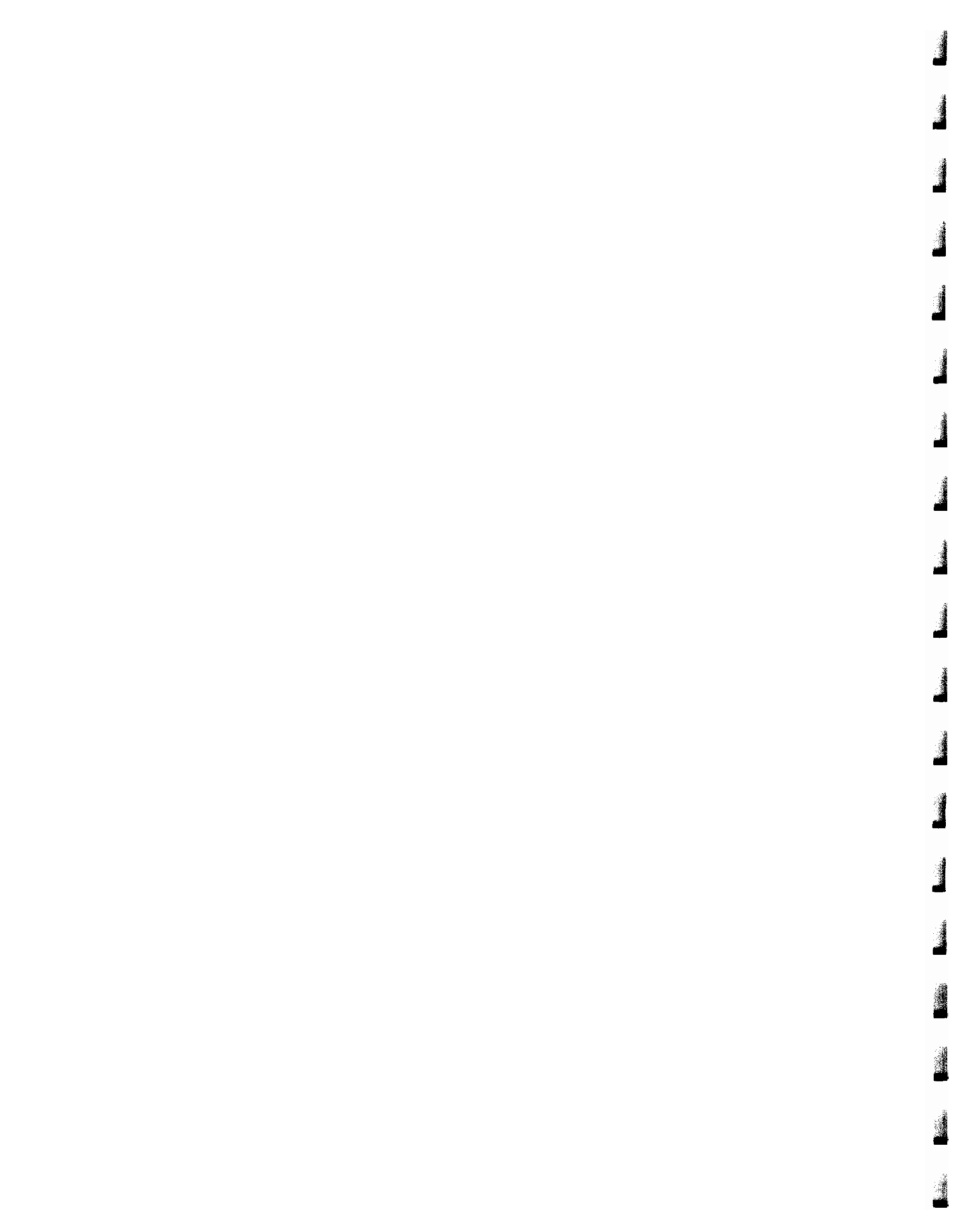
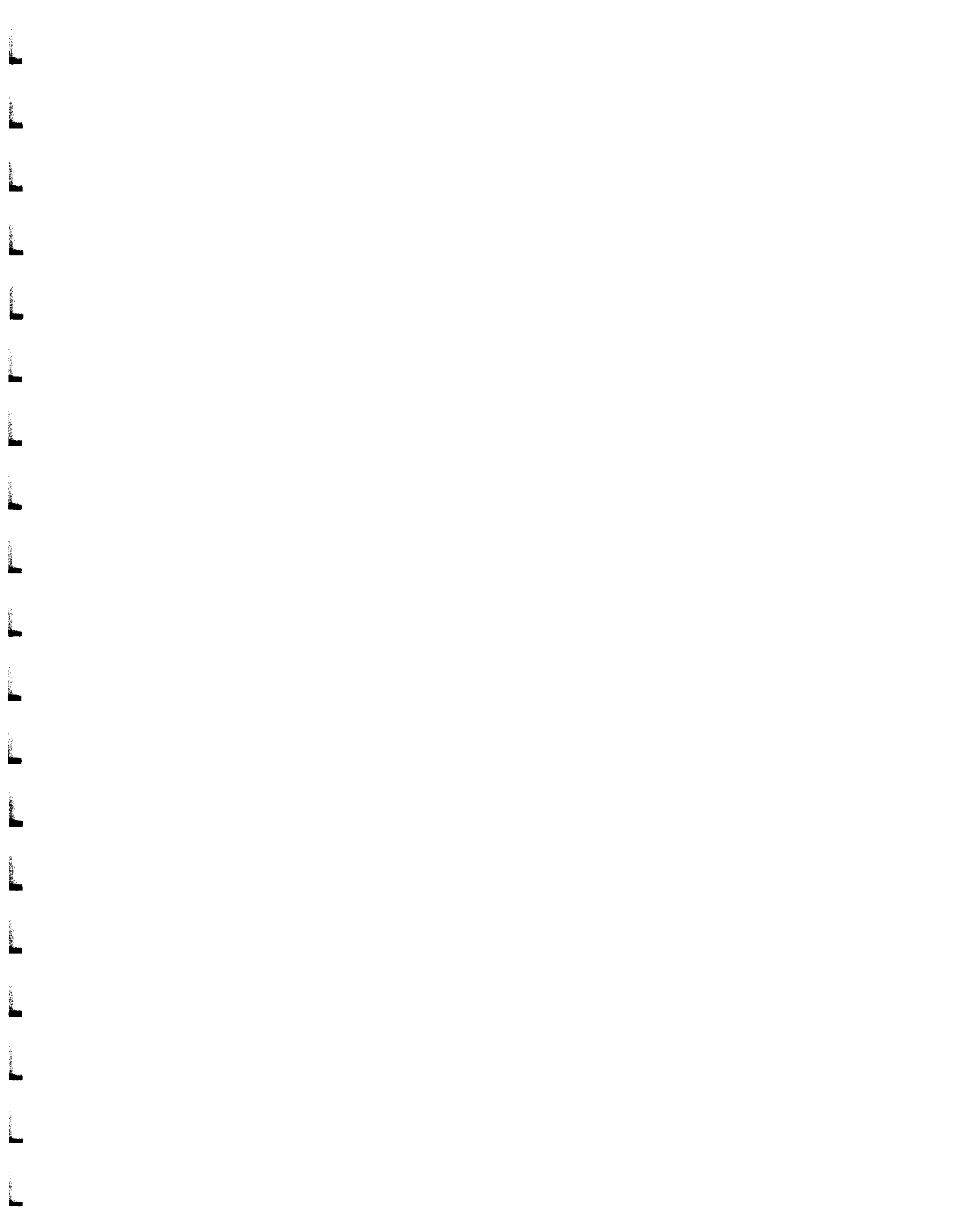


