

UNION COUNTY, MISSISSIPPI
AUDITED PRIMARY GOVERNMENT FINANCIAL
STATEMENTS AND SPECIAL REPORTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

**UNION COUNTY
TABLE OF CONTENTS
SEPTEMBER 30, 2006**

	<u>Page</u>
FINANCIAL SECTION	4
INDEPENDENT AUDITORS' REPORT	5
MANAGEMENT'S DISCUSSION & ANALYSIS	7
PRIMARY GOVERNMENT FINANCIAL STATEMENTS	18
Statement of Net Assets	19
Statement of Activities	20
Balance Sheet - Governmental Funds	21
Reconciliation of Governmental Fund Balance Sheet to the Statement of Net Assets	22
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	24
Statement of Net Assets - Proprietary Fund	25
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Fund	26
Statement of Cash Flows - Proprietary Fund	27
Statement of Fiduciary Assets and Liabilities	28
Notes to Financial Statements	29

**UNION COUNTY
TABLE OF CONTENTS
SEPTEMBER 30, 2006**

	<u>Page</u>
REQUIRED SUPPLEMENTARY INFORMATION	52
Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) General Fund	53
Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) Countywide Road Maintenance Fund	54
Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) Countywide Bridge Fund	55
Notes to the Required Supplementary Information	56
 SPECIAL REPORTS	 58
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Primary Government Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	59
Independent Auditors' Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules (Required by Section 31-7-115, Miss. Code Ann. (1972))	61
Limited Internal Control and Compliance Review Management Report	66
 SCHEDULE OF FINDINGS	 67

FINANCIAL SECTION

J.E. VANCE & COMPANY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

825 JEFFERSON STREET
POST OFFICE BOX 1280
TUPELO, MISSISSIPPI 38802

(662) 842-2123
FACSIMILE (662) 841-6809
E-MAIL: jev@jevance.com

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

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

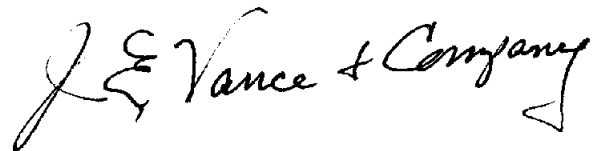
The financial statements referred to above include only the primary government of Union County, Mississippi, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the county's legal entity. The financial statements do not include financial data for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

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 for the primary government of Union County, Mississippi, as of September 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 19, 2007, on our consideration of Union County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the Budgetary Comparison Schedule 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.

Tupelo, Mississippi
April 19, 2007

A handwritten signature in cursive script that reads "J. E. Vance & Company". The signature is written in dark ink and is positioned to the right of the typed date.

Union County Board of Supervisors

Norman Treadaway, Fourth District, President
Danny Jordan, Third District, Vice-President
James Byers, First District

POST OFFICE BOX 847
NEW ALBANY, MISSISSIPPI 38652
(662) 534-1902

Sammy Coffey, Second District
Benny Rakestraw, Fifth District
Lester F. Sumners, Attorney

Tom Cooper, Clerk
Terry Johnson, County Administrator

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

The discussion and analysis of Union 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.

This discussion and analysis is an element of required supplementary information specified in the "Governmental Accounting Standards Board's (GASB) Statement No. 34 – Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" issued June 1999. Certain comparative information between the current year and the prior year is required to be presented.

Union County is located in Northeastern Mississippi along Hwy. 78 (the Future Interstate I-22). The population, according to the 2000 census, is 25,000. The local economic base is driven mainly by manufacturing.

FINANCIAL HIGHLIGHTS

Union 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.

Union County continues to grow both economically and in population. This has allowed the County to maintain a steady growth in tax revenues without a significant tax increase.

Total net assets decreased \$1,308,110, which represents a 2% decrease from the prior fiscal year. The County's ending cash balance increased by \$542,380, which represents a 4% increase from the previous year.

The County had \$10,719,495 in total revenues. Tax revenues account for \$5,917,384 or 55 % of total revenues. Intergovernmental Revenues in the form of reimbursements, shared revenue or grants, account for \$1,624,627 or 15% of total revenues. Charges for services account for \$1,630,429 or 15% of total revenue. Other revenues such as fines, fees, interest income etc. account for the remaining 15% of total revenues

The County had \$12,027,605 in total expenses, which represents a decrease of \$201,813 or 2% decrease from the prior fiscal year. Expenses in the amount of \$1,624,627 were offset by grants or outside contributions. General revenues of \$7,464,429 were adequate to provide for the remainder of the expenses.

Among major funds, the General Fund had \$5,031,585 in revenues and \$4,825,282 in expenditures. The General Fund's fund balance increased \$275,306 from the prior year.

Among major funds, the Road Fund had \$1,965,375 in revenues and \$1,921,842 in expenditures. The Road Fund's fund balance increased \$43,533 from the prior year.

Among major funds, the Bridge Fund had \$1,391,709 in revenues and \$1,437,358 in expenditures. The Bridge Fund's fund balance increased \$ 97,323 from the prior year.

Among major funds, the Health Foundation Fund had \$341,813 in revenues and \$151,585 in expenditures. The Health Foundation Fund's fund balance increased \$190,228 from the prior year.

Capital Assets, net of accumulated depreciation, decreased by \$1,947,452. This represents a 3 % decrease.

Long-term debt decreased by \$146,056 or 7%.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

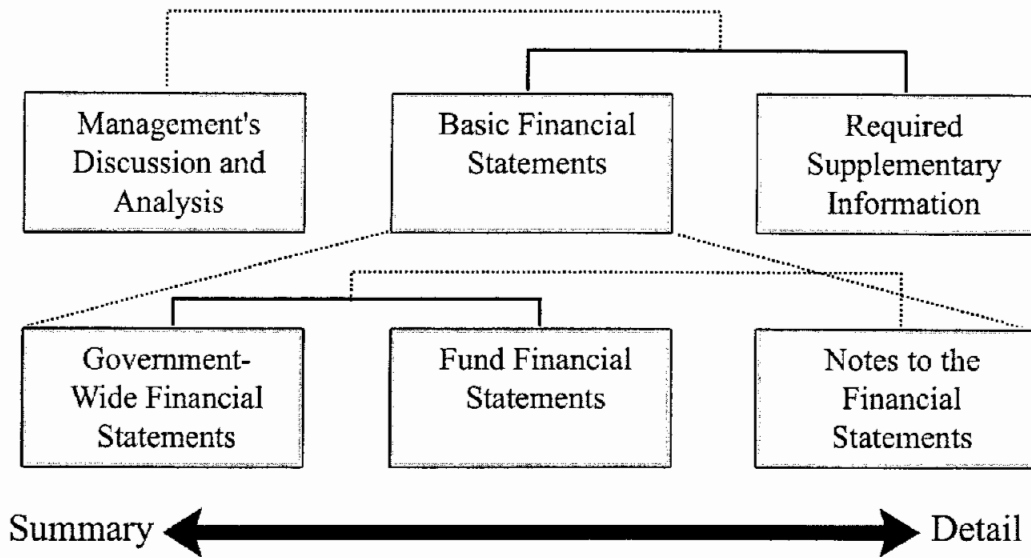


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

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

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

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

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

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

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

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

The Government-wide Financial Statements can be found on pages 19 and 20 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 22 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 21 and 23 of this report.

