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TALLAHATCHIE COUNTY, MISSISSIPPI

AUDITED FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2006

**TALLAHATCHIE COUNTY, MISSISSIPPI
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SEPTEMBER 30, 2006**

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**INDEPENDENT AUDITORS' REPORT ON THE
PRIMARY GOVERNMENT BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

Members of the Board of Supervisors
Tallahatchie 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 Tallahatchie County, Mississippi, as of and for the year ended September 30, 2006, which collectively comprise the basic financial statements of the county's primary government 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.

Except as discussed in the following paragraph, 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.

The County did not maintain adequate subsidiary records documenting the aging of accounts receivable for the Circuit Court receivables included in the Statement of Net Assets. Due to the nature of the County's records, we were unable to satisfy ourselves as to the fair presentation of the Circuit Court fines receivable reported in the Statement of Net Assets in the amount of \$91,000 as of September 30, 2006. Additionally, the County did not have a detailed listing documenting the amounts of Circuit Court fines receivable in the amount of \$91,000. Therefore, the adequacy of these amounts and the allowance for bad debts could not be determined. The amount by which this departure would affect the assets and revenues of the General Fund and Governmental Activities could not be reasonably determined.

The financial statements referred to above include only the primary government of Tallahatchie County, Mississippi, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the county's legal entity. The financial statements do not include financial data for the county's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the county's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Tallahatchie County, Mississippi, as of September 30, 2006, and the respective changes in its financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, except for the effects, if any, of not providing adequate aging of Circuit Court fines receivable for the Governmental Activities as described in the third paragraph, the primary government financial statements referred to above present fairly, in all material respects, the respective financial position of the Governmental Activities, Business-Type Activities, each major fund and the aggregate remaining fund information of Tallahatchie County, Mississippi, as of September 30, 2006, and the respective changes in financial position and cash flows 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 a report dated February 10, 2008, on our consideration of Tallahatchie County, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Tallahatchie County, Mississippi has not presented Management's Discussion and Analysis that is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

Brauer, Vandenberg & Co. P.A.

February 10, 2008
Booneville, Mississippi

TALLAHATCHIE COUNTY, MISSISSIPPI
 STATEMENT OF NET ASSETS
 SEPTEMBER 30, 2006

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash	\$ 3,615,889	50,583	3,666,472
Property tax receivable	4,425,633	-	4,425,633
Fines receivable (net of allowance for bad debt)	381,430	-	381,430
Accounts receivable (net of allowance for bad debt)	-	418,322	418,322
Other receivables	12,207	-	12,207
Loan receivable (net of allowance for bad debt)	94,922	-	94,922
Intergovernmental receivables	217,825	-	217,825
Internal balances	98,705	(98,705)	-
Capital assets, net	7,910,596	105,761	8,016,357
Total Assets	16,757,207	475,961	17,233,168
LIABILITIES			
Claims payable	371,536	27,547	399,083
Current notes payable	95,887	-	95,887
Intergovernmental payables	87,729	-	87,729
Funds held in custody	30,938	-	30,938
Accrued interest payable	41,339	2,497	43,836
Deferred revenue	4,425,633	15,695	4,441,328
Long term liabilities			
Due within one year:			
Capital related debt	448,565	72,558	521,123
Non-capital debt	428,845	-	428,845
Due in more than one year:			
Capital related debt	2,833,812	124,472	2,958,284
Non-capital debt	1,241,225	2,282	1,243,507
Total Liabilities	10,005,509	245,051	10,250,560
NET ASSETS			
Invested in capital assets, net of related debt	4,628,219	-	4,628,219
Restricted Net Assets			
Expendable:			
Loans receivable	94,922	-	94,922
Public safety	658,176	-	658,176
Public works	1,031,685	230,910	1,262,595
Economic development	106,486	-	106,486
Capital outlay	45,644	-	45,644
Unrestricted	186,566	-	186,566
Total Net Assets	\$ 6,751,698	230,910	6,982,608

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

TALLAHATCHIE COUNTY, MISSISSIPPI
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

Functions/Programs	Expenses	Program Revenues			Primary Government		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	
Primary government:							
Governmental activities:							
General government	\$ 2,704,393	343,313	-	100,000	(2,261,080)	-	(2,261,080)
Public safety	2,228,469	424,447	206,620	-	(1,597,402)	-	(1,597,402)
Public works	2,370,292	-	716,745	222,623	(1,430,924)	-	(1,430,924)
Health and welfare	226,046	-	69,280	-	(156,766)	-	(156,766)
Culture and recreation	80,605	-	-	-	(80,605)	-	(80,605)
Conservation of natural resources	98,143	-	-	-	(98,143)	-	(98,143)
Economic development and assistance	32,879	-	-	-	(32,879)	-	(32,879)
Interest on long-term liabilities	159,543	-	-	-	(159,543)	-	(159,543)
Total Governmental Activities	7,900,370	767,760	992,645	322,623	(5,817,342)	-	(5,817,342)
Business-type activity							
Solid Waste	489,810	403,689	-	-	-	(86,121)	(86,121)
Total Primary Government	\$ 8,390,180	1,171,449	992,645	322,623	(5,817,342)	(86,121)	(5,903,463)
General Revenues:							
Taxes:							
Property Taxes					5,303,409	-	5,303,409
Road and bridge privilege taxes					125,521	-	125,521
Grants and contributions not restricted to specific programs					351,326		351,326
Unrestricted investment income					95,643	1,141	96,784
Miscellaneous					961,578	175,237	1,136,815
Total General Revenues					6,837,477	176,378	7,013,855
Change in Net Assets					1,020,135	90,257	1,110,392
Net Assets-Beginning					5,731,563	140,653	5,872,216
Net Assets-Ending	\$				6,751,698	230,910	6,982,608