Tate County
Financial Statements
September 30, 2006

Ellis & Hirsberg
Certified Public Accountants, PLLC
Clarksdale, Mississippi







TATE COUNTY
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TATE COUNTY

FINANCIAL SECTION

TATE COUNTY

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INDEPENDENT AUDITORS' 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, 2006, 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Tate County, Mississippi, as of September 30, 2006, and the respective changes in financial position and where applicable, 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 our report dated January 21, 2008, 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 and the Budgetary Comparison Schedules and corresponding notes are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of 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.

January 21, 2008



TATE COUNTY

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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, 2006

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, 2006. 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 119.15 mills from 102.

Total net assets increased \$374,237, which represents a 1% increase from the prior year. The County's ending cash balance decreased by \$781,223, which represents a 15% decrease from the prior fiscal year.

The County had \$13,278,812 in total revenues. Tax revenues account for \$7,503,179 or 57% of total revenues. State revenues in the form of reimbursements, shared revenue or grants, account for \$442,050 or 3% of total revenues.

The County had \$12,904,575 in total expenses, which represents an increase of \$172,016 or 1% increase from the prior fiscal year. Expenses in the amount of \$3,941,871 were offset by charges for services, grants, outside contributions or debt being issued. General revenues of \$9,336,941 were adequate to provide for the remainder of the expenses.

Among major funds, the General Fund had \$6,998,928 in revenues and \$7,052,473 in expenditures. The General Fund's balance increased \$70,096 over the prior year. The increase was caused in part by an increase in taxes and only a 2% increase in expenses. In the prior year expenses exceeded revenues.

The BMW GO Bond Fund collected \$172,191 in interest income and \$210,000 in principal payments on a capital lease of the BMW building. The fund in turn paid off debt on the building of \$210,000 and interest of \$171,925.

Capital assets, net of accumulated depreciation, increased by \$345,760. The increase was caused primarily by acquisitions of new equipment.

Long-term debt decreased by \$784,656. 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.

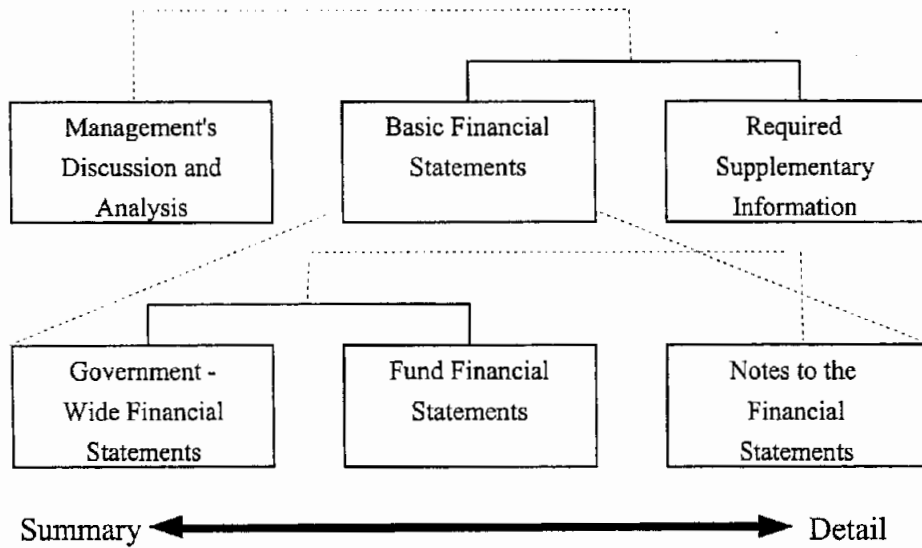


Figure 1 shows how required parts of this annual report are arranged and related to one another.

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 and 24, 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 24 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 25 through 27 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 28 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 29 through 45 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 49 through 52 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 \$29,243,583 as of September 30, 2006.

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, 2006 and 2005.

	2006		2005	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
Current Assets	\$ 12,326,139	816,925	9,904,296	689,799
Other assets	3,875,753		4,283,909	
Capital assets, net	<u>31,808,770</u>	<u>221,346</u>	<u>31,463,010</u>	<u>221,959</u>
Total assets	\$ <u>48,010,662</u>	<u>1,038,271</u>	<u>45,651,215</u>	<u>911,758</u>
Current liabilities	\$ 12,096,493	112,925	9,089,607	71,983
Long-term debt outstanding	<u>7,590,695</u>	<u>5,237</u>	<u>8,527,974</u>	<u>4,063</u>
Total liabilities	\$ <u>19,687,188</u>	<u>118,162</u>	<u>17,617,581</u>	<u>76,046</u>
Net assets:				
Invested in capital assets, net of related debt	\$ 22,075,142	221,346	20,945,020	221,959
Unrestricted	<u>6,248,332</u>	<u>698,763</u>	<u>7,088,614</u>	<u>613,753</u>
Total net assets	\$ <u>28,323,474</u>	<u>920,109</u>	<u>28,033,634</u>	<u>835,712</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 \$1,051,823 for dump trucks, road equipment, a Mack truck, an ambulance, and a CAP loan for economic development for \$188,782.

