and other auditors have applied certain limited procedures, which consisted principally of 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 and the audit of the other auditors were 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 financial statements. Such information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



PHIL BRYANT
State Auditor



RODNEY D. ZEAGLER, CPA
Director, Financial and Compliance Audit Division

March 31, 2004

PIKE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

PIKE COUNTY

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PIKE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended September 30, 2003

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, 2003. 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. Certain comparative information between the current year and the prior year is required to be presented. However, since this is the first year of implementation of the new reporting model contained in GASB Statement No. 34, the Statement permits the omission of prior year data in the year of implementation. The County has elected not to present comparative data.

Pike County is located in southwestern Mississippi along Interstate I-55. The population, according to the 2000 census, is 38,940. The local economic base is driven by manufacturing, medical, retail trade and agriculture.

FINANCIAL HIGHLIGHTS

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

Pike County continues to grow both economically and in population. This has allowed the County to maintain a steady growth in tax revenues without a tax increase. The County government tax rate has decreased by 5.63 mills over the last 10 years. This does not include School tax increases.

Total net assets increased \$149,739, which represents a .31% increase from the prior fiscal year. The ending figure for the prior fiscal year was adjusted by \$29,500,692 for the addition of infrastructure, accumulated depreciation and the removal of assets that do not meet the capitalization threshold. If an analysis is made without the capital assets and long term debt there was an increase of \$319,419, which represents a 4.27% increase from the prior fiscal year. The County's ending cash balance, for all funds, increased by \$701,148, which represents a 9.37% increase from the prior fiscal year.

The County had \$15,218,961 in total Governmental Funds revenues. Tax revenues account for \$7,596,991 or 49.92% of total revenues. State revenues, in the form of reimbursements, shared revenue or grants, account for \$3,307,836 or 21.73% of total revenues. Long term debt was issued in the amount of \$1,280,932 or 7.65% of total revenues

The County had \$16,539,356 in total Governmental Funds expenses, which represents an increase of \$940,156 or 6.0% increase from the prior fiscal year. Expenses in the amount of \$3,180,393 were offset by grants, outside contributions or debt being issued. General revenues of \$12,038,568 were adequate to provide for the remainder of the expenses.

Among major funds, the General Fund had \$7,745,840 in revenues and \$6,931,948 in expenditures. The General Fund's fund balance increased \$270,430 over the prior year. The reason for the increase in the General Fund's fund balance was due to the receipt of unexpected revenues, along with two projects that were not completed by the end of the fiscal year.

Among major funds, the Sanderson Farms MBIA Bond Fund had \$189,900 in revenues and \$409,900 in expenditures. There was no change to the Sanderson Farms MBIA Bond Fund's fund balance from the prior year.

Among major funds, the County Wide Road Fund had \$2,079,339 in revenues and \$2,685,648 in expenditures. The County Wide Road Fund's fund balance decreased \$87,309 under the prior year. The reason for the decrease in the County Wide Road Fund was cost overruns on the paving and reseal projects during the fiscal year.

Among major funds, the County Wide Bridge Fund had \$599,357 in revenues and \$779,904 in expenditures. The County Wide Bridge Fund's fund balance decreased \$180,547 under the prior year. The decrease in the County Wide Bridge Fund was due to the repair and replacement of several county bridges, as was budgeted for this fiscal year.

Capital assets, net of accumulated depreciation, increased by \$29,670,216, over the prior year. Infrastructure (roads and bridges) was added during this fiscal year in the amount of \$37,214,298 net of accumulated depreciation. There was also prior accumulated depreciation adjusted on in the amount of \$5,662,501 for all other asset classes. Both of these adjustments were made to conform to GASB 34.

Long-term debt increased by \$513,219. General Obligation bonds were issued in the amount of \$1,100,000 and a new CAP loan was incurred in the amount of \$180,932.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

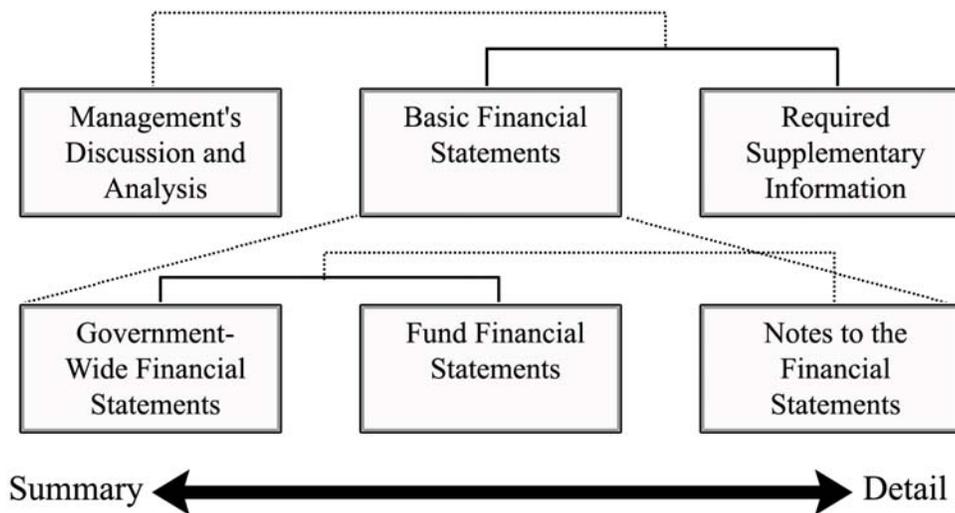


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

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

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

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

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

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

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

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

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

- Pike County Economic Development District

Each discretely presented component unit is reported in a separate column in the combined financial statements to emphasize that it is legally separate from the primary government.

The Government-wide Financial Statements can be found on pages 20 and 21 of this report.

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. Both 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. These reconciliations are on pages 23 and 26 respectively.

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.

The basic governmental funds financial statements can be found on pages 22-26 of this report.

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. The County's internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements. The proprietary funds financial statements can be found on pages 27-29 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the County government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accrual basis of accounting is used for fiduciary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The County's fiduciary activities are presented in a separate Statement of Fiduciary Assets, which can be found on page 30 of this report.

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 can be found on pages 31-48 of this report.

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. This required supplementary information can be found on pages 50-55 of this report.

Pike County is subject to a Single Audit, due to the amount of Federal Grants it receives. Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be found on pages 58 and 59 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets – Net assets may serve over time as a useful indicator of government's financial position. In the case of Pike County, assets exceeded liabilities by \$48,473,978 as of September 30, 2003.

By far, the largest portion of the County's net assets (82%) 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, 2003.