Proprietary funds are maintained two ways. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statement. The County uses an enterprise fund to account for the Solid Waste Fund.

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 Fund is considered to be a major fund of the County. The proprietary funds financial statements can be found on pages 25-27 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 activities are presented in a separate Statement of Fiduciary Assets and Liabilities, which 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 29-51 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents **Required Supplementary Information** concerning the County's budget process.

The County adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major fund. This required supplementary information can be found on pages 53-55 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 Union County, assets exceeded liabilities by \$80,807,813 as of September 30, 2006.

By far, the largest portion of the County's net assets (81%) reflects its investment in capital assets (e.g. roads, bridges, land, buildings, mobile equipment, furniture & equipment, leased property under capital lease and construction in progress) less related outstanding debt used to acquire such assets. The county uses these capital assets to provide services to its citizens.

The County's financial position is a product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

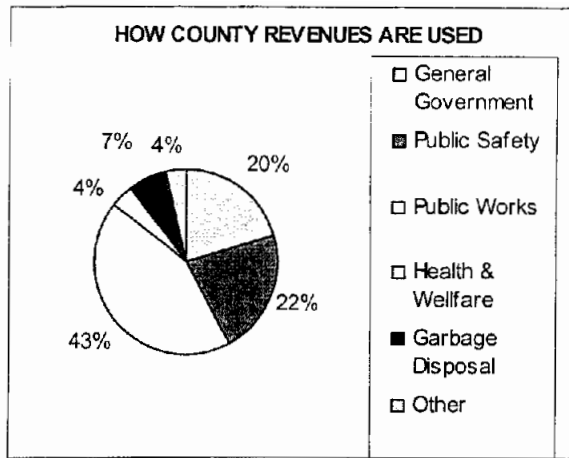
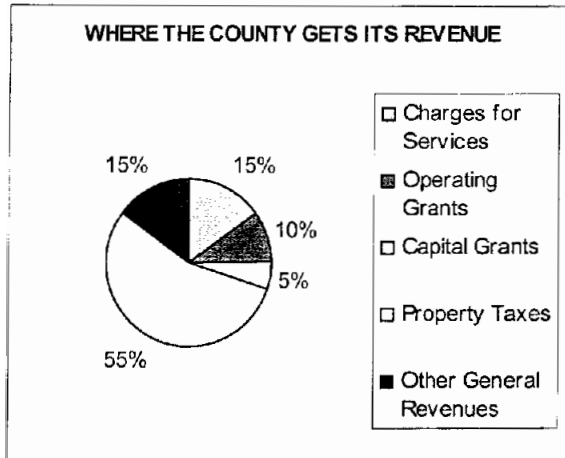
The following table presents a summary of the County's net assets for the fiscal year ended September 30, 2006.

	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
Current assets	20,093,418	19,021,768
Capital assets, net	66,508,069	68,587,808
Total assets	<u>\$ 86,601,487</u>	<u>\$ 87,609,576</u>
Current liabilities	5,489,341	5,348,807
Long-term debt outstanding	1,503,801	1,342,086
Total liabilities	<u>6,993,142</u>	<u>6,690,893</u>
Net assets:		
Invested in capital assets, net of related debt	64,948,920	66,690,724
Restricted	12,132,348	11,468,393
Unrestricted	2,527,077	2,759,566
Total net assets	<u>\$ 79,608,345</u>	<u>\$ 80,918,683</u>
	<u>Business-type Activities</u>	
	<u>2006</u>	<u>2005</u>
Current assets	943,305	1,114,268
Capital assets, net	345,496	213,209
Total assets	<u>\$ 1,288,801</u>	<u>\$ 1,327,477</u>
Current liabilities	85,410	69,598
Long-term debt outstanding	3,923	3,073
Total liabilities	<u>89,333</u>	<u>72,671</u>
Net assets:		
Invested in capital assets, net of related debt	345,496	213,209
Restricted	853,972	1,041,597
Total net assets	<u>\$ 1,199,468</u>	<u>\$ 1,254,806</u>

Note: The business-type activities consist of the collection and disposal of household garbage financed by a monthly fee of \$ 8.00 charged on each home & various charges for commercial garbage service based on the service provided such as dumpster size and number of pickups per week.

Changes in Net Assets – Union County’s total revenues for the fiscal year ended September 30, 2006 was \$10,719,495. The total cost for all services provided was \$12,027,605. The decrease in net assets was \$1,308,110. The following table presents a summary of the changes in net assets for the fiscal year ended September 30, 2006.

	<u>2006</u>	<u>2005</u>
Revenues:		
Program revenues		
Charges for services	1,630,429	1,585,180
Operating grants	1,056,982	1,132,735
Capital grants	520,737	1,329,600
General revenues		
Property taxes	5,917,384	5,869,886
Other General Revenue	1,593,963	1,399,609
Total Revenues	<u>10,719,495</u>	<u>11,317,010</u>
Expenses:		
General government	2,422,921	2,389,141
Public safety	2,652,332	2,470,371
Public works	5,217,139	5,717,782
Health and welfare	477,350	488,901
Culture and recreation	163,619	157,971
Conservation of natural resources	111,096	107,831
Economic development	120,823	110,464
Interest on long-term debt	58,225	77,910
Garbage disposal (Business type)	804,100	709,047
Total Expense	<u>12,027,605</u>	<u>12,229,418</u>
Decrease in Net Assets	(1,308,110)	(912,408)



Governmental Activities – The following table presents the cost of eight major functional activities of the County: General Government, Public Safety, Public Works, Health & Welfare, Economic Development, Culture & Recreation, Conservation of Natural Resources and Interest on Debt.

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 Union County’s taxpayers by each of these functions.

	Total Costs	Net Costs
General Government	\$ 2,422,921	\$ 1,839,316
Public Safety	2,652,332	1,868,096
Public Works	5,217,139	4,122,345
Health & Welfare	477,350	398,118
Culture & Recreation	163,619	163,619
Conservation of Natural Resources	111,096	111,096
Economic Development	120,823	120,823
Interest on Debt	58,225	58,225

FINANCIAL ANALYSIS OF THE COUNTY’S FUNDS

Governmental funds – At the close of the fiscal year, Union County’s governmental funds reported a combined fund balance of \$14,696,384, an increase of \$469,384 or 3% from the previous year.

Business-type fund – Operating Revenue from the County’s Garbage Collection Fund decreased by 2% to \$666,281 and expenses increased approximately 13% to \$804,100, which primarily resulted from depreciation increases on new trucks and maintenance cost increases on items such as fuel.