Changes in Net Assets - Tate County's total revenues for the fiscal year ended September 30, 2006 was \$12,207,414. The total cost for all services provided was \$11,917,574. The increase in net assets was \$502,898. The following table presents a summary of the changes in net assets for the fiscal year ended September 30, 2006.

	2006	2005
	<u>Amount</u>	<u>Amount</u>
Revenues:		
Program revenues		
Charges for services	\$ 1,890,721	\$ 1,579,002
State grants	442,050	142,528
Capital Grants & Contribution	584,862	936,014
General revenues		
Property taxes	7,503,179	7,072,248
Other	<u>1,786,602</u>	<u>1,166,823</u>
Total Revenues	<u>12,207,414</u>	<u>10,896,615</u>
Expenses:		
General government	4,033,537	3,413,636
Public safety	2,338,773	3,290,710
Public works	4,763,429	3,627,254
Health and welfare	86,809	171,249
Culture and Recreation	13,125	248,783
Other expenses	293,102	583,214
Interest and other expense on long-term debt	<u>388,799</u>	<u>513,109</u>
Total Expenses	<u>11,917,574</u>	<u>11,847,955</u>
Increase (Decrease) in Net Assets	\$ <u>289,840</u>	\$ <u>(951,340)</u>

Property taxes increased due to an increase in assessed values and millage rates. 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>2006</u>		<u>2005</u>	
	<u>Total</u> <u>Costs</u>	<u>Net</u> <u>Costs</u>	<u>Total</u> <u>Costs</u>	<u>Net</u> <u>Costs</u>
General government	\$ 4,033,537	2,555,520	\$ 3,413,636	2,187,514
Public safety	2,338,773	1,657,188	3,290,710	2,819,924
Public works	4,763,429	4,031,349	3,627,254	2,685,628

Health and welfare	86,809	64,358	171,249	152,239
Economic development	99,438	95,398	140,112	140,112
Culture and recreation	13,125	13,125	248,783	248,783
Education	157,500	157,500	253,928	253,928
Conservation	36,164	36,164	189,174	189,174
Interest and other expense on long-term debt	388,799	388,799	513,109	513,109

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 \$3,374,337, a decrease of \$634,477. The primary reasons for this increase are highlighted in the analysis of governmental activities.

The General Fund is the principal operating fund of the County. The increase in the fund balance of the General Fund for the fiscal year was \$70,096. This increase was primarily due to an increase in taxes as discussed above.

Business-type funds - The Enterprise Funds showed a gain for the year of \$84,397.

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, 2006, Tate County's total capital assets were \$90,519,127. 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 \$541,438. The majority of this increase is due to purchases of mobile equipment and new capital leases.

Total accumulated depreciation as of September 30, 2006 was \$58,489,011, including \$991,630 of depreciation expense for the year. The balance in total net capital assets was \$32,030,116 at year-end.

Additional information on Tate County's capital assets can be found in Note 7 on page 37 of this report.

Debt Administration - At September 30, 2006 Tate County had \$9,817,007 in long-term debt outstanding. This includes general obligation bonds, loans from Mississippi Department of Economic and Community Development, capital leases, and accrued vacation pay.

In the past year, the County received proceeds from capital lease of \$791,763 to help finance road equipment. Also the County received a CAP loan for the purchase of a manufacturing site at Coldwater of \$188,182.

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 \$22.6 million dollars.

Additional information on Tate County's long-term debt can be found in Note 12 on page 41 of this report.

CURRENT AND FUTURE ITEMS OF IMPACT

Tate County adopted a "Section 125 Cafeteria Plan" to save the County tax dollars and improve the employees' net paycheck.

Tate County changed group health insurance providers and, in the process, switched to a fully-insured plan with Aetna. This replaced a self-insured plan that was no longer economically feasible. This will result in a millage decrease in fiscal year ending September 30, 2008.

In 2007 Tate County completed the new health department at a cost of \$1,135,000. The State of Mississippi provided \$450,000 from a CDBG grant, with Tate County providing \$685,000 to finish the project. \$650,000 of that \$685,000 was financed through a general obligation bond issued on October 1, 2006.

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, 2006

Exhibit 1

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	3,998,523	472,581	4,471,104
Property tax receivable	8,092,493		8,092,493
Accounts receivable, net		314,344	314,344
Fines receivable, net	235,123		235,123
Capital leases receivable	3,654,520		3,654,520
Notes receivable	4,017		34,017
Intergovernmental receivables	157,259	30,000	157,259
Internal balances	59,957	(59,957)	0
Land and construction in progress	465,490		465,490
Other capital assets, net	31,343,280	221,346	31,564,626
Total Assets	<u>48,010,662</u>	<u>978,314</u>	<u>48,988,976</u>
LIABILITIES			
Claims payable	595,052		627,082
Claims and judgments payable	168,000	32,030	168,000
Intergovernmental payables	82,365		82,365
Accrued interest payable	87,553		87,553
Deferred revenue	8,942,666	20,720	8,963,386
Other payables:			
Due within one year:			
Capital related debt	2,213,389		2,213,389
Non-capital debt	7,468	218	7,686
Due in more than one year:			
Capital related debt	7,520,239		7,520,239
Non-capital debt	70,456	5,237	75,693
Total Liabilities	<u>19,687,188</u>	<u>58,205</u>	<u>19,745,393</u>

NET ASSETS			
Invested in capital assets, net of related debt			
Restricted net assets:			
Expendable:			
Debt service	490,943		490,943
Public safety	77,044		77,044
Public works	1,710,948	698,763	2,409,711
Economic development	57,391		57,391
Other purposes	103,930		103,930
Unrestricted	3,808,076		3,808,076
Total Net Assets	<u>\$ 28,323,474</u>	<u>920,109</u>	<u>29,243,583</u>

