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**Tate County**  
Financial Statements  
September 30, 2008

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







TATE COUNTY  
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TATE COUNTY

FINANCIAL SECTION

TATE COUNTY

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

Members of the Board of Supervisors  
Tate County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Tate County, Mississippi, as of and for the year ended September 30, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Tate County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Tate County, Mississippi, as of September 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2009, on our consideration of Tate County, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 5 through 14 and the Budgetary Comparison Schedules on pages 47 through 50 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.

December 7, 2009

*Ellis & Hirsberg CPA PLLC*

TATE COUNTY

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TATE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

TATE COUNTY

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TATE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

**INTRODUCTION**

The discussion and analysis of Tate County's financial performance provides an overall narrative review of the County's financial activities for the year ended September 30, 2008. The intent of this discussion and analysis is to look at the County's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the County's financial performance. Information contained in this section is qualified by more detailed information contained elsewhere in the County's financial statements, notes to the financial statements and accompanying materials, to the extent this discussion contains any forward looking statements of the County's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

This discussion and analysis is a new element of required supplementary information specified in the "Governmental Accounting Standards Board's (GASB) Statement No. 34 - *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*" issued June 1999.

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

**FINANCIAL HIGHLIGHTS**

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

Tate County continues to grow both economically and in population. However, the property tax millage was the same as 2007, 122.67 mills.

Total net assets increased \$1,438,375, which represents a 5% increase from the prior year. The County's ending cash balance increased by \$114,972, which represents a 2.35% increase from the prior fiscal year.

The County had \$13,370,249 in total revenues. Tax revenues account for \$8,101,919 or 61% of total revenues. State revenues in the form of reimbursements, shared revenue or grants, account for \$641,556 or 5% of total revenues.

The County had \$11,931,874 in total expenses, which represents a decrease of \$941,119 or 7% decrease from the prior fiscal year. Expenses in the amount of \$3,484,747 were offset by charges for services, grants, outside contributions or debt being issued. General revenues of \$9,885,502 were adequate to provide for the remainder of the expenses.

Among major funds, the General Fund had \$7,856,888 in revenues and \$7,071,397 in expenditures. The General Fund's balance increased \$640,211 over the prior year. The increase was caused mainly by increases in charges for services, miscellaneous income and interest income. In the prior year revenues exceeded expenses.

The BMW GO Bond Fund collected \$143,851 in interest income and \$240,000 in principal payments on a capital lease of the BMW building. The fund in turn paid off debt on the building of \$240,000 and interest of \$143,425.

Capital assets, net of accumulated depreciation, decreased by \$821,272. The decrease was caused primarily by sales of old equipment.

Long-term debt decreased by \$2,187,366. The decrease resulted from payoffs exceeding borrowings.



Figure 2 - Major Features of the County's Government-Wide and Fund Financial Statements.

	Government-Wide Financial Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire County government (except fiduciary funds) and component units	All activities of the County that are not business-type or Fiduciary in nature	Activities of the County that operate similar to private businesses	The County is the trustee or agent for someone else's resources
Required financial statements	a. Statement of net assets b. Statement of activities	a. Balance sheet b. Statement of revenues, expenditures and changes in fund balances	a. Statement of net assets b. Statement of revenues, expenses and changes in net assets c. Statement of cash flows	a. Statement of fiduciary net assets b. Statement of changes in net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital and short and long term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short and long term	All assets and liabilities, both short and long term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services are received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

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

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

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

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

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

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a County's near-term financing requirements. Governmental funds include the general, special revenue, debt service, and capital projects funds.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the "Governmental Funds Balance Sheet" and the "Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances" provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 21 and 24, respectively.

The County maintains individual governmental funds in accordance with the *Mississippi County Financial Accounting Manual* issued by the Mississippi Office of the State Auditor. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

The basic governmental funds financial statements can be found on pages 20 through 24 of this report.

**Proprietary funds** are maintained to account for enterprise activities. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statement. The County uses enterprise funds to account for the solid waste management and garbage disposal. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Fund financial statements for the proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The solid waste management is considered to be a major fund of the County. Data from the other enterprise fund is combined into a single, aggregated presentation. The proprietary funds financial statements can be found on pages 25 through 27 of this report.

**Fiduciary funds** are used to account for resources held for the benefit of parties outside the County government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accrual basis of accounting is used for fiduciary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The County's fiduciary financial statement can be found on page 28 of this report.

**Notes to the financial statements** provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 29 through 43 of this report.

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

The County adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major fund. This required supplementary information can be found on pages 45 through 50 of this report.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Net Assets** - Net assets may serve over time as a useful indicator of government's financial position. In the case of Tate County, assets exceeded liabilities by \$32,702,749 as of September 30, 2008.

By far, the largest portion of the County's net assets (78%) reflects its investment in capital assets (e.g. roads, bridges, land, buildings, mobile equipment, furniture and equipment, leased property under capital lease and construction in progress) less related outstanding debt used to acquire such assets. The County uses these capital assets to provide services to its citizens.

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

The following table presents a summary of the County's net assets for the fiscal years ended September 30, 2008 and 2007.

	2008		2007	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
Current Assets	\$ 13,699,176	629,786	12,575,343	958,342
Other assets	3,060,417		3,533,137	
Capital assets, net	<u>32,001,381</u>	<u>364,938</u>	<u>32,822,653</u>	<u>201,997</u>
Total assets	\$ <u>48,760,974</u>	<u>994,724</u>	<u>48,931,133</u>	<u>1,160,339</u>
Current liabilities	\$ 11,567,787	147,984	11,809,813	127,150
Long-term debt outstanding	<u>5,319,859</u>	<u>17,319</u>	<u>6,878,408</u>	<u>11,727</u>
Total liabilities	\$ <u>16,887,646</u>	<u>165,303</u>	<u>18,688,221</u>	<u>138,877</u>
Net assets:				
Invested in capital assets, net of related debt	\$ 25,224,998	364,938	23,867,784	201,997
Unrestricted	<u>6,648,330</u>	<u>464,483</u>	<u>6,375,128</u>	<u>819,465</u>
Total net assets	\$ <u>31,873,328</u>	<u>829,421</u>	<u>30,242,912</u>	<u>1,021,462</u>

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

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

The County paid off debt obligations of \$569,940 for five dump trucks.

**Changes in Net Assets** - Tate County's total revenues for the fiscal year ended September 30, 2008 was \$12,401,866. The total cost for all services provided was \$10,771,450. The increase in net assets was \$1,630,416. The following table presents a summary of the changes in net assets for the fiscal year ended September 30, 2008.

	2008	2007
	<u>Amount</u>	<u>Amount</u>
Revenues:		
Program revenues		
Charges for services	\$ 1,540,634	\$ 1,612,725
State grants	330,173	1,030,428
Capital Grants & Contribution	641,556	1,464,254
General revenues		
Property taxes	8,101,919	7,965,110
Other	<u>1,787,584</u>	<u>1,851,349</u>
Total Revenues	<u>12,401,866</u>	<u>13,923,866</u>
Expenses:		
General government	3,668,114	3,418,878
Public safety	3,677,713	3,812,549
Public works	2,486,751	3,750,396
Health and welfare	125,471	134,722
Culture and Recreation	450	425
Other expenses	461,188	484,472
Interest and other expense on long-term debt	<u>351,763</u>	<u>341,254</u>
Total Expenses	<u>10,771,450</u>	<u>11,942,696</u>
Increase (Decrease) in Net Assets	\$ <u>1,630,416</u>	\$ <u>1,981,170</u>

Property taxes increased due to an increase in assessed values. Grants decreased due to completion of the Health Department Building and the Leggett & Platte project in Coldwater, MS. There are some differences in classifications between years.