BUDGETARY HIGHLIGHTS OF MAJOR FUNDS

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 after the notes to the Financial Statements.

The Original Budget was amended to actual at year end. The only significant variances from the original Budget in regard to total Revenues and Expenditures occurred in the County wide Bridge and Culvert Fund. These variances resulted from the timing of State Aid Bridge projects.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – As of September 30, 2006, Union County's total capital assets was \$102,679,894. This includes roads, bridges, other infrastructure, land, buildings, mobile equipment, furniture and equipment, leased property under capital lease and construction in progress. This amount represents an increase from the previous year of \$1,312,333 or approximately 1%.

Total accumulated depreciation as of September 30, 2006 was \$35,826,329, including \$3,575,231 of depreciation expense for the year. The balance in total net capital assets was \$66,853,565 at year-end.

Additional information on Union County's capital assets can be found in note on 6 page 41 of this report.

Debt Administration – At September 30, 2006, Union County had \$1,751,133 in long-term debt outstanding. This includes general obligation bonds, Mississippi Business Investment Act notes and obligations under capital lease. Of this debt, \$325,992 is due within one year.

Additional information on Union County's long-term debt can be found in note 9 on page 46 of this report.

CURRENT AND FUTURE ITEMS OF IMPACT

NEW INDUSTRY WITH FUTURE ECONOMIC IMPACT

In September of 2001 The Union County Board Of Supervisors along with the counties of Pontotoc and Lee, joined together to form the First Regional Economic Development Alliance in the State of Mississippi, and named it the PUL Alliance, an acronym for the three county association. The primary objective of the PUL Alliance was to recruit and locate a major Economic Impact Industry and preferably an Automobile Industry to the region. The PUL Alliance selected a 1,700 acre site in Union County near Blue Springs and called it The WellSprings Project.

On February 27th, 2007 Toyota announced that they will locate their Eighth North American Automobile Assembly Plant at the Well Springs site in Union County. The Ground Breaking Ceremony was held on April 18th, 2007. Toyota announced that they will produce the Highlander SUV at this location and production is scheduled to begin by the year of 2010.

Toyota will invest 1.3 Billion dollars in this facility. The construction phase of this project will require an estimated 2,000 construction workers. This Automobile assembly plant will initially employ 2,000 production workers. We are also hopeful that some of the suppliers for this assembly plant will also locate in Union County. This new industry should create a significant amount of spin off activity as well, and will have an enormous, unprecedented economic impact on Union County as well as the region. Over the next several years the county's tax rolls will be effected drastically.

The Union County Board of Supervisors are very excited about Toyota's choice in location for its next Automobile assembly plant. WE are looking forward to our new partnership and the potential for future growth and economic prosperity for all the citizens of Union County.

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 Union County Administrator or Chancery Clerk's office at P.O. Box 847, New Albany, MS 38652.

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

Union County
Statement of Net Assets
September 30, 2006

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 15,111,802	829,637	15,941,439
Accrued interest receivable	192,592	8,704	201,296
Property tax receivable	4,090,522		4,090,522
Accounts receivable (net of allowance for uncollectibles of \$278,062)		67,534	67,534
Fines receivable, (net of allowance for uncollectibles of \$123,120)	53,391		53,391
Capital lease receivable	279,211		279,211
Intergovernmental receivables	310,592		310,592
Other receivables	37,499	55,239	92,738
Internal balances	17,809	(17,809)	-0-
Capital assets:			
Land and construction in progress	879,651		879,651
Other capital assets, net	65,628,418	345,496	65,973,914
Total Assets	86,601,487	1,288,801	87,890,288
LIABILITIES			
Claims payable	467,313	45,812	513,125
Intergovernmental payables	440,963	87	441,050
Accrued interest payable	11,690		11,690
Deferred revenue	4,177,749		4,177,749
Unearned revenue		39,511	39,511
Other payables	65,634		65,634
Long-term liabilities			
Due within one year:			
Capital debt	325,992		325,992
Due in more than one year:			
Capital debt	1,425,141		1,425,141
Non-capital debt	78,660	3,923	82,583
Total Liabilities	6,993,142	89,333	7,082,475
NET ASSETS			
Invested in capital assets, net of related debt	64,948,920	345,496	65,294,416
Restricted net assets:			
Expendable:			
General government	34,137		34,137
Debt service	336,460		336,460
Public safety	340,623		340,623
Public works	2,635,575	853,972	3,489,547
Health and welfare	2,691		2,691
Culture and recreation	9,354		9,354
Economic development	503,339		503,339
Other purposes	8,270,169		8,270,169
Unrestricted	2,527,077		2,527,077
Total Net Assets	\$ 79,608,345	1,199,468	80,807,813

The accompanying notes and auditors' reports are integral parts of the statements.

**Union 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	Primary Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 2,422,921	481,051	102,554		(1,839,316)		(1,839,316)
Public safety	2,652,332	483,097	221,595	79,544	(1,868,096)		(1,868,096)
Public works	5,217,139		653,601	441,193	(4,122,345)		(4,122,345)
Health and welfare	477,350		79,232		(398,118)		(398,118)
Culture and recreation	163,619				(163,619)		(163,619)
Conservation of natural resources	111,096				(111,096)		(111,096)
Economic development and assistance	120,823				(120,823)		(120,823)
Interest on long-term debt	58,225				(58,225)		(58,225)
Total Governmental Activities	11,223,505	964,148	1,056,982	520,737	(8,681,638)		(8,681,638)
Business-type activities:							
Garbage disposal	804,100	666,281				(137,819)	(137,819)
Total Business-type Activities	804,100	666,281	-0-	-0-		(137,819)	(137,819)
Total Primary Government	\$ 12,027,605	1,630,429	1,056,982	520,737	(8,681,638)		(8,819,457)
General revenues:							
Property taxes					\$ 5,917,384		5,917,384
Road & bridge privilege taxes					295,800		295,800
Grants and contributions not restricted to specific programs					46,908		46,908
Unrestricted investment income					433,842	31,943	465,785
Miscellaneous					734,932	50,538	785,470
Total General Revenues and Transfers					7,428,866	82,481	7,511,347
Changes in Net Assets					(1,252,772)	(55,338)	(1,308,110)
Net Assets - Beginning					80,918,683	1,254,806	82,173,489
Prior period adjustment					(57,566)		(57,566)
Net Assets - Beginning as restated					80,861,117	1,254,806	82,115,923
Net Assets - Ending					\$ 79,608,345	1,199,468	80,807,813

The accompanying notes and auditors' reports are integral parts of the statements.