22,075,142

221,346

22,296,488

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

TATE COUNTY
Statement of Activities
For the Year Ended September 30, 2006

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 4,033,537	1,470,098	7,919		(2,555,520)		(2,555,520)
Public safety	2,338,773	420,623	260,962		(1,657,188)		(1,657,188)
Public works	4,763,429	150,718	150,718	581,362	(4,031,349)		(4,031,349)
Health and welfare	86,809		22,451		(64,358)		(64,358)
Culture and recreation	13,125				(13,125)		(13,125)
Education	157,500				(157,500)		(157,500)
Conservation of natural resources	36,164				(36,164)		(36,164)
Economic development and assistance	99,438			3,500	(95,938)		(95,938)
Interest and other expenses on long-term liabilities	388,799				(388,799)		(388,799)
Total Governmental Activities	11,917,574	1,890,721	442,050	584,862	(8,999,941)	0	(8,999,941)
Business-type activities:							
Solid waste disposal	780,138	792,516				12,378	12,378
Other proprietary funds	128,277	153,136				24,859	24,859
Total Business-type Activities	908,415	945,652	0	0	0	37,237	37,237
Total Government	\$ 12,825,989	2,836,373	442,050	584,862	(8,999,941)	37,237	(8,962,704)
General revenues:							
Taxes:							
Property taxes					\$ 7,503,179		7,503,179
Grants and contributions not restricted to specific programs					619,333		619,333
Gain on sale of assets					324,968	21,521	346,489
Unrestricted investment income					146,726	16,519	163,245
Miscellaneous					695,575	9,120	704,695
Total General Revenues, Special Item, Extraordinary					9,289,781	47,160	9,336,941

Changes in Net Assets	<u>289,840</u>	<u>84,397</u>	<u>374,237</u>
Net Assets - Beginning	<u>28,033,634</u>	<u>835,712</u>	<u>28,869,346</u>
Net Assets - Ending	<u>\$ 28,323,474</u>	<u>920,109</u>	<u>29,243,583</u>

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

TATE COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2006

Exhibit 3

	<u>Major Funds</u>			Total Governmental Funds
	General Fund	BMW GO Bond Fund	Other Governmental Funds	
ASSETS				
Cash	\$ 1,157,376	23,180	2,817,967	3,998,523
Property tax receivable	5,146,895		2,945,598	8,092,493
Fines receivable, net	235,123			235,123
Capital lease receivable		3,083,160	571,360	3,654,520
Intergovernmental receivables	121,776			121,776
Other receivables	4,017			4,017
Due from other funds	70,704		79,780	150,484
Advances to other funds	52,054		47,379	99,433
Total Assets	\$ <u>6,787,945</u>	<u>3,106,340</u>	<u>6,462,084</u>	<u>16,356,369</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Claims payable	\$ 261,049		334,000	595,049
Intergovernment payables	81,903		462	82,365
Claims and judgments	168,000			168,000
Due to other funds	105,104		2,000	107,104
Advances from other funds			47,379	47,379
Deferred revenue	<u>5,382,017</u>	<u>3,083,160</u>	<u>3,516,958</u>	<u>11,982,135</u>
Total Liabilities	<u>5,998,073</u>	<u>3,083,160</u>	<u>3,900,799</u>	<u>12,982,032</u>
Fund Balances:				
Reserved for:				
Advances	52,054		47,379	99,433
Reserve for lease agreement		23,180		23,180
Undesignated, reported in:				
General funds	737,818			737,818
Special Revenue funds			1,951,205	1,951,205
Debt Service funds			433,140	433,140
Capital Projects funds			129,561	129,561
Total Fund Balances	<u>789,872</u>	<u>23,180</u>	<u>2,561,285</u>	<u>3,374,337</u>
Total Liabilities and Fund Balances	\$ <u>6,787,945</u>	<u>3,106,340</u>	<u>6,462,084</u>	<u>16,356,369</u>

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

TATE COUNTY

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

Exhibit 3-1

	Amount
Total fund balance - governmental funds (Exhibit 3)	\$ 3,374,337
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 \$57,819,387.	31,808,770
Fines receivable reported as deferred revenue in funds and as revenue on statement of activities	235,123
Deferred revenue - principal for capital lease receivable not future income on statement of activities	2,804,347
Long-term liabilities are not due and payable in the current-period and therefore are not reported in the funds.	
Long-term liabilities	\$ (9,811,552)
Accrued interest on bonds	<u>(87,553)</u>
Other miscellaneous adjustments	<u>2</u>
Total net assets - governmental activities (Exhibit 1)	<u>\$ 28,323,474</u>

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

TATE COUNTY

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TATE COUNTY
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2006

Exhibit 4

	<u>Major Funds</u>			Total Governmental Funds
	General Fund	BMW GO Bond	Other Governmental Funds	
REVENUES				
Property taxes	\$ 4,822,568		2,680,611	7,503,179
Licenses, commissions and other revenue	538,324		327,693	866,017
Fines and forfeitures	229,827		3,375	233,202
Intergovernmental revenues	647,733		995,556	1,643,289
Charges for services	551,347		243,111	794,458
Interest income	36,243	765	109,718	146,726
Miscellaneous	172,886	171,426	368,507	712,819
Total Revenues	<u>6,998,928</u>	<u>172,191</u>	<u>4,728,571</u>	<u>11,899,690</u>
EXPENDITURES				
Current:				
General government	3,852,612		29,055	3,881,667
Public safety	2,708,177		412,072	3,120,249
Public works	31,885		4,677,573	4,709,458
Health and welfare	86,809		49,900	136,709
Culture and recreation	13,125			13,125
Education	157,500			157,500
Conservation of natural resources	36,164			36,164
Economic development and assistance	144,548		140,274	284,822
Debt service:				
Principal	20,118	210,000	1,794,348	2,024,466
Interest	1,535	171,925	236,481	409,941
Total Expenditures	<u>7,052,473</u>	<u>381,925</u>	<u>7,339,703</u>	<u>14,774,101</u>
Excess of Revenues over (under) Expenditures	<u>(53,545)</u>	<u>(209,734)</u>	<u>(2,611,132)</u>	<u>(2,874,411)</u>
OTHER FINANCING SOURCES (USES)				
Lease principal collection		210,000		210,000
Inception of capital lease	66,000		985,323	1,051,323
Long-term debt issued			188,782	188,782
Proceeds from sale of capital assets			789,829	789,829
Transfers in	207,641		150,658	358,299
Transfers out	(150,000)		(208,299)	(358,299)
Total Other Financing Sources and Uses	<u>123,641</u>	<u>210,000</u>	<u>1,906,293</u>	<u>2,239,934</u>
Net Changes in Fund Balances	70,096	266	(704,839)	(634,477)
Fund Balance - Beginning	<u>719,776</u>	<u>22,914</u>	<u>3,266,124</u>	<u>4,008,814</u>
Fund Balance - Ending	\$ <u>789,872</u>	<u>23,180</u>	<u>2,561,285</u>	<u>3,374,337</u>