Expenses decreased due to the completion of several road and bridge repair projects.

**Governmental Activities** - The following table presents the cost of eight major functional activities of the County: General Government, Public Safety, Public Works, Health and Welfare, Culture and Recreation, Education, Conservation, and Economic Development.

The table also shows each function's net cost (total cost less charges for services generated by the activity and intergovernmental aid provided for that activity.) The net cost shows the financial burden that was placed on Tate County's taxpayers by each of these functions.

	<u>2008</u>		<u>2007</u>	
	<u>Total</u> <u>Costs</u>	<u>Net</u> <u>Costs</u>	<u>Total</u> <u>Costs</u>	<u>Net</u> <u>Costs</u>
General government	\$ 3,668,114	2,690,710	\$ 3,418,878	2,564,128
Public safety	3,677,713	2,926,695	3,812,549	2,392,207
Public works	2,486,751	1,804,873	3,750,396	2,751,316

Health and welfare	125,471	121,854	134,722	(622,798)
Economic development	206,570	115,073	236,150	160,435
Culture and recreation	450	(3,847)	425	425
Education	162,600	162,600	157,500	157,500
Conservation	92,018	89,365	90,822	90,822
Interest on long-term debt	351,763	351,763	341,254	341,254

## FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

**Governmental funds** - At the close of the fiscal year, Tate County's governmental funds reported a combined fund balance of \$4,425,338, an increase of \$519,873. The primary reasons for this increase are highlighted in the analysis of governmental activities.

The General Fund is the principal operating fund of the County. The increase in the fund balance of the General Fund for the fiscal year was \$640,211. This increase was primarily due to an increase in tax revenues as discussed above.

**Business-type funds** - The Enterprise Funds showed a loss for the year of \$120,764.

## BUDGETARY HIGHLIGHTS OF MAJOR FUNDS

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

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

A schedule showing the original and final budget amounts compared to the County's actual financial activity for the General Fund and other major funds is provided in this report as required supplementary information.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets** - As of September 30, 2008, Tate County's total capital assets were \$91,712,605. This includes roads, bridges, other infrastructure, land, buildings, mobile equipment, furniture and equipment, and leased property under capital lease. This amount represents a decrease from the previous year of \$532,087. The majority of this decrease is due to sales of mobile equipment.

Total accumulated depreciation as of September 30, 2008 was \$59,346,286, including \$804,626 of depreciation expense for the year. The balance in total net capital assets was \$32,366,319 at year-end.

Additional information on Tate County's capital assets can be found in Note 5 on page 36 of this report.

**Debt Administration** - At September 30, 2008 Tate County had \$6,941,440 in long-term debt outstanding. This includes general obligation bonds, loans from Mississippi Development Authority, capital leases, and accrued vacation pay.

In the past year, the County paid off five capital leases totaling \$569,940 for five dump trucks.

The State of Mississippi limits the amount of debt a county can issue to generally 15% of total assessed value. The County's outstanding debt is significantly below its current limit of \$23.8 million dollars.

Additional information on Tate County's long-term debt can be found in Note 10 on page 39 of this report.

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

The County borrowed \$141,000 from the Mississippi Development Authority to purchase a fire truck.

The old R. E. Floyd Health Department building was sold for \$215,000.

Tate County initiated the process to obtain a certificate of participation of \$5,205,000 to build a new jail.

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

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

TATE COUNTY

FINANCIAL STATEMENTS

TATE COUNTY

Statement of Net Assets

September 30, 2008

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash	\$ 4,663,957	252,572	4,916,529
Property tax receivable	8,801,844		8,801,844
Accounts receivable, net of allowance for uncollectible accounts (\$94,304)	233,375	377,214	377,214
Fines receivable, net of allowance for uncollectible accounts (\$219,797)	2,753,959		2,753,959
Capital leases receivable	217,996		217,996
Intergovernmental receivables	88,462	(88,462)	0
Internal balances			
Capital Assets:			
Land and construction in progress	422,624		422,624
Other capital assets, net	31,578,757	364,938	31,943,695
Total Assets	48,760,974	906,262	49,667,236
<b>LIABILITIES</b>			
Claims payable	332,918	29,483	362,401
Intergovernmental payables	212,159		212,159
Accrued interest payable	81,320		81,320
Deferred revenue	9,339,178	27,989	9,367,167
Other payables:			
Long term liabilities:			
Due within one year:			
Capital related debt	1,585,807		1,585,807
Non-capital debt	15,405	2,050	17,455
Due in more than one year:			
Capital related debt	5,190,576		5,190,576
Non-capital debt	130,283	17,319	147,602
Total Liabilities	16,887,646	76,841	16,964,487

NET ASSETS			
Invested in capital assets, net of related debt			
Restricted net assets:			
Expendable:			
Debt service	375,004		375,004
Public safety	131,776		131,776
Public works	1,039,979	464,483	1,504,462
Economic development	528,602		528,602
Other purposes	126,630		126,630
Unrestricted	4,446,339		4,446,339
Total Net Assets	<u>\$ 31,873,328</u>	<u>829,421</u>	<u>32,702,749</u>

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

LATE COUNTY  
Statement of Activities  
For the Year Ended September 30, 2008

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Business-type Activities	Total
				Governmental Activities	Business-type Activities		
<b>Primary government:</b>							
<b>Governmental activities:</b>							
General government	\$ 3,668,114	882,351	84,352	(2,690,710)			(2,690,710)
Public safety	3,677,713	658,283	82,034	(2,926,695)			(2,926,695)
Public works	2,486,751		63,130	(1,804,874)			(1,804,874)
Health and welfare	125,471		3,210	(121,854)			(121,854)
Culture and recreation	450		3,813	3,847			3,847
Education	162,600			(162,600)			(162,600)
Conservation of natural resources	92,018		2,354	(89,365)			(89,365)
Economic development and assistance	206,570		91,280	(115,073)			(115,073)
Interest and other expenses on long-term liabilities	351,763			(351,763)			(351,763)
<b>Total Governmental Activities</b>	<b>10,771,450</b>	<b>1,540,634</b>	<b>330,173</b>	<b>(8,259,087)</b>	<b>0</b>	<b>0</b>	<b>(8,259,087)</b>
<b>Business-type activities:</b>							
Garbage disposal	955,948	832,443			(123,505)		(123,505)
Solid waste disposal	204,476	139,941			(64,535)		(64,535)
<b>Total Business-type Activities</b>	<b>1,160,424</b>	<b>972,384</b>	<b>0</b>	<b>0</b>	<b>(188,040)</b>	<b>(188,040)</b>	<b>(188,040)</b>
<b>Total Primary Government</b>	<b>\$ 11,931,874</b>	<b>2,513,018</b>	<b>330,173</b>	<b>(8,259,087)</b>	<b>(188,040)</b>	<b>(188,040)</b>	<b>(8,447,127)</b>
<b>General revenues:</b>							
<b>Taxes:</b>							
Property taxes				\$ 8,101,919			8,101,919
Road and bridge privilege taxes				292,527			292,527
Grants and contributions not restricted to specific programs				424,512			424,512
Unrestricted investment income				260,024	15,299		275,323
Miscellaneous				572,352			572,352
Gain on sale of capital assets				238,169	(19,300)		218,869
<b>Total General Revenues, Special Items &amp; Extraordinary Items</b>				<b>9,889,503</b>	<b>(4,001)</b>		<b>9,885,502</b>