Union County
Balance Sheet - Governmental Funds
September 30, 2006

Exhibit 3

	Major Funds					Total Governmental Funds
	General Fund	Countywide Road Maintenance Fund	Countywide Bridge Fund	Health Foundation Fund	Other Governmental Funds	
ASSETS						
Cash and investments	\$ 3,517,621	1,095,430	1,708,627	8,079,005	711,119	15,111,802
Accrued interest receivable	803			191,164	625	192,592
Property tax receivable	2,383,780	721,420	710,928		274,394	4,090,522
Fines receivable (net of allowance for uncollectibles of \$123,120)	53,391					53,391
Capital lease receivable					279,211	279,211
Intergovernmental receivables	207,404	73,907			29,281	310,592
Other receivables	5,017				32,482	37,499
Due from other funds	38,286	69,972	43,495		22,851	174,604
Total Assets	\$ 6,206,302	1,960,729	2,463,050	8,270,169	1,349,963	20,250,213
LIABILITIES AND FUND BALANCES						
Liabilities:						
Claims payable	\$ 103,144	314,484	23,272		26,413	467,313
Intergovernmental payables	422,862	9,050	9,050			440,962
Due to other funds	136,319				20,477	156,796
Deferred revenue	2,437,171	721,420	710,928		553,605	4,423,124
Other payables	65,634					65,634
Total Liabilities	3,165,130	1,044,954	743,250	-0-	600,495	5,553,829
Fund balances:						
Reserved for:						
Debt service					348,150	348,150
Unreserved, reported in:						
General fund	3,041,172					3,041,172
Special revenue funds		915,775	1,719,800		401,318	3,036,893
Permanent funds				8,270,169		8,270,169
Total Fund Balances	3,041,172	915,775	1,719,800	8,270,169	749,468	14,696,384
Total Liabilities and Fund Balances	\$ 6,206,302	1,960,729	2,463,050	8,270,169	1,349,963	20,250,213

The accompanying notes and auditors' reports are integral parts of these statements.

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

Exhibit 3-1

	<u>Amount</u>
Total fund balance - governmental funds (Exhibit 3)	\$ 14,696,384
Amounts reported for governmental services in the statement of net assets (Exhibit 1) are different because:	
Capital assets are used in governmental activities are not financial resources and therefore, are not reported in the funds, net of accumulated depreciation of \$35,600,584.	66,508,069
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	53,391
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	
Long-term liabilities	(1,829,793)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(11,690)
Capital lease receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds.	191,984
Total net assets - governmental activities (Exhibit 1)	\$ <u><u>79,608,345</u></u>

The accompanying notes and auditors' reports are integral parts of these statements.

Union County

Exhibit 4

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

	Major Funds					Total Governmental Funds
	General Fund	Countywide Road Maintenance Fund	Countywide Bridge Fund	Health Foundation Fund	Other Governmental Funds	
REVENUES						
Property taxes	\$ 3,393,674	1,026,968	989,563		507,180	5,917,385
Road and bridge privilege taxes		295,800				295,800
Licenses, commissions and other revenue	301,592				9,447	311,039
Fines and forfeitures	177,388				26,388	203,776
Intergovernmental revenues	899,302	530,729	386,708		373,206	2,189,945
Charges for services	172,458				256,174	428,632
Interest income	55,838	10,478	15,438	341,813	10,276	433,843
Miscellaneous revenues	46,433	101,400			21,780	169,613
Total Revenues	<u>5,046,685</u>	<u>1,965,375</u>	<u>1,391,709</u>	<u>341,813</u>	<u>1,204,451</u>	<u>9,950,033</u>
EXPENDITURES						
Current:						
General government	2,405,429					2,405,429
Public safety	1,869,682				668,609	2,538,291
Public works	19,542	1,876,068	1,437,358			3,332,968
Health and welfare	176,110			151,585	4,843	332,538
Culture and recreation	21,083				125,500	146,583
Conservation of natural resources	111,096					111,096
Economic development and assistance	120,635				489,014	609,649
Debt service:						
Principal	91,050	41,727			502,000	634,777
Interest	10,655	4,047			41,515	56,217
Total Expenditures	<u>4,825,282</u>	<u>1,921,842</u>	<u>1,437,358</u>	<u>151,585</u>	<u>1,831,481</u>	<u>10,167,548</u>
Excess of Revenues over (under) Expenditures	<u>221,403</u>	<u>43,533</u>	<u>(45,649)</u>	<u>190,228</u>	<u>(627,030)</u>	<u>(217,515)</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from of long-term capital debt					488,826	488,826
Proceeds from sale of capital assets	51,502		142,972		1,000	195,474
Compensation for loss of capital assets	2,599					2,599
Transfers in					464	464
Transfers out	(198)				(266)	(464)
Total Other Financing Sources and Uses	<u>53,903</u>	<u>-0-</u>	<u>142,972</u>	<u>-0-</u>	<u>490,024</u>	<u>686,899</u>
Net Changes in Fund Balances	<u>275,306</u>	<u>43,533</u>	<u>97,323</u>	<u>190,228</u>	<u>(137,006)</u>	<u>469,384</u>
Fund Balances - Beginning	<u>2,765,866</u>	<u>872,242</u>	<u>1,622,477</u>	<u>8,079,941</u>	<u>886,474</u>	<u>14,227,000</u>
Fund Balances - Ending	<u>\$ 3,041,172</u>	<u>915,775</u>	<u>1,719,800</u>	<u>8,270,169</u>	<u>749,468</u>	<u>14,696,384</u>

The accompanying notes and auditors' reports are integral parts of these statements.

Union 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

Exhibit 4-1

	<u>Amount</u>
Net changes in fund balances - total governmental funds (Exhibit 4)	\$ 469,384
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 depreciation of \$3,467,872 exceeded capital outlays of \$1,470,387 in the current period.	(1,997,485)
In the statement of activities, only gains and losses from the sale of capital assets are reported, whereas in the governmental funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the gain of \$115,819 and the proceeds from the sale of \$198,073 in the current period.	(82,254)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the statement of activities using the full-accrual basis of accounting.	20,701
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments \$634,777 exceeded debt proceeds \$488,826.	145,951
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:	
The amount of decrease in compensated absences.	955
The amount of increase in accrued interest payable.	(2,008)
In the Statement of Activities, capital leases are reported differently from the governmental funds. The revenue from the principal portion of the new capital lease receivable is deferred under the modified accrual basis, but is recognized under the full accrual basis of accounting.	191,984
Change in net assets of governmental activities (Exhibit 2)	\$ <u>(1,252,772)</u>

The accompanying notes and auditors' reports are integral parts of these statements.