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

TALLAHATCHIE COUNTY, MISSISSIPPI
 BALANCE SHEET-GOVERNMENTAL FUNDS
 September 30, 2006

Exhibit 3

	Major Funds			Total Governmental Funds
	General Fund	County Wide Road Fund	Other Governmental Funds	
ASSETS				
Cash	\$1,068,890	1,653,844	893,155	3,615,889
Property tax receivable	2,905,964	1,432,900	86,769	4,425,633
Fines receivable	381,430	-	-	381,430
Loans receivable(less allowance for bad debts)	94,922	-	-	94,922
Intergovernmental receivables	83,185	112,138	22,502	217,825
Other receivables	12,164	-	43	12,207
Due from other funds	6,336	37,160	5,637	49,133
Advance to other funds	102,667	-	-	102,667
Total Assets	4,655,558	3,236,042	1,008,106	8,899,706
LIABILITIES AND FUND BALANCES				
Liabilities:				
Claims payable	165,825	173,867	31,844	371,536
Current Notes Payable	-	95,887	-	95,887
Funds held in custody	30,938	-	-	30,938
Intergovernmental payables	87,556	-	-	87,556
Due to other funds	45,636	173	-	45,809
Advance from other funds	-	-	7,459	7,459
Deferred revenue	3,287,394	1,432,900	86,769	4,807,063
Total Liabilities	3,617,349	1,702,827	126,072	5,446,248
Fund Balances:				
Reserved for:				
Advances to other funds	102,667	-	-	102,667
Loans receivable	94,922	-	-	94,922
Unreserved, reported in:				
General funds	840,620	-	-	840,620
Special revenue funds	-	1,533,215	836,390	2,369,605
Debt service funds	-	-	-	-
Capital project funds	-	-	45,644	45,644
Total Funds Balances	1,038,209	1,533,215	882,034	3,453,458
Total Liabilities and Fund Balances	\$ 4,655,558	3,236,042	1,008,106	8,899,706

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

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

Exhibit 3-1

	<u>Amount</u>
Total fund balance - governmental funds (Exhibit 3)	\$ 3,453,458
Amounts reported for governmental services in the statement of net assets (Exhibit 1) are different because:	
Capital assets are used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets net of depreciation as of 10-1-05	6,805,110
Plus capital outlay expenditures made during the year	1,995,103
Less depreciation expense recorded during the year	(457,452)
Book value of assets disposed	(432,165)
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	
Fines receivable	381,430
Long-term liabilities are not due and payable in the current-period and therefore are not reported in the funds.	
Long-term liabilities	(4,952,447)
Accrued interest on long term liabilities	(41,339)
Total net assets - governmental activities (Exhibit 1)	<u>\$ 6,751,698</u>

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

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TALLAHATCHIE COUNTY, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the year ended September 30, 2006

Exhibit 4

	Major Funds		Other Governmental	Total (Memorandum)
	General	County Wide Road		
REVENUES				
Property taxes	\$ 3,478,773	1,447,762	376,874	5,303,409
Road and bridge privilege taxes	-	125,521	-	125,521
Licenses, commissions and other revenue	78,171	-	3,190	81,361
Fines and forfeitures	165,932	-	9,533	175,465
Intergovernmental revenues	540,828	948,065	177,699	1,666,592
Charges for services	326,241	-	85,435	411,676
Interest income	38,500	33,343	23,800	95,643
Miscellaneous revenue	705,950	-	138,404	844,354
Total Revenues	5,334,395	2,554,691	814,935	8,704,021
EXPENDITURES				
Current:				
General government	2,565,525	-	293,024	2,858,549
Public safety	1,757,793	-	508,235	2,266,028
Public works	-	3,766,565	-	3,766,565
Health and welfare	226,046	-	-	226,046
Culture and recreation	75,500	-	-	75,500
Conservation of natural resources	89,950	-	-	89,950
Economic development and assistance	-	-	1,779	1,779
Principal	485,687	415,693	364,380	1,265,760
Interest	45,859	11,761	81,223	138,843
Total Expenditures	5,246,360	4,194,019	1,248,641	10,689,020
Excess (deficiency) of Revenues over (under) expenditures	88,035	(1,639,328)	(433,706)	(1,984,999)
OTHER FINANCING SOURCES (USES)				
Long term capital debt issued	67,809	2,206,490	162,000	2,436,299
Sale of property	-	545,151	-	545,151
Compensation for loss of assets	4,240	-	-	4,240
Transfers in	-	-	38,729	38,729
Transfers out	(38,729)	-	-	(38,729)
Total Other Financing Sources (Uses)	33,320	2,751,641	200,729	2,985,690
Net change in fund balance	121,355	1,112,313	(232,977)	1,000,691
Fund Balances - Beginning	916,854	420,902	1,115,011	2,452,767
Fund Balances - Ending	\$ 1,038,209	1,533,215	882,034	3,453,458