Changes in Net Assets	<u>1,630,416</u>	<u>(192,041)</u>	<u>1,438,375</u>
Net Assets - Beginning	<u>30,242,912</u>	<u>1,021,462</u>	<u>31,264,374</u>
Net Assets - Ending	<u>\$ 31,873,328</u>	<u>829,421</u>	<u>32,702,749</u>

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

TATE COUNTY  
 Balance Sheet - Governmental Funds  
 September 30, 2008

Exhibit 3

	<u>Major Funds</u>			Total Governmental Funds
	General Fund	BMW GO Bond Fund	Other Governmental Funds	
<b>ASSSETS</b>				
Cash	\$ 2,216,606	24,030	2,423,321	4,663,957
Property tax receivable	5,602,555		3,199,289	8,801,844
Fines receivable, net of allowance for uncollectibles of \$219,797	233,375			233,375
Capital lease receivable		2,317,460	436,499	2,753,959
Intergovernmental receivables	139,313			139,313
Other receivables	3,248		18,668	21,916
Due from other funds	139,527		58,241	197,768
Advances to other funds	77,530		47,379	124,909
Total Assets	\$ 8,412,154	2,341,490	6,183,397	16,937,041
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Claims payable	\$ 227,216		105,702	332,918
Intergovernment payables	211,105		1,054	212,159
Due to other funds	127,208		2,861	130,069
Advances from other funds			47,379	47,379
Deferred revenue	5,835,930	2,317,460	3,635,788	11,789,178
Total Liabilities	6,401,459	2,317,460	3,792,784	12,511,703
Fund Balances:				
Reserved for:				
Advances	77,530		47,379	124,909
Reserve for lease agreement		24,030		24,030
Undesignated, reported in:				
General funds	1,933,165			1,933,165
Special Revenue funds			1,779,608	1,779,608
Debt Service funds			375,004	375,004
Capital Projects funds			188,622	188,622
Total Fund Balances	2,010,695	24,030	2,390,613	4,425,338
Total Liabilities and Fund Balances	\$ 8,412,154	2,341,490	6,183,397	16,937,041

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

TATE COUNTY

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets

September 30, 2008

Exhibit 3-1

	Amount
Total Fund Balance - Governmental Funds	\$ 4,425,338
Amounts reported for governmental services in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$58,875,454.	32,001,381
Fines receivable reported as deferred revenue in funds and as revenue on statement of activities	233,375
Deferred revenue - principal for capital lease receivable not future income on statement of activities	2,216,625
Long-term liabilities are not due and payable in the current-period and therefore are not reported in the funds.	
Long-term liabilities	\$ (6,922,071)
Accrued interest on bonds	(81,320)
	(7,003,391)
Total net assets - governmental activities	\$ 31,873,328

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

TATE COUNTY

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TATE COUNTY  
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended September 30, 2008

Exhibit 4

	<u>Major Funds</u>		Other Governmental Funds	Total Governmental Funds
	General Fund	BMW GO Bond		
<b>REVENUES</b>				
Property taxes	\$ 5,441,527		2,660,388	8,101,915
Road and bridge privilege taxes	292,527			292,527
Licenses, commissions and other revenue	476,899		19,128	496,027
Fines and forfeitures	237,854			237,854
Intergovernmental revenues	480,539		927,946	1,408,485
Charges for services	540,238		252,966	793,204
Interest income	89,214	925	101,062	191,201
Miscellaneous	298,090	142,926	196,281	637,297
Total Revenues	<u>7,856,888</u>	<u>143,851</u>	<u>4,157,771</u>	<u>12,158,510</u>
<b>EXPENDITURES</b>				
Current:				
General government	3,406,434		127,659	3,534,093
Public safety	3,190,986		427,078	3,618,064
Public works	26,438		2,157,805	2,184,243
Health and welfare	125,471			125,471
Culture and recreation	450			450
Education	162,600			162,600
Conservation of natural resources	92,018			92,018
Economic development and assistance	67,000		139,570	206,570
Debt service:				
Principal		240,000	1,999,215	2,239,215
Interest		143,425	208,338	351,763
Capital outlay			146,935	146,935
Total Expenditures	<u>7,071,397</u>	<u>383,425</u>	<u>5,206,600</u>	<u>12,661,422</u>
Excess of Revenues over (under) Expenditures	<u>785,491</u>	<u>(239,574)</u>	<u>(1,048,829)</u>	<u>(502,912)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Lease principal collection		240,000	55,550	295,550
Long-term debt issued			60,730	60,730
Proceeds from sale of capital assets			666,505	666,505
Transfers in	14,720		160,005	174,725
Transfers out	(160,000)		(14,725)	(174,725)
Total Other Financing Sources and Uses	<u>(145,280)</u>	<u>240,000</u>	<u>928,065</u>	<u>1,022,785</u>
Net Changes in Fund Balances	640,211	426	(120,764)	519,873
Fund Balance - Beginning	<u>1,370,484</u>	<u>23,604</u>	<u>2,511,377</u>	<u>3,905,465</u>
Fund Balance - Ending	\$ <u>2,010,695</u>	<u>24,030</u>	<u>2,390,613</u>	<u>4,425,338</u>

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

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, 2008

Net Changes in Fund Balances - Total Governmental Funds \$ 519,873

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$7,034 for land and \$438,704 for depreciable capital assets were exceeded by depreciation of \$682,922, in the current period. (237,184)

In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net gain of \$82,417 and the proceeds from the sale of \$666,505 in the current period. (584,088)

Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balance by the amount that debt repayments of \$2,239,215 exceeded debt proceeds \$60,730. 2,178,485

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

Compensated absences	\$ 15,963
Accrued interest	27,732
Fines receivable	<u>5,185</u>
	48,880

Principal payments on capital lease receivable not considered revenue on statement of activities (295,550)