Union County
Statement of Net Assets - Proprietary Fund
September 30, 2006

Exhibit 5

	Business-type Activities - Enterprise Fund
	<u>Garbage Disposal</u>
ASSETS	
Current assets:	
Cash and investments	\$ 829,637
Accrued interest receivable	8,704
Accounts receivable (net of allowance for uncollectibles of \$278,062)	67,534
Other receivables	<u>55,239</u>
Total Current Assets	<u>961,114</u>
Noncurrent assets:	
Capital assets, net	<u>345,496</u>
Total Noncurrent Assets	<u>345,496</u>
Total Assets	<u>1,306,610</u>
LIABILITIES	
Current liabilities:	
Claims payable	45,812
Intergovernmental payables	87
Due to other funds	17,809
Unearned revenue	<u>39,511</u>
Total Current Liabilities	<u>103,219</u>
Noncurrent liabilities:	
Non-capital debt:	
Compensated absences payable	<u>3,923</u>
Total Noncurrent Liabilities	<u>3,923</u>
NET ASSETS	
Invested in capital assets, net of related debt	345,496
Public Works	<u>853,972</u>
Total Net Assets	<u>\$ 1,199,468</u>

The accompanying notes and auditors' reports are integral parts of these statements.

Union County

Exhibit 6

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

	Business-type Activities - <u>Enterprise Fund</u>
	<u>Garbage Disposal</u>
Operating Revenues	
Charges for services	\$ 666,281
Total Operating Revenues	<u>666,281</u>
Operating Expenses	
Personal services	329,590
Contractual services	244,984
Materials and supplies	104,358
Depreciation expense	107,359
Indirect administrative cost	<u>17,809</u>
Total Operating Expenses	<u>804,100</u>
Operating Loss	<u>(137,819)</u>
Nonoperating Revenues	
Interest income	31,942
Other income	<u>50,539</u>
Net Nonoperating Revenue	<u>82,481</u>
Net loss	(55,338)
Changes in Net Assets	<u>(55,338)</u>
Net Assets - Beginning	<u>1,254,806</u>
Net Assets - Ending	\$ <u><u>1,199,468</u></u>

The accompanying notes and auditors' reports are integral parts of these statements.

Union County
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2005

Exhibit 7

	Business-type Activities - Enterprise Fund
	<u>Garbage Disposal</u>
Cash Flows From Operating Activities	
Receipts from customers	\$ 698,188
Payments to suppliers	(336,908)
Payments to employees	(328,904)
Payments to General Fund for indirect costs	(28,554)
Net Cash Provided by Operating Activities	<u>3,822</u>
Cash Flows From Capital and Related Financing Activities	
Proceeds from sale of capital assets	100,000
Acquisition of capital assets	(289,107)
Net Cash Used by Capital and Related Financing Activities	<u>(189,107)</u>
Cash Flows From Investing Activities	
Interest and dividends on investments	25,408
Net Cash Provided by Investing Activities	<u>25,408</u>
Net Increase in Cash and Cash Equivalents	(159,877)
Cash and Cash Equivalents at Beginning of Year	989,514
Cash and Cash Equivalents at End of Year	<u>\$ 829,637</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating loss	\$ (137,819)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	107,359
Provision for uncollectible accounts	43,050
Changes in assets and liabilities:	
Increase in accounts receivable	(10,117)
Increase in other receivables	(4,568)
Increase in claims payable	12,269
Increase in compensated absences liability	850
Increase in unearned revenue	3,543
Decrease in interfund payables	(10,745)
Total Adjustments	<u>141,641</u>
Net Cash Provided by Operating Activities	<u>\$ 3,822</u>

The accompanying notes and auditors' reports are integral parts of these statements.

Union County
Statement of Fiduciary Assets and Liabilities
September 30, 2006

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 70,899
Due from other funds	<u>1</u>
Total Assets	<u>\$ 70,900</u>
LIABILITIES	
Amounts held in custody for others	11,475
Intergovernmental payables	<u>59,425</u>
Total Liabilities	<u>\$ 70,900</u>

The accompanying notes and auditors' reports are integral parts of these statements.

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

(1) Summary of Significant Accounting Policies

A. Financial Reporting Entity

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

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

- Union County Library

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

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

B. Basis of Presentation

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

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

B. Basis of Presentation (Continued)

Government-wide Financial Statements

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

The Statement of Net Assets presents the financial condition of the governmental 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 programs 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 activity or governmental function is self-financing or draws from the general revenues of the county.

Fund Financial Statements

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

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

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 assets 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 and only the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

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

C. Measurement Focus and Basis of Accounting (Continued)

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

Countywide Bridge Fund – This fund is used to account for monies from specific revenue sources that are restricted for bridge maintenance.

Health Foundation Fund – This fund is used to account for the supplementing of indigent care and health, education and welfare services.

The county reports the following major proprietary fund:

Garbage Disposal 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.

Permanent Funds – These funds are used to account for resources that are legally restricted to the extent that only earnings, and not the principal, may be used for the support of county programs.

Proprietary Fund Type

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.

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

C. Measurement Focus and Basis of Accounting (Continued)

Fiduciary Fund Type

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

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.

F. Receivables

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

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

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.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

H. Capital Assets

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the applicable governmental or business-type activities column in the government-wide financial statement. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to retroactively report major general infrastructure assets by September 30, 2007. Current year general infrastructure assets are required to be reported. General infrastructure assets acquired after September 30, 1980 are reported on the government wide financial statements. Current year general infrastructure assets are reported on the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets.

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

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

H. Capital Assets (Continued)

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

	<u>Capitalization Thresholds</u>	<u>Estimated Useful Life</u>
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

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

I. Long-Term Liabilities

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

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

J. Equity Classifications (Continued)

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 regulations 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.

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.

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

K. Property Tax Revenues (Continued)

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) Prior Period Adjustments

A summary of significant fund equity adjustment is as follows:

Exhibit 2 Statement of Activities

<u>Explanation</u>	<u>Amount</u>
Correction of fines receivable	\$ (57,566)
Total prior period adjustment	<u>(57,566)</u>

**UNION COUNTY
NOTES TO 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 \$7,047,237 and the bank balance was \$7,241,627. 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 a 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 the 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.

Investments

Investments balances at September 30, 2006, are as follows:

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Rating</u>
Certificates of deposit	One year	\$ 8,965,101	N/A
Total		\$ 8,965,101	

Interest Rate Risk. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, Section 19-9-29, Miss. Code Ann. (1972), limits the maturity period of any investment to no more than one year.

Credit Risk. State law limits investments to those authorized by Section 19-9-29, Miss. Code Ann. (1972). The county does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

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

(3) Deposits and Investments (Continued)

Custodial Credit Risk – Investments. Custodial credit risk is the risk that in the event of the failure of the counterparty, the county will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk.