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

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

Exhibit 4-1

Net changes in fund balances - total governmental funds (Exhibit 4)	\$ 1,000,691
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 \$1,995,103 exceeded depreciation by \$457,452.	1,537,651
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 of the net gain of \$118,192 and the proceeds from the sale of \$545,151 in the current period.	(426,959)
Fine revenue recognized on the modified accrual basis in the fund during the current year is reduced because prior year recognition would have been required on the statement of activities using the full-accrual basis of accounting.	99,258
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt proceeds \$2,436,299 exceeds debt repayments of \$1,265,760.	(1,170,539)
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:	
An adjustment to record liability for compensated absences.	5,939
An adjustment to correct book balance of an asset	(5,206)
Adjustment for difference in accrued interest	(20,700)
Change in net assets of governmental activities	<u>\$ 1,020,135</u>

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

TALLAHATCHIE COUNTY, MISSISSIPPI
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
September 30, 2006

Exhibit 5

	Business Type Activities Enterprise Fund
	Major Fund
ASSETS	
Cash	\$ 50,583
Accounts receivable, net	418,322
Due from other funds	10,026
Total Current Assets	478,931
Noncurrent assets:	
Capital assets, net	105,761
Total Noncurrent Assets	105,761
Total Assets	584,692
LIABILITIES	
Claims payable	27,547
Due to other funds	13,523
Advances from other funds	95,208
Accrued interest payable	2,497
Deferred revenue	15,695
Current portions of long-term capital-related debt:	
Mobile equipment notes payable	72,558
Total Current Liabilities	227,028
Noncurrent liabilities:	
Capital-related debt:	
Mobile equipment notes payable	124,472
Non-capital debt:	
Compensated absences payable	2,282
Total Noncurrent Liabilities	126,754
NET ASSETS	
Restricted Net Assets:	
Public Works	230,910
Total Net Assets	\$ 230,910

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

TALLAHATCHIE COUNTY, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - PROPRIETARY FUND
SEPTEMBER 30, 2006

Exhibit 6

	Business Type Activities Enterprise Fund Major Fund
Operating Revenues	
Charges for services	\$ 403,689
Total Operating Revenues	<u>403,689</u>
Operating Expenses	
Personal services	131,908
Contractual services	134,817
Materials and supplies	106,783
Depreciation expense	67,647
Indirect administrative cost	6,336
Bad Debts	30,068
Total Operating Expense	<u>477,559</u>
Operating Income (Loss)	<u>(73,870)</u>
Nonoperating Revenues (Expenses)	
Intergovernmental revenue	6,225
Interest income	1,141
Miscellaneous non-operating revenues	169,012
Interest expense	(12,251)
Net Nonoperating Revenue (Expense)	<u>164,127</u>
Changes in Net Assets	<u>90,257</u>
Net Assets - Beginning	<u>140,653</u>
Net Assets - Ending	<u>\$ 230,910</u>

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

**TALLAHATCHIE COUNTY, MISSISSIPPI
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

Exhibit 7

	Business Type Activities <u>Enterprise Fund</u> Major Fund
Cash Flows From Operating Activities	
Receipts from customers	\$ 355,818
Payments to suppliers	(108,583)
Payments to employees	(131,878)
Payments for contractual	(126,856)
Net Cash Provided (Used) by Operating Activities	<u>(11,499)</u>
Cash Flows From Capital and Related Financing Activities	
Proceeds of long-term debt	50,000
Principal paid on long-term debt	(148,211)
Interest paid on debt	(11,160)
Purchase of capital assets	(50,000)
Other financing sources	175,237
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>15,866</u>
Cash Flows From Investing Activities	
Interest and dividends on Investments	1,141
Net Cash Provided (Used) by Investing Activities	<u>1,141</u>
Net Increase (Decrease) In Cash and Cash Equivalents	<u>5,508</u>
Cash and Cash Equivalents at Beginning of Year	<u>45,075</u>
Cash and Cash Equivalents at End of Year	<u>50,583</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	<u>(73,870)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	67,647
Bad debts expense	30,068
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(50,111)
(Increase) decrease in interfund receivables	1,613
Increase (decrease) in claims payable	5,989
Increase (decrease) in compensated absences payable	202
Increase (decrease) in deferred revenue	627
Increase (decrease) in interfund payables	6,336
Total Adjustments	<u>62,371</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (11,499)</u>

The 7notes to the financial statements are an integral part of this statement.

