

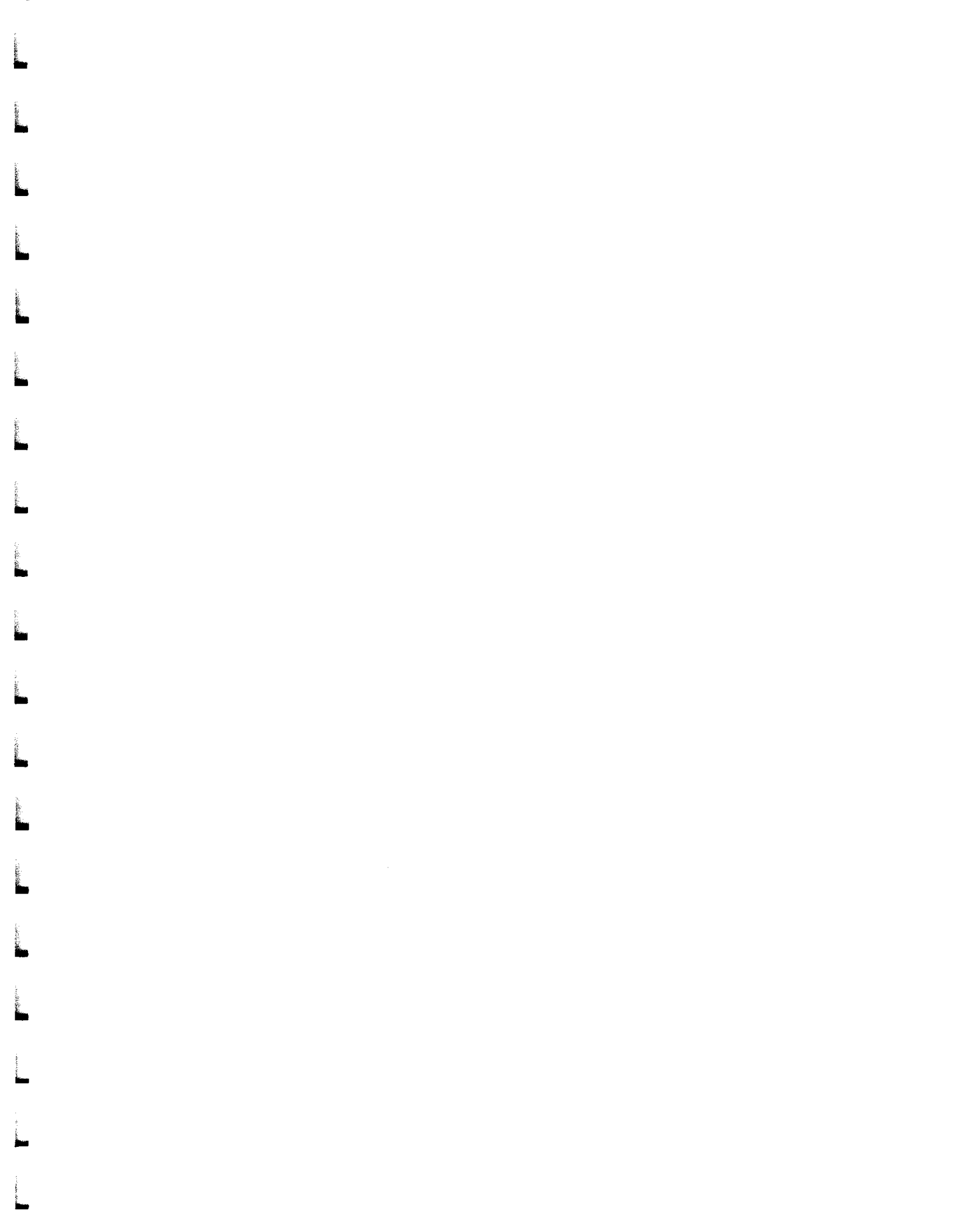




**Tate County**  
Financial Statements  
September 30, 2005

**Ellis & Hirsberg**  
Certified Public Accountants, LLC  
Clarksdale, Mississippi







TATE COUNTY  
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TATE COUNTY

FINANCIAL SECTION

TATE COUNTY

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INDEPENDENT AUDITOR'S REPORT  
ON  
THE BASIC FINANCIAL STATEMENTS ACCOMPANIED BY  
THE REQUIRED SUPPLEMENTAL INFORMATION

Members of the Board of Supervisors  
Tate County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Tate County, Mississippi, as of and for the year ended September 30, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the primary government financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund of Tate County, Mississippi, as of September 30, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the basic government financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, BMW GO Bond Fund and the aggregate remaining fund information of Tate County, Mississippi, as of September 30, 2005, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2006, on our consideration of Tate County, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting on compliance. 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 14 and the Budgetary Comparison Schedule and corresponding notes on pages 51 through 54 are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

August 8, 2006

*Ellis + Arsbury LLC*

TATE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

TATE COUNTY

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TATE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2005

## INTRODUCTION

The discussion and analysis of Tate County's financial performance provides an overall narrative review of the County's financial activities for the year ended September 30, 2005. 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. Information contained in this section is qualified by more detailed information contained elsewhere in the County's financial statements, notes to the financial statements and accompanying materials, to the extent this discussion contains any forward looking statements of the County's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

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.

Tate County is located in northwestern Mississippi. The population, according to the 2000 census, is 25,370. The local economic base is driven mainly by agriculture.

## FINANCIAL HIGHLIGHTS

Tate 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.

Tate County continues to grow both economically and in population. Increased services required to meet that growth resulted in a millage increase to 102 mills from 97.

Total net assets decreased \$940,606, which represents a 3% decrease from the prior year. The County's ending cash balance decreased by \$1,400,428, which represents a 13% decrease from the prior fiscal year.

The County had \$11,791,953 in total revenues. Tax revenues account for \$7,072,248 or 61% of total revenues. State revenues in the form of reimbursements, shared revenue or grants, account for \$142,528 or 1% of total revenues.

The County had \$12,732,559 in total expenses, which represents an increase of \$1,370,131 or 12% increase from the prior fiscal year. Expenses in the amount of \$3,524,476 were offset by charges for services, grants, outside contributions or debt being issued. General revenues of \$8,267,474 were not adequate to provide for the remainder of the expenses.

Among major funds, the General Fund had \$6,574,370 in revenues and \$6,886,371 in expenditures. The General Fund's balance decreased \$558,001 under the prior year. The decrease was caused in part by rising fuel costs and general inflation and a prior year adjustment to account for claims and judgments.

The BMW GO Bond Fund collected \$184,456 in interest income and \$195,000 in principal payments on a capital lease of the BMW building. The fund in turn paid off debt on the building of \$195,000 and interest of \$184,406.

Capital assets, net of accumulated depreciation, increased by \$229,518. The increase was caused primarily by acquisitions of new equipment.

Long-term debt decreased by \$708,926. The decrease resulted from payoffs exceeding borrowings.

## 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.

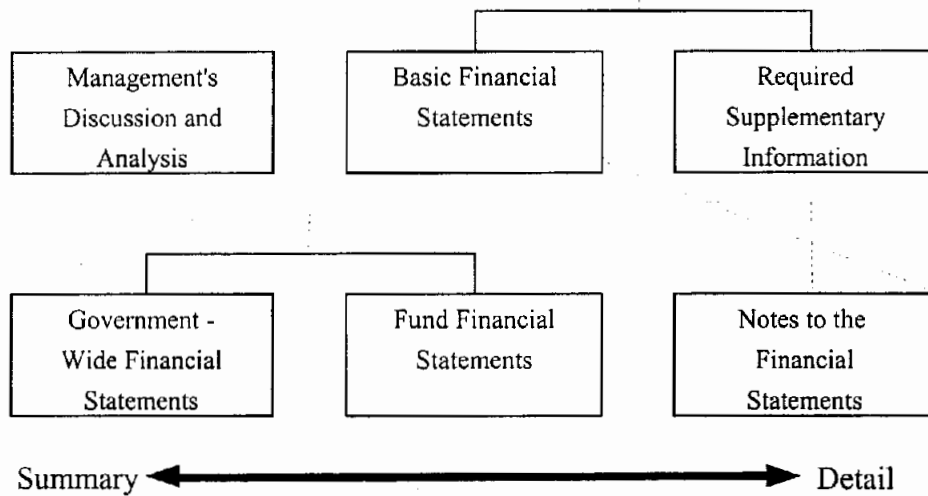


Figure 1 shows how required parts of this annual report are arranged and related to one another.