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

TATE COUNTY
 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

Net changes in fund balances - total governmental funds (Exhibit 4) \$ (634,477)

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 \$1,673,308 exceeded depreciation of \$862,687, in the current period 810,621

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 \$789,829 exceeded the gain \$324,968 in the current period. (464,861)

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 \$2,024,466 exceeded debt proceeds \$1,240,105. 784,361

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	\$ 295
Accrued interest	14,104
Other liabilities	8,879
Fines receivable	<u>4,196</u>
Principal payments on capital lease receivable not considered revenue on statement of activities	<u>(210,000)</u>
Change in net assets of governmental activities (Exhibit 2)	<u>\$ 289,840</u>

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

TATE COUNTY
Statement of Net Assets - Proprietary Funds
September 30, 2006

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>
ASSETS			
Current Assets:			
Cash	\$ 271,605	200,976	472,581
Accounts receivable, net	314,344		314,344
Due from other funds	9,898		9,898
Notes receivable	<u>30,000</u>		<u>30,000</u>
Total Current Assets	<u>625,847</u>	<u>200,976</u>	<u>826,823</u>
Noncurrent Assets:			
Capital assets, net	<u>221,346</u>		<u>221,346</u>
Total Noncurrent Assets	<u>221,346</u>	<u>0</u>	<u>221,346</u>
Total Assets	<u>847,193</u>	<u>200,976</u>	<u>1,048,169</u>
LIABILITIES			
Current Liabilities:			
Claims payable	31,082	948	32,030
Due to other funds	17,801		17,801
Advances from other funds	52,054		52,054
Unearned revenue	20,720		20,720
Current portions of long-term capital related debt:			
Compensated absences payable - current portion	<u>218</u>		<u>218</u>
Total Current Liabilities	<u>121,875</u>	<u>948</u>	<u>122,823</u>
Noncurrent Liabilities			
Compensated absences payable	<u>5,237</u>		<u>5,237</u>
Total Noncurrent Liabilities	<u>5,237</u>	<u>0</u>	<u>5,237</u>
NET ASSETS			
Invested in capital assets, net of related debt	221,346		221,346
Restricted for public workers	<u>498,735</u>	<u>200,028</u>	<u>698,763</u>
Total Net Assets	<u>\$ 720,081</u>	<u>200,028</u>	<u>920,109</u>

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

Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds
For the Year Ended September 30, 2006

	<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	\$ 792,516		792,516
Garbage Collection Fee		153,136	153,136
Total Operating Revenues	<u>792,516</u>	<u>153,136</u>	<u>945,652</u>
Operating Expenses			
Personnel services	324,830	67,141	391,971
Contractual services	132,545	8,828	141,373
Utilities	4,238	1,931	6,169
Repairs and maintenance	30,404	26,912	57,316
Other supplies and expenses	84,691	9,782	94,473
Insurance expense	74,487	13,683	88,170
Depreciation	<u>128,943</u>		<u>128,943</u>
Total Operating Expenses	<u>780,138</u>	<u>128,277</u>	<u>908,415</u>
Operating Income (Loss)	<u>12,378</u>	<u>24,859</u>	<u>37,237</u>
Nonoperating Revenues (Expenses)			
Interest income	9,749	6,770	16,519
Gain on sale of assets	21,521		21,521
Miscellaneous	<u>9,120</u>		<u>9,120</u>
Total Nonoperating Revenue (Expenses)	<u>40,390</u>	<u>6,770</u>	<u>47,160</u>
Income (Loss) Before Contributions and Transfers	<u>52,768</u>	<u>31,629</u>	<u>84,397</u>
Change in Net Assets	52,768	31,629	84,397
Net Assets - Beginning	<u>667,313</u>	<u>168,399</u>	<u>835,712</u>
Net Assets - Ending	\$ <u><u>720,081</u></u>	<u><u>200,028</u></u>	<u><u>920,109</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, 2006

Exhibit 7

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Solid Waste Management Fund</u>	<u>Other Proprietary Fund</u>	<u>Totals</u>
Cash Flows From Operating Activities			
Cash received from customers	\$ 792,516	153,136	945,652
Cash payments to suppliers for goods and services	(362,801)	(64,511)	(427,312)
Cash payments to employees for services	(300,462)	(67,141)	(367,603)
Net Cash Provided (Used) by Operating Activities	<u>129,253</u>	<u>21,484</u>	<u>150,737</u>
Cash Flows From Noncapital Financing Activities			
Cash received from other funds	(778)		(778)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(778)</u>	<u>0</u>	<u>(778)</u>
Cash Flows From Capital and Related Financing Activities			
Acquisition of capital assets	(136,809)		(136,809)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(136,809)</u>	<u>0</u>	<u>(136,809)</u>
Cash Flows From Investing Activities			
Interest and dividends on investments	9,749	6,770	16,519
Net Cash Provided (Used) by Investing Activities	<u>9,749</u>	<u>6,770</u>	<u>16,519</u>
Net Cash Increase (Decrease) in Cash and Cash Equivalents	1,415	28,254	29,669
Cash and Cash Equivalents at Beginning of Year	<u>270,190</u>	<u>172,722</u>	<u>442,912</u>
Cash and Cash Equivalents at End of Year	\$ <u><u>271,605</u></u>	<u><u>200,976</u></u>	<u><u>472,581</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ <u>12,378</u>	<u>24,859</u>	<u>37,237</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	128,943		128,943
Provision for uncollectible accounts	16,864		16,864
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	(84,321)		(84,321)
Increase (decrease) in compensated absences	623		623
Increase in deferred income	20,720		20,720
Due from other fund (increase) decrease	9,898		9,898
Increase (decrease) in claims payable	13,461	(3,375)	10,086
Increase (decrease) in advances from other funds	10,687		10,687
Total Adjustments	<u>116,875</u>	<u>(3,375)</u>	<u>113,500</u>
Net Cash Provided (Used) by Operating Activities	\$ <u><u>129,253</u></u>	<u><u>21,484</u></u>	<u><u>150,737</u></u>

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

The County accepted a non-interest bearing \$30,000 note receivable due October 30, 2006 when it sold an asset.