**TALLAHATCHIE COUNTY, MISSISSIPPI
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
SEPTEMBER 30, 2006**

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 7,000
Due from other funds	<u>173</u>
Total Assets	<u>7,173</u>
LIABILITIES	
Intergovernmental payables	<u>7,173</u>
Total Liabilities	<u><u>\$ 7,173</u></u>

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

TALLAHATCHIE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

1. Significant Accounting Policies

A. Financial Reporting Entity

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

Management has chosen to omit from these financial statements the following component units which have significant operational or financial relationships with the county. Accordingly, the financial statements do not include the data of all the county's component units necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

- Tallahatchie County Hospital
- Tallahatchie County Library System
- Tallahatchie Fire District

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 are generally financed through taxes, intergovernmental revenues and other nonexchange revenues and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support.

TALLAHATCHIE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

B. Basis of Presentation – continued
Government-wide Financial Statements – continued

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.

Fund Financial Statements:

Fund financial statements of the county are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into governmental, proprietary and fiduciary. Major individual governmental funds 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 fund financial statements (excluding agency funds) 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 revenue is recognized when the provider government recognizes the liability to the county. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

The county's proprietary funds and business-type activities apply all applicable Governmental Accounting Standards Board (GASB) pronouncements and only the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

The revenues and expenses of 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.

Government financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within sixty days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities 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.

TALLAHATCHIE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

1. Summary of Significant Accounting Policies – continued

C. Measurement Focus and Basis of Accounting – continued

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.

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

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, generally long-term debt principal, interest and related costs.

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.

TALLAHATCHIE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

1. Summary of Significant Accounting Policies - continued

F. Receivables

Receivables are reported net of allowances 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 or business-type activities column in the government-wide financial statement. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no historical records exist. The extent to which capital assets, 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 elect not to report major general infrastructure assets retroactively. Tallahatchie County meets this criteria and has so elected. Therefore, the major general infrastructure assets acquired prior to October 1, 2002, are not reported in the government-wide financial statements. Current year general infrastructure assets are not 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.

TALLAHATCHIE COUNTY, MISSISSIPPI
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

1. Summary of Significant Accounting Policies - continued

H. Capital Assets - continued

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

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

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

I. Long-term Liabilities

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligations 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 types 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 type 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 borrowing attributable to the acquisition, constructions or improvements of those assets.

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

TALLAHATCHIE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

1. Summary of Significant Accounting Policies - continued

J. Equity Classifications - continued

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.

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 the 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.

TALLAHATCHIE COUNTY, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

1. Summary of Significant Accounting Policies – continued

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.

2. Changes in Accounting Standards

For the fiscal year ended September 30, 2006, the county implemented Governmental Accounting Standards Board (GASB) Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. GASB Statement No. 42 requires government to report the effects of capital asset impairment in their financial statements when the impairment occurs. The provisions of this new statement have been incorporated into the financial statements and the accompanying notes.

3. Deposits

Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2006, was \$3,673,472, and the bank balance was \$4,234,347. 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.

TALLAHATCHIE COUNTY, MISSISSIPPI
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

4. Interfund Transfers and Transactions

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

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	
Governmental Funds:			
General Fund	Solid Waste Fund	\$ 6,336	Indirect Cost
County Wide Road Fund	General Fund	29,973	Unsettled Funds, Outer Offices
County Wide Road Fund	Solid Waste Fund	7,187	Expense paid out of County Fund
Other Governmental Funds	General Fund	5,637	Unsettled Funds, Outer Offices
Total		<u>49,133</u>	
Proprietary Fund			
Solid Waste	General Fund	10,026	Unsettled Funds, Tax Collector
Agency Fund	County Wide Road Fund	173	
Total		<u>\$ 59,332</u>	

B. Advances To/From Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	
General Fund	Other Governmental	\$ 7,459	Funds loaned for expenses
General Fund	Other Enterprise Fund	95,208	Indirect cost due General Funds
Total		<u>\$ 102,667</u>	

C. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>	
Other Governmental Funds			
Industrial Park	General Fund	\$ 38,729	Debt Payments
Total		<u>\$ 38,729</u>	

5. Intergovernmental Receivables

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

Governmental Activities:

<u>Description</u>	<u>Amount</u>
Legislature Tax Credit	\$ 53,532
State of Mississippi	143,187
Other	21,106
Total Governmental Activities	<u>\$ 217,825</u>