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	a. Statement of net assets b. Statement of activities	a. Balance sheet b. Statement of revenues, expenditures and changes in fund balances	a. Statement of net assets b. Statement of revenues, expenses and changes in net assets c. Statement of cash flows	a. Statement of fiduciary net assets b. 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. The business-type activities of the County include solid waste management and garbage collection.

The Government-wide Financial Statements can be found on pages 16, 17, 18 and 19 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 21, 24 and 25, 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 20 through 25 of this report.

**Proprietary funds** are maintained to account for enterprise activities. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statement. The County uses enterprise funds to account for the solid waste management and garbage disposal. Because these services predominantly benefit governmental rather than business-type functions, they have 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 solid waste management is considered to be a major fund of the County. Data from the other enterprise fund is combined into a single, aggregated presentation. The proprietary funds financial statements can be found on pages 26 through 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 financial statement 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 through 47 of this report.

In addition to the basic financial statements and accompanying notes, this report also presented **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 51 through 54 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 Tate County, assets exceeded liabilities by \$28,869,346 as of September 30, 2005.

By far, the largest portion of the County's net assets (71%) reflects its investment in capital assets (e.g. roads, bridges, land, buildings, mobile equipment, furniture and 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 years ended September 30, 2005 and 2004.

	2005		2004	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
Current Assets	\$ 9,904,296	689,799	10,974,633	692,082
Other assets	4,283,909		4,221,412	
Capital assets, net	<u>31,463,010</u>	<u>221,959</u>	<u>31,233,492</u>	<u>324,631</u>
Total assets	<u>\$ 45,651,215</u>	<u>911,758</u>	<u>46,429,537</u>	<u>1,016,713</u>
Current liabilities	\$ 9,089,607	71,983	6,363,629	138,794
Long-term debt outstanding	<u>8,527,974</u>	<u>4,063</u>	<u>9,800,065</u>	<u>52,941</u>
Total liabilities	<u>\$ 17,617,581</u>	<u>76,046</u>	<u>16,163,694</u>	<u>191,935</u>
Net assets:				
Invested in capital assets, net of related debt	\$ 20,945,020	221,959	20,117,442	221,284
Unrestricted	<u>7,088,614</u>	<u>613,753</u>	<u>10,148,401</u>	<u>603,694</u>
Total net assets	<u>\$ 28,033,634</u>	<u>835,712</u>	<u>30,265,843</u>	<u>824,978</u>

Note: The business-type activities consist of garbage collections and solid waste management operations.

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

- The County incurred capital lease obligations of \$695,733 for dump trucks.

**Changes in Net Assets** - Tate County's total revenues for the fiscal year ended September 30, 2005 was \$10,896,615. The total cost for all services provided was \$11,847,955. The decrease in net assets was \$954,340. The following table presents a summary of the changes in net assets for the fiscal year ended September 30, 2005.

	2005 <u>Amount</u>	2004 <u>Amount</u>
Revenues:		
Program revenues		
Charges for services	\$ 1,579,002	\$ 1,486,645
State grants	142,528	138,994
Capital Grants & Contribution	936,014	895,462
General revenues		
Property taxes	7,072,248	5,998,155
Other	<u>1,116,823</u>	<u>1,192,821</u>
Total Revenues	<u>10,896,615</u>	<u>9,712,077</u>
Expenses:		
General government	3,413,636	2,935,750
Public safety	3,290,710	2,766,981
Public works	3,627,254	3,657,772
Health and welfare	171,249	174,425
Culture and Recreation	248,783	143,400
Other expenses	583,214	202,619
Interest and other expense on long-term debt	<u>513,109</u>	<u>567,003</u>
Total Expenses	<u>11,847,955</u>	<u>10,447,950</u>
Decrease in Net Assets	\$ <u>(954,340)</u>	\$ <u>(735,873)</u>

Property taxes increased due to an increase in assessed values and millage rates. Ambulance fees are up due to better collections. Other increases are due to general price increases. There are some differences in classifications between years.

Expenses increased because of additional road and bridge repairs, utility increases and general inflationary causes.

**Governmental Activities** - The following table presents the cost of eight major functional activities of the County: General Government, Public Safety, Public Works, Health and Welfare, Culture and Recreation, Education, Conservation, 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 Tate County's taxpayers by each of these functions.

	<u>2005</u>		<u>2004</u>	
	<u>Total Costs</u>	<u>Net Costs</u>	<u>Total Costs</u>	<u>Net Costs</u>
General government	\$ 3,413,636	2,187,514	\$ 2,935,750	1,840,150
Public safety	3,290,710	2,819,924	2,766,981	2,378,905
Public works	3,627,254	2,685,628	3,657,772	2,640,347

Health and welfare	171,249	152,239	174,425	173,737
Economic development	140,112	140,112	73,976	73,900
Culture and recreation	248,783	248,783	143,400	142,586
Education	253,928	253,928	47,326	47,326
Conservation	189,174	189,174	81,317	62,895
Interest and other expense on long-term debt	513,109	513,109	567,003	567,003

## FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

**Governmental funds** - At the close of the fiscal year, Tate County's governmental funds reported a combined fund balance of \$4,008,814, a decrease of \$1,632,911. The primary reasons for this increase are highlighted in the analysis of governmental activities.

The General Fund is the principal operating fund of the County. The decrease in the fund balance of the General Fund for the fiscal year was \$558,001. This decrease was primarily due to an increase in expenditures as discussed above.

**Business-type funds** - The Enterprise Funds showed a gain for the year of \$10,734.

## BUDGETARY HIGHLIGHTS OF MAJOR FUNDS

Over the course of the year, Tate County revised its annual operating budget on several occasions. Significant budget amendments are explained as follows:

The budget amendments were made to more closely reflect actual results.

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, 2005, Tate County's total capital assets were \$89,977,689. This includes roads, bridges, other infrastructure, land, buildings, mobile equipment, furniture and equipment, leased property under capital lease and construction in progress. This amount represents an increase from the previous year of \$1,009,298. The majority of this increase is due to purchases of mobile equipment and new capital leases.

Total accumulated depreciation as of September 30, 2005 was \$58,292,720, including \$916,009 of depreciation expense for the year. The balance in total net capital assets was \$31,684,969 at year-end.

Additional information on Tate County's capital assets can be found in Note 7 on page 39 of this report.

**Debt Administration** - At September 30, 2005 Tate County had \$10,601,040 in long-term debt outstanding. This includes general obligation bonds, loans from Mississippi Department of Economic and Community Development, capital leases, health insurance liabilities and accrued vacation pay.

In the past year, the County received proceeds from capital lease of \$800,793 to help finance road equipment.

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 \$21.3 million dollars.

Additional information on Tate County's long-term debt can be found in Note 12 on page 43 of this report.

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

Tate County has numerous items planned which can have an impact on the local economy as well as on the County's financial position.

The County has plans to construct a new Health Department building. Approximately half the cost will come from a Community Development Block Grant.

The budget for the next fiscal year reflected an increase of \$2,642,638 or 22% in revenues and an increase of \$1,438,303 or 10% in expenses. This is expected to increase the County's net assets.

Tate County has an unemployment rate of 6.9%. This compares favorably with the state average rate of 7.9%.

## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the funds it receives. If you have questions about this report or need additional financial information, please contact the County Administrator's/Chancery Clerk's office at P. O. Box 309, Senatobia, MS 38668.

