

ANNUAL FINANCIAL REPORT
LAUDERDALE COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2005

**Comptroller of the Treasury
Department of Audit
Division of County Audit
Nashville, Tennessee**

ANNUAL FINANCIAL REPORT
LAUDERDALE COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2005

DEPARTMENT OF AUDIT
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Comptroller of the Treasury

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This financial report is available at www.comptroller.state.tn.us

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Audit Highlights

Annual Financial Report
Lauderdale County, Tennessee
For the Year Ended June 30, 2005

Scope

We have audited the basic financial statements of Lauderdale County as of and for the year ended June 30, 2005.

Results

Our report on the governmental activities, business-type activities, each major fund, and the aggregate discretely presented component units is unqualified. Our report on the aggregate remaining fund information is qualified because there was not sufficient information available to determine the credit risk and custodial credit risk of certain investments noted in the other auditor's report on Lauderdale County Public Library, a nonmajor special revenue fund.

Our audit resulted in 14 findings and recommendations, which we have reviewed with Lauderdale County management. Detailed findings, recommendations, and management's responses are included in the Single Audit Section of this report.

Findings

The following are summaries of the audit findings:

OFFICE OF HIGHWAY COMMISSIONER

- ◆ Highway/Public Works Fund expenditures exceeded appropriations approved by the County Commission at the major category level of control (the legal level of control).
- ◆ The Highway Department did not issue purchase orders.
- ◆ The Highway Department did not maintain a system to account for materials used on some types of road projects.

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ The School Federal Projects Fund had a fund deficit of \$91,213 at June 30, 2005.
 - ◆ The office had deficiencies in computer system backup procedures.
 - ◆ The office's warrant-signing machine did not have a counter to show the total number of warrants processed.
-

OFFICE OF TRUSTEE

- ◆ The trustee's depository deducted warrants from the office's bank account before the depository presented the warrants to the trustee for payment.
 - ◆ The trustee allowed individuals unsupervised access to the office after business hours.
 - ◆ The trustee did not require two depositories holding county funds to pledge sufficient securities to protect funds exceeding Federal Deposit Insurance Corporation coverage at June 30, 2005.
 - ◆ The Trustee's Office had not implemented adequate controls to protect its information resources against unauthorized access, modification, destruction, or disclosure.
-

OFFICE OF REGISTER

- ◆ The register allowed individuals unsupervised access to the office after business hours.
-

OFFICE OF SHERIFF

- ◆ Duties were not segregated adequately among office employees.
-

OTHER FINDINGS

- ◆ A central system of accounting, budgeting, and purchasing had not been adopted.
- ◆ The County Commission had not adopted formal policies and procedures governing travel reimbursements for county employees.

*State of Tennessee
Comptroller of the Treasury
Department of Audit
Division of County Audit*

INTRODUCTORY SECTION

Lauderdale County Officials
June 30, 2005

Officials:

I. Rozelle Criner, County Mayor
Roland Henderson, Highway Commissioner
Phillip Jackson, Director of Schools
Steve Carmack, Trustee
Jerry Buckner, Assessor of Property
Carolyn McBroom, County Clerk
Richard Jennings, Circuit and General Sessions Courts Clerk
Sandra Burnham, Clerk and Master
Annie Laura Jennings, Register
Louis Craig, Sheriff

Board of County Commissioners:

I. Rozelle Criner, Chairman	Charles Moore
Talmage Carihfield, Pro-tem	Elvis Moore
Charles A. Anthony, Jr.	Carolyn Pilcher
John Bates	Eugene Pugh
Billy Poe Brandon	Rob Reviere
Henry Buckner	Chris Shoemake
Judy Conrad	Lynnwood Shoemake
Roy M. Cook, Jr.	John Snead
Ronnie Elder	Thomas Spiller
Danny Hartsfield	Coy Summar
L. C. Hayslett	Leonard Wakefield
Mike Martin	Carol Walker
Monty McWilliams	

Board of Education:

Sara Harrell, Chairman	Cynthia Glenn
Eva Drain	Debbie Mays
J. A. Dunaway	Don Ray
Vonda Emerson	Austin Thompson, Jr.