(4) Interfund Transactions and Balances

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Garbage Disposal Fund	\$ 17,809
General Fund	Other Governmental Funds	20,477
Countywide Road	General Fund	69,972
Countywide Bridge	General Fund	43,495
Other Governmental Funds	General Fund	22,851
Agency Funds	General Fund	<u>1</u>
Total		<u>\$ 174,605</u>

The payables from the General Fund represent the tax revenue collected but not settled until October 2006. The payable from the Garbage Disposal Fund represents the indirect cost for the September 30, 2006 fiscal year, which is expected to be repaid within one year. All other interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out

Transfer In	Transfer Out	Amount
Other Governmental Funds	General Fund	\$ 198
Other Governmental Funds	Other Governmental Funds	<u>266</u>
Total		<u>\$ 464</u>

The principal purpose of interfund transfers was to provide funds for grant matches or to provide funds to pay for operating purposes and capital outlay. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

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

(5) Intergovernmental Receivables

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

Governmental Activities:

<u>Description</u>	<u>Amount</u>
Legislative tag credit	\$ 114,937
Homeland security grant	20,477
Reimbursement for housing prisoners	66,470
Motor vehicle fuel tax	19,825
State aid	54,484
Other	<u>34,399</u>
Total Governmental Activities	<u>\$ 310,592</u>

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

(6) Capital Assets

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

Governmental activities:

	Balance Oct. 1, 2005	Additions	Deletions	Adjustments	Balance Sept. 30, 2006
<u>Non-depreciable capital assets</u>					
Land	\$ 349,248		(5,000)		344,248
Construction in progress	165,849	683,550		(313,996)	535,403
Total non-depreciable capital assets	<u>515,097</u>	<u>683,550</u>	<u>(5,000)</u>	<u>(313,996)</u>	<u>879,651</u>
<u>Depreciable capital assets</u>					
Infrastructure	81,326,760	475,042		313,996	82,115,798
Buildings	13,621,592				13,621,592
Improvements other than buildings	433,231				433,231
Mobile equipment	4,426,012	233,924	(221,977)	59,364	4,497,323
Furniture and equipment	199,253	77,871			277,124
Leased property under capital leases	343,298			(59,364)	283,934
Total depreciable assets	<u>100,350,146</u>	<u>786,837</u>	<u>(221,977)</u>	<u>313,996</u>	<u>101,229,002</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	24,639,602	2,771,166			27,410,768
Buildings	4,228,118	259,363			4,487,481
Improvements other than buildings	217,576	17,329			234,905
Mobile equipment	2,904,631	337,939	(144,723)	32,056	3,129,903
Furniture and equipment	131,945	37,050			168,995
Leased property under capital leases	155,563	45,025		(32,056)	168,532
Total accumulated depreciation	<u>32,277,435</u>	<u>3,467,872</u>	<u>(144,723)</u>	<u>-0-</u>	<u>35,600,584</u>
Total depreciable capital assets, net	<u>68,072,711</u>	<u>(2,681,035)</u>	<u>(77,254)</u>	<u>313,996</u>	<u>65,628,418</u>
Governmental activities capital assets, net	<u>\$ 68,587,808</u>	<u>(1,997,485)</u>	<u>(82,254)</u>	<u>-0-</u>	<u>66,508,069</u>

Adjustments were required to increase capital assets due to completed construction and transferring lease purchase equipment paid off to mobile equipment.

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

(6) Capital Assets (Continued)

Business-type activities:

	Balance Oct. 1, 2005	Additions	Deletions	Adjustments	Balance Sept. 30, 2006
<u>Depreciable capital assets</u>					
Mobile equipment	\$ 497,318	289,107	(220,184)		566,241
Furniture and equipment	5,000				5,000
Total depreciable assets	<u>502,318</u>	<u>289,107</u>	<u>(220,184)</u>	<u>-0-</u>	<u>571,241</u>
<u>Less accumulated depreciation for:</u>					
Mobile equipment	284,609	107,359	(170,723)		221,245
Furniture and equipment	4,500				4,500
Total accumulated depreciation	<u>289,109</u>	<u>107,359</u>	<u>(170,723)</u>	<u>-0-</u>	<u>225,745</u>
Total depreciable capital assets, net	<u>213,209</u>	<u>181,748</u>	<u>(49,461)</u>	<u>-0-</u>	<u>345,496</u>
Business-type activities capital assets, net	<u>\$ 213,209</u>	<u>181,748</u>	<u>(49,461)</u>	<u>-0-</u>	<u>345,496</u>

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 24,479
Public safety	252,055
Public works	2,982,990
Health and welfare	191,313
Culture and recreation	17,035
Total governmental activities depreciation expense	<u>\$ 3,467,872</u>
Business-type activities:	
Garbage disposal	\$ 107,359
Total business-type activities depreciation expense	<u>\$ 107,359</u>

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

(6) Capital Assets (Continued)

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>
Bridge #8 SAP	\$ 11,681	Nov-06

(7) Claims and Judgements

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 Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2005, to January 1, 2006. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

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

(8) Capital Leases

As Lessor:

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

<u>Classes of Property</u>	<u>Amount</u>
Buildings	\$ 169,678
Mobile equipment	<u>22,306</u>
Total	<u><u>191,984</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>Principal</u>	<u>Interest</u>
Year Ending September 30,		
2007	\$ 6,398	7,563
2008	6,658	7,302
2009	6,930	7,031
2010	7,212	6,749
2011	7,506	6,455
2012-2016	42,372	27,430
2017-2021	51,736	18,066
2022-2026	<u>63,172</u>	<u>6,631</u>
Total	<u><u>\$ 191,984</u></u>	<u><u>87,227</u></u>

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

(8) Capital Leases (Continued)

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	\$ 250,139
Other furniture and equipment	<u>33,795</u>
Total	283,934
Less: Accumulated Depreciation	<u>168,532</u>
Leased Property Under Capital Lease	<u><u>\$ 115,402</u></u>

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

	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
Year Ending September 30,		
2007	\$ 59,698	3,099
2008	44,207	1,567
2009	<u>30,189</u>	<u>328</u>
Total	<u><u>\$ 134,094</u></u>	<u><u>4,994</u></u>

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

(9) 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 Rates</u>	<u>Final Maturity Date</u>
Governmental Activities:			
A. General Obligation Bonds:			
MBIA Bond	\$ 430,000	0.0	2/11
2000 Paving Project	<u>465,000</u>	4.875-5.6	3/10
Total General Obligation Bonds	<u><u>\$ 895,000</u></u>		
B. Capital Leases:			
Tax Collector's computer system	\$ 11,883	3.924	8/07
2004 Dodge Pickup	2,078	3.130	1/07
2004 Crown Victoria	2,788	3.087	2/07
5 2005 International Dump Trucks	<u>117,345</u>	2.890	6/09
	<u><u>\$ 134,094</u></u>		
D. Other Loans:			
Capital improvements revolving loan	\$ 78,213	4.25	1/12
Public improvements negotiable note	155,000	2.9	8/09
Capital improvements revolving loan	191,984	3.0	9/26
Capital improvements revolving loan	<u>296,842</u>	3.0	Unknown
	<u><u>\$ 722,039</u></u>		

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

(9) Long-term Debt (Continued)

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	\$ 192,000	20,109	74,294	23,811
2008	202,000	14,747	85,592	19,746
2009	207,000	9,019	87,807	17,025
2010	212,000	3,047	36,066	14,228
2011	82,000		37,372	12,922
2012-2016			112,653	52,031
2017-2021			130,278	33,874
2022-2026			151,335	12,819
2027			6,642	42
Total	\$ 895,000	46,922	722,039	186,498

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2006, the amount of outstanding debt was equal to 0.57% of the latest property assessments.