TATE COUNTY
Statement of Fiduciary Assets and Liabilities
For the Year Ended September 30, 2006

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 35,477
Due from Other Funds	23,369
Total Assets	\$ <u>58,846</u>
LIABILITIES	
Due to other funds	\$ <u>58,846</u>
Total Liabilities	\$ <u>58,846</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, 2006

(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 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 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 non-fiduciary activities of the 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 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-type activities 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, 2006

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

The County's Proprietary 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, 2006

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, 2006

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 or business-type 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 non-capitalization 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, 2006

	<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, 2006

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.

(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*, requires governments to report the effects of capital assets impairment in their financial statements when impairment occurs. The provisions of this new statement have been incorporated into the financial statements and the accompanying notes.

TATE COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2006

(3) Deposits and Investments.

Deposits:

The carrying amount of the County's total deposits with financial institutions at September 30, 2006, was \$4,506,581, and the bank balance was \$4,576,117. 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.

(4) Interfund Transactions and Balances.

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>
General Fund	Agency Fund	\$ 52,903
General Fund	Major Enterprise Fund	
	Solid Waste Management	17,801
Nonmajor Governmental Funds	General Fund	78,372
Nonmajor Governmental Funds	Nonmajor Government Funds	1,408
Major Enterprise Fund		
Solid Waste Management	Agency Fund	8,519
Major Enterprise		
Solid Waste Management	General Fund	1,379
Agency Fund	General Fund	22,778
Agency Fund	Nonmajor Government Funds	591
		<hr/>
Total		\$ <u>183,751</u>

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

TATE COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2006

B. Advances From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Major Funds:	Major Enterprise Fund	
General Fund	Solid Waste Management	* \$ 52,054
Nonmajor Governmental Funds	Nonmajor Governmental Fund	** <u>47,379</u>
 Total		 \$ <u><u>99,433</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>
Nonmajor Governmental Funds	General Fund	\$ 150,000
Nonmajor Governmental Funds	Nonmajor Governmental Fund	658
General Fund	Other Governmental Funds	<u>207,641</u>
 Total		 \$ <u><u>358,299</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.

(5) Intergovernmental Receivables.

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

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative Tax Credit	\$ 121,782
Other	<u>35,477</u>
 Total	 \$ <u><u>157,259</u></u>

(6) Loans Receivable.

Loans receivable balances at September 30, 2006, are as follows:

<u>Description</u>	<u>Date of Loan</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance Payable</u>
Note Receivable - Sharkey County, MS	3/01/2006	0.00%	10/01/2007	\$ <u>30,000</u>
 Total				 \$ <u><u>30,000</u></u>

The County sold Sharkey County, MS a garbage truck.

TATE COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2006

(7) Capital Assets.

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

Governmental activities:

	Balance Oct. 1, 2005	Additions	Deletions	Balance Sept. 30, 2006
<u>Non-depreciable capital assets:</u>				
Land	\$ 396,718	18,872		415,590
Construction in progress		49,900		49,900
Total non-depreciable capital assets	<u>396,718</u>	<u>68,772</u>	<u>0</u>	<u>465,490</u>
<u>Depreciable capital assets:</u>				
Infrastructure	71,442,049			71,442,049
Buildings	12,242,255	251,346		12,493,601
Improvements other than buildings	66,107			66,107
Mobile equipment	3,290,848	204,877	204,201	3,291,524
Furniture and equipment	438,543	78,131	45,000	471,674
Leased property under capital leases	1,262,218	1,070,182	934,688	1,397,712
Total depreciable capital assets	<u>88,742,020</u>	<u>1,604,536</u>	<u>1,183,889</u>	<u>89,162,667</u>
<u>Less accumulated depreciation for:</u>				
Infrastructure	49,034,345	135,958		49,170,303
Buildings	5,596,653	159,846		5,756,499
Improvements other than buildings	7,933	2,644		10,577
Mobile equipment	2,301,394	269,167	155,700	2,414,861
Furniture and equipment	346,687	37,503	109,944	274,246
Leased property under capital leases	388,716	257,569	453,384	192,901
Total accumulated depreciation	<u>57,675,728</u>	<u>862,687</u>	<u>719,028</u>	<u>57,819,387</u>
Total depreciable capital assets, net	<u>31,066,292</u>	<u>741,849</u>	<u>464,861</u>	<u>31,343,280</u>
Governmental activities capital assets, net	<u>\$ 31,463,010</u>	<u>810,621</u>	<u>464,861</u>	<u>31,808,770</u>

TATE COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2006

Business-type activities:

	Balance Oct. 1, 2005	Additions	Deletions	Balance Sept. 30, 2006
<u>Depreciable capital assets:</u>				
Mobile equipment	\$ 567,211	136,809	84,790	619,230
Furniture and equipment	<u>271,740</u>			<u>271,740</u>
Total depreciable capital assets	<u>838,951</u>	<u>136,809</u>	<u>84,790</u>	<u>890,970</u>
<u>Less accumulated depreciation for:</u>				
Mobile equipment	407,364	94,005	76,311	425,058
Furniture and equipment	<u>209,628</u>	<u>34,938</u>		<u>244,566</u>
Total accumulated depreciation	<u>616,992</u>	<u>128,943</u>	<u>76,311</u>	<u>669,624</u>
Total depreciable capital assets, net	\$ <u>221,959</u>	<u>7,866</u>	<u>8,479</u>	<u>221,346</u>

Depreciation expense was charged to the following functions:

	Amount
<u>Governmental Activities:</u>	
General government	\$ 194,736
Public safety	203,847
Public works	460,707
Economic development	<u>3,397</u>
Total governmental activities depreciation expense	\$ <u>862,687</u>
<u>Business-type activities:</u>	
Solid waste	\$ <u>128,943</u>
Total business-type activities depreciation expense	\$ <u>128,943</u>

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

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
Health Department	1,085,100	September 30, 2007

TATE COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2006

(8) Claims and Judgments.

Risk Financing.

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$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, 2006, to January 1, 2007. 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). The following table provides changes in the balances of claims liabilities for the fiscal years 2006 and 2005.