Change in Net Assets of Governmental Activities \$ 1,630,416

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

TATE COUNTY  
Statement of Net Assets - Proprietary Funds  
September 30, 2008

Exhibit 5

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Solid Waste Management</u>	<u>Other Proprietary</u>	<u>Total Proprietary</u>
	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
<b>ASSETS</b>			
Current Assets:			
Cash	\$ 57,432	195,140	252,572
Accounts receivable, net of allowance for uncollectibles of \$94,304	377,214		377,214
Due from other funds	9,898		9,898
Total Current Assets	<u>444,544</u>	<u>195,140</u>	<u>639,684</u>
Noncurrent Assets:			
Capital assets, net	<u>355,594</u>	<u>9,344</u>	<u>364,938</u>
Total Noncurrent Assets	<u>355,594</u>	<u>9,344</u>	<u>364,938</u>
Total Assets	<u>800,138</u>	<u>204,484</u>	<u>1,004,622</u>
<b>LIABILITIES</b>			
Claims payable	27,240	2,243	29,483
Due to other funds	20,830		20,830
Advances from other funds	77,530		77,530
Unearned revenue	27,989		27,989
Long-term liabilities			
Non-capital debt	2,050		2,050
Due in more than one year			
Non-capital debt	<u>17,319</u>		<u>17,319</u>
Total Liabilities	<u>172,958</u>	<u>2,243</u>	<u>175,201</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	355,594	9,344	364,938
Restricted for public works	<u>271,586</u>	<u>192,897</u>	<u>464,483</u>
Total Net Assets	<u>\$ 627,180</u>	<u>202,241</u>	<u>829,421</u>

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

Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds  
For the Year Ended September 30, 2008

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Solid Waste Management Fund</u>	<u>Other Proprietary Fund</u>	<u>Total Proprietary Funds</u>
Operating Revenues			
Charges for sales	\$	139,941	139,941
Charges for services	832,443		832,443
Total Operating Revenues	<u>832,443</u>	<u>139,941</u>	<u>972,384</u>
Operating Expenses			
Personnel services	446,381	100,407	546,788
Contractual services	148,177	32,047	180,224
Utilities	3,533	628	4,161
Repairs and maintenance	95,516	31,351	126,867
Other supplies and expenses	131,258	30,839	162,097
Insurance expense	12,667	5,916	18,583
Depreciation	<u>118,416</u>	<u>3,288</u>	<u>121,704</u>
Total Operating Expenses	<u>955,948</u>	<u>204,476</u>	<u>1,160,424</u>
Operating Income (Loss)	<u>(123,505)</u>	<u>(64,535)</u>	<u>(188,040)</u>
Nonoperating Revenues (Expenses)			
Gain (loss) on sale of capital assets	(19,300)		(19,300)
Interest income	<u>5,816</u>	<u>9,483</u>	<u>15,299</u>
Total Nonoperating Revenue (Expenses)	<u>(13,484)</u>	<u>9,483</u>	<u>(4,001)</u>
Net Income (Loss) Before Transfers	<u>(136,989)</u>	<u>(55,052)</u>	<u>(192,041)</u>
Transfers in		15,200	15,200
Transfers out	<u>(15,200)</u>		<u>(15,200)</u>
Change in Net Assets	<u>(152,189)</u>	<u>(39,852)</u>	<u>(192,041)</u>
Net Assets - Beginning	<u>779,369</u>	<u>242,093</u>	<u>1,021,462</u>
Net Assets - Ending	<u>\$ 627,180</u>	<u>202,241</u>	<u>829,421</u>

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

TATE COUNTY  
Statement of Cash Flows - Proprietary Fund Type  
For the Year Ended September 30, 2008

Exhibit 7

	Business-type Activities - Enterprise Funds		
	Solid Waste Management Fund	Other Proprietary Fund	Totals
<b>Cash Flows From Operating Activities</b>			
Cash received from customers	\$ 805,632	139,941	945,573
Cash payments to suppliers for goods and services	(365,030)	(99,851)	(464,881)
Cash payments to employees for services	(446,381)	(100,407)	(546,788)
Net Cash Provided (Used) by Operating Activities	<u>(5,779)</u>	<u>(60,317)</u>	<u>(66,096)</u>
<b>Cash Flows From Noncapital Financing Activities</b>			
Operating transfers in		15,200	15,200
Loans from other funds	14,627		14,627
Operating transfers out	(15,200)		(15,200)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(573)</u>	<u>15,200</u>	<u>14,627</u>
<b>Cash Flows From Capital and Related Financing Activities</b>			
Proceeds from the sale of capital assets	51,034		51,034
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>51,034</u>	<u>0</u>	<u>51,034</u>
<b>Cash Flows From Investing Activities</b>			
Acquisition of capital assets	(342,347)	(12,632)	(354,979)
Interest and dividends on investments	5,816	9,483	15,299
Net Cash Provided (Used) by Investing Activities	<u>(336,531)</u>	<u>(3,149)</u>	<u>(339,680)</u>
Net Cash Increase (Decrease) in Cash and Cash Equivalents	(291,849)	(48,266)	(340,115)
Cash and Cash Equivalents at Beginning of Year	349,281	243,406	592,687
Cash and Cash Equivalents at End of Year	<u>\$ 57,432</u>	<u>195,140</u>	<u>252,572</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ (123,505)	(64,535)	(188,040)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	118,416	3,288	121,704
Provision for uncollectible accounts	2,890		2,890
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	(14,449)		(14,449)
Increase (decrease) in compensated absences	7,082		7,082
Increase in unearned revenue	2,265		2,265
Increase (decrease) in claims payable	1,522	930	2,452
Total Adjustments	<u>117,726</u>	<u>4,218</u>	<u>121,944</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (5,779)</u>	<u>(60,317)</u>	<u>(66,096)</u>

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

TALE COUNTY  
Statement of Fiduciary Assets and Liabilities  
For the Year Ended September 30, 2008

Exhibit 8

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	\$ 74,940
Due from Other Funds	<u>70,672</u>
Total Assets	<u>\$ 145,612</u>
<b>LIABILITIES</b>	
Other liabilities	\$ 18,173
Due to other funds	<u>127,439</u>
Total Liabilities	<u>\$ 145,612</u>

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

## TATE COUNTY

### Notes to the Financial Statements For the Year Ended September 30, 2008

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

##### A. Financial Reporting Entity.

Tate County is a political subdivision of the State of Mississippi. The County is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Tate County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the County. There are no outside organizations that should be included as component units of the County's reporting entity.

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

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

##### B. Basis of Presentation.

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

###### Government-wide Financial Statements:

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

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

## TATE COUNTY

### Notes to the Financial Statements For the Year Ended September 30, 2008

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. Non-major funds are aggregated and presented in a single column.

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

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

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

The revenues and expenses of Proprietary Funds are classified as operating or non-operating. 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 non-operating.

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

The County reports the following major Governmental Funds:

General Fund - This fund is used to account for all activities of the general government for which a separate fund has not been established.

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

The County reports the following major proprietary fund:

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

Additionally, the County reports the following fund types:

## TATE COUNTY

Notes to the Financial Statements  
For the Year Ended September 30, 2008

### GOVERNMENTAL FUND TYPES

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

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

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

### PROPRIETARY FUND TYPES

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

### FIDUCIARY FUND TYPES

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

#### D. Account Classifications.

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

#### E. Deposits and Investments.

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

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

#### F. Receivables.

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

#### G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other

TATE COUNTY

Notes to the Financial Statements  
For the Year Ended September 30, 2008

funds." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable Governmental Funds to indicate that they are not available for appropriation and are not expendable available financial resources. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

H. Capital Assets.

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

Governmental accounting and financial reporting standards allow governments meeting certain criteria to retroactively report major general infrastructure assets by September 30, 2007. Current year general infrastructure assets are required to be reported. General infrastructure assets acquired after September 30, 1980 are reported in the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 1, 2002.