	<u>Governmental Activities</u>
Current assets	\$19,727,259
Capital assets, net	<u>49,500,349</u>
Total assets	<u>69,227,608</u>
Current liabilities	10,701,837
Long-term debt outstanding	<u>10,051,793</u>
Total liabilities	<u>20,753,630</u>

Net assets:	
Invested in capital assets, net of related debt	39,663,961
Restricted	4,566,828
Unrestricted	<u>4,243,189</u>
Total net assets	<u>\$48,473,978</u>

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

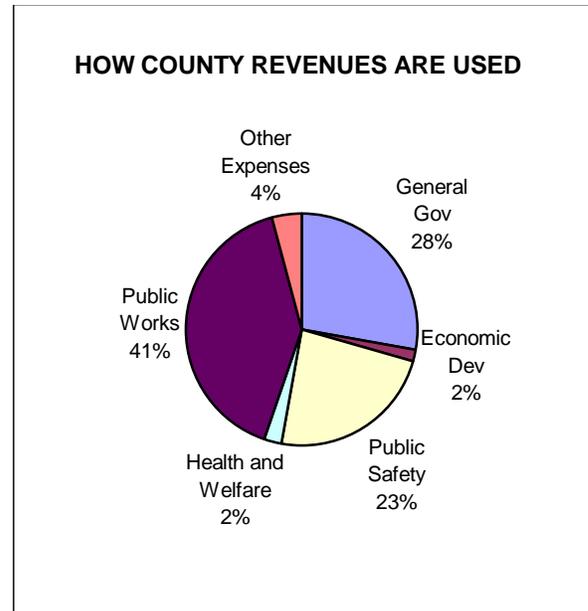
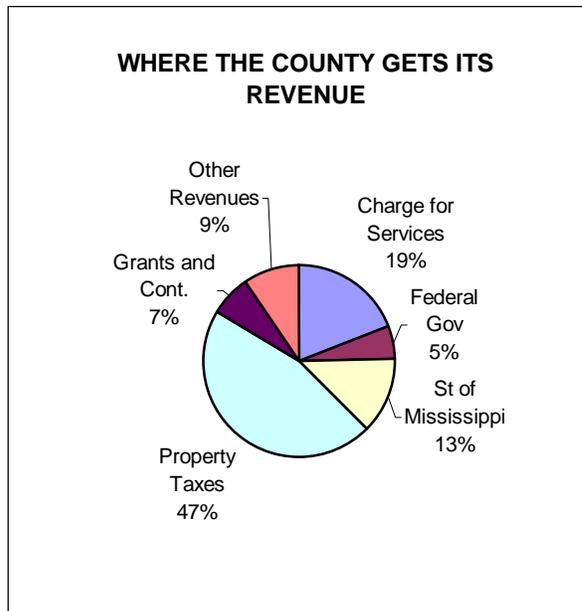
- Roads and Bridges were added to the County’s inventory, due to accounting changes implemented by the “Governmental Accounting Standards Board”. This resulted in an additional \$37,214,298 of capital assets being booked for the first time in the 2003 fiscal year.
- Revenue from the State of Mississippi fell short of expectations by \$75,000.
- \$1,280,932 in long-term debt was issued.
- \$782,000 of long-term debt principal was retired.
- Capital assets increased by \$959,055 from the purchase of land for a new industrial park and by \$782,909 in construction cost on the Magnolia Armory project.

Changes in Net Assets – Pike County’s total revenues for the fiscal year ended September 30, 2003 was \$16,639,864. The total cost for all services provided was \$16,490,125. The increase in net assets was \$149,739. The following table presents a summary of the changes in net assets for the fiscal year ended September 30, 2003.

Revenues:	<u>Amount</u>
Program revenues	
Charges for services	\$3,311,148
Federal grants	950,993
State revenues	2,153,678
Other	75,722
General revenues	
Property taxes	7,596,991
Grants and Contributions	1,166,055
Other	<u>1,385,277</u>
Total Revenues	<u>16,639,864</u>

Expenses:	
General government	4,571,586
Public safety	3,855,768
Public works	6,679,901
Health and welfare	384,305
Economic development	293,903
Other expenses	<u>704,662</u>
Total Expenses	<u>16,490,125</u>

Increase in Net Assets \$149,739



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.

	<u>Total Costs</u>	<u>Net Costs</u>
General Government	\$4,571,586	\$3,160,486
Public Safety	3,855,768	1,059,792
Public Works	6,679,901	5,102,626
Health & Welfare	384,305	313,767
Economic Development	293,903	259,228

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 \$7,544,542, an increase of \$193,927. The primary reasons for this increase are highlighted in the analysis of governmental activities. In addition, others factors that affected ending fund balance are as follows:

- The county expended \$267,856 more than anticipated on several road and bridge improvement projects, reducing the beginning fund balance in the County Wide Road and Bridge funds by the same amount.
- General Obligation Bonds were issued in the amount of 1.1 million dollars during the fiscal year for a new industrial park. There remained a balance of \$141,820 to fund minor infrastructure projects.

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 \$270,430. This increase was primarily due to the receipt of unexpected revenues, as well as lower than expected cost on several projects that were on going during the fiscal year.

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, 2003, Pike County's total capital assets was \$101,418,037. 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 \$81,587,904. The majority of this increase is due to the addition of infrastructure to the net capital assets during the year. Other increases were due to the renovation of the old Magnolia Armory Building to house a jewelry manufacturing plant and the purchase of land to expand the Industrial Park.

Total accumulated depreciation as of September 30, 2003 was \$51,917,688, including \$3,274,294 of deprecation expense for the year. The balance in total net capital assets was \$49,500,349 at year-end.

Additional information on Pike County's capital assets can be found in Note 7 on pages 40-42 of this report.

Debt Administration – At September 30, 2003, Pike County had \$10,051,793 in long-term debt outstanding. This includes general obligation bonds, other and obligations under capital lease. Of this debt, \$963,367 is due within one year.

In the past year, the County issued \$1,100,000 in general obligation bonds to purchase land for an expansion to the Industrial Park to attract higher paying jobs. There was also \$180,932 in a CAP loan that was received for renovations to the Magnolia Armory building to locate a jewelry manufacturing plant in it.

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

Additional information on Pike County's long-term debt can be found in Note 10 on pages 44-46 of this report.

CURRENT AND FUTURE ITEMS OF IMPACT

There are currently two new industries that plan to locate new plants in the County. This provides for an increase in assessed values on the tax rolls and more revenue to the County.

There is a ten year tax exemption that will expire for Sanderson Farms, Inc. that will add an additional \$4,081,378 in Assessed Value to the tax rolls for the next fiscal year. The millage rates and budgets for the next year have been adjusted accordingly.

The budget for the next fiscal year reflected a decrease of \$1,492,116 or 8.07% in revenues and a decrease of \$314,393 or 1.73% in expenses. This is not expected to significantly affect the County's net assets in any manner.