	<u>2006</u>	<u>2005</u>
Unpaid Claims, Beginning of Fiscal Year	\$ 107,000	91,000
Plus: Incurred Claims (Including IBNRs)	1,408,656	1,116,873
Less: Claims Payments	<u>1,347,656</u>	<u>1,100,873</u>
Unpaid Claims, End of Fiscal Year	<u>\$ 168,000</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, 2006. The future minimum lease receivables for these leases are as follows:

<u>Year Ended September 30</u>	<u>Amount</u>
2007	\$ 88,262
2008	88,262
2009	88,262
2010	88,262
2011	88,262
2012-2015	<u>331,798</u>
Total Minimum Payments Required	<u>\$ 773,108</u>

TATE COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2006

(10) Capital Leases.

As Lessor:

The County leases the following property with varying terms and options as of September 30, 2006:

<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, 2006, are as follows:

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 269,970	178,599
2008	287,104	161,614
2009	304,339	143,299
2010	326,681	123,617
2011	349,134	97,739
2012-2016	<u>1,267,119</u>	<u>145,305</u>
Total	\$ <u><u>2,804,347</u></u>	<u><u>850,173</u></u>

As Lessee:

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

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 1,327,915
Other furniture and equipment	<u>69,797</u>
Total	1,397,712
Less: Accumulated depreciation	<u>192,901</u>
Leased Property Under Capital Leases	\$ <u><u>1,204,811</u></u>

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

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 908,841	35,587
2008	122,095	9,700

TATE COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2006

2009		103,891	5,368
2010		<u>54,740</u>	<u>2,098</u>
Total	\$	<u><u>1,189,567</u></u>	<u><u>52,753</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, 2006, 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	\$ 2,310,000	6.4 / 7.5	8/01/2014
Refunding bond Series 2002	705,000	3 / 3.75	9/01/2009
Building bond - 2002	597,000	5.2	2/01/2007
Road and bridge - 2004	2,880,000	3.10 / 3.50	10/01/2011
Refunding bond Series 2004	<u>640,000</u>	1.15 / 3.40	4/01/2012
Total General Obligation Bonds	\$ <u><u>7,132,000</u></u>		
B. Capital Leases:			
8 Mack Dump Trucks	\$ 759,920	3.13	4/16/2007
Caterpillar 1406 Motor Grader	41,760	3.90	3/10/2008
Case 5805M Backhoe	33,425	3.48	3/18/2009
Kubota Tractor	31,843	4.16	7/13/2010
Champion Motor Grader	5,716	3.68	1/01/2007
2004 Ford 3/4 Ton Pickup	3,660	2.58	7/01/2007
AS 400 Computer System	16,355	2.58	7/01/2007
John Deere 6715 4WD Tractor	18,672	2.88	7/01/2007
John Deere 6715 2WD Tractor	18,656	2.88	7/01/2007
Volvo Excavator	109,290	3.76	2/01/2010
2006 Mack Transport Truck	84,270	3.25	5/01/2009
2006 Ford Ambulance	<u>66,000</u>	3.79	2/01/2010
Total Capital Leases	\$ <u><u>1,189,567</u></u>		

TATE COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2006

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
C. Other Loans:			
MPI CAP Loan	\$ 641,368	4.65	7/01/2015
BMW CAP Loan	494,347	4.65	7/01/2015
Fire Truck CAP Loan	29,188	4	6/01/2008
Fire Truck CAP Loan	58,376	4	6/01/2008
MPI CAP Loan - Coldwater	<u>188,782</u>	3	7/24/2027
Total Other Loans	<u>\$ 1,412,061</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
2007	\$ 1,154,000	326,551	150,548	55,640
2008	1,196,000	279,596	161,631	51,068
2009	1,250,000	230,830	122,318	44,300
2010	1,053,000	179,976	127,999	38,619
2011	1,096,000	134,577	133,946	32,673
2012 - 2016	1,347,000	207,005	715,619	91,163
2017 - 2021	<u>36,000</u>	<u>936</u>		
Total	<u>\$ 7,132,000</u>	<u>1,359,471</u>	<u>1,412,061</u>	<u>313,463</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, 2006, the amount of outstanding debt was equal to 4.73% 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, 2006, \$690,000 of bonds outstanding were considered defeased.

TATE COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2006

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	Balance Sept. 30, 2006	Amount due within one year
Governmental Activities:					
Compensated absences	\$ 78,219		295	77,924	7,468
General obligation bonds	8,242,000		1,110,000	7,132,000	1,154,000
Capital leases	923,271	1,051,323	785,027	1,189,567	908,841
Other loans	1,352,718	188,782	129,439	1,412,061	150,548
Total	<u>\$ 10,596,208</u>	<u>1,240,105</u>	<u>2,024,761</u>	<u>9,811,552</u>	<u>2,220,857</u>
Business-type Activities:					
Compensated absences	\$ 4,832	623		5,455	218
Total	<u>\$ 4,832</u>	<u>623</u>	<u>0</u>	<u>5,455</u>	<u>218</u>

(13) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances at September 30, 2006:

Fund	Deficit Amount
Special Revenue Funds:	
Chancery Court	\$ 6,635
1997 County GO Bond	20,182
Capital Projects Funds:	
Health Department Construction	49,900
Total	<u>\$ 76,717</u>

(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, 2006

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 \$188,782 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 \$157,500. 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 \$754,352 for support and maintenance of the college in the 2006 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 \$19,902 for support of the district in the 2006 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 2006 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 2006 fiscal year.

TATE COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2006

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 \$27,720 for support of the district in the 2006 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 11.30% 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 \$478,725, \$416,491, and \$385,533, respectively, equal to the required contributions for each year.

(19) Subsequent Events.

- A. The State Auditor's office has an investigation going on in the Tate County Justice Court office.
- B. On October 1, 2006 the County issued \$650,000 of general obligation public improvement bonds, series 2006. The bonds carry an interest rate of 4% with the final maturity in 2021. The funds will be used to finance in part the health department.
- C. The County borrowed \$84,800 for 10 years at 3% interest to finance fire truck purchase of \$154,800.
- D. The MPI CAP Loan was paid off early. The payment was \$614,229 plus interest of \$1,975.
- E. Taxes were raised from 119.15 mills to 122.67 mills.