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

	Balance Oct. 1, 2005	Additions	Reductions	Adjustments	Balance Sept. 30, 2006	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 79,615		955		78,660	
General obligation bonds	1,397,000		502,000		895,000	192,000
Capital leases	205,047		70,953		134,094	59,698
Other loans	295,037	488,826	61,824		722,039	74,294
Totals	\$ 1,976,699	488,826	635,732		1,829,793	325,992
Business-type Activities:						
Compensated absences	\$ 3,073	850			3,923	

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

(10) Contingencies

Federal Grants - The County has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the county. No provision for any liability that may result has been recognized in the county's financial statements.

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

Solid Waste Revenue Refunding Bonds

In 1998, solid waste revenue refunding bonds were issued by the Three Rivers Solid Waste Management Authority for \$8,210,000. As part of a solid waste disposal service agreement between Union County and Three Rivers Solid Waste Management Authority, the county has agreed to pay its pro rata share of any obligations of the authority that are not covered by fees generated from solid waste disposal services. The county's pro rata share of the \$4,820,000 refunding bonds balance at September 30, 2006, is \$291,128.

(11) No Commitment Debt (Not Included in Financial Statements)

No commitment debt is repaid only by the entities for whom the debt was issued and includes debt that either bears the county's name or for which a moral responsibility may exist that is not an enforceable promise to pay. No commitment debt explicitly states the absence of obligation by the county other than possibly an agreement to assist creditors in exercising their rights in the event of default. Because a default may adversely affect the county's own ability to borrow, the principal amount of such debt outstanding at year end is disclosed as follows:

Description	Balance 9/30/06
Hospital revenue refunding bonds	\$ 5,305,000

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

(12) Joint Ventures

The county participates in the following joint ventures:

Union County is a participant with the City of New Albany, industries and other interested parties located within the county in a joint venture, as authorized by Section 19-5-99 Miss. Code Ann. (1972), in the Union County Development Association. The joint venture was created to aid in the development of industries in Union County and is governed by 11 directors, of which Union County appoints two. The county appropriated \$73,380 for support of the association in fiscal year 2006. Complete financial statements for the Union County Development Association can be obtained from Union County Development Association, P.O. Box 56, New Albany, MS 38652.

Union County is a participant with the City of New Albany, as authorized by Section 17-13-9, Miss. Code Ann. (1972), in the New Albany-Union County Airport Board. The joint venture was created to acquire, construct, operate and maintain the New Albany-Union County Airport. Union County appoints two of the five-member board, and the president of the Board of Supervisors, along with the mayor of New Albany, appoints an additional member as chairman. Union County appropriated \$15,496 for the support and maintenance of the airport in fiscal year 2006. Complete financial statements can be obtained from the New Albany-Union County Airport, New Albany, MS 38652.

(13) Jointly Governed Organizations

The county participates in the following jointly governed organizations:

Three Rivers Solid Waste Management Authority operates in a district composed of the counties of Calhoun, Itawamba, Lafayette, Lee, Monroe, Pontotoc and Union and the cities of Aberdeen, Amory, Fulton, New Albany, Oxford, Pontotoc and Tupelo. The Union County Board of Supervisors appoints one of the seven members of the board of directors. The entity is fiscally independent of the members. Members are billed based on the volume of solid waste deposited. The county did not appropriate any funds for the support of the authority in fiscal year 2006.

Three Rivers Planning and Development District operates in a district composed of the counties of Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Monroe, Pontotoc and Union. The Union County Board of Supervisors appoints two of the forty members of the board of directors. The county appropriated \$27,005 for the support of the district in fiscal year 2006.

Northeast Mississippi Community College operates in a district composed of the counties of Alcorn, Prentiss, Tippah, Tishomingo and Union. The Union County Board of Supervisors appoints one of the fifteen members of the college board of trustees. The county appropriated \$581,889 for the support and maintenance of the college in fiscal year 2006.

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

(13) Jointly Governed Organizations (Continued)

Northeast Mental Health-Mental Retardation Commission operates in a district composed of the counties of Benton, Itawamba, Lee, Chickasaw, Pontotoc, Monroe and Union. The Union County Board of Supervisors appoints one of the seven members of the board of commissioners. The county appropriated \$29,500 for support of the commission in fiscal year 2006.

Lift, Inc. operates in a district composed of the counties of Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Monroe, Pontotoc and Union. The Union County Board of Supervisors appoints one of the twenty-four members of the board of directors. The county appropriated \$2,500 in fiscal year 2006 to the organization.

Northeast Mississippi Emergency Medical Services serves the counties of Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Marshall, Pontotoc, Tishomingo and Union. The Union County Board of Supervisors appoints four of the thirty-six members of the board of directors. The county appropriated \$17,753 for support of the district in fiscal year 2006.

Pontotoc-Union-Lee Alliance (PUL) is an alliance among Pontotoc, Lee and Union counties. The Union County Board of Supervisors appoints two of the nine members of the board of directors. The county appropriated \$5,000 for the support of the alliance in fiscal year 2006.

(14) Defined Benefit Pension Plan

Plan Description. Union 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 rate at September 30, 2005 was 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 \$343,376, \$312,502, and \$288,984, respectively, equal to the required contributions for each year.

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

(15) Subsequent Events

Subsequent to September 30, 2006, Union County issued the following debt obligations:

Issue Date	Interest Rate	Issue Amount	Type of Financing	Source of Financing
12/19/2005 (*)	3.00	\$ 350,000 Maximum	CAP Loan	Capital lease

(*) Authorized 12/19/05, but not fully disbursed at report date.

REQUIRED SUPPLEMENTARY INFORMATION

Union 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	\$ 3,289,600	3,403,630	3,403,630	-0-
Licenses, commissions and other revenue	515,400	311,143	311,143	-0-
Fines and forfeitures	143,000	173,038	173,038	-0-
Intergovernmental revenues	914,813	892,289	892,289	-0-
Charges for services	156,500	161,230	161,230	-0-
Interest income	40,000	53,540	53,540	-0-
Miscellaneous revenues	6,685	32,084	32,084	-0-
Total Revenues	<u>5,065,998</u>	<u>5,026,954</u>	<u>5,026,954</u>	<u>-0-</u>
EXPENDITURES				
Current:				
General government	2,700,693	2,404,041	2,404,041	-0-
Public safety	2,055,287	1,870,040	1,870,040	-0-
Public works	8,600	15,496	15,496	-0-
Health and welfare	180,500	175,191	175,191	-0-
Culture and recreation	21,400	21,078	21,078	-0-
Conservation of natural resources	110,988	110,502	110,502	-0-
Economic development and assistance	116,505	117,385	117,385	-0-
Debt service:				
Principal	90,887	90,886	90,886	-0-
Interest	10,819	10,818	10,818	-0-
Total Expenditures	<u>5,295,679</u>	<u>4,815,437</u>	<u>4,815,437</u>	<u>-0-</u>
Excess of Revenues over (under) Expenditures	<u>(229,681)</u>	<u>211,517</u>	<u>211,517</u>	<u>-0-</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets		51,502	51,502	-0-
Compensation for loss of capital assets		17,699	17,699	-0-
Transfers in	120,000	153,414	153,414	-0-
Transfers out	(249,999)	(125,058)	(125,058)	-0-
Total Other Financing Sources and Uses	<u>(129,999)</u>	<u>97,557</u>	<u>97,557</u>	<u>-0-</u>
Net Change in Fund Balance	(359,680)	309,074	309,074	-0-
Fund Balances - Beginning	1,328,892	2,565,544	2,565,544	-0-
Fund Balances - Ending	<u>\$ 969,212</u>	<u>2,874,618</u>	<u>2,874,618</u>	<u>-0-</u>