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

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

	<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	*	*

## TATE COUNTY

### Notes to the Financial Statements For the Year Ended September 30, 2008

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

#### I. Long-term liabilities.

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

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

#### J. Equity Classifications.

Government-wide Financial Statements:

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

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

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

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

Fund Financial Statements:

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

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

#### 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.

TATE COUNTY

Notes to the Financial Statements  
For the Year Ended September 30, 2008

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) Deposits.

Deposits:

The carrying amount of the County's total deposits with financial institutions at September 30, 2008, was \$4,991,469, and the bank balance was \$4,652,038. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

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

(3) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2008:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Agency Fund	\$ 118,920
General Fund	Major Enterprise Fund	
	Solid Waste Management	17,801

TATE COUNTY

Notes to the Financial Statements  
For the Year Ended September 30, 2008

General Fund	General Fund	2,806
Nonmajor Governmental Funds	General Fund	56,832
Nonmajor Governmental Funds	Nonmajor Government Funds	1,409
Major Enterprise Fund		
Solid Waste Management	Agency Fund	8,519
Major Enterprise Fund		
Solid Waste Management	General Fund	1,379
Agency Fund	General Fund	34,697
Agency Fund	Nonmajor Government Funds	1,452
Agency Fund	General Fund	31,494
Agency Fund	Major Enterprise Fund	
Agency Fund	Solid Waste Management	3,029
Total		<u>\$ 278,338</u>

All interfund loans were made to prevent borrowing from outside sources. All interfund loans are expected to be repaid within one year from the date of the financial statements.

B. Advances From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Major Funds:	Major Enterprise Fund	
General Fund	Solid Waste Management	* \$ 77,530
Nonmajor Governmental Funds	Nonmajor Governmental Fund	** <u>47,379</u>
Total		<u>\$ 124,909</u>

\* These funds represent unpaid indirect cost.

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

C. Transfers In/Transfers Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Nonmajor Governmental Funds	General Fund	\$ 160,000
Nonmajor Governmental Funds	Nonmajor Governmental Fund	5
General Funds	Nonmajor Governmental Fund	14,720
Nonmajor Enterprise Funds	Major Enterprise Funds	
	Solid Waste Management	<u>15,200</u>
Total		<u>\$ 189,925</u>

\* All interfund transfers were made to prevent borrowing from an outside source.

(4) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2008 consisted of the following:

TATE COUNTY

Notes to the Financial Statements  
For the Year Ended September 30, 2008

Description	Amount
Governmental Activities:	
Legislative Tax Credit	\$ 135,729
State Welfare Reimbursement	<u>3,584</u>
Total	<u>\$ 139,313</u>

(5) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2008:

Governmental activities:

	Balance Oct. 1, 2007	Additions	Deletions	Adjustments	Balance Sept. 30, 2008
<u>Non-depreciable capital assets:</u>					
Land	\$ 415,590	7,034			422,624
Total non-depreciable capital assets	<u>415,590</u>	<u>7,034</u>	<u>0</u>	<u>0</u>	<u>422,624</u>
<u>Depreciable capital assets:</u>					
Infrastructure	71,442,049				71,442,049
Buildings	13,676,625				13,676,625
Improvements other than buildings	155,317				155,317
Mobile equipment	3,744,670	294,291	104,001	171,915	4,106,875
Furniture and equipment	553,418	83,683	148,894		488,207
Leased property under capital leases	1,361,253	60,730	664,930	(171,915)	585,138
Total depreciable capital assets	<u>90,933,332</u>	<u>438,704</u>	<u>917,825</u>	<u>0</u>	<u>90,454,211</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	49,307,989	135,958			49,443,947
Buildings	5,924,827	164,931			6,089,758
Improvements other than buildings	16,790	6,213			23,003
Mobile equipment	2,667,651	268,839	94,362	113,555	2,955,683
Furniture and equipment	234,708	23,870			258,578
Leased property under capital leases	374,304	83,111	239,375	(113,555)	104,485
Total accumulated depreciation	<u>58,526,269</u>	<u>682,922</u>	<u>333,737</u>	<u>0</u>	<u>58,875,454</u>
Total depreciable capital assets, net	<u>32,407,063</u>	<u>(244,218)</u>	<u>584,088</u>	<u>0</u>	<u>31,578,757</u>
Governmental activities capital assets, net	<u>\$ 32,822,653</u>	<u>(237,184)</u>	<u>584,088</u>	<u>0</u>	<u>32,001,381</u>

Equipment leased under capital leases was transferred to mobile equipment after the capital leases were paid off.

TATE COUNTY

Notes to the Financial Statements  
For the Year Ended September 30, 2008

Business-type activities:

	<u>Balance</u> <u>Oct. 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Sept. 30, 2008</u>
<u>Depreciable capital assets:</u>				
Mobile equipment	\$ 619,230	354,756	422,936	551,050
Furniture and equipment	<u>285,540</u>	<u>223</u>	<u>1,043</u>	<u>284,720</u>
Total depreciable capital assets	<u>904,770</u>	<u>354,979</u>	<u>423,979</u>	<u>835,770</u>
<u>Less accumulated depreciation for:</u>				
Mobile equipment	456,433	119,930	353,645	222,718
Furniture and equipment	<u>246,340</u>	<u>1,774</u>	<u>1,043</u>	<u>248,114</u>
Total accumulated depreciation	<u>702,773</u>	<u>121,704</u>	<u>353,645</u>	<u>470,832</u>
Total depreciable capital assets, net	\$ <u>201,997</u>	<u>233,275</u>	<u>70,334</u>	<u>364,938</u>

Depreciation expense was charged to the following functions:

	<u>Amount</u>
<u>Governmental Activities:</u>	
General government	\$ 177,714
Public safety	202,700
Public works	<u>302,508</u>
Total governmental activities depreciation expense	\$ <u>682,922</u>
<u>Business-type activities:</u>	
Solid waste	\$ <u>121,704</u>
Total business-type activities depreciation expense	\$ <u>121,704</u>

(6) Claims and Judgments.

Risk Financing.

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2008, to January 1, 2009. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

TATE COUNTY

Notes to the Financial Statements  
For the Year Ended September 30, 2008

(7) Operating Leases.

As Lessor:

The County receives income from property it leases under noncancellable operating leases. Total income from such leases was \$88,262 for the year ended September 30, 2008. The future minimum lease receivables for these leases are as follows:

Year Ended September 30	Amount
2009	\$ 88,262
2010	88,262
2011	88,262
2012	88,262
2013	<u>41,130</u>
Total Minimum Payments Required	<u>\$ 394,178</u>

(8) Capital Leases.