Pike County has an unemployment rate of 4.7% versus 6.8% a year ago. This compares favorably with the state average rate of 5.1%.

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 Pike County Administrator's office at P.O. Box 431, Magnolia, Mississippi 39652.

PIKE COUNTY

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PIKE COUNTY

FINANCIAL STATEMENTS

PIKE COUNTY
Statement of Net Assets
September 30, 2003

Exhibit 1

	<u>Primary Government</u>	<u>Component</u>
	<u>Governmental</u>	<u>Unit</u>
	<u>Activities</u>	<u>Economic</u>
		<u>Development</u>
ASSETS		
Cash	\$ 7,934,577	190,324
Accrued interest receivable	391	
Property tax receivable	5,678,881	
Accounts receivable (net of allowance for uncollectibles of \$226,130)	277,202	1,070
Fines receivable (net of allowance for uncollectibles of \$5,530,596)	886,574	
Loans receivable	450,000	
Capital leases receivable	4,059,850	
Intergovernmental receivables	391,793	
Other receivables	38,138	
Prepaid items	7,442	
Inventories	2,411	
Capital assets, net	49,500,349	780,113
Total Assets	<u>69,227,608</u>	<u>971,507</u>
LIABILITIES		
Claims payable	315,696	5,792
Intergovernmental payables	374,794	
Deferred revenue	9,738,731	
Other payables	272,616	
Long-term liabilities		
Due within one year:		
Capital related debt	906,872	
Non-capital debt	56,495	
Due in more than one year:		
Capital related debt	8,929,516	
Non-capital debt	158,910	
Total Liabilities	<u>20,753,630</u>	<u>5,792</u>
NET ASSETS		
Invested in capital assets, net of related debt	39,663,961	780,113
Restricted:		
Expendable:		
General government	316,592	
Debt service	571,759	
Public safety	1,662,785	
Public works	1,366,154	
Economic development	173,913	117,064
Unemployment compensation	25,625	
Other purposes	450,000	
Unrestricted	4,243,189	68,538
Total Net Assets	<u>\$ 48,473,978</u>	<u>965,715</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, 2003

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Unit
					Governmental Activities	Economic Development
Primary government:						
Governmental activities:						
General government	\$ 4,571,586	1,293,506	39,874	77,720	(3,160,486)	
Public safety	3,855,768	1,132,002	733,339	930,635	(1,059,792)	
Public works	6,679,901	885,640	691,635		(5,102,626)	
Health and welfare	384,305		70,538		(313,767)	
Culture and recreation	68,595				(68,595)	
Conversation of natural resources	118,290			601,977	483,687	
Economic development and assistance	293,903		34,675		(259,228)	
Interest on long-term debt	517,777				(517,777)	
Total Governmental Activities	<u>\$ 16,490,125</u>	<u>3,311,148</u>	<u>1,570,061</u>	<u>1,610,332</u>	<u>(9,998,584)</u>	
Component unit:						
Economic Development District	<u>\$ 308,761</u>	<u>0</u>	<u>251,767</u>	<u>0</u>		<u>(56,994)</u>
General revenues:						
Property taxes				\$ 7,596,991		
Road & bridge privilege taxes				483,100		
Grants and contributions not restricted to specific programs				1,166,055		
Unrestricted investment income				495,279	3,757	
Miscellaneous				406,898	69,504	
Total General Revenues				<u>10,148,323</u>	<u>73,261</u>	
Changes in Net Assets				<u>149,739</u>	<u>16,267</u>	
Net Assets - Beginning, as restated				<u>48,324,239</u>	<u>949,448</u>	
Net Assets - Ending				<u>\$ 48,473,978</u>	<u>965,715</u>	

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

PIKE COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2003

Exhibit 3

	Major Funds					Total Governmental Funds
	General Fund	Sanderson Farms MBIA Bond Fund	County Wide Road Maintenance Fund	County Wide Bridge Fund	Other Governmental Funds	
ASSETS						
Cash	\$ 3,572,993		335,897	838,851	2,942,252	7,689,993
Accrued interest receivable	391					391
Property tax receivable	3,167,921		639,463	403,585	1,467,912	5,678,881
Accounts receivable (net of allowance for uncollectibles \$226,130)					277,202	277,202
Fines receivable (net of allowance for uncollectibles \$5,530,596)	886,574					886,574
Loans receivable					450,000	450,000
Capital lease receivable		4,059,850				4,059,850
Intergovernmental receivables	221,642		27,115		70,516	319,273
Other receivables	9,490				28,648	38,138
Due from other funds			59,093	12,104	48,714	119,911
Prepays	3,442				4,000	7,442
Inventories	2,411					2,411
Total Assets	<u>\$ 7,864,864</u>	<u>4,059,850</u>	<u>1,061,568</u>	<u>1,254,540</u>	<u>5,289,244</u>	<u>19,530,066</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Claims payable	\$ 65,400		195,100		55,196	315,696
Intergovernmental payables	371,939				2,855	374,794
Due to other funds	119,911					119,911
Deferred revenue	4,054,495	4,059,850	639,463	403,585	1,745,114	10,902,507
Other payables	272,616					272,616
Total Liabilities	<u>4,884,361</u>	<u>4,059,850</u>	<u>834,563</u>	<u>403,585</u>	<u>1,803,165</u>	<u>11,985,524</u>
Fund balances:						
Reserved for:						
Debt Service					571,759	571,759
Unemployment compensation					25,625	25,625
Loans receivable					450,000	450,000
Unreserved, reported in:						
General Fund	2,980,503					2,980,503
Special Revenue Funds			227,005	850,955	2,296,875	3,374,835
Capital Project Funds					141,820	141,820
Total Fund Balances	<u>2,980,503</u>	<u>0</u>	<u>227,005</u>	<u>850,955</u>	<u>3,486,079</u>	<u>7,544,542</u>
Total Liabilities and Fund Balances	<u>\$ 7,864,864</u>	<u>4,059,850</u>	<u>1,061,568</u>	<u>1,254,540</u>	<u>5,289,244</u>	<u>19,530,066</u>

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

PIKE COUNTY

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

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 7,544,542
Amounts reported for governmental services in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$51,917,688.	49,500,349
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,163,776
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	(9,995,298)
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.	<u>260,609</u>
Total Net Assets - Governmental Activities	\$ <u><u>48,473,978</u></u>