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, 2006

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 4,840,675	4,547,685	4,765,622	217,937
Licenses, commissions and other revenue	490,550	490,501	535,046	44,545
Fines and forfeitures	251,000	317,849	229,827	(88,022)
Intergovernmental revenues	509,000	750,073	646,883	(103,190)
Charges for services	600,000	466,089	551,347	85,258
Interest income	20,000	25,080	38,184	13,104
Miscellaneous	177,150	179,289	165,430	(13,859)
Total Revenues	6,888,375	6,776,566	6,932,339	155,773
EXPENDITURES				
Current:				
General government	4,408,346	3,582,221	3,376,755	205,466
Public safety	2,738,838	3,124,287	2,837,496	286,791
Health and welfare	168,560	132,440	132,132	308
Education	160,000	157,500	157,500	0
Conservation of natural resources	88,350	89,931	89,442	489
Economic development and assistance	66,536	208,684	208,684	0
Debt service:				
Principal			20,352	(20,352)
Interest			1,535	(1,535)
Capital outlay			452,525	(452,525)
Total Expenditures	7,630,630	7,295,063	7,276,421	18,642
Excess of Revenues over (under) Expenditures	(742,255)	(518,497)	(344,082)	174,415
OTHER FINANCING SOURCES (USES)				
Transfers in		207,641	207,641	0
Transfers out			66,000	66,000
Inception of capital lease			(150,000)	(150,000)
Total Other Financing Sources and Uses	0	207,641	123,641	(84,000)
Net Change in Fund Balance	(742,255)	(310,856)	(220,441)	90,415
Beginning fund balance	1,000,000	918,781	1,041,087	122,306
Ending fund balance	\$ 257,745	607,925	820,646	212,721

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, 2006

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Interest income	\$	765	765	0
Miscellaneous	<u>381,925</u>	<u>381,426</u>	<u>381,426</u>	<u>0</u>
Total Revenues	<u>381,925</u>	<u>382,191</u>	<u>382,191</u>	<u>0</u>
EXPENDITURES				
Debt service:				
Paying Agent Fees	500	500	500	0
Principal	210,000	210,000	210,000	0
Interest	<u>171,425</u>	<u>171,425</u>	<u>171,425</u>	<u>0</u>
Total Expenditures	<u>381,925</u>	<u>381,925</u>	<u>381,925</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>0</u>	<u>266</u>	<u>266</u>	<u>0</u>
Net Change in Fund Balance	0	266	266	0
Beginning fund balance	<u>100</u>	<u>22,915</u>	<u>22,914</u>	<u>(1)</u>
Ending fund balance	<u>\$ 100</u>	<u>23,181</u>	<u>23,180</u>	<u>(1)</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, 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 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, 2006

	<u>Governmental Fund Types</u>	
	<u>General Fund</u>	<u>BMW GO Fund</u>
Budget (Cash Basis)	\$ (220,441)	266
Increase (Decrease)		
Net adjustments for revenue accruals	66,589	
Net adjustments for expenditure accruals	<u>223,948</u>	
GAAP Basis	<u>\$ 70,096</u>	<u>266</u>
D. Unbudgeted Funds.		
None.		

TATE COUNTY

SPECIAL REPORTS

TATE COUNTY

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INDEPENDENT AUDITORS' 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, 2006, which collectively comprise the County's basic financial statements and have issued our report thereon dated January 21, 2008. 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 06-1, 06-2, 06-3, 06-4, 06-5, 06-6 and 06-7.

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 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 06-2 and 06-5 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 Auditors' Report on Limited Internal Control and Compliance Review Management Report dated January 21, 2008, 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 this specified party. However, this report is a matter of public record and its distribution is not limited.

Elliot Hairberg CPA PLLC

January 21, 2008

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
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, 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 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.

January 21, 2008

Ellis & Hirsberg CPA PLLC

TATE COUNTY

Schedule 1

Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2006

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reason for Accepting Other Than the 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, 2006

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, 2006

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 AUDITORS' 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, 2006, we considered Tate County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions 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 January 21, 2008, on the financial statements of Tate County, Mississippi.

Due to the reduced scope, 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:

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 four 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, 2006 is \$14,047.

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 & Auerberg CPA PLLC

January 21, 2008

TATE COUNTY

SCHEDULE OF FINDINGS

TATE COUNTY

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TATE COUNTY

Schedule of Findings
For the Year Ended September 30, 2006

Section 1: Summary of Auditors' Results

Financial Statements:

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

Section 2: Financial Statement Findings

County Administrator.

06-1 Finding

The following internal control weaknesses.

- a. As reported in the last two years audits, 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 deposited sporadically 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 are working on ways to separate the duties of this department.

06-2 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.

TATE COUNTY

Schedule of Findings
For the Year Ended September 30, 2006

County Administrator's Response

We will work on correcting these findings.

06-3 Finding

Our sample of personnel files had the following findings:

The majority of the files sampled did not have the PERS authorization 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.

06-4 Finding

Section 7 of the Federal Fair Labor Standards Act limits non-emergency response employees to accruing 240 hours of compensatory time. Any additional hours are to be paid to the employee. Three employees have been allowed to accrue compensatory time in excess of the statutory limit. This appears to be a violation of the Federal Fair Labor Standards Act.

Recommendation

County employees should either be compensated for any hours over the 240 hour limit or given the time off from work.

County Administrator's Response

We will work to correct this problem.

06-5 Finding

The County is doing a good job of tracking and accounting for its equipment but the computer reports that the system is generating are not sufficient. In some cases the beginning balances in the fixed asset ledger summary report do not agree with the 2005 ending balances. The summary report did not take into account any sales and dispositions of assets. In some cases compilations of disposals included disposals from a prior year in the current year.

Recommendation

The County should contact the fixed asset software company and determine if the problem is with the program or lack of understanding as to how to use the program.

County Administrator's Response

The County will investigate the cause of this problem.

06-6 Finding

Payments received for solid waste haul bills are not always promptly receipted and deposited. Solid waste payments are deposited sporadically instead of daily.

Recommendation

All funds received should be promptly deposited.

County Administrator's Response

We will work to correct this problem.

County Tax Collector

06-7 Finding

There is no procedure in place to guide the cashiers in a situation where a taxpayer moves from one location to another and wants to purchase his tag at the new location.

Recommendation

Provide guidance on what proof the taxpayer needs to provide with buying tags at a new address within the County.

County Tax Collector's Response

We will check and see how other counties handle this situation.

TATE COUNTY

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