TATE COUNTY

FINANCIAL STATEMENTS

TATE COUNTY  
Statement of Net Assets  
September 30, 2005

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash	\$ 4,809,416	442,912	5,252,328
Property tax receivable	4,840,675		4,840,675
Accounts receivable, net	254,205	246,887	246,887
Fines receivable, net	4,077,641		254,205
Capital leases receivable	156,998		4,077,641
Intergovernmental receivables	49,270	(49,270)	156,998
Internal balances	31,463,010	221,959	0
Capital assets, net	45,651,215	862,488	31,684,969
<b>Total Assets</b>	<u>\$ 841,329</u>	<u>21,944</u>	<u>863,273</u>
<b>LIABILITIES</b>			
Claims payable	107,000		107,000
Claims and judgments payable	61,613		61,613
Intergovernmental payables	101,657		101,657
Accrued interest payable	5,909,774		5,909,774
Deferred revenue			
Other payables:			
Due within one year:			
Capital related debt	2,058,540		2,058,540
Non-capital debt	9,694	769	10,463
Due in more than one year:			
Capital related debt	8,459,450		8,459,450
Non-capital debt	68,524	4,063	72,587
<b>Total Liabilities</b>	<u>\$ 17,617,581</u>	<u>26,776</u>	<u>17,644,357</u>

NET ASSETS			
Invested in capital assets, net of related debt	20,945,020	221,959	21,166,979
Restricted net assets:			
Expendable:			
Debt service	406,791		406,791
Public safety	82,874		82,874
Public works	2,479,170		2,479,170
Economic development	28,856		28,856
Other purposes	102,943		102,943
Unrestricted	3,987,980	613,753	4,601,733
Total Net Assets	<u>\$ 28,033,634</u>	<u>835,712</u>	<u>28,869,346</u>

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

JAY COUNTY  
Statement of Activities  
For the Year Ended September 30, 2005

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 3,413,636	1,184,668		41,454	(2,187,514)		(2,187,514)
Public safety	3,290,710	394,334	76,452		(2,819,924)		(2,819,924)
Public works	3,627,254		47,066	894,560	(2,685,628)		(2,685,628)
Health and welfare	171,249		19,010		(152,239)		(152,239)
Culture and recreation	248,783				(248,783)		(248,783)
Education	253,928				(253,928)		(253,928)
Conservation of natural resources	189,174				(189,174)		(189,174)
Economic development and assistance	140,112				(140,112)		(140,112)
Interest and other expenses on long-term liabilities	513,109				(513,109)		(513,109)
Total Governmental Activities	11,847,955	1,579,002	142,528	936,014	(9,190,411)	0	(9,190,411)
Business-type activities:							
Solid waste disposal	761,815	752,923				8,892	8,892
Other proprietary funds	122,789	114,009				8,780	8,780
Total Business-type Activities	884,604	866,932	0	0	0	17,672	17,672
Total Primary Government	\$ 12,732,559	2,445,934	142,528	936,014	(9,190,411)	17,672	(9,172,739)
General revenues:							
Taxes:							
Property taxes					\$ 7,072,248		7,072,248
Grants and contributions not restricted to specific programs					335,916		335,916
Loss on sale of assets					(4,421)		(4,421)
Unrestricted investment income					331,525	10,919	342,444
Miscellaneous					503,803	17,487	521,290
Total General Revenues, Special Item, Extraordinary					8,239,071	28,406	8,267,477

Changes in Net Assets	<u>(951,340)</u>	<u>10,734</u>	<u>(940,606)</u>
Net Assets - Beginning	<u>30,265,843</u>	<u>824,978</u>	<u>31,090,821</u>
Prior Period Adjustment	<u>(1,280,869)</u>		<u>(1,280,869)</u>
Net Assets - Beginning restated	<u>28,984,974</u>	<u>824,978</u>	<u>29,809,952</u>
Net Assets - Ending	<u>28,033,634</u>	<u>835,712</u>	<u>28,869,346</u>
	\$		

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

TATE COUNTY  
 Balance Sheet - Governmental Funds  
 September 30, 2005

Exhibit 3

	Major Funds			Total Governmental Funds
	General Fund	BMW GO Bond Fund	Other Governmental Funds	
<b>ASSETS</b>				
Cash and investments	\$ 1,346,880	22,914	3,439,622	4,809,416
Property tax receivable	4,840,675			4,840,675
Fines receivable, net	254,205			254,205
Intergovernment receivables	136,345			136,345
Other receivables	3,071	3,464,585	609,985	4,077,641
Due from other funds	28,556		88,196	116,752
Advances to other funds	41,367		47,379	88,746
<b>Total Assets</b>	<b>\$ 6,651,099</b>	<b>3,487,499</b>	<b>4,185,182</b>	<b>14,323,780</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Claims payable	\$ 581,043		260,286	841,329
Intergovernment payables	61,613			61,613
Claims and judgments	107,000			107,000
Due to other funds	86,788		1,408	88,196
Advances from other funds			47,379	47,379
Deferred revenue	5,094,879	3,464,585	609,985	9,169,449
<b>Total Liabilities</b>	<b>5,931,323</b>	<b>3,464,585</b>	<b>919,058</b>	<b>10,314,966</b>
Fund Balances:				
Reserved for:				
Advances	41,367		47,379	88,746
Reserve for lease agreement		22,914		22,914
Undesignated, reported in:				
General funds	678,409			678,409
Special Revenue funds			2,657,146	2,657,146
Debt Service funds			383,877	383,877
Capital Projects funds			177,722	177,722
<b>Total Fund Balances</b>	<b>719,776</b>	<b>22,914</b>	<b>3,266,124</b>	<b>4,008,814</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 6,651,099</b>	<b>3,487,499</b>	<b>4,185,182</b>	<b>14,323,780</b>

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

TATE COUNTY

Exhibit 3-1

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets  
September 30, 2005

	Amount
Total fund balance - governmental funds (Exhibit 3)	\$ 4,008,814
Amounts reported for governmental services in the statement of net assets (Exhibit 1) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$57,675,728.	31,463,010
Fines receivable reported as deferred revenue in funds and as revenue on statement of activities	254,205
Deferred revenue - principal for capital lease receivable not future income on statement of activities	4,074,570
Long-term liabilities are not due and payable in the current-period and therefore are not reported in the funds.	
Long-term liabilities	\$ (10,596,208)
Accrued interest on bonds	<u>(101,657)</u>
Prior period adjustment to remove accrued interest on leases receivable	<u>(1,069,100)</u>
Total net assets - governmental activities (Exhibit 1)	<u>\$ 28,033,634</u>

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

TATE COUNTY

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Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended September 30, 2005

	<u>Major Funds</u>			Total Governmental Funds
	<u>General Fund</u>	<u>BMW GO Bond</u>	<u>Other Governmental Funds</u>	
<b>REVENUES</b>				
Property taxes	\$ 4,314,991		2,451,363	6,766,354
Licenses, commissions and other revenue	451,002		312,460	763,462
Fines and forfeitures	291,657		11,118	302,775
Intergovernmental revenues	525,899		888,539	1,414,438
Charges for services	754,779		206,064	960,843
Interest income	39,840	184,456	107,783	332,079
Miscellaneous	196,202		167,273	363,475
Total Revenues	<u>6,574,370</u>	<u>184,456</u>	<u>4,144,600</u>	<u>10,903,426</u>
<b>EXPENDITURES</b>				
Current:				
General government	3,383,385		21,667	3,405,052
Public safety	2,650,827		486,345	3,137,172
Public works	3,000		4,004,597	4,007,597
Health and welfare	171,249			171,249
Culture and recreation	242,472		6,311	248,783
Education	205,714		48,214	253,928
Conservation of natural resources	54,220		132,484	186,704
Economic development and assistance	129,383		10,729	140,112
Debt service:				
Principal	23,173	195,000	1,241,853	1,460,026
Interest	22,948	184,406	308,086	515,440
Total Expenditures	<u>6,886,371</u>	<u>379,406</u>	<u>6,260,286</u>	<u>13,526,063</u>
Excess of Revenues over (under) Expenditures	<u>(312,001)</u>	<u>(194,950)</u>	<u>(2,115,686)</u>	<u>(2,622,637)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Lease principal collection		195,000	49,608	244,608
Inception of capital lease			800,793	800,793
Proceeds from sale of capital assets			35,325	35,325
Transfers in			314,272	314,272
Transfers out	(155,000)		(159,272)	(314,272)
Total Other Financing Sources and Uses	<u>(155,000)</u>	<u>195,000</u>	<u>1,040,726</u>	<u>1,080,726</u>
Net Changes in Fund Balances	(467,001)	50	(1,074,960)	(1,541,911)
Fund Balance - Beginning	<u>1,277,777</u>	<u>22,864</u>	<u>4,341,084</u>	<u>5,641,725</u>
Prior Period Adjustment	<u>(91,000)</u>			<u>(91,000)</u>
Fund Balance - Ending	\$ <u>719,776</u>	<u>22,914</u>	<u>3,266,124</u>	<u>4,008,814</u>