TALLAHATCHIE COUNTY, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

6. Capital Assets

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

	Balance Oct. 1, 2005	Additions	Deletions	Transfers/ Adjustments	Balance Sept. 30, 2006
Non-depreciable capital assets:					
Land	\$ 450,719	-	-	-	450,719
Construction in Progress	916,986	183,303	-	(989,804)	110,485
Total non-depreciable assets	1,367,705	183,303	-	(989,804)	561,204
Depreciable capital assets					
Buildings	5,058,211	-	-	(5,206)	5,053,005
Mobile equipment	1,889,464	37,501	747,007	58,886	1,238,844
Furniture and equipment	311,154	-	-	-	311,154
Leased property under capital leases	428,236	1,774,299	289,740	(58,886)	1,853,909
Roads and bridges	1,846,962	-	-	989,804	2,836,766
Total depreciable capital assets	9,534,027	1,811,800	1,036,747	984,598	11,293,678
Less accumulated depreciation for:					
Buildings	2,247,584	77,195	-	-	2,324,779
Mobile equipment	1,376,413	62,157	511,337	38,767	966,000
Furniture and equipment	212,994	17,930	-	-	230,924
Leased property under capital leases	171,277	217,865	98,451	(38,767)	251,924
Roads and bridges	88,354	82,305	-	-	170,659
Total accumulated depreciation	4,096,622	457,452	609,788	-	3,944,286
Total depreciable capital assets, net	5,437,405	1,354,348	426,959	984,598	7,349,392
Governmental activities capital assets, net	6,805,110	1,537,651	426,959	(5,206)	7,910,596
Business Type Activities:					
Mobile equipment	158,970	-	-	-	158,970
Leased property under capital leases	107,709	50,000	-	-	157,709
Total depreciable capital assets	266,679	50,000	-	-	316,679
Less accumulated depreciation for:					
Mobile equipment	104,047	39,036	-	-	143,083
Leased property under capital lease	39,224	28,611	-	-	67,835
Total accumulated depreciation	143,271	67,647	-	-	210,918
Business type capital assets, net	\$ 123,408	(17,647)	-	-	105,761

Construction on roads and bridges was completed and transferred from construction in progress to Roads and bridges in the amount of \$989,804. The debt on mobile equipment was retired and the equipment in the amount of \$58,886 less depreciation of \$38,767 was reclassified from leased property to mobile equipment. A correction was made in the amount of \$5,206 to properly state the value of a building.

TALLAHATCHIE COUNTY, MISSISSIPPI
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

6. Capital Assets - continued

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 29,147
Public safety	81,590
Public works	302,317
Culture and Recreation	5,105
Health and welfare	8,193
Economic development	31,100
Total governmental activities depreciation expense	\$ 457,452
Business Type Activities:	
Public works	
Total business type activities	\$ 67,647

Commitments with respect to unfinished capital projects at September 30, 2006, consisted of the following::

	Financial Commitment	Expected Date of Completion
Deep Slough Bridge	1 -	December, 2007
County Office Building	2 -	May, 2007
	\$ -	

1. Contracts are being paid by state aid.
2. The county is renovating this building by buying materials, as they go and using prisoner labor.

7. Risk Financing

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

TALLAHATCHIE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

8. Loans Receivable

Loan receivable balances are as follows:

	Date of Loan	Interest Rate	Maturity Date	Balance Receivable
Kirkland Boats	4/1/2003	3.00%	4/1/2013	\$ 135,884
Tallahatchie Wood Products, Inc.	4/26/2004	3.00%	9/30/2014	338,363
				<u>474,247</u>
Less allowance for bad debts				379,325
Total loans receivable				<u><u>\$ 94,922</u></u>

9. Operating Leases

As Lessor:

The county receives income from property it leases under noncancellable operating leases. Total income from such leases was \$102,792 for the year ended September 30, 2006. The future minimum lease receivables for these leases are as follows:

Year Ending September 30,	Amount
2007	\$ 118,610
2008	118,610
2009	118,610
2010	118,610
2011	119,928
2012-2016	256,584
2017-2019	42,181
Total	<u><u>\$ 893,133</u></u>

10. Capital Leases

As Lessee:

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

Class of Property	Governmental Activities
Mobile Equipment	\$ 1,853,909
Less: Accumulated depreciation	(251,924)
Leased Property Under Capital Leases	<u>1,601,985</u>
	Enterprise Activities
Mobile Equipment	157,709
Less: Accumulated depreciation	(67,835)
Leased Property Under Capital Leases	<u><u>\$ 89,874</u></u>

TALLAHATCHIE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

10. Capital Leases (continued)

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

Year Ending September 30, 2006	Governmental Activities		Business Activities	
	Principal	Interest	Principal	Interest
2007	\$ 301,825	72,538	35,906	4,658
2008	277,262	60,958	30,006	3,117
2009	310,168	50,467	19,070	2,314
2010	112,713	38,821	19,812	1,573
2011	117,469	34,065	20,584	802
2012	689,867	2,380	-	-
Total	<u>\$ 1,809,304</u>	<u>259,229</u>	<u>125,378</u>	<u>12,464</u>

11. Long-Term Debt

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

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities			
4 2007 Mack Trucks	\$ 379,960	3.75	6/9
1996 International Truck	5,147	3.61	3/7
2004 GMC Pickup	3,807	3.18	1/7
1995 International Truck	4,132	3.34	8/7
3 2006 Crown Victorias	67,809	3.95	3/9
Case 580 M Backhoe	31,500	4.22	6/11
2007 Mack Truck	94,990	3.19	6/10
3 Backhoes	85,900	4.22	6/11
6 Road Graders	1,114,140	4.14	6/11
1999 Mack Truck	7,903	3.61	5/7
Air Conditioner	11,281	2.89	7/7
Bushwacker Bushhog	2,735	2.89	8/7
Total Capital Leases	<u>\$ 1,809,304</u>		
Business Activities			
1994 Garbage Truck	\$ 3,460	3.79	7/7
1993 Garbage Truck	3,460	3.79	7/7
2005 Garbage Truck	45,494	3.24	10/10
2005 Garbage Truck	22,964	2.95	10/7
2-1999 Garbage Trucks	50,000	4.34	10/10
Total Capital Leases	<u>\$ 125,378</u>		