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

PIKE COUNTY

Exhibit 4

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

	Major Funds					
	General Fund	Sanderson Farms MBIA Bond Fund	County Wide Road Maintenance Fund	County Wide Bridge Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	\$ 4,500,718		826,825	530,152	1,739,296	7,596,991
Road and bridge privilege taxes			483,100			483,100
Licenses, commissions and other revenue	495,036				58,863	553,899
Fines and forfeitures	623,891				176,629	800,520
Intergovernmental revenues	1,311,793		739,260	37,733	1,219,050	3,307,836
Charges for services	590,964		3,133		1,212,787	1,806,884
Interest income	142,700	189,900	22,592	30,523	101,646	487,361
Miscellaneous revenues	80,738		4,429	949	96,254	182,370
Total Revenues	7,745,840	189,900	2,079,339	599,357	4,604,525	15,218,961
EXPENDITURES						
Current:						
General government	3,762,995				787,726	4,550,721
Public safety	2,648,239				1,288,588	3,936,827
Public works	15,000		2,661,035	779,904	996,557	4,452,496
Health and welfare	343,557				26	343,583
Culture and recreation	3,500				4,885	8,385
Conservation of natural resources	118,290					118,290
Economic development and assistance	35,899				1,793,378	1,829,277
Debt service:						
Principal	1,195	220,000	23,005		537,800	782,000
Interest	3,273	189,900	1,608		314,854	509,635
Bond issue costs					8,142	8,142
Total Expenditures	6,931,948	409,900	2,685,648	779,904	5,731,956	16,539,356
Excess of Revenues over (under) Expenditures	813,892	(220,000)	(606,309)	(180,547)	(1,127,431)	(1,320,395)

OTHER FINANCING SOURCES (USES)

Long-term capital debt issued					1,280,932	1,280,932
Proceeds from sale of capital assets	13,390					13,390
Transfers in	68,300		519,000		179,883	767,183
Transfers out	(625,152)				(142,031)	(767,183)
Lease principal payments		220,000				220,000
Total Other Financing Sources and Uses	<u>(543,462)</u>	<u>220,000</u>	<u>519,000</u>	<u>0</u>	<u>1,318,784</u>	<u>1,514,322</u>
Net Changes in Fund Balances	270,430	0	(87,309)	(180,547)	191,353	193,927
Fund Balance - Beginning, as restated	<u>2,710,073</u>	<u>0</u>	<u>314,314</u>	<u>1,031,502</u>	<u>3,294,726</u>	<u>7,350,615</u>
Fund Balance - Ending	<u>\$ 2,980,503</u>	<u>0</u>	<u>227,005</u>	<u>850,955</u>	<u>3,486,079</u>	<u>7,544,542</u>

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, 2003

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 193,927
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$3,464,778 exceeded depreciation of \$3,274,294 in the current period.	190,484
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 decreases financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the loss of \$34,350 and the proceeds from the sale of \$13,390 in the current period.	(20,960)
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.	122,491
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.	27,354
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the statement of assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt proceeds of \$1,280,932 exceeded debt repayments of \$782,000.	(498,932)
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 the amount of reductions in compensated absences.	10,104
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.	<u>125,271</u>
Change in Net Assets of Governmental Activities	<u>\$ 149,739</u>

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

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

Exhibit 5

	Governmental Activities
	<u>Self-insurance</u> <u>Internal</u> <u>Service Fund</u>
ASSETS	
Current assets:	
Cash	\$ 244,584
Intergovernmental receivables	<u>72,520</u>
Total Assets	<u>317,104</u>
LIABILITIES	
Current liabilities:	
Claims and judgments	<u>56,495</u>
Total Liabilities	<u>56,495</u>
NET ASSETS	
Restricted for health insurance	<u>260,609</u>
Total Net Assets	<u>\$ 260,609</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 Type
For the Year Ended September 30, 2003

Exhibit 6

	Governmental Activities
	Self-insurance
	Internal
	Service Fund
Operating Revenues	
Premium	\$ <u>972,311</u>
Operating Expenses	
Claims payments	628,001
Insurance premiums	172,421
Administrative fees	59,064
Total Operating Expenses	<u>859,486</u>
Operating Income (Loss)	<u>112,825</u>
Nonoperating Revenues (Expenses)	
Interest income	7,918
Miscellaneous revenue	4,528
Net Nonoperating Revenue (Expenses)	<u>12,446</u>
Changes in Net Assets	125,271
Net Assets - Beginning, as restated	<u>135,338</u>
Net Assets - Ending	\$ <u><u>260,609</u></u>

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

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

Exhibit 7

	Governmental Activities Self-insurance
	<u>Internal Service Fund</u>
Cash Flows From Operating Activities	
Receipts for premiums	\$ 899,791
Payments for claims	(621,281)
Payments for insurance premiums	(158,753)
Payments to administrator for services	(55,061)
Net Cash Provided (Used) by Operating Activities	<u>64,696</u>
Cash Flows From Investing Activities	
Interest on investments	7,918
Miscellaneous revenue	4,528
Net Cash Provided (Used) by Investing Activities	<u>12,446</u>
Net Increase (Decrease) in Cash and Cash Equivalents	77,142
Cash and Cash Equivalents at Beginning of Year	<u>167,442</u>
Cash and Cash Equivalents at End of Year	<u>\$ 244,584</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ <u>112,825</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
(Increase) decrease in intergovernmental receivable	(72,520)
Increase (decrease) in claims payable	24,391
Total Adjustments	<u>(48,129)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 64,696</u>

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

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

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 252,585
Intergovernmental receivables	35,933
Other receivables	19
Total Assets	<u>\$ 288,537</u>
LIABILITIES	
Amounts held in custody for others	\$ 106,605
Intergovernmental payables	181,932
Total Liabilities	<u>\$ 288,537</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, 2003

(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 are 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.

PIKE COUNTY

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

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 unit. 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 its legally separate component unit for which the primary government is financially accountable.

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

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 sixty 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 is 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.

PIKE COUNTY

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

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.

Sanderson Farms MBIA Bond Fund - Accounts for lease receivable and deferred revenues due on long-term debt paid by Sanderson Farms, Inc. using the county as a paying intermediary.

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

County Wide Bridge Fund - Accounts for monies from specific revenue sources that are restricted for bridge and culvert activities.

The county reports the following major Proprietary Fund:

Self-insurance Internal Service Fund - Accounts 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.

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 2001 by the Government Finance Officers Association and the *Mississippi County Financial Accounting Manual* as revised in 2002 by the Office of the State Auditor.

PIKE COUNTY

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

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, 2003

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. 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.

	<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 capitalization policy 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 applicable governmental activities statement of Net Assets.

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

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."

PIKE COUNTY

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

Fund Financial Statements:

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

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

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. Therefore, the county's full liability in the amount of \$158,910 for accumulated unpaid personal leave up to a maximum of 30 days per employee is reported as a liability in the Statement of Net Assets.