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

TATE 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, 2005

Net changes in fund balances - total governmental funds (Exhibit 4) \$ (1,541,911)

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 \$1,080,956 exceeded depreciation of \$811,692, in the current period 269,264

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. Thus, the change in net assets differs from the change in fund balances by the amount that proceeds from the sale \$35,325 exceeded the loss \$4,421 in the current period. (39,746)

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 balance by the amount that debt repayments of \$1,398,854 exceeded debt proceeds \$800,793. 598,061

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the statement of activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:

Compensated absences	\$ 7,659
Accrued interest	2,331
Fines receivable	<u>(2,390)</u>
	7,600

Principal and interest payments on capital lease receivable not considered revenue on statement of activities (244,608)

Change in net assets of governmental activities (Exhibit 2)

\$           (951,340)

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

TATE COUNTY  
Statement of Net Assets - Proprietary Funds  
September 30, 2005

Exhibit 5

	<u>Business-type Activities - Enterprise Funds</u>		
	Solid Waste Management Fund	Other Proprietary Funds	Total Proprietary Funds
	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
<b>ASSETS</b>			
Current Assets:			
Cash and investments	\$ 270,190	172,722	442,912
Accounts receivable, net	246,887		246,887
Due from other funds	<u>9,898</u>		<u>9,898</u>
Total Current Assets	<u>526,975</u>	<u>172,722</u>	<u>699,697</u>
Noncurrent Assets:			
Capital assets, net	<u>221,959</u>		<u>221,959</u>
Total Noncurrent Assets	<u>221,959</u>	<u>0</u>	<u>221,959</u>
Total Assets	<u>\$ 748,934</u>	<u>172,722</u>	<u>921,656</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Claims payable	\$ 17,621	4,323	21,944
Due to other funds	17,801		17,801
Advances from other funds	41,367		41,367
Current portions of long-term capital related debt:			
Compensated absences payable - current portion	<u>769</u>		<u>769</u>
Total Current Liabilities	<u>77,558</u>	<u>4,323</u>	<u>81,881</u>
Noncurrent Liabilities			
Compensated absences payable	<u>4,063</u>		<u>4,063</u>
Total Noncurrent Liabilities	<u>4,063</u>	<u>0</u>	<u>4,063</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	221,959		221,959
Unrestricted	<u>445,354</u>	<u>168,399</u>	<u>613,753</u>
Total Net Assets	<u>\$ 667,313</u>	<u>168,399</u>	<u>835,712</u>

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

## Statement of Revenues, Expenditures, and Changes in Fund Net Assets - Proprietary Funds

For the Year Ended September 30, 2005

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Solid Waste Management Fund</u>	<u>Other Proprietary Fund</u>	<u>Total Proprietary Funds</u>
Operating Revenues			
Solid Waste Fee	\$ 752,923		752,923
Garbage Collection Fee		114,009	114,009
Total Operating Revenues	<u>752,923</u>	<u>114,009</u>	<u>866,932</u>
Operating Expenses			
Personnel services	344,396	69,036	413,432
Contractual services	139,602	18,129	157,731
Utilities	2,511	1,405	3,916
Repairs and maintenance	29,546	23,630	53,176
Other supplies and expenses	53,800	4,340	58,140
Insurance expense	24,413	6,249	30,662
Depreciation	104,317		104,317
Bad debts	<u>61,722</u>		<u>61,722</u>
Total Operating Expenses	<u>760,307</u>	<u>122,789</u>	<u>883,096</u>
Operating Income (Loss)	<u>(7,384)</u>	<u>(8,780)</u>	<u>(16,164)</u>
Nonoperating Revenues (Expenses)			
Interest income	6,621	4,298	10,919
Miscellaneous	13,804	3,683	17,487
Interest expense	<u>(1,508)</u>		<u>(1,508)</u>
Total Nonoperating Revenue (Expenses)	<u>18,917</u>	<u>7,981</u>	<u>26,898</u>
Income (Loss) Before Contributions and Transfers	<u>11,533</u>	<u>(799)</u>	<u>10,734</u>
Change in Net Assets	11,533	(799)	10,734
Net Assets - Beginning	<u>655,780</u>	<u>169,198</u>	<u>824,978</u>
Net Assets - Ending	\$ <u><u>667,313</u></u>	<u><u>168,399</u></u>	<u><u>835,712</u></u>

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

TATE COUNTY  
Statement of Cash Flows - Proprietary Fund Type  
For the Year Ended September 30, 2005

Exhibit 7

	<u>Business-type Activities - Enterprise Funds</u>		
	Solid Waste Management Fund	Other Proprietary Fund	Totals
	<u>Fund</u>	<u>Fund</u>	<u>Totals</u>
<b>Cash Flows From Operating Activities</b>			
Cash received from customers	\$ 767,084	114,009	881,093
Cash payments to suppliers for goods and services	(289,706)	(68,072)	(357,778)
Cash payments to employees for services	(344,396)	(69,036)	(413,432)
Net Cash Provided (Used) by Operating Activities	<u>132,982</u>	<u>(23,099)</u>	<u>109,883</u>
<b>Cash Flows From Noncapital Financing Activities</b>			
Cash received from other funds	<u>13,804</u>	<u>3,683</u>	<u>17,487</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>13,804</u>	<u>3,683</u>	<u>17,487</u>
<b>Cash Flows From Capital and Related Financing Activities</b>			
Principal paid on long-term debt	(103,347)		(103,347)
Interest expense paid	(1,508)		(1,508)
Acquisition of capital assets	<u>(16,484)</u>		<u>(16,484)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(121,339)</u>	<u>0</u>	<u>(121,339)</u>
<b>Cash Flows From Investing Activities</b>			
Interest and dividends on investments	<u>6,621</u>	<u>4,298</u>	<u>10,919</u>
Net Cash Provided (Used) by Investing Activities	<u>6,621</u>	<u>4,298</u>	<u>10,919</u>
Net Cash Increase (Decrease) in Cash and Cash Equivalents	32,068	(15,118)	16,950
Cash and Cash Equivalents at Beginning of Year	<u>238,122</u>	<u>187,840</u>	<u>425,962</u>
Cash and Cash Equivalents at End of Year	<u>\$ 270,190</u>	<u>172,722</u>	<u>442,912</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ (7,384)	(8,780)	(16,164)
<b>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</b>			
Depreciation	104,317		104,317
Capital asset transferred from governmental funds	14,839		14,839
Provision for uncollectible accounts	(4,808)		(4,808)
<b>Change in assets and liabilities:</b>			
(Increase) decrease in accounts receivable	24,041		24,041
Increase (decrease) in compensated absences	141		141

Due from other fund (increase) decrease	(9,898)		(9,898)
Increase (decrease) in claims payable	2,458	(14,319)	(11,861)
Increase (decrease) in advances from other funds	9,276		9,276
Total Adjustments	<u>140,366</u>	<u>(14,319)</u>	<u>126,047</u>
Net Cash Provided (Used) by Operating Activities	\$ <u>132,982</u>	<u>(23,099)</u>	<u>109,883</u>

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

TATE COUNTY  
Statement of Fiduciary Assets and Liabilities  
For the Year Ended September 30, 2005

Exhibit 8

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	\$ 22,852
Due from Other Funds	<u>12,177</u>
Total Assets	<u>\$ 35,029</u>
<b>LIABILITIES</b>	
Claims payable	\$ 1742
Intergovernmental payables	457
Due to other funds	<u>32,830</u>
Total Liabilities	<u>\$ 35,029</u>

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

## TATE COUNTY

### Notes to the Financial Statements For the Year Ended September 30, 2005

#### (1) Summary of Significant Accounting Policies.

##### A. Financial Reporting Entity.

Tate 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 Tate County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the County. There are no outside organizations that should be included as component units of the County's reporting entity.