Budget Committee:

John Snead, Chairman
Carol Walker, Vice Chairman
Charles A. Anthony, Jr.
Roy M. Cook, Jr.
Ronnie Elder
L. C. Hayslett
Mike Martin
Carolyn Pilcher
Coy Summar
Leonard Wakefield

Finance Committee:

William Thomas, Chairman
Gerald Cherry
H. Gwinn Matthews

FINANCIAL SECTION



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0269
PHONE (615) 401-7841**

INDEPENDENT AUDITOR'S REPORT

January 10, 2006

Lauderdale County Mayor and
Board of County Commissioners
Lauderdale County, Tennessee

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lauderdale County, Tennessee, as of and for the year ended June 30, 2005, which collectively comprise Lauderdale County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Lauderdale County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Lauderdale County Public Library (nonmajor special revenue fund), which represent 10.8 percent and 25.1 percent, respectively, of the assets and revenues of the aggregate remaining fund information or the Lauderdale County Ambulance Authority (nonmajor special revenue fund), which represent 11.1 percent and 61.9 percent, respectively, of the assets and revenues of the aggregate remaining fund information. Also, we did not audit the financial statements of the discretely presented Lauderdale County Water System, which represent 18.2 percent and 3.1 percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Also, we did not audit the financial statements of the discretely presented Lauderdale County Emergency Communications District, which represent 1.2 percent and .8 percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Lauderdale County Public Library, the Lauderdale County Ambulance Authority, the Lauderdale County Water System, and the Lauderdale County Emergency Communications District, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing 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 and the reports of other auditors provide a reasonable basis for our opinions.

The Public Library Fund (a nonmajor special revenue fund) was audited by other auditors whose report was furnished to us. The audit report of the Public Library Fund did not provide sufficient information to determine the credit risk and custodial credit risk associated with investments held in the Public Library Fund. Without this information, the required disclosures to the Notes to the Financial Statements for these investments could not be included to conform with accounting principles generally accepted in the United States of America. The effects on the aggregate remaining fund information are not reasonably determinable.

In our opinion, based on our audit and the reports of other auditors, except for the effects of not presenting the required information concerning credit risk and custodial credit for investments held by Public Library Fund in the notes to the financial statements, as discussed above, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate remaining fund information of Lauderdale County, Tennessee, as of June 30, 2005, and the changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Also, in our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of Lauderdale County, Tennessee, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated January 10, 2006, on our consideration of Lauderdale County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in Note V.B., Lauderdale County has implemented Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures, which modifies the county's disclosures for custodial credit risk and adds disclosures about other types of risk.

The management of Lauderdale County did not prepare a management's discussion and analysis. The management's discussion and analysis section is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America.

The budgetary comparison information on pages 67 through 71 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lauderdale County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Lauderdale County School Department (a discretely presented component unit), miscellaneous schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Lauderdale County School Department (a discretely presented component unit), and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Very truly yours,