PIKE COUNTY

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

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

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

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

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

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

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

	Sept. 30, 2002 As Previously Reported	Fund and Account Group Reclassifications	Prior Period Adjustment	Sept. 30, 2002 As Restated
Governmental Funds and Governmental Activities				
Major Funds:				
General	\$ 2,661,142	39,057	9,874	2,710,073
County Wide Road Maintenance		314,314		314,314
County Wide Bridge & Culvert		1,031,502		1,031,502
Other Governmental Funds:				
Special Revenue	2,966,838	(345,487)	(1,641)	2,619,710
Debt Service	675,016			675,016
Total Governmental Funds	6,302,996	1,039,386	8,233	7,350,615
Governmental Activities:				
Capital assets, net		19,830,133	29,500,692	49,330,825
Long-term liabilities		(9,506,470)		(9,506,470)
Fine revenue accrued			764,083	764,083
Garbage collection revenue accrued			249,848	249,848
Internal service		135,338		135,338
Total Governmental Funds and Governmental Activities	\$ 6,302,996	11,498,387	30,522,856	48,324,239

PIKE COUNTY

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

	Sept. 30, 2002 As Previously Reported	Fund and Account Group Reclassifications	Prior Period Adjustment	Sept. 30, 2002 As Restated
Proprietary Funds				
Internal Service	\$ <u>135,338</u>	<u>(135,338)</u>		<u>0</u>
Fiduciary Funds				
Expendable Trust	\$ <u>18,374</u>	<u>(18,374)</u>		<u>0</u>
Account Groups				
General Fixed Assets	\$ 19,830,133	(19,830,133)		0
General Long-term Debt	<u>(9,506,470)</u>	<u>9,506,470</u>		<u>0</u>
Total Account Groups	\$ <u>10,323,663</u>	<u>(10,323,663)</u>	<u>0</u>	<u>0</u>
Component Unit	\$ <u>168,231</u>	<u>781,217</u>	<u>0</u>	<u>949,448</u>

(3) Deposits.

PRIMARY GOVERNMENT:

The carrying amount of the county's total deposits with financial institutions at September 30, 2003, was \$8,187,162, and the bank balance was \$9,056,831. 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.

COMPONENT UNIT - PIKE COUNTY ECONOMIC DEVELOPMENT DISTRICT:

The carrying amount of the county's total deposits with financial institutions at September 30, 2003, was \$190,324, and the bank balance was \$182,391. 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.

PIKE COUNTY

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

(4) Interfund Transactions and Balances.

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

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
County Wide Road Maintenance	General	\$ 59,093
County Wide Bridge	General	12,104
Other Governmental Funds	General	48,714
Total		\$ 119,911

The receivables represent the tax revenue collected but not settled until October 2003. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out:

Transfer In	Transfer Out	Amount
General Fund	Other Governmental Funds	\$ 68,300
County Wide Road Maintenance Fund	General Fund	519,000
Other Governmental Funds	General Fund	106,152
Other Governmental Funds	Other Governmental Funds	73,731
Total		\$ 767,183

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

(5) Intergovernmental Receivables.

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

Description	Amount
Governmental Activities:	
Governmental Funds	
Legislative tag credit	\$ 170,277
Petroleum tax	26,872
Drug court fees	24,034

PIKE COUNTY

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

Description	Amount
Drug enforcement grant	23,471
Oil severance tax	16,740
Other	57,879
Total Governmental Funds	319,273
Internal Service Fund	
Health insurance premiums	72,520
Total Governmental Activities	\$ 391,793

(6) Loans Receivable.

Loans receivable balances at September 30, 2003, are as follows:

Description	Date of Loan	Interest Rate	Maturity Date	Balance Payable
Low income housing loan	03/10/00	1%	03/10/50	\$ 450,000

(7) Capital Assets.

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

PRIMARY GOVERNMENT:

	Balance Oct. 1, 2002	Additions	Deletions	Adjustments	Balance Sept. 30, 2003
Non-depreciable capital assets:					
Land	\$ 487,380	969,984	450		1,456,914
Construction in progress		1,466,805			1,466,805
Total non-depreciable capital assets	487,380	2,436,789	450	0	2,923,719
Depreciable capital assets:					
Infrastructure		517,702		80,400,025	80,917,727
Buildings	12,803,067			(428,483)	12,374,584
Improvements other than buildings	820,540				820,540
Mobile equipment	3,345,403	471,004	191,884	(158,538)	3,465,985
Furniture and equipment	2,261,106	39,283	33,460	(1,464,084)	802,845
Leased property under capital leases	112,637				112,637
Total depreciable capital assets	19,342,753	1,027,989	225,344	78,348,920	98,494,318

PIKE COUNTY

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

	Balance Oct. 1, 2002	Additions	Deletions	Adjustments	Balance Sept. 30, 2003
<u>Less accumulated depreciation for:</u>					
Infrastructure		2,730,833		43,185,727	45,916,560
Buildings		242,820		2,031,869	2,274,689
Improvements other than buildings		3,285		649,866	653,151
Mobile equipment		249,510	172,699	2,320,630	2,397,441
Furniture and equipment		47,846	32,135	660,136	675,847
Total accumulated depreciation	<u>0</u>	<u>3,274,294</u>	<u>204,834</u>	<u>48,848,228</u>	<u>51,917,688</u>
 Total depreciable capital assets, net	 <u>19,342,753</u>	 <u>(2,246,305)</u>	 <u>20,510</u>	 <u>29,500,692</u>	 <u>46,576,630</u>
 Governmental activities capital assets, net	 <u>\$ 19,830,133</u>	 <u>190,484</u>	 <u>20,960</u>	 <u>29,500,692</u>	 <u>49,500,349</u>

Adjustments are the effect of implementing GASB 34.

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 93,475
Public safety	172,056
Public works	2,905,739
Health and welfare	40,722
Culture and recreation	55,712
Economic development	<u>6,590</u>
 Total governmental activities depreciation expense	 \$ <u>3,274,294</u>

As of September 30, 2003, the county had the following commitments with respect to unfinished capital projects:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
Magnolia National Guard Armory renovation	\$ 139,173	05/01/04
LSBP 57(7) Willis Cotton Road bridge	138,265	09/20/04
LSBP 57(6) Willis Cotton Road bridge	312,122	09/30/04
SAP 57(56) College Loop Road	214,488	09/30/04
LSBP 57(8) Willis Cotton Road bridge	156,600	06/30/05

PIKE COUNTY

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

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 the controlled substances. Pike County's annual share of financing the unit is \$20,000, which is appropriated from the General Fund. These non-tax revenues are received from seizures made by the Narcotics Enforcement Unit and subsequently forfeited by the defendants through the courts. The agreement terminates yearly but may be renewed by the parties hereto. The county's intention is to renew, yearly, its commitment to the agreement for the indefinite future.