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

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

##### B. Basis of Presentation.

The County's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities and fund financial statements, which provide a detailed level of financial information.

##### Government-wide Financial Statements:

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

The Statement of Net Assets presents the financial condition of the governmental activities and business-type activities of the County at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the County's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues, are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the County.

## TATE COUNTY

### Notes to the Financial Statements For the Year Ended September 30, 2005

#### Fund Financial Statements:

Fund financial statements of the County are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

#### C. Measurement Focus and Basis of Accounting.

The Government-wide, Proprietary Funds and Fiduciary Funds financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the County. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied.

The County's Proprietary Funds apply all applicable Governmental Accounting Standards Board (GASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

The revenues and expenses of Proprietary Funds are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services in connection with a Proprietary Fund's primary operations. All other revenues and expenses are reported as nonoperating.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year-end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

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.

BMW GO Bond Fund - This fund is bond and interest fund. The County collects rent on a building and pays a related note in this fund.

## TATE COUNTY

### Notes to the Financial Statements For the Year Ended September 30, 2005

The County reports the following major proprietary fund:

Solid Waste Fund - This fund is used to account for the County's activities of disposal of solid waste within the County.

Additionally, the County reports the following fund types:

#### GOVERNMENTAL FUND TYPES

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

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

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

#### PROPRIETARY FUND TYPES

Enterprise Funds - These funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the County has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

#### FIDUCIARY FUND TYPES

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

#### D. Account Classifications.

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

#### E. Deposits and Investments.

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

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the County did not invest in any governmental securities during the fiscal year.

## TATE COUNTY

### Notes to the Financial Statements For the Year Ended September 30, 2005

#### F. Receivables.

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

#### G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable Governmental Funds to indicate that they are not available for appropriation and are not expendable available financial resources. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

#### H. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the applicable governmental activities column in the government-wide financial statements. 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 in 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 acquired subsequent to October 1, 2002.

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

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

TATE COUNTY

Notes to the Financial Statements  
For the Year Ended September 30, 2005

	<u>Capitalization</u> <u>Thresholds</u>	<u>Estimated</u> <u>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 and estimated useful life will correspond with the amounts for the assets classification, as listed above.

I. Long-term liabilities.

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

In the government-wide financial statements and in the Proprietary Fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or Proprietary Fund Statement of Net Assets.

J. Equity Classifications.

Government-wide Financial Statements:

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

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

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

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

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is classified as reserved or unreserved, with unreserved classified as designated and undesignated.

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.

TATE COUNTY

Notes to the Financial Statements  
For the Year Ended September 30, 2005

K. Property Tax Revenues.

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

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

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

L. Intergovernmental Revenues in Governmental Funds.

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

M. Compensated Absences.

The County has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements and the Proprietary Fund 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 \$78,218 or accumulated unpaid personal leave up to a maximum of 30 days per employee and compensatory time, for non-exempt employees up to 480 hours if work is in public safety activity, an emergency response activity or a seasonal activity and 240 hours for all other work is reported as a liability in the Statement of Net Assets. In the Proprietary Funds, compensated absences are reported as a liability of the fund in the amount of \$4,832, which represents an amount up to a maximum of 15 days per employee.

TATE COUNTY

Notes to the Financial Statements  
For the Year Ended September 30, 2005

(2) Changes in Accounting Standards.

For the fiscal year ended September 30, 2005, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures, an amendment of GASB Statement No. 3*. GASB Statement No. 40 addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. The provisions of this new statement have been incorporated into the financial statements and the accompanying notes.

(3) Prior Period Adjustments.

A summary of significant fund equity adjustments is as follows:

<u>Explanation:</u>	<u>Amount</u>
Exhibit 2 - Statement of Activities:	
The interest receivable on capital leases receivable was previously reported as equity instead of deferred revenue	\$ <u>(1,280,869)</u>
Exhibit 4 - Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds:	
Claims and judgments in the prior year were not reported as a liability on the modified accrual basis	\$ <u>(91,000)</u>

(4) Deposits and Investments.

Deposits:

The carrying amount of the County's total deposits with financial institutions at September 30, 2005, was \$5,275,180, and the bank balance was \$5,392,437. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

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

(5) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2005:

TATE COUNTY

Notes to the Financial Statements  
For the Year Ended September 30, 2005

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Major Funds: General Fund	Major Enterprise Fund Solid Waste Management	\$ 17,801
Nonmajor Governmental Funds	General Fund	86,788
Nonmajor Governmental Funds	Nonmajor Governmental Fund	1,408
General Funds	Agency Fund	<u>32,830</u>
Total		\$ <u><u>138,827</u></u>

All interfund loans were made to prevent borrowing from outside sources.

B. Advances From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Major Funds: General Fund	Major Enterprise Fund Solid Waste Management	* \$ 41,367
Nonmajor Governmental Funds	Nonmajor Governmental Fund	** <u>47,379</u>
Total		\$ <u><u>88,746</u></u>

\* These funds represent unpaid indirect cost.

\*\* These funds are loans that were made to prevent borrowing from outside sources.

C. Transfers In/Out.

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Fund	\$ 155,000
Nonmajor Governmental Funds	Nonmajor Governmental Fund	9,272
Other Governmental Funds	Other Governmental Funds	<u>150,000</u>
Total		\$ <u><u>314,272</u></u>

\* All interfund transfers were routine and consistent with the fund making the transfer. These transfers were made to prevent borrowing from an outside source.

(6) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2005 consisted of the following:

TATE COUNTY

Notes to the Financial Statements  
For the Year Ended September 30, 2005

Description	Amount
Governmental Activities:	
Legislative Tax Credit	\$ 136,345
Other	<u>20,653</u>
Total	<u>\$ 156,998</u>

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2005:

Governmental activities:

	Balance Oct. 1, 2004	Additions	Deletions	Adjustments	Balance Sept. 30, 2005
<u>Non-depreciable capital assets:</u>					
Land	\$ 396,718				396,718
Total non-depreciable capital assets	<u>396,718</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>396,718</u>
<u>Depreciable capital assets:</u>					
Infrastructure	71,442,049				71,442,049
Buildings	12,191,797	50,458			12,242,255
Improvements other than buildings	66,107				66,107
Mobile equipment	3,224,763	144,430	78,345		3,290,848
Furniture and equipment	372,887	75,453	9,797		438,543
Leased property under capital leases	<u>451,603</u>	<u>810,615</u>			<u>1,262,218</u>
Total depreciable capital assets	<u>87,749,206</u>	<u>1,080,956</u>	<u>88,142</u>	<u>0</u>	<u>88,742,020</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	48,898,387	135,958			49,034,345
Buildings	5,441,834	154,819			5,596,653
Improvements other than buildings	5,289	2,644			7,933
Mobile equipment	2,075,095	274,693	33,557	(14,837)	2,301,394
Furniture and equipment	314,604	32,083			346,687
Leased property under capital leases	<u>177,223</u>	<u>211,495</u>		<u>(2)</u>	<u>388,716</u>
Total accumulated depreciation	<u>56,912,432</u>	<u>811,692</u>	<u>33,557</u>	<u>(14,839)</u>	<u>57,675,728</u>
Total depreciable capital assets, net	<u>30,836,774</u>	<u>269,264</u>	<u>54,585</u>	<u>14,839</u>	<u>31,066,292</u>
Governmental activities capital assets, net	<u>\$ 31,233,492</u>	<u>269,264</u>	<u>54,585</u>	<u>14,839</u>	<u>31,463,010</u>

TATE COUNTY

Notes to the Financial Statements  
For the Year Ended September 30, 2005

Business-type activities:

	Balance Oct. 1, 2004	Additions	Deletions	Adjustments	Balance Sept. 30, 2005
<u>Depreciable capital assets:</u>					
Mobile equipment	\$ 202,790	16,484		347,937	567,211
Furniture and equipment	271,740				271,740
Leased property under capital leases	347,937			(347,937)	0
Total depreciable capital assets	<u>822,467</u>	<u>16,484</u>	<u>0</u>	<u>0</u>	<u>838,951</u>
<u>Less accumulated depreciation for:</u>					
Mobile equipment	135,261	6,750		265,353	407,364
Furniture and equipment	174,690	34,938			209,628
Leased property under capital lease	187,885	62,629		(250,514)	0
Total accumulated depreciation	<u>497,836</u>	<u>104,317</u>	<u>0</u>	<u>14,839</u>	<u>616,992</u>
Total depreciable capital assets, net	<u>\$ 324,631</u>	<u>(87,833)</u>	<u>0</u>	<u>(14,839)</u>	<u>221,959</u>

Adjustments represent items requiring reclassification between asset types.