TALLAHATCHIE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

11- Long-Term Debt (Continued)

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
<u>Governmental Activities:</u>			
Other Loans:			
Capital Improvements	\$ 145,752	4.55%	8/15
Industrial Development	500,000	3.99%	4/11
CAP Loan - Due West	242,181	4.00%	10/11
CAP Loan - Due West	329,741	5.66%	5/15
CAP Loan-Cascilla Addition	16,874	3.00%	1/12
Rosebloom Fire Truck	6,125	2.00%	7/9
CAP Loan - Due West	378,917	5.00%	7/22
Industrial Development	41,772	4.64%	6/8
Industrial Development	107,000	3.00%	4/13
Industrial Development	186,106	3.00%	7/20
Industrial Development	326,251	3.00%	9/14
Fire Department Note	92,352	2.66%	4/9
Capital Project Note	250,282	4.60%	8/14
Revenue Shortfall Note	453,307	5.13%	7/8
Storm Shelters Note	19,200	5.73%	4/10
Total Loans	<u>\$ 3,095,860</u>		
<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
<u>Business Type Activities:</u>			
Equipment Loan	71,652	4.50%	9/8
	<u>\$ 71,652</u>		

TALLAHATCHIE COUNTY, MISSISSIPPI
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

11. Long-Term Debt – continued

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

Year Ending September 30,	Other Loans	
	Principal	Interest
2007	\$ 575,585	113,285
2008	593,669	98508
2009	353,037	71975
2010	333,015	44308
2011	347,990	44308
2012-2016	688,754	85324
2017-2021	182,173	16137
2022	21,637	281
Total	\$ 3,095,860	474,126
Business Type Activities:		
Year Ending September 30,		
2007	\$ 36,652	3,060
2008	35,000	1,575
Total	\$ 71,652	4,635

Legal Debt Margin – The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2006, the amount of outstanding debt was equal to 3.2% of the latest property assessment.

TALLAHATCHIE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

11. Long-Term Debt – Continued

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

	Balance Oct 1, 2005	Additions	Reductions	Adjustments	Balance Sept 30, 2006	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 53,222		5,939	-	47,283	-
Capital leases	187,774	1,774,299	152,769	-	1,809,304	301,825
Other loans	3,546,851	662,000	1,112,991	-	3,095,860	575,585
Total	<u>3,787,847</u>	<u>2,436,299</u>	<u>1,271,699</u>	<u>-</u>	<u>4,952,447</u>	<u>877,410</u>
Business Type Activities:						
Compensated absences	2,080	202	-	-	2,282	-
Capital leases	101,293	50,000	25,915	-	125,378	35,906
Other loans	193,948		122,296	-	71,652	36,652
Total	<u>\$ 297,321</u>	<u>50,202</u>	<u>148,211</u>	<u>-</u>	<u>199,312</u>	<u>72,558</u>

12. 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 by the grantor agency could result in a liability of the county, but ultimate resolution cannot presently be determined. Accordingly, no provision for any liability that may result has been recognized in the county's financial statements.

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

TALLAHATCHIE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

13. 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 Tallahatchie County Board of Supervisors appoints two of the 23 members of the college board of trustees. The county appropriated \$91,607 for maintenance and support of the college in fiscal year 2006.

Coahoma Community College operates in a district composed of the Counties of Bolivar, Coahoma, Quitman, Tallahatchie and Tunica. The Tallahatchie County Board of Supervisors appoints one of the 12 members of the college board of trustees. The county appropriated \$75,537 for the maintenance and support of the district in fiscal year 2006.

The 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 Tallahatchie County Board of Supervisors appoints one of the 21 members of the board of commissioners. The county appropriated \$ 29,557 to help finance the operations of the district in fiscal year 2006.

Mid-State Opportunity, Inc. operates in a district composed of the Counties of DeSoto, Panola, Quitman, Tallahatchie, Tate and Tunica. The Tallahatchie County Board of Supervisors appoints two of the 30 board members. The county did not appropriate any funds for support of the agency in fiscal year 2006.

The Region 1 Mental Health-Mental Retardation Center operates in a district composed of the Counties of Coahoma, Quitman, Tallahatchie and Tunica. The Tallahatchie County Board of Supervisors appoints one of the four members of the board of commissioners. The county appropriated \$18,700 for support of the center in fiscal year 2006.

North Delta Planning and Development District is composed of the Counties of Coahoma, DeSoto, Panola, Quitman, Tallahatchie, Tate and Tunica. The Tallahatchie County Board of Supervisors appoints four of the 30 members of the board of directors. The county appropriated \$15,736 for the operation of the district in fiscal year 2006.

14. Defined Benefit Pension Plan

Plan Description – Tallahatchie 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 11.3% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2006, 2005, and 2004, were \$250,531, \$230,610 and \$210,244, respectively, equal to the required contributions for each year.