COMPONENT UNIT - PIKE COUNTY ECONOMIC DEVELOPMENT DISTRICT:

	Balance Oct. 1, 2002	Additions	Deletions	Adjustments	Balance Sept. 30, 2003
<u>Non-depreciable capital assets:</u>					
Land	\$ 1,596,739	0	827,344	0	769,395
<u>Depreciable capital assets:</u>					
Machinery and equipment	16,443	3,205	0	0	19,648
<u>Less accumulated depreciation for:</u>					
Machinery and equipment	(6,965)	(1,965)	0	0	(8,930)
Total depreciable capital assets, net	9,478	1,240	0	0	10,718
Capital assets, net	\$ 1,606,217	1,240	827,344	0	780,113

(8) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$500,000 for law enforcement personnel and \$350,000 for all other employees for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2003, to January 1, 2004. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

PIKE COUNTY

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

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 \$30,000.

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, 2003, the amount of these liabilities was \$56,495. An analysis of claims activities is presented below:

	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year End</u>
2001-2002	\$ 0	359,082	326,978	32,104
2002-2003	\$ 32,104	645,672	621,281	56,495

(9) Capital Leases.

As Lessor:

The county leases the following property with varying terms and options as of September 30, 2003:

<u>Classes of Property</u>	<u>Amount</u>
Industrial buildings	\$ <u>6,050,000</u>

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2003, are as follows:

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ 230,000	176,400
2005	245,000	162,150
2006	260,000	147,000
2007	275,000	130,950
2008	295,000	113,850
2009-2013	<u>1,750,000</u>	<u>274,500</u>
Total	\$ <u>3,055,000</u>	<u>1,004,850</u>

PIKE COUNTY

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

As Lessee:

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

Classes of Property	Governmental Activities
Mobile equipment	\$ 112,637

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

Year Ending September 30	Governmental Activities	
	Principal	Interest
2004	\$ 17,121	1,239
2005	7,837	767
2006	8,151	452
2007	<u>7,042</u>	<u>128</u>
Total	<u>\$ 40,151</u>	<u>2,586</u>

(10) Long-term Debt.

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

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
A. General Obligation Bonds:			
Welfare building	\$ 85,000	6.8	01/01/05
Jail construction	1,065,000	5.8-6.25	12/01/06
Pike industrial 1988 - Series A	300,000	7.3-10.375	09/01/08
Chancery Court annex	1,015,000	5.0-5.25	05/01/12
Sanderson Farms	3,055,000	6.0	11/01/12
Industrial development - Series 2003	1,100,000	4.5-5.63	01/01/18
Pike-Amite-Walthall Library	1,850,000	4.9-6.5	01/01/18
Courthouse renovation	<u>1,140,000</u>	4.4-5.5	07/01/21
Total General Obligation Bonds	<u>\$ 9,610,000</u>		
B. Capital Leases:			
Dump trucks	\$ 9,587	5.3	04/10/04
Dump truck	<u>30,564</u>	3.94	07/18/07
Total Capital Leases	<u>\$ 40,151</u>		
C. Other Loans:			
Magnolia Armory CAP loan	<u>\$ 186,237</u>	5.18	09/01/13

PIKE COUNTY

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

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

<u>Year Ending September 30</u>	<u>General Obligation Bonds</u>		<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ 875,000	499,936	14,751	9,308
2005	915,000	449,893	15,535	8,525
2006	930,000	398,856	16,359	7,700
2007	985,000	345,231	17,228	6,832
2008	725,000	297,956	18,143	5,917
2009 - 2013	3,760,000	893,824	104,221	14,071
2014 - 2018	1,125,000	224,848		
2019 - 2023	295,000	30,575		
Total	<u>\$ 9,610,000</u>	<u>3,141,119</u>	<u>186,237</u>	<u>52,353</u>

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2003, the amount of outstanding debt was equal to 4.5% of the latest property assessments.

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

PRIMARY GOVERNMENT:

	<u>Balance</u>				<u>Balance</u>	<u>Amount due</u>
	<u>Oct. 1, 2002</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments</u>	<u>Sept. 30, 2003</u>	<u>within one</u>
						<u>year</u>
Governmental Activities						
Compensated absences	\$ 169,014		10,104		158,910	
Claims and judgments	32,104	645,672	621,281		56,495	56,495
General obligation bonds	9,255,000	1,100,000	745,000		9,610,000	875,000
Capital leases	63,156		23,005		40,151	17,121
Other loans	19,300	180,932	13,995		186,237	14,751
Total	<u>\$ 9,538,574</u>	<u>1,926,604</u>	<u>1,413,385</u>	<u>0</u>	<u>10,051,793</u>	<u>963,367</u>

COMPONENT UNIT - PIKE COUNTY ECONOMIC DEVELOPMENT DISTRICT:

	<u>Balance</u>				<u>Balance</u>	<u>Amount due</u>
	<u>Oct. 1, 2002</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments</u>	<u>Sept. 30, 2003</u>	<u>within one</u>
						<u>year</u>
Other loans	<u>\$ 825,000</u>	<u>0</u>	<u>825,000</u>	<u>0</u>	<u>0</u>	<u>0</u>

PIKE COUNTY

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

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end \$56,495 of internal service funds claims and judgments are included in the above amounts. Also, the governmental activities, claims and judgments are generally liquidated by the General Fund.

(11) 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.

(12) Joint Ventures.

The county participates in the following joint ventures:

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 \$15,000 in fiscal year 2003. Complete financial statements for the McComb-Pike County Airport can be obtained from 2051 John E. Lewis Drive, McComb, MS 39648.

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

Pike County is a participant with the Counties of Amite and Walthall in a joint venture, authorized by Section 39-3-11, Miss. Code Ann. (1972), to operate the Pike-Amite-Walthall Regional Library System. The joint venture was created to provide library service for the three counties and is governed by five board members. The Counties of Amite and Pike appoint two board members each and Walthall County appoints one board member. By contractual agreement, the county's appropriation to the joint venture was \$278,209 in fiscal year 2003. Complete financial statements for the Pike-Amite-Walthall Regional Library System can be obtained from 1022 Virginia Avenue, McComb, MS 39648.

PIKE COUNTY

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

Pike County is a participant with the Counties of Amite, Franklin, Lawrence, Lincoln, Walthall and Wilkinson and the Cities of Brookhaven, McComb and Osyka in a joint venture, authorized by Section 17-17-307, Miss. Code Ann. (1972), to operate the Southwest Regional Solid Waste Management Authority. The joint venture was created to study the disposal of solid waste within the aforementioned counties and cities and is governed by ten board members. Each governmental authority appoints one board member. By contractual agreement, the county's appropriation is based on the volume of solid waste from each government. Complete financial statements for the Southwest Regional Solid Waste Management Authority can be obtained from P.O. Box 667, McComb, MS 39649.