Depreciation expense was charged to the following functions:

	Amount
<u>Governmental Activities:</u>	
General government	\$ 185,522
Public safety	197,439
Public works	426,417
Conservation and natural resources	<u>2,314</u>
Total governmental activities depreciation expense	<u>\$ 811,692</u>
<u>Business-type activities:</u>	
Solid waste	\$ <u>104,317</u>
Total business-type activities depreciation expense	<u>\$ 104,317</u>

As of September 30, 2005, the County had no commitments with respect to unfinished capital projects.

(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

TATE COUNTY

Notes to the Financial Statements  
For the Year Ended September 30, 2005

be self-sustaining through member premiums. The retention for the pool is \$750,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2005, to January 1, 2006. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

The County finances its exposure to risk of loss relating to employee health and accident coverage through the Mississippi Public Entity Employee Benefit Trust, a public entity risk pool. The pool is a claims-servicing organization with the County retaining the risk of loss on all claims to which the County is exposed. Premium payments to the pool are determined on an actuarial basis. Claims expenses 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). Changes in the balances of claims liabilities during the year are as follows:

	<u>2004</u>	<u>2005</u>
Unpaid Claims, Beginning of Fiscal Year	\$ 132,000	91,000
Plus: Incurred Claims (Including IBNRs)	832,637	1,116,873
Less: Claims Payments	<u>873,637</u>	<u>1,100,873</u>
Unpaid Claims, End of Fiscal Year	<u>\$ 91,000</u>	<u>107,000</u>

(9) Operating Leases.

As Lessor:

The County receives income from property it leases under noncancellable operating leases. Total income from such leases was \$88,262 for the year ended September 30, 2005. The future minimum lease receivables for these leases are as follows:

<u>Year Ended September 30</u>	<u>Amount</u>
2006	\$ 88,262
2007	88,262
2008	88,262
2009	88,262
2010	88,262
2011-2015	<u>420,060</u>
Total Minimum Payments Required	<u>\$ 861,370</u>

(10) Capital Leases.

As Lessor:

The County leases the following property with varying terms and options as of September 30, 2005:

TATE COUNTY

Notes to the Financial Statements  
For the Year Ended September 30, 2005

<u>Classes of Property</u>	<u>Amount</u>
Buildings	\$ <u>4,209,779</u>
<u>Total</u>	\$ <u><u>4,209,779</u></u>

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2005, are as follows:

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 252,910	194,308
2007	269,947	178,621
2008	287,084	161,638
2009	304,315	143,323
2010	326,682	123,617
2011-2015	<u>1,590,653</u>	<u>267,593</u>
Total	\$ <u><u>3,031,591</u></u>	<u><u>1,069,100</u></u>

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2005:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 1,192,421
Other furniture and equipment	<u>69,797</u>
Total	1,262,218
Less: Accumulated depreciation	<u>388,716</u>
Leased Property Under Capital Leases	\$ <u><u>873,502</u></u>

The following is a schedule by years of the total payments due as of September 30, 2005:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 792,674	28,299
2007	66,206	3,541

TATE COUNTY

Notes to the Financial Statements  
For the Year Ended September 30, 2005

2008		42,306	1,783
2009		<u>22,085</u>	<u>609</u>
Total	\$	<u><u>923,271</u></u>	<u><u>34,232</u></u>

(11) Short-term Debt and Liquidity.

There was no short-term borrowing during the fiscal year.

(12) Long-term Debt.

Debt outstanding as of September 30, 2005, consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
Governmental Activities:			
A. General Obligation Bonds:			
BMW Industrial Development	\$ 2,520,000	6.4 / 7.5	8/01/2014
Road and bridge - 2001	470,000	3.6 / 5.1	5/01/2006
Refunding bond Series 2002	920,000	3 / 3.75	9/01/2009
Building bond - 2002	657,000	5.2	2/01/2007
Road and bridge - 2004	2,940,000	3.10 / 3.50	10/01/2011
Refunding bond Series 2004	<u>735,000</u>	1.15 / 3.40	4/01/2012
Total General Obligation Bonds	\$ <u><u>8,242,000</u></u>		
B. Capital Leases:			
8 Mack Dump Trucks	\$ 695,733	3.13	4/16/06
Caterpillar 1406 Motor Grader	55,060	3.90	3/10/08
Case 5805M Backhoe	45,127	3.48	3/18/09
1999 Mack Truck RD6 Dump Truck	10,321	4.05	9/01/06
Massey Ferguson Tractor	4,057	3.89	6/10/06
Champion Motor Grader	15,740	3.68	1/01/07
2004 Ford 3/4 Ton Pickup	8,131	2.58	7/01/07
AS 400 Computer System	32,238	2.58	7/01/07
John Deere 6715 4WD Tractor	29,104	2.88	7/01/07
John Deere 6715 2WD Tractor	<u>27,760</u>	2.88	7/01/07
Total Capital Leases	\$ <u><u>923,271</u></u>		

TATE COUNTY

Notes to the Financial Statements  
For the Year Ended September 30, 2005

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
C. Other Loans:			
MPI CAP Loan	\$ 697,685	4.65	7/01/2015
BMW CAP Loan	511,591	4.65	7/01/2015
Fire Truck CAP Loan	42,940	4	6/01/2008
Fire Truck CAP Loan	85,879	4	6/01/2008
Fire Truck CAP Loan	<u>14,623</u>	4	6/01/2006
Total Other Loans	<u>\$ 1,352,718</u>		

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

Governmental Activities:

Year Ending September 30	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2006	\$ 1,110,000	370,367	155,866	58,927
2007	1,154,000	326,551	147,657	53,295
2008	1,196,000	279,596	154,642	45,588
2009	1,250,000	230,830	115,019	39,036
2010	1,053,000	179,976	120,478	33,577
2011 - 2015	2,409,000	313,276	659,056	76,649
2016 - 2020	<u>70,000</u>	<u>3,692</u>		
Total	<u>\$ 8,242,000</u>	<u>1,704,288</u>	<u>1,352,718</u>	<u>307,072</u>

**Legal Debt Margin** - The amount of debt, excluding specific exempted debt, which 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, 2005, the amount of outstanding debt was equal to 5.79% of the latest property assessments.

**Prior Year Defeasance of Debt** - In prior years, the County defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. On September 30, 2005, \$895,000 of bonds outstanding were considered defeased.