**TALLAHATCHIE COUNTY, MISSISSIPPI
 BUDGETARY COMPARISON SCHEDULE -
 BUDGET AND ACTUAL (NON-GAAP BASIS)
 GENERAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2006**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes		3,434,234	3,434,234	-
Licenses, commissions and other revenue		74,251	74,251	-
Fines and forfeitures		134,659	134,659	-
Intergovernmental revenues		562,157	562,157	-
Charges for services		332,266	332,266	-
Interest income		38,647	38,647	-
Miscellaneous revenues		799,042	799,042	-
Total Revenues	<u>-</u>	<u>5,375,256</u>	<u>5,375,256</u>	<u>-</u>
EXPENDITURES				
Current:				
General government	2,448,558	2,349,862	2,349,862	-
Public safety	1,546,306	1,716,881	1,716,881	-
Health and welfare	217,928	225,012	225,012	-
Culture and recreation	75,500	75,500	75,500	-
Conservation of natural resources	73,247	89,964	89,964	-
Economic development and assistance	15,736	-	-	-
Debt Service	157,283	181,546	181,546	-
Total Expenditures	<u>4,534,558</u>	<u>4,638,765</u>	<u>4,638,765</u>	<u>-</u>
Excess (deficiency) of Revenues over (under) expenditures	<u>(4,534,558)</u>	<u>736,491</u>	<u>736,491</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Long term capital debt issued		4,240	4,240	-
Transfers in		74,409	74,409	-
Transfers out	(113,267)	(113,137)	(113,137)	-
Total other financing sources and uses	<u>(113,267)</u>	<u>(34,488)</u>	<u>(34,488)</u>	<u>-</u>
Net change in fund balance	<u>(4,647,825)</u>	<u>702,003</u>	<u>702,003</u>	<u>-</u>
Fund Balances - Beginning	<u>-</u>	<u>147,112</u>	<u>147,112</u>	<u>-</u>
Fund Balances - Ending	<u>\$ (4,647,825)</u>	<u>849,115</u>	<u>849,115</u>	<u>-</u>

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

TALLAHATCHIE COUNTY, MISSISSIPPI
 BUDGETARY COMPARASION SCHEDULE-
 BUDGET AND ACTUAL (NON-GAAP BASIS)
 COUNTY WIDE ROAD FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,586,023	1,446,843	1,446,843	-
Road & bridge privilege tax		125,953	125,953	-
Intergovernmental revenues	557,500	749,706	749,706	-
Interest income	3,800	33,343	33,343	-
Miscellaneous		456,806	456,806	-
Total Revenues	<u>2,147,323</u>	<u>2,812,651</u>	<u>2,812,651</u>	<u>-</u>
EXPENDITURES				
Public works	1,969,313	1,855,647	1,855,647	-
Debt service	177,507	67,988	67,988	-
Total Expenditures	<u>2,146,820</u>	<u>1,923,635</u>	<u>1,923,635</u>	<u>-</u>
Excess (deficiency) of Revenues over (under) expenditures	<u>503</u>	<u>889,016</u>	<u>889,016</u>	<u>-</u>
Other financing sources (uses)				
Proceeds of Loans				-
Compensation for loss of assets				-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	503	889,016	889,016	
Fund Balances - Beginning	264,655	264,655	264,655	
Fund Balances - Ending	<u>\$ 265,158</u>	<u>1,153,671</u>	<u>1,153,671</u>	<u>-</u>

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

TALLAHATCHIE COUNTY, MISSISSIPPI
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

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 investments 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.

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).

Budget/GAAP Reconciliation - continued

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major special revenue fund:

	Governmental Fund Types	
	General Fund	County Wide Road Fund
Budget (Cash Basis)	\$ 702,003	889,016
Increase (Decrease)		
Net adjustments for revenue accruals	(40,861)	(257,960)
Net adjustments for expenditures accruals	(585,545)	(2,270,384)
Net adjustment for other financing sources (uses)	45,758	2,751,641
GAAP Basis	\$ 121,355	1,112,313



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

Members of the Board of Supervisors
Tallahatchie County, Mississippi

We have audited the primary government financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Tallahatchie County, Mississippi, as of and for the year ended September 30, 2006, which collectively comprise the county's basic financial statements and have issued our report thereon dated February 10, 2008. The auditors' report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the county's component units. The County did not have a detailed listing documenting the amounts of Circuit Court fines receivable in the amount of \$91,000. Therefore, the adequacy of these amounts and the allowance for bad debts could not be determined. The amount by which this departure would affect the assets and revenues of the Governmental Activities could not be reasonably determined. Except for the limitation referred to above, 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 Tallahatchie County, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the primary government 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 Tallahatchie County, Mississippi's ability to initiate, record, process, 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 2006-1 and 2006-2.

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, we consider the reportable conditions described above to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tallahatchie County, Mississippi's primary government 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 *Governmental Auditing Standards*.

However, we noted certain immaterial instances of noncompliance which we have reported to the management of Tallahatchie County, Mississippi, in the Limited Internal Control and Compliance Review Management Reported dated February 10, 2008, included within this document

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

Brauer, Vandrey & Co. P.A.