As Lessor:

The County leases the following property with varying terms and options as of September 30, 2008:

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

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2008, are as follows:

Year Ended September 30	Principal	Interest
2009	\$ 304,339	143,299
2010	326,681	123,617
2011	349,134	102,464
2012	371,703	79,835
2013	399,394	55,409
2014-2018	<u>465,374</u>	<u>32,710</u>
Total	<u>\$ 2,216,625</u>	<u>537,334</u>

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2008:

TATE COUNTY

Notes to the Financial Statements  
For the Year Ended September 30, 2008

Classes of Property	Governmental Activities
Mobile equipment	\$ 515,341
Other furniture and equipment	<u>69,797</u>
Total	585,138
Less: Accumulated depreciation	<u>104,485</u>
Leased Property Under Capital Leases	<u>\$ 480,653</u>

The following is a schedule by years of the total payments due as of September 30, 2008:

Year Ending September 30	Governmental Activities	
	Principal	Interest
2009	\$ 169,981	6,464
2010	61,569	3,593
2011	14,982	1,086
2012	<u>15,179</u>	<u>483</u>
Total	<u>\$ 261,711</u>	<u>11,626</u>

(9) Short-term Debt and Liquidity.

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

(10) Long-term Debt.

Debt outstanding as of September 30, 2008, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
BMW Industrial Development	\$ 1,845,000	6.40 / 7.50	8/01/2014
Refunding bond Series 2002	245,000	3.00 / 3.75	9/01/2009
Building bond - 2002	467,000	5.20	2/01/2007
Road and bridge - 2004	1,785,000	3.10 / 3.50	10/01/2011
Refunding bond Series 2004	440,000	1.15 / 3.40	4/01/2012
Health Department Bond	<u>590,000</u>	4.00	10/01/2021
Total General Obligation Bonds	<u>\$ 5,372,000</u>		

TATE COUNTY

Notes to the Financial Statements  
For the Year Ended September 30, 2008

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
<b>B. Capital Leases:</b>			
Mack Dump Truck	\$ 64,214	3.75	12/15/2008
2008 Ford Ranger	14,363	3.15	8/01/2012
Case 5805M Backhoe	9,979	3.48	3/18/2009
Kubota Tractor	16,570	4.16	7/13/2010
John Deere 5425 Tractor	24,900	3.15	8/01/2012
1999 Mack Transport Truck	21,000	3.23	8/04/2012
Volvo Excavator	53,523	3.76	2/01/2010
2006 Mack Transport Truck	27,761	3.25	5/01/2009
2006 Ford Ambulance	29,401	3.79	2/01/2010
Total Capital Leases	\$ <u>261,711</u>		
<b>C. Other Loans:</b>			
MPI CAP Loan *	\$ 508,287	4.65	7/01/2015
BMW CAP Loan	371,624	4.65	7/01/2015
Fire Truck Loan	75,665	3.00	6/01/2017
MPI CAP Loan - Coldwater	<u>186,096</u>	3.00	7/24/2027
Total Other Loans	\$ <u>1,141,672</u>		

\* MPI elected to pay the balance that was owed over the life of the lease in current year, however, the County has elected to amortize the debt.

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
2009	\$ 1,285,000	253,730	130,826	46,689
2010	1,088,000	201,476	136,765	40,750
2011	1,131,000	154,677	142,978	34,536
2012	550,000	104,071	149,478	28,036
2013	412,000	73,914	156,277	21,238
2014 - 2018	736,000	98,106	333,763	34,103
2019 - 2023	170,000	10,400	58,374	9,795
2024 - 2028			<u>34,211</u>	<u>1,457</u>
Total	\$ <u>5,372,000</u>	<u>896,374</u>	<u>1,142,672</u>	<u>216,604</u>

TATE COUNTY

Notes to the Financial Statements  
For the Year Ended September 30, 2008

Legal Debt Margin - The amount of debt, excluding specific exempted debt, which can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the County. As of September 30, 2008, the amount of outstanding debt was equal to 3.63% of the latest property assessments.

Prior Year Defeasance of Debt - In prior years, the County defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. On September 30, 2008, \$245,000 of bonds outstanding were considered defeased.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2008:

	Balance Oct. 1, 2007	Additions	Reductions	Adjustments	Balance Sept. 30, 2008	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 161,651		15,963		145,688	15,405
General obligation bonds	6,628,000		1,256,000		5,372,000	1,285,000
Capital leases	1,043,210	60,730	842,229		261,711	169,981
Other loans	1,283,658		140,986		1,142,672	130,826
Total	\$ 9,116,519	60,730	2,255,178	0	6,922,071	1,601,212
Business-type Activities:						
Compensated absences	\$ 12,287	7,082			19,369	2,050
Total	\$ 12,287	7,082	0	0	19,369	2,050

(11) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances at September 30, 2008:

Fund	Deficit Amount
Special Revenue Funds:	
E-911	\$ 2,379
1997 County GO Bond	20,199
Total	\$ 22,578

(12) Contingencies.

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

## TATE COUNTY

### Notes to the Financial Statements For the Year Ended September 30, 2008

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.

#### (13) Related Organizations.

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

#### (14) Joint Venture.

The County participates in the following joint venture:

Tate County is a participant with DeSoto, Lafayette, Panola and Tunica Counties in a joint venture authorized by Section 39-3-9, Miss. Code Ann. (1972), to operate the First Regional Library. The joint venture was created to provide free public library services to the citizens of the respective counties. The First Regional Library is governed by a five-member board appointed by the Boards of Supervisors of the participating counties. Each member of the board represents one of the participating counties. By contractual agreement, the County's appropriation from the General Fund this year to the joint venture amounted to \$162,600. Complete financial statements for the First Regional Library can be obtained from the main library office in Hernando or from the Tate County Chancery Clerk's office.

#### (15) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

Northwest Mississippi Community College operates in a district composed of the Counties of Benton, Calhoun, DeSoto, Lafayette, Marshall, Panola, Quitman, Tallahatchie, Tate, Tunica and Yalobusha. The Tate County Board of Supervisors appoints two of the 23 members of the college board of trustees. The County appropriated \$764,639 for support and maintenance of the college in the 2008 fiscal year.

North Delta Planning and Development District operates in a district composed of the Counties of Coahoma, DeSoto, Panola, Quitman, Tallahatchie, Tate and Tunica. The Tate County Board of Supervisors appoints four of the 30 members of the board of directors, with two being appointed from the business community. The County appropriated \$30,725 for support of the district in the 2008 fiscal year.

Yazoo-Mississippi Water Management District operates in a district composed of the Counties of Bolivar, Carroll, Coahoma, DeSoto, Holmes, Humphreys, Issaquena, Leflore, Panola, Quitman, Sharkey, Sunflower, Tallahatchie, Tate, Tunica, Washington and Yazoo. The Tate County Board of Supervisors appoints one of the 21 members of the district board of commissioners. The County levied a .61 mill tax for the maintenance and support of the district in the 2008 fiscal year.

Mid-State Opportunity, Inc. operates in a district composed of the Counties of DeSoto, Panola, Quitman, Tallahatchie, Tate and Tunica. The Tate County Board of Supervisors appoints one of the 30 members of the governing board. The County did not appropriate funds for support of the agency in the 2008 fiscal year.

Communicare operates in a district composed of the Counties of Calhoun, DeSoto, Lafayette, Marshall, Panola, Tate and Yalobusha. The Tate County Board of Supervisors appoints one of the seven members of the board of commissioners. The County appropriated \$27,740 for support of the district in the 2008 fiscal year.