TATE COUNTY

Notes to the Financial Statements  
For the Year Ended September 30, 2005

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2005:

	Balance Oct. 1, 2004	Additions	Reductions	Balance Sept. 30, 2005	Amount due within one year
Governmental Activities:					
Compensated absences	\$ 85,878		7,659	78,219	9,694
General obligation bonds	9,304,000		1,062,000	8,242,000	1,110,000
Capital leases	237,384	800,793	114,906	923,271	792,674
Other loans	1,574,666		221,948	1,352,718	155,866
<b>Total</b>	<b>\$ 11,201,928</b>	<b>800,793</b>	<b>1,406,513</b>	<b>10,596,208</b>	<b>2,068,234</b>
Business-type Activities:					
Compensated absences	\$ 4,691	141		4,832	769
Capital leases	103,347		103,347	0	
<b>Total</b>	<b>\$ 108,038</b>	<b>141</b>	<b>103,347</b>	<b>4,832</b>	<b>769</b>

(13) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances at September 30, 2005:

Fund	Deficit Amount
General Funds:	
E-911	\$ 2,509
Special Revenue Funds:	
Chancery Court	10,599
1997 County GO Bond	20,199
2004 Road & Bridge Bond	20,134
<b>Total</b>	<b>\$ 53,441</b>

(14) 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 provisions for any liability that may result has been recognized in the County's financial statements.

TATE COUNTY

Notes to the Financial Statements  
For the Year Ended September 30, 2005

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.

(15) Related Organizations.

The Tate County Board of Supervisors is responsible for appointing a voting majority of members of the board of the Industrial Development Authority of Tate County, but the County's accountability for this organization does not extend beyond making appointments. During the year, the County appropriated \$40,000 to this organization.

(16) Joint Venture.

The County participates in the following joint venture:

Tate County is a participant with DeSoto, Lafayette, Panola and Tunica Counties in a joint venture authorized by Section 39-3-9, Miss. Code Ann. (1972), to operate the First Regional Library. The joint venture was created to provide free public library services to the citizens of the respective counties. The First Regional Library is governed by a five-member board appointed by the Boards of Supervisors of the participating counties. Each member of the board represents one of the participating counties. By contractual agreement, the County's appropriation from the General Fund this year to the joint venture amounted to \$150,000. Complete financial statements for the First Regional Library can be obtained from the main library office in Hernando or from the Tate County Chancery Clerk's office.

(17) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

Northwest Mississippi Community College operates in a district composed of the Counties of Benton, Calhoun, DeSoto, Lafayette, Marshall, Panola, Quitman, Tallahatchie, Tate, Tunica and Yalobusha. The Tate County Board of Supervisors appoints two of the 23 members of the college board of trustees. The County appropriated \$692,758 for support and maintenance of the college in the 2005 fiscal year.

North Delta Planning and Development District operates in a district composed of the Counties of Coahoma, DeSoto, Panola, Quitman, Tallahatchie, Tate and Tunica. The Tate County Board of Supervisors appoints four of the 30 members of the board of directors, with two being appointed from the business community. The County appropriated \$39,805 for support of the district in the 2005 fiscal year.

Yazoo-Mississippi Water Management District operates in a district composed of the Counties of Bolivar, Carroll, Coahoma, DeSoto, Holmes, Humphreys, Issaquena, Leflore, Panola, Quitman, Sharkey, Sunflower, Tallahatchie, Tate, Tunica, Washington and Yazoo. The Tate County Board of Supervisors appoints one of the 21 members of the district board of commissioners. The County levied a .61 mill tax for the maintenance and support of the district in the 2005 fiscal year.

Mid-State Opportunity, Inc. operates in a district composed of the Counties of DeSoto, Panola, Quitman, Tallahatchie, Tate and Tunica. The Tate County Board of Supervisors appoints one of the 30 members of the governing board. The County did not appropriate funds for support of the agency in the 2005 fiscal year.

TATE COUNTY

Notes to the Financial Statements  
For the Year Ended September 30, 2005

Communicare operates in a district composed of the Counties of Calhoun, DeSoto, Lafayette, Marshall, Panola, Tate and Yalobusha. The Tate County Board of Supervisors appoints one of the seven members of the board of commissioners. The County appropriated \$26,400 for support of the district in the 2005 fiscal year.

(18) Defined Benefit Pension Plan.

Plan Description. Tate 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 10.75% 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, 2005, 2004 and 2003 were \$416,491, \$385,533, and \$397,122, respectively, equal to the required contributions for each year.

(19) Subsequent Events.

- A. The County has plans to construct a new Health Department building. Approximately half the cost will come from a Community Development Block Grant.
- B. The State Auditor's office has an investigation going on in the Tate County Justice Court office.

TATE COUNTY

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TATE COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

TATE COUNTY

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TATE COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 General Fund  
 For the Year Ended September 30, 2005

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 3,974,232	4,060,828	4,314,895	254,067
Licenses, commissions and other revenue	462,150	554,383	451,002	(103,381)
Fines and forfeitures	296,000	291,657	291,657	0
Intergovernmental revenues	535,500	612,392	487,022	(125,370)
Charges for services	540,000	635,730	808,264	172,534
Interest income	72,000	32,422	39,840	7,418
Miscellaneous	125,150	202,457	133,441	(69,016)
<b>Total Revenues</b>	<b>6,005,032</b>	<b>6,389,869</b>	<b>6,526,121</b>	<b>136,252</b>
<b>EXPENDITURES</b>				
<b>Current:</b>				
General government	3,715,990	3,434,486	3,368,781	65,705
Public safety	2,509,300	2,733,202	2,733,202	0
Health and welfare	134,900	125,778	125,778	0
Culture and recreation	152,500	150,000	150,001	(1)
Conservation of natural resources	84,600	74,731	74,731	0
Economic development and assistance	66,536	39,805	39,805	0
<b>Debt service:</b>				
Principal			22,817	(22,817)
Interest			1,696	(1,696)
<b>Total Expenditures</b>	<b>6,663,826</b>	<b>6,558,002</b>	<b>6,516,811</b>	<b>41,191</b>
<b>Excess of Revenues over (under) Expenditures</b>	<b>(658,794)</b>	<b>(168,133)</b>	<b>9,310</b>	<b>177,443</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in		150,000	150,000	0
Transfers out			(305,000)	(305,000)
<b>Total Other Financing Sources and Uses</b>	<b>0</b>	<b>150,000</b>	<b>(155,000)</b>	<b>(305,000)</b>
<b>Net Change in Fund Balance</b>	<b>(658,794)</b>	<b>(18,133)</b>	<b>(145,690)</b>	<b>(127,557)</b>
Beginning fund balance	1,000,000	806,539	1,277,777	471,238
Prior period adjustment			(91,000)	(91,000)
<b>Ending fund balance</b>	<b>\$ 341,206</b>	<b>788,406</b>	<b>1,041,087</b>	<b>252,681</b>

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

TATE COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 BMW General Obligation Bond  
 For the Year Ended September 30, 2005

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Interest income	\$		550	550
Miscellaneous	379,405	379,455	378,906	(549)
Total Revenues	<u>379,405</u>	<u>379,455</u>	<u>379,456</u>	<u>1</u>
<b>EXPENDITURES</b>				
Debt service:				
Paying Agent Fees	500	500	500	0
Principal	195,000	195,000	195,000	0
Interest	183,905	183,905	183,906	(1)
Total Expenditures	<u>379,405</u>	<u>379,405</u>	<u>379,406</u>	<u>(1)</u>
Excess of Revenues over (under) Expenditures	<u>0</u>	<u>50</u>	<u>50</u>	<u>0</u>
Net Change in Fund Balance	0	50	50	0
Beginning fund balance	<u>100</u>	<u>22,370</u>	<u>22,864</u>	<u>494</u>
Ending fund balance	<u>\$ 100</u>	<u>22,420</u>	<u>22,914</u>	<u>494</u>

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

## TATE COUNTY

### Notes to the Required Supplementary Information For the Year Ended September 30, 2005

#### Notes to the Required Supplementary Information

##### A. Budgetary Information.

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

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

##### B. Basis of Presentation.

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

##### C. Budget/GAAP Reconciliation.

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

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

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

TATE COUNTY

Notes to the Required Supplementary Information  
For the Year Ended September 30, 2005

	<u>Governmental Fund Types</u>	
	<u>General Fund</u>	<u>BMW GO Fund</u>
Budget (Cash Basis)	\$ (145,690)	50
Increase (Decrease)		
Net adjustments for revenue accruals	48,249	
Net adjustments for expenditure accruals	<u>(369,560)</u>	
GAAP Basis	<u>\$ (467,001)</u>	<u>50</u>

D. Unbudgeted Funds.

None.