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

Union County
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
Countywide Road Maintenance
For the Year Ended September 30, 2006

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,003,500	1,029,251	1,029,251	-0-
Road and bridge privilege taxes	258,000	296,678	296,678	-0-
Intergovernmental revenues	477,200	476,633	476,633	-0-
Interest income	11,000	10,478	10,478	-0-
Miscellaneous revenues	1,400	1,400	1,400	-0-
Total Revenues	<u>1,749,700</u>	<u>1,814,440</u>	<u>1,814,440</u>	<u>-0-</u>
EXPENDITURES				
Current:				
Public works	2,619,010	1,584,436	1,584,436	-0-
Debt service:				
Principal	41,728	41,727	41,727	-0-
Interest	4,048	4,047	4,047	-0-
Total Expenditures	<u>2,664,786</u>	<u>1,630,210</u>	<u>1,630,210</u>	<u>-0-</u>
Excess of Revenues over (under) Expenditures	<u>(915,086)</u>	<u>184,230</u>	<u>184,230</u>	<u>-0-</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets				-0-
Transfers in	129,000			-0-
Total Other Financing Sources and Uses	<u>129,000</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Net Change in Fund Balance	(786,086)	184,230	184,230	-0-
Fund Balances - Beginning	234,551	911,200	911,200	-0-
Fund Balances - Ending	<u>\$ (551,535)</u>	<u>1,095,430</u>	<u>1,095,430</u>	<u>-0-</u>

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

Union County
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
Countywide Bridge Fund
For the Year Ended September 30, 2006

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	968,000	993,824	993,824	-0-
Intergovernmental revenue	247,404	45,333	45,333	-0-
Interest income	12,000	15,438	15,438	-0-
Miscellaneous revenues		142,972	142,972	-0-
Total Revenues	<u>1,227,404</u>	<u>1,197,567</u>	<u>1,197,567</u>	<u>-0-</u>
EXPENDITURES				
Current:				
Public works	<u>1,238,900</u>	<u>1,076,187</u>	<u>1,076,187</u>	<u>-0-</u>
Total Expenditures	<u>1,238,900</u>	<u>1,076,187</u>	<u>1,076,187</u>	<u>-0-</u>
Excess of Revenues over (under) Expenditures	<u>(11,496)</u>	<u>121,380</u>	<u>121,380</u>	<u>-0-</u>
Net Change in Fund Balance	(11,496)	121,380	121,380	-0-
Fund Balances - Beginning	1,204,428	1,587,246	1,587,246	-0-
Fund Balances - Ending	<u>\$ 1,192,932</u>	<u>1,708,626</u>	<u>1,708,626</u>	<u>-0-</u>

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

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

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).

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

C. Budget/GAAP Reconciliation (Continued)

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

	Governmental Fund Types		
	General Fund	Countywide Road Fund	Countywide Bridge Fund
Budget (Cash Basis)	309,074	184,230	121,380
Increase (Decrease)			
Net adjustments for revenue accruals	(23,923)	150,935	(18,534)
Net adjustments for expenditure accruals	(9,845)	(291,632)	(5,523)
GAAP Basis	<u>275,306</u>	<u>43,533</u>	<u>97,323</u>

SPECIAL REPORTS

J.E. VANCE & COMPANY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

825 JEFFERSON STREET
POST OFFICE BOX 1280
TUPELO, MISSISSIPPI 38802

(662) 842-2123
FACSIMILE (662) 841-6809
E-MAIL: jev@jevance.com

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

Members of the Board of Supervisors
Union County, Mississippi

We have audited the primary government financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Union County, Mississippi, as of and for the year ended September 30, 2006, which collectively comprise the county's basic primary government financial statements and have issued our report thereon dated April 19, 2007. The auditors' report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the county's component units. 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 Union County, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the primary government financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. 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 an error or fraud in amounts that would be material in relation to the primary government financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

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.

Tupelo, Mississippi
April 19, 2007

J. E. Vance & Company

J.E. VANCE & COMPANY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

825 JEFFERSON STREET
POST OFFICE BOX 1280
TUPELO, MISSISSIPPI 38802

(662) 842-2123
FACSIMILE (662) 841-6809
E-MAIL: jev@jevance.com

**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
Union County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Union 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 Union 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 Union 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, Union 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 Union 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.

Tupelo, Mississippi
April 19, 2007

J. E. Vance & Company

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

Schedule 1

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

**Union County
Schedule of Emergency Purchases
For the Year Ended September 30, 2006**

Schedule 2

Our test results did not identify any emergency purchases.

Union County
Schedule of Purchases Made Noncompetitively from a Sole Source
for the Year Ended September 30, 2006

Schedule 3

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

J.E. VANCE & COMPANY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

825 JEFFERSON STREET
POST OFFICE BOX 1280
TUPELO, MISSISSIPPI 38802

(662) 842-2123
FACSIMILE (662) 841-6809
E-MAIL: jev@jevance.com

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Union County, Mississippi

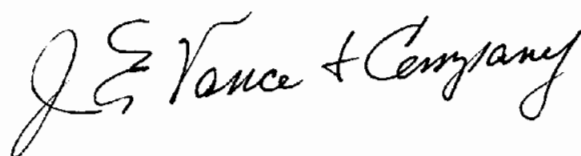
In planning and performing our audit of the financial statements of Union County, Mississippi for the year ended September 30, 2006, we considered Union County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Union 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 April 19, 2007, on the financial statements of Union County, Mississippi.

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

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

April 19, 2007



SCHEDULE OF FINDINGS

**UNION COUNTY
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

Section 1: Summary of Auditors' Results

Financial Statements:

- | | |
|--|-------------|
| 1. Type of auditors' report issued on the primary government financial statements: | Unqualified |
| 2. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | No |
| b. Reportable conditions identified that are not considered to be material weaknesses? | No |
| 3. Noncompliance material to the primary government financial statements? | No |

Section 2: Financial Statement Findings

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