## TATE COUNTY

### Notes to the Financial Statements For the Year Ended September 30, 2008

(16) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary and the County is required to contribute at an actuarially determined rate. The current rate is 11.85% 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, 2008, 2007 and 2006 were \$553,943, \$519,970, and \$478,725, respectively, equal to the required contributions for each year.

(17) Subsequent Events.

- A. The County obtained a Federal Home Project Grant.
- B. The County obtained a CAP loan of \$141,000 to cover part of the purchase price of a fire truck that cost \$218,500.
- C. The R. E. Floyd Health Department Building was sold by the County for \$215,000.
- D. The County initiated the process to obtain a \$5,205,000 certificate of participation to build a new jail.
- E. A tort claim was filed against the Circuit Clerk in the amount of \$38,500.

TATE COUNTY

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TATE COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

TATE COUNTY

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TATE COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 General Fund  
 For the Year Ended September 30, 2008

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 5,088,506	5,130,000	5,263,920	133,920
Licenses, commissions and other revenue	528,000	660,500	769,275	108,775
Fines and forfeitures	320,500	378,500	402,085	23,585
Intergovernmental revenues	644,800	572,500	588,086	15,586
Charges for services	480,000	388,500	443,688	55,188
Interest income	87,000	115,500	93,541	(21,959)
Miscellaneous	55,400	54,500	286,817	232,317
Total Revenues	<u>7,204,206</u>	<u>7,300,000</u>	<u>7,847,412</u>	<u>547,412</u>
<b>EXPENDITURES</b>				
Current:				
General government	3,695,536	3,362,500	3,462,055	(99,555)
Public safety	3,134,252	3,283,200	3,133,284	149,916
Health and welfare	137,938	151,752	134,124	17,628
Culture and recreation	166,100	162,600	149,050	13,550
Conservation of natural resources	95,583	95,500	95,125	375
Economic development and assistance	67,000	67,000	60,250	6,750
Total Expenditures	<u>7,296,409</u>	<u>7,122,552</u>	<u>7,033,888</u>	<u>88,664</u>
Excess of Revenues over (under) Expenditures	<u>(92,203)</u>	<u>177,448</u>	<u>813,524</u>	<u>636,076</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	600,000		14,720	14,720
Transfers out	<u>(160,000)</u>	<u>(160,000)</u>	<u>(160,000)</u>	<u>0</u>
Total Other Financing Sources and Uses	<u>440,000</u>	<u>(160,000)</u>	<u>(145,280)</u>	<u>14,720</u>
Net Change in Fund Balance	347,797	17,448	668,244	650,796
Beginning fund balance	<u>750,000</u>	<u>1,112,500</u>	<u>1,487,144</u>	<u>374,644</u>
Ending fund balance	\$ <u>1,097,797</u>	\$ <u>1,129,948</u>	\$ <u>2,155,388</u>	\$ <u>1,025,440</u>

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

TATE COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 BMW General Obligation Bond  
 For the Year Ended September 30, 2008

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Interest income	\$	925	925	0
Miscellaneous	<u>383,425</u>	<u>382,926</u>	<u>382,926</u>	<u>0</u>
Total Revenues	<u>383,425</u>	<u>383,851</u>	<u>383,851</u>	<u>0</u>
<b>EXPENDITURES</b>				
Debt service:				
Paying Agent Fees	500	500	500	0
Principal	240,000	240,000	240,000	0
Interest	<u>142,925</u>	<u>142,925</u>	<u>142,925</u>	<u>0</u>
Total Expenditures	<u>383,425</u>	<u>383,425</u>	<u>383,425</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>0</u>	<u>426</u>	<u>426</u>	<u>0</u>
Net Change in Fund Balance	0	426	426	0
Beginning fund balance	<u>100</u>	<u>23,600</u>	<u>23,604</u>	<u>4</u>
Ending fund balance	\$ <u><u>100</u></u>	<u><u>24,026</u></u>	<u><u>24,030</u></u>	<u><u>4</u></u>

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

## TATE COUNTY

### Notes to the Required Supplementary Information For the Year Ended September 30, 2008

#### Notes to the Required Supplementary Information

##### A. Budgetary Information.

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

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

##### B. Basis of Presentation.

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

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

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

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

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

TATE COUNTY

Notes to the Required Supplementary Information  
For the Year Ended September 30, 2008

	Governmental Fund Types	
	General Fund	BMW GO Fund
Budget (Cash Basis)	\$ 668,244	426
Increase (Decrease)		
Net adjustments for revenue accruals	9,073	
Net adjustments for expenditure accruals	(37,106)	
GAAP Basis	\$ <u>640,211</u>	<u>426</u>

D. Unbudgeted Funds.

None.

TATE COUNTY

SPECIAL REPORTS

TATE COUNTY

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

Members of the Board of Supervisors  
Tate County, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Tate County, Mississippi, as of and for the year ended September 30, 2008, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 7, 2009. The auditors' report on the financial statements is unqualified. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Tate County, Mississippi's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Tate County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. However, of the deficiencies described in the accompanying schedule of findings and responses, we consider items 08-1 through 08-11 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of the internal control over financial reporting was for limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 08-1, 08-3, 08-04, 08-9 and 08-11 to be material weaknesses.

#### Compliance and Other Matters

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

However, we noted certain matters that we reported to the management of Tate County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated December 7, 2009, included within this document.

Tate County's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Tate County's response and, accordingly, we express no opinion on it.

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

*Elliot Haiberg CPA PLLC*

December 7, 2009

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

Members of the Board of Supervisors  
Tate County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Tate County, Mississippi, as of and for the year ended September 30, 2008. Our study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures as we considered necessary in the circumstances.

The Board of Supervisors of Tate County, Mississippi, is responsible for establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972). In addition, the Board of Supervisors is responsible for purchasing in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972). The Board of Supervisors of Tate County, Mississippi, has established centralized purchasing for all funds of the County and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

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

The accompanying schedules of (1) purchases not made from the lowest bidder, (2) emergency purchases and (3) purchases made noncompetitively from a sole source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned study and evaluation of the purchasing system and, in our opinion, is fairly presented when considered in relation to that study and evaluation.

This report is intended for use in evaluating the central purchasing system and inventory control system of Tate County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.

December 7, 2009

*Ellis + Hirsberg CPA PLLC*

TATE COUNTY

Schedule I

Schedule of Purchases Not Made From the Lowest Bidder  
For the Year Ended September 30, 2008

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

TATE COUNTY  
Schedule of Emergency Purchases  
For the Year Ended September 30, 2008

Schedule 2

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

TATE COUNTY  
Schedule of Purchases Made Noncompetitively  
From a Sole Source  
For the Year Ended September 30, 2008

Schedule 3

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

INDEPENDENT AUDITORS' REPORT ON LIMITED INTERNAL CONTROL AND  
COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors  
Tate County, Mississippi

In planning and performing our audit of the financial statements of Tate County, Mississippi for the year ended September 30, 2008, we considered Tate County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Tate County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated December 7, 2009, on the financial statements of Tate County, Mississippi.