(13) 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 \$57,715 for support of the district in fiscal year 2003.

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 2003.

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 \$1,108,971 for the operations and maintenance of the college in fiscal year 2003.

Southwest Mississippi Development Corporation operates in a district composed 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.

(14) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2003, 2002 and 2001 were \$469,720, \$423,355 and \$401,990, respectively, equal to the required contributions for each year.

PIKE COUNTY

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

Funding Policy for the Pike County Economic Development District. PERS members are required to contribute 7.25% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The district's and employee contributions to PERS for the years ending September 30, 2003, 2002 and 2001 were \$23,767, \$23,486 and \$22,437, respectively, equal to the required contributions for each year.

(15) Other Information.

As a result of revenue shortfalls, the State Tax Commission had to withhold 7.9% of the March 2003 homestead exemption reimbursement from local governments. The amount withheld from Pike County during the 2002-2003 fiscal year was \$26,168.

(16) Subsequent Events.

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

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
02/06/04	3.092	\$ 156,596	Lease purchase	Ad valorem collections
02/06/04	3.092	91,500	Lease purchase	Ad valorem collections

PIKE COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

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

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 4,381,585	4,475,527	4,475,527	
Licenses, commissions and other revenue	420,400	469,180	469,180	
Fines and forfeitures	626,500	583,754	583,754	
Intergovernmental revenues	1,292,082	1,321,626	1,321,626	
Charges for services	339,400	584,514	584,514	
Interest income	156,300	141,465	141,465	
Miscellaneous revenues	76,000	80,877	80,877	
Total Revenues	<u>7,292,267</u>	<u>7,656,943</u>	<u>7,656,943</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	3,862,230	3,747,013	3,747,013	
Public safety	2,597,976	2,646,014	2,646,014	
Public works	15,000	15,000	15,000	
Health and welfare	338,094	342,515	342,515	
Culture and recreation	3,500	3,500	3,500	
Conservation of natural resources	129,414	117,289	117,289	
Economic development and assistance	34,568	36,035	36,035	
Debt service:				
Principal		4,469	4,469	
Total Expenditures	<u>6,980,782</u>	<u>6,911,835</u>	<u>6,911,835</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>311,485</u>	<u>745,108</u>	<u>745,108</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets			13,390	13,390
Transfers in			79,700	79,700
Transfers out	(475,820)	(635,320)	(635,320)	
Other financing sources	66,675	93,090		(93,090)
Total Other Financing Sources and Uses	<u>(409,145)</u>	<u>(542,230)</u>	<u>(542,230)</u>	<u>0</u>
Net Change in Fund Balance	(97,660)	202,878	202,878	
Fund Balances - Beginning	<u>2,580,000</u>	<u>2,596,206</u>	<u>2,608,281</u>	<u>12,075</u>
Fund Balances - Ending	<u>\$ 2,482,340</u>	<u>2,799,084</u>	<u>2,811,159</u>	<u>12,075</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)
 Sanderson Farms MBIA Bond Fund
 For the Year Ended September 30, 2003

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Miscellaneous revenues	\$ 409,900	409,900	409,900	
Total Revenues	<u>409,900</u>	<u>409,900</u>	<u>409,900</u>	<u>0</u>
EXPENDITURES				
Current:				
Debt service:				
Principal	220,000	220,000	220,000	
Interest	<u>189,900</u>	<u>189,900</u>	<u>189,900</u>	
Total Expenditures	<u>409,900</u>	<u>409,900</u>	<u>409,900</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	0	0	0	0
Fund Balances - Beginning	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>0</u>	<u>0</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)
 County Wide Road Maintenance
 For the Year Ended September 30, 2003

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 845,200	855,883	855,883	
Road and bridge privilege taxes	440,000	445,692	445,692	
Intergovernmental revenues	676,250	712,145	712,145	
Charges for services	2,500	3,133	3,133	
Interest income	25,000	22,592	22,592	
Miscellaneous revenues	6,100	4,430	4,430	
Total Revenues	<u>1,995,050</u>	<u>2,043,875</u>	<u>2,043,875</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	2,257,717	2,516,107	2,516,107	
Debt service:				
Principal	25,334	24,613	24,613	
Total Expenditures	<u>2,283,051</u>	<u>2,540,720</u>	<u>2,540,720</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(288,001)</u>	<u>(496,845)</u>	<u>(496,845)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	359,500	519,000	519,000	
Total Other Financing Sources and Uses	<u>359,500</u>	<u>519,000</u>	<u>519,000</u>	<u>0</u>
Net Change in Fund Balance	71,499	22,155	22,155	0
Fund Balances - Beginning	<u>325,000</u>	<u>313,742</u>	<u>313,742</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 396,499</u>	<u>335,897</u>	<u>335,897</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)
 County Wide Bridge Fund
 For the Year Ended September 30, 2003

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 524,324	530,549	530,549	
Intergovernmental revenues	50,000	37,733	37,733	
Interest income	35,000	30,523	30,523	
Miscellaneous revenues		949	949	
Total Revenues	<u>609,324</u>	<u>599,754</u>	<u>599,754</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	813,760	784,152	784,152	
Total Expenditures	<u>813,760</u>	<u>784,152</u>	<u>784,152</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(204,436)</u>	<u>(184,398)</u>	<u>(184,398)</u>	<u>0</u>
Net Change in Fund Balance	(204,436)	(184,398)	(184,398)	0
Fund Balances - Beginning	<u>1,050,000</u>	<u>1,023,249</u>	<u>1,023,249</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 845,564</u>	<u>838,851</u>	<u>838,851</u>	<u>0</u>

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

PIKE COUNTY

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

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

For the year ended September 30, 2003, the county implemented GASB Statement No. 41, *Budgetary Comparison Schedules - Perspective Differences*, which amends GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The statement clarifies the budgetary presentation requirements. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

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

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

PIKE COUNTY

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

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

	<u>Governmental Fund Types</u>		
	<u>General Fund</u>	<u>County Wide Road Maintenance Fund</u>	<u>County Wide Bridge Fund</u>
Budget (Cash Basis)	\$ 202,878	22,155	(184,398)
Increase (Decrease)			
Net adjustments for revenue accruals	3,206,903	725,099	407,436
Net adjustments for expenditure accruals	<u>(3,139,351)</u>	<u>(834,563)</u>	<u>(403,585)</u>
GAAP Basis	\$ <u>270,430</u>	<u>(87,309)</u>	<u>(180,547)</u>