TATE COUNTY

SPECIAL REPORTS

TATE COUNTY

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

Members of the Board of Supervisors  
Tate County, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Tate County, Mississippi, as of and for the year ended September 30, 2005, which collectively comprise the County's basic financial statements and have issued our report thereon dated August 8, 2006. The auditors' report on the financial statements is unqualified. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Tate County, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the governmental financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Tate County, Mississippi's ability to initiate, record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 05-1, 05-2, 05-3, 05-4, 05-5, and 05-6.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the primary government financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 05-4 and 05-5 to be material weaknesses.

Compliance and Other Matters

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

However, we noted certain instances of noncompliance (or other matters) which we have reported to the management of Tate County, Mississippi, in the Independent Auditor's Report on Limited Internal Control and Compliance Review Management Report dated August 8, 2006, included within this document.

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

*Ellis + Hinshaw LLC*

August 8, 2006

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  
Tate County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Tate County, Mississippi, as of and for the year ended September 30, 2005. 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 Tate 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 Tate 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, Tate 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 Tate 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.

August 8, 2006



TATE COUNTY

Schedule 1

Schedule of Purchases Not Made From the Lowest Bidder  
For the Year Ended September 30, 2005

<u>Date</u>	<u>Item</u> <u>Purchased</u>	<u>Bid</u> <u>Accepted</u>	<u>Vendor</u>	<u>Lowest</u> <u>Bid</u>	<u>Reason</u> <u>for Accepting</u> <u>Other Than the</u> <u>Lowest Bid</u>
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Our test results did not identify any purchases not made from the lowest bidder.

TATE COUNTY  
Schedule of Emergency Purchases  
For the Year Ended September 30, 2005

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
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Our test results did not identify any emergency purchases.

TATE COUNTY  
Schedule of Purchases Made Noncompetitively  
From a Sole Source  
For the Year Ended September 30, 2005

Schedule 3

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
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Our test results did not identify any purchases made noncompetitively from a sole source.

INDEPENDENT AUDITOR'S REPORT ON LIMITED INTERNAL CONTROL AND  
COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors  
Tate County, Mississippi

In planning and performing our audit of the financial statements of Tate County, Mississippi for the year ended September 30, 2005, we considered Tate County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Tate County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated August 8, 2006, on the financial statements of Tate County, Mississippi.

These review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters with the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of our review procedures and compliance tests identified certain immaterial instances of noncompliance with state laws and regulations and other matters that are opportunities for strengthening internal controls and operating efficiency. Our findings and recommendations and your responses are disclosed below:

County Administrator.

1. Finding

Section 19-11-23, Miss. Code Ann. (1972), requires a monthly report of expenditures and liabilities incurred against each budget item for the preceding month and fiscal year to date, together with the unexpended balance of each budget item in each fund, to be submitted to the Board of Supervisors. As reported in three prior years' audit reports, the County Administrator did not submit the monthly report to the Board of Supervisors.

Recommendation

The County Administrator should submit the required monthly report.

County Administrator's Response

I will present this report to the supervisors each month with the cash balance reports that I give them.

2. Finding

Pursuant to Section 7-7-211 Miss. Code Ann. (1972), the Office of the State Auditor has recommended a chart of accounts to be used to record transactions on the County's records. This chart of accounts is not being used.

Recommendation

Implement the current chart of accounts.

County Administrator's Response

We are in the process of doing this.

Circuit Clerk.

3. Finding

Section 9-7-135, 9-13-21, and 11-7-217, Miss. Code Ann. (1972), require the Circuit Clerk to promptly settle all collections of fines and court costs into the County treasury after the end of each court term. As reported in every audit report since 1999, there is a backlog of settlements. While the current Circuit Clerk has worked towards disbursing these funds, the issue has not yet been resolved. All current collections of fines and court costs are settled on a timely basis.

Recommendation

The Circuit Clerk should settle all collections when required.

Circuit Clerk's Response

In November 1998, when I was elected to this office, there was about \$106,000 in the criminal account. Our office has attempted to disburse these monies, such as restitution, to those individuals that we can locate. In the last several years, we have tried to pay out these monies as we receive it. We are trying to disburse these old cases in a timely manner. We are going to pay over all old and unlocated payments to the County by Circuit Court order as soon as possible. We are trying to comply with the above mentioned sections as stated and continue to disburse these old payments. We are aware of this and are working to correct this matter. The balance as of September 30, 2005 is \$15,389.50.

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

*Ellis & Herberg LLC*

August 8, 2006

TATE COUNTY

SCHEDULE OF FINDINGS

TATE COUNTY

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TATE COUNTY

Schedule of Findings  
For the Year Ended September 30, 2005

Section 1: Summary of Auditor's Results

Financial Statements:

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

Section 2: Financial Statement Findings

05-1. Finding

As reported in the last five years' audit reports, inadequate internal controls exist in the solid waste function. Both solid waste clerks work from the same cash drawer, and both clerks enter payments in the computer, using each other's passwords. This makes it difficult to determine which receipts were collected by each clerk. Other duties, such as opening mail, processing mail, adjusting accounts and preparing deposits, are segregated., except when one clerk is out and their duties must be covered. However, it is understood that this issue has been resolved as of August 2006.

Recommendation

The Board of Supervisors should implement an adequate system of internal control over solid waste function. An adequate system should include the following control features.

- a. Separate responsibilities should be given to both clerks.
- b. Separate cash drawer should be used by each clerk.
- c. Each clerk should enter payments into the computer by using her name or password.
- d. Each clerk should prepare a daily check-up of collections at the end of the day to account for the payments received.

Board of Supervisors' Response

We have purchased six additional cash drawers and are in the process of loading them with cash and assigning passwords. These procedures were implemented in August 2006.

05-2. Finding

The Ambulance Department is not making settlements to the County on a monthly basis. However, it is understood this issue was resolved as of September 2005.

TATE COUNTY

Schedule of Findings  
For the Year Ended September 30, 2005

Recommendation

Either authorize the bank to sweep the account periodically (at least monthly) to transfer the money to the general funds or instruct appropriate office personnel to make a timely transfer.

Board of Supervisors' Response

We started making monthly transfers in September 2005.

County Administrator.

05-3. Finding

The following internal control weaknesses.

- a. As reported in the prior year audit, there is no separation of duties related to payments received, recorded or deposited by the Planning Commission. All duties are performed by one person.
- b. Funds received by the County are not always promptly receipted and deposited. The Planning Commission payments are only deposited twice a week instead of daily.

Recommendation

- a. The County Administrator should implement a system of internal control in which no one employee has the responsibilities of receiving payments, recording them, and then making the bank deposit.
- b. All funds received should be promptly deposited.

County Administrator's Response

We have hired a Planning Commission Coordinator and we are working on ways to separate the duties of this department.

05-4. Finding

The general ledger for fund #001 (general county) and fund #005 (reappraisal fund) were out of balance by offsetting amounts.

Recommendation

The County should work with its software vendor to develop a computer diagnostic to alert the individual posting the general ledger of the out of balance situation.

County Administrator's Response

We will take the necessary steps to prevent this from happening.

05-5 Finding

Some bank statements are not being reconciled on a timely basis. Also there is no indication that the quarterly reports showing the number of bank accounts collateralized through a pool administered by the State Treasurer is being reviewed.

Recommendation

The bank accounts should be reconciled on a timely basis and adjustments, if any, should be made timely. When the reports from the State Treasurer are reviewed, the employee making the review should indicate that review on the report.

County Administrator's Response

We will work on correcting these findings.

05-6 Finding

Our sample of personnel files had the following findings:

- a. One employee opted out of the health insurance plan but there is no document showing authorization.
- b. Seven of the eight files sampled did not have the PERS authorization form.
- c. One employee file did not contain a W-4 or state withholding form.

Recommendation

All County personnel files should contain all required forms regarding authorization of payroll deductions.

County Administrator's Response

We will work to correct these findings.

TATE COUNTY

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