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

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

County Administrator.

1. Finding

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

Recommendation

The County Administrator should submit the required monthly report.

County Administrator's Response

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

2. Finding

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

Recommendation

Implement the current chart of accounts.

County Administrator's Response

We are in the process of doing this.

Circuit Clerk.

3. Finding

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

Recommendation

The Circuit Clerk should settle all collections when required. Since this situation has been going on for nine years and the amount has been reduced from \$106,000 to \$14,000, the balance should be settled to the County.

Circuit Clerk's Response

We will consider this option.

Board of Supervisors

4. Finding

As reported in the 2007 audit, Sections 19-3-33 and 19-3-35 require a statement of allowances and a recap of all expenditures by district and also the County as a whole be published within fifteen days of adjournment.

Recommendation

The County should comply with this code section.

Board of Supervisors' Response

We will implement procedures to accomplish this task.

5. Finding

According to section 25-11-127 of the Miss. Code Ann. (1972) the Public Employees Retirement System (PERS) requires that it be notified when any current retiree receiving retirement benefits from PERS is hired by the County as either an employee or an independent contractor.

If the PERS beneficiary is an employee, PERS must be notified by Form 4B, "Certification/Acknowledgment of Re-employment of Retiree" within five days of employment.

No rehired retirees have filled out this form.

Recommendation

All rehired retirees should fill out PERS Form 4B as soon as possible.

County Administrator's Response

We will work to correct this problem.

Tate County's response to the findings included in this report was not audited and, accordingly, we express no opinion on them.

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

*Ellis + Hairbag CPA PLLC*

December 7, 2009

TATE COUNTY

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TATE COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

TATE COUNTY

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TATE COUNTY

Schedule of Findings and Responses  
For the Year Ended September 30, 2008

Section 1: Summary of Auditors' Results

Financial Statements:

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

Section 2: Financial Statement Findings

08-1 Finding - Material Weakness

As stated in the 2007 audit, presently the County does not draft its own financial statements nor notes. The process of drafting the financial statements includes making the necessary adjustments to bring the County's records from strictly cash receipts and disbursements basis to a modified accrual basis of accounting. The modified accrual basis of accounting must then be adjusted to a full accrual basis of accounting to be in accordance with Government Accounting Standards. The County does not presently employ an individual with the above abilities. The effect of this situation could result in financial statements which are materially misstated.

Recommendation

The County should either hire someone or contract with a CPA firm to prepare its financial statements.

County Administrator's Response

We are studying the best way to cure this situation.

County Administrator.

08-2 Finding - Significant Deficiency

- As reported in the last four years audits, there is no separation of duties related to payments received, recorded or deposited by the Planning Commission. All duties are performed by one person.
- Funds received by the County are not always promptly receipted and deposited. The Planning Commission payments are deposited sporadically instead of daily.

Recommendation

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

TATE COUNTY

Schedule of Findings and Responses  
For the Year Ended September 30, 2008

County Administrator's Response

We are working on ways to separate the duties of this department.

08-3 Finding - Material Weakness

As reported in the 2007 audit, some bank statements are not being reconciled on a timely basis. Also there is no indication that the quarterly reports showing the number of bank accounts collateralized through a pool administered by the State Treasurer is being reviewed.

Recommendation

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

County Administrator's Response

We will work on correcting these findings.

08-4 Finding - Material Weakness

As reported in the 2007 audit, the County is doing a good job of tracking and accounting for its equipment but the computer reports that the system is generating are not sufficient. In some cases the beginning balances in the fixed asset ledger summary report do not agree with the 2007 ending balances. The fixed asset software removes assets at net book value not at their original costs.

Recommendation

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

County Administrator's Response

The County will investigate the cause of this problem.

County Tax Collector

08-5 Finding - Significant Deficiency

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

Recommendation

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

County Tax Collector's Response

We have communicated with the Office of the State Auditor and are formulating a solution.

TATE COUNTY

Schedule of Findings and Responses  
For the Year Ended September 30, 2008

County Administrator

08-6 Finding - Significant Deficiency

A check for \$32,897 from the City of Senatobia was deposited and neither recorded on a receipt nor booked by journal entry.

Recommendation

All checks received should be recorded and compared to the daily bank deposit slip.

County Administrator's Response

We will work on correcting this condition.

08-7 Finding - Significant Deficiency

The debt service fund for the 2001 Road Bond maintains a cash balance of \$76,708.55 even though the bond has been paid off in prior years.

Recommendation

These funds should be transferred to the 2004 Road and Bridge Bond.

County Administrator's Response

We will investigate this condition.

08-8 Finding - Significant Deficiency

The County Administrator should be covered by a \$100,000 surety bond. However, the administrator's bond is only for \$75,000.

Recommendation

The County Administrator's bond should be upgraded to \$100,000.

County Administrator's Response

We have taken steps to correct this situation.

08-9 Finding - Material Weakness

The same individual handles payroll from start to finish. There is no separation of duties between check preparation, running the checks through the signing machine, and preparing the checks for delivery to department heads.

Recommendation

There should be a different person running the checks through the machine and preparing them for delivery to the department heads.

TATE COUNTY

Schedule of Findings and Responses  
For the Year Ended September 30, 2008

County Administrator's Response

We will work on correcting this condition.

08-10 Finding - Significant Deficiency

While it is good that each supervisor reviews a list of disbursements each month for his district and the board president reviews the general county disbursements before any checks are written, the supervisors do not either sign and date or initial and date these printouts to indicate the approval.

Recommendation

Internal control would be strengthened if the supervisors would sign or initial and date these printouts to indicate their approval. The signed printout should be maintained as proof of approval.

County Administrator's Response

We will implement this as soon as possible.

08-11 Finding - Material Weakness

Solid waste transactions are handled almost entirely by one individual. This individual prepares bills and mails them out. This same individual also records cash receipts, mail receipts, posts the customer's accounts, and prepares the bank deposits.

Recommendation

There needs to be a second person involved in the process to create some separation of duties.

County Administrator's Response

We will work on correcting this condition.

TATE COUNTY

SUMMARY OF PRIOR AUDIT FINDINGS

TATE COUNTY

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Supervisors:  
James B. Sowell  
President

William T. Burford  
Vice President

Cecil G. Howell  
Mike Campbell  
Cam Walker

# Tate County Board of Supervisors

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John T. Lamar, Jr.  
Attorney

Rufus Warren  
County Administrator

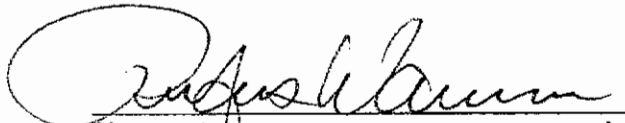
Wayne Crockett  
Clerk

## SUMMARY OF PRIOR AUDIT FINDINGS

As required by Section .315(b) of OMB Circular A-133, Tate County has prepared and hereby submits the following summary schedule of prior audit findings as of September 30, 2008:

07-8            This situation has been corrected.

07-9            This situation has been corrected.

  
\_\_\_\_\_  
Signature  
County Administrator  
Title

TATE COUNTY

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