PIKE COUNTY

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PIKE COUNTY

SUPPLEMENTAL INFORMATION

PIKE COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2003

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
MAJOR FEDERAL AWARDS			
U.S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority Community development block grants/state's program	14.228	01-057-ED-IF01	\$ 401,977
Community development block grants/state's program	14.228	1119-02-057-PF01	<u>5,500</u>
Total U.S. Department of Housing and Urban Development			<u>407,477</u>
U.S. Department of Justice - Office of Justice Programs/Passed-through the Mississippi Department of Public Safety Byrne formula grant program	16.579	2NM1571	224,558
Byrne formula grant program	16.579	0DC1571	<u>110,362</u>
Total U.S. Department of Justice			<u>334,920</u>
Total Expenditures of Major Federal Awards			<u>742,397</u>
OTHER FEDERAL AWARDS			
U.S. Department of Justice - Office of Juvenile Justice and Delinquency Prevention/ Passed-through the Mississippi Department of Public Safety Juvenile accountability incentive block grants	16.523	0JB1571	<u>27,157</u>
Office of Justice Programs/Passed-through the Mississippi Department of Public Safety Crime victim assistance	16.575	1VA1571	27,755
Crime victim assistance	16.575	2VA1571	<u>10,813</u>
Subtotal			<u>38,568</u>
Office of Justice Programs Local law enforcement block grants program	16.592	2002-LB-BX-1998	<u>11,086</u>
Office of Community Oriented Policing Services Public safety partnership and community policing grants	16.710	95-CF-WX-5022	<u>86,535</u>
Total U.S. Department of Justice			<u>163,346</u>

PIKE COUNTY
 Schedule of Expenditures of Federal Awards
 For the Year Ended September 30, 2003

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U.S. Department of Transportation - Federal Highway Administration/Passed-through the Mississippi Department of Transportation Highway planning and construction	20.205	N/A	<u>8,910</u>
Federal Emergency Management Agency - Office of Financial Management/Passed-through the Mississippi Emergency Management Agency Emergency management performance grants	83.552	N/A	<u>32,712</u>
U.S. Department of Health and Human Services - Administration for Children and Families/Passed-through the Mississippi Department of Human Services Temporary assistance for needy families	93.558	053WL11	<u>3,628</u>
Total Expenditures of Other Federal Awards			<u>208,596</u>
Total Expenditures of Federal Awards			<u>\$ 950,993</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

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

PIKE COUNTY

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PIKE COUNTY

SPECIAL REPORTS

PIKE COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF THE
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, 2003, and have issued our report thereon dated March 31, 2004. We did not audit the financial statements of the Pike County Economic Development District, a component unit, which represents 100% of the assets and revenues of the governmental component unit column. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned component unit, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

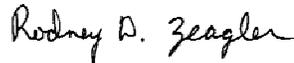
In planning and performing our audit, we and other auditors considered Pike County, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal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

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

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



PHIL BRYANT
State Auditor



RODNEY D. ZEAGLER, CPA
Director, Financial and Compliance Audit Division

March 31, 2004



State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Members of the Board of Supervisors
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 each of its major federal programs for the year ended September 30, 2003. Pike County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Pike County, Mississippi's management. Our responsibility is to express an opinion on Pike County, Mississippi's compliance based on our audit.

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

In our opinion, Pike County, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2003.

Internal Control Over Compliance

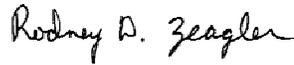
The management of Pike County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Pike County, Mississippi's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

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

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



PHIL BRYANT
State Auditor



RODNEY D. ZEAGLER, CPA
Director, Financial and Compliance Audit Division

March 31, 2004



State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Members of the Board of Supervisors
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, 2003. Our study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures as we considered necessary in the circumstances.

The Board of Supervisors of 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.

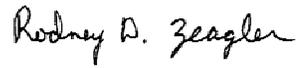
In our opinion, Pike County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements.

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.



PHIL BRYANT
State Auditor



RODNEY D. ZEAGLER, CPA
Director, Financial and Compliance Audit Division

March 31, 2004

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

Schedule 1

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

PIKE COUNTY
 Schedule of Emergency Purchases
 For the Year Ended September 30, 2003

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
10/07/02	Johnston Station Road bridge repairs	\$ 21,160	Oddee Smith Construction	Bridge was washed out.

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

Schedule 3

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

PIKE COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Members of the Board of Supervisors
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, 2003, and have issued our report thereon dated March 31, 2004. We did not audit the financial statements of the Pike County Economic Development District, a component unit, which represents 100% of the assets and revenues of the governmental component unit column. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned component unit, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the procedures prescribed by the Office of the State Auditor, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures and our audit of the financial statements disclosed no instances of noncompliance with state laws and regulations.

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.

Handwritten signature of Phil Bryant in black ink.

PHIL BRYANT
State Auditor

Handwritten signature of Rodney D. Zeagler in black ink.

RODNEY D. ZEAGLER, CPA
Director, Financial and Compliance Audit Division

March 31, 2004

PIKE COUNTY

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PIKE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PIKE COUNTY

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PIKE COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2003

Section 1: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- | | | |
|-----|--|-------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 5. | Internal control over major programs: | |
| a. | Material weakness identified? | No |
| b. | Reportable conditions identified that are not considered to be material weaknesses? | No |
| 6. | Any audit findings reported as required by Section ____.510(a) of Circular A-133? | No |
| 7. | Federal programs identified as major programs: | |
| a. | Community development block grants/state's programs, CFDA #14.228 | |
| b. | Byrne formula grant program, CFDA #16.579 | |
| 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, 2003

Section 2: Financial Statement Findings

Sheriff.

03-1. Finding

Weak controls existed over the collecting, recording and settlement of cash in the Sheriff's office. The following deviations were noted:

- a. Prescribed receipts were not issued for all monies collected, including collections for background checks and fingerprint identification services. Receipts for these services were not deposited on a timely basis.
- b. Settlements of collections were not always made monthly. At the end of December 2003, \$6,967.00, in mostly identified funds, were left unsettled in the Sheriff bank account. Also, the Petty Cash bank account had \$1,000 authorized money plus interest accrued left unsettled.
- c. Bank accounts were not reconciled to the cash journal.
- d. Deposits were not made into the bank on a daily basis.
- e. Inmate account balances were not reconciled to the Jail Inmate bank account.

Recommendation

The Sheriff should implement control procedures to handle the collection, recording and the settlement of cash in accordance with the *Mississippi County Financial Accounting Manual*.

Sheriff's Response

I have settled the aforementioned accounts.

Auditor's Note

Settlements were made May 2, 2004, to close out two Sheriff bank accounts. The Sheriff bank account was closed out with check #1272 written to the county totaling \$5,752.23 and check #1273 written to the Pike County Justice Court totaling \$1,239.76. Check #268 totaling \$1,065.18 was written to the county closing out the Petty Cash bank account.

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.