February 10, 2008
Booneville, Mississippi



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INDEPENDENT AUDITORS' 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
Tallahatchie County, Mississippi

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

The Board of Supervisors of Tallahatchie County, Mississippi, is responsible for establishing and maintaining a central purchasing system and an 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 Tallahatchie 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, Tallahatchie 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 Tallahatchie 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.

Brawner, Vanstory & Co. P.A.

February 10, 2008
Booneville, Mississippi

TALLAHATCHIE COUNTY, MISSISSIPPI
SCHEDULE OF PURCHASES NOT MADE
FROM THE LOWEST BIDDER
FOR THE YEAR ENDED SEPTEMBER 30, 2006

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

TALLAHATCHIE COUNTY, MISSISSIPPI
SCHEDULE OF EMERGENCY PURCHASES
SEPTEMBER 30, 2006

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

TALLAHATCHIE COUNTY, MISSISSIPPI
SCHEDULE OF PURCHASES MADE NONCOMPETITIVELY
FROM A SOLE SOURCE
FOR THE YEAR ENDED SEPTEMBER 30, 2006

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



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LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Tallahatchie County, Mississippi

In planning and performing our audit of the financial statements of Tallahatchie County, Mississippi for the year ended September 30, 2006, we considered Tallahatchie 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 Tallahatchie 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 February 10, 2008, on the financial statements of Tallahatchie County, Mississippi.

Our opinion on the government wide financial statements was qualified due to not having adequate subsidiary records detailing the Circuit Court fines receivable in the Statement of Net Assets in the amount of \$91,000. The adequacy of these amounts and the allowance for bad debts could not be determined.

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 within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

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:

Management Letter
February 10, 2008

Tax Collector

1. Finding

- A. The Tax Collector was unable to rerun tax settlements that would agree with the original print outs.
- B. At the time cash was counted, there was a cash shortage of \$2,147. This was a finding of the prior year and the shortage has not increased.

Recommendation:

- A. Software needs to be obtained that will perform properly.

Response:

The settlement reports have been reported and discussed with Data Systems time after time. Data Systems told several of us at the convention last summer that they did not have the problem worked out, but were working on it.

The amount of \$2,147.30 has not been resolved. I am trying to determine what has happened.

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

Brauer, Vanstacy & Co P.A.

February 10, 2008
Booneville, Mississippi

TALLAHATCHIE COUNTY

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TALLAHATCHIE COUNTY
SCHEDULE OF FINDINGS
YEAR ENDING SEPTEMBER 30, 2006

Section 1: Summary of Auditor's Results

Financial Statements:

- | | |
|--|---------------|
| 1 Type of auditor's report issued on the primary government financial statements. | Qualified |
| 2 Material noncompliance relating to the primary government financial statements? | None Reported |
| 3 Internal control over financial reporting: | |
| a. Material weakness identified? | Yes |
| b. Reportable condition identified that is not considered to be a material weakness? | None Reported |

Circuit Clerk

2006-1 Finding

The computer system for the Circuit Court Fines does not produce a list of outstanding fines or an aging of fines.

Recommendation:

We recommend a system be put in place that will provide the required documentation.

Response:

The county has purchased a Quick Books Program in the 2007 fiscal year that will provide this information.

County Administrator

2006-2 Finding

The county collects solid waste revenues at three locations, the Village of Glendora, Tallahatchie County Tax Collector's Office and mailed in to Three Rivers Planning and Development District, where receipts are posted and billing is prepared and mailed to the customers. The cut off is not the end of the month, but collections from the other locations are remitted to the county on a monthly basis. These various collections are not reconciled to ensure that all are properly deposited and recorded.

Recommendation:

We recommend that someone reconcile the collections from all locations and balance to the billing and collection report.

TALLAHATCHIE COUNTY BOARD OF SUPERVISORS

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Charleston, Mississippi 38921
(662) 647-5551

Jerome Little - President
Johnny Goodwin - Vice President
Gregg Hodges
Morris E. Ross
Bobby Banks

Thomas U. Reynolds - Board Attorney
Anita Fountain - Clerk for Board
Marvin Doss - Co. Administrator/
Purchase Clerk
Kelly Greenwood - Co. Engineer

Response:

2006-2 Finding

Comptroller receipts/collects Village of Glendora solid waste fees on a monthly basis on or before the due date of the 10th of the month. The Solid Waste Coordinator confirms this collection on a monthly basis and confirms the number of users to insure accuracy of payments.

The two office of the Tallahatchie County Tax Collector/Assessor (Charleston and Sumner) collects solid waste fees on a monthly basis. A compiled report will be submitted to the Comptroller for the end of each month's settlement on or before the 20th of the nest month on green bar paper or a copy of the receipts. When a customer pays on their solid waste account, it is posted to the Three Rivers accounts payable on Three Rivers computer the day of the collection by the Tax Collectors Office. The cut off on all solid waste accounts is the last day of the month. However, Three Rivers has a cut off date of four days before the end of the month to provide/insure bill processing and mailing time for the receipt of bill by the solid waste customer the day before the customer receives his/her retirement/disability check which is normally on the first day of the month.

Three Rivers sends out a monthly report of all actions at the end of each month.

To the best of my knowledge and belief, we will be in compliance with the reconciling of moneys to verify that all moneys are properly accounted.