John G. Morgan
Comptroller of the Treasury

JGM/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

Lauderdale County, Tennessee
Statement of Net Assets
June 30, 2005

	Primary Government			Component Units		
	Governmental Activities	Business - type Activities	Total	Lauderdale County School Department	Lauderdale County Water System	Emergency Communications District
ASSETS						
Cash	\$ 509,380	\$ 0	\$ 509,380	\$ 0	\$ 1,875,460	\$ 409,336
Equity in Pooled Cash and Investments	5,153,598	1,335,503	6,489,101	1,759,258	0	0
Investments	478,777	0	478,777	0	0	0
Inventory	0	0	0	0	23,180	0
Accounts Receivable	152,539	8,200	160,739	117,201	95,469	29,347
Allowance for Uncollectibles	(27,535)	0	(27,535)	0	0	0
Due from Other Governments	3,752,662	23,852	3,776,514	770,639	9,693	0
Property Taxes Receivable	3,529,816	0	3,529,816	2,344,808	0	0
Allowance for Uncollectible Property Taxes	(116,637)	0	(116,637)	(77,480)	0	0
Prepaid Items	0	0	0	0	749	0
Accrued Interest Receivable	0	0	0	0	0	806
Capital Assets:						
Assets Not Depreciated:						
Land	888,856	160,000	1,048,856	1,341,648	0	0
Assets Net of Accumulated Depreciation:						
Buildings and Improvements	5,987,709	267,246	6,254,955	21,845,622	4,647,906	197,031
Infrastructure	1,073,356	0	1,073,356	0	0	0
Other Capital Assets	756,996	67,081	824,077	1,370,516	0	0
Total Assets	\$ 22,139,517	\$ 1,861,882	\$ 24,001,399	\$ 29,472,212	\$ 6,652,457	\$ 636,520
LIABILITIES						
Accounts Payable	\$ 115,831	\$ 3,118	\$ 118,949	\$ 590	\$ 8,430	\$ 5,434
Accrued Payroll	20,440	0	20,440	0	30,066	0
Payroll Deductions Payable	44,236	985	45,221	417,607	0	2,071
Accrued Leave	0	0	0	0	0	5,211
Contracts Payable	0	0	0	39,011	0	0
Due to State of Tennessee	1,333	0	1,333	0	0	0
Accrued Interest Payable	209,814	0	209,814	12,631	4,249	0
Customer Deposits Payable	0	0	0	0	167,023	0
Deferred Revenue - Current Property Taxes	3,246,157	0	3,246,157	2,156,378	0	0
Other Deferred Revenues	0	4,193	4,193	0	9,693	0
Health Insurance Payments	3,804	0	3,804	0	0	0
Noncurrent Liabilities:						
Due Within One Year	1,589,751	1,651	1,591,402	135,464	20,549	0
Due In More Than One Year	21,864,449	329,267	22,193,716	199,614	826,971	0
Total Liabilities	\$ 27,095,815	\$ 339,214	\$ 27,435,029	\$ 2,961,295	\$ 1,066,981	\$ 12,716
NET ASSETS						
Invested in Capital Assets, Net of Related Debt	\$ 4,616,933	\$ 1,522,668	\$ 6,139,601	\$ 24,222,709	\$ 3,800,387	\$ 197,031
Restricted for:						
Debt Service	4,192,391	0	4,192,391	0	0	0
Other Purposes	1,892,349	0	1,892,349	694,863	0	0
Unrestricted	(15,657,971)	0	(15,657,971)	1,593,346	1,785,089	426,773
Total Net Assets	\$ (4,956,298)	\$ 1,522,668	\$ (3,433,630)	\$ 26,510,918	\$ 5,585,476	\$ 623,804

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

Exhibit B

Lauderdale County, Tennessee
 Statement of Activities
 For the Year Ended June 30, 2005

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets						
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units			
					Governmental Activities	Business-type Activities	Total	Lauderdale County School Department	Lauderdale County Water System	Emergency Communications District	
Primary Government:											
Governmental Activities:											
General Government	\$ 1,284,322	\$ 227,431	\$ 20,571	\$ 0	\$ (1,036,320)	\$ 0	\$ (1,036,320)	\$ 0	\$ 0	\$ 0	
Finance	617,907	606,903	9,190	0	(1,814)	0	(1,814)	0	0	0	
Administration of Justice	1,070,738	308,016	109,657	0	(653,065)	0	(653,065)	0	0	0	
Public Safety	2,895,705	807,435	(62,563)	172,727	(1,978,106)	0	(1,978,106)	0	0	0	
Public Health and Welfare	1,265,470	777,231	218,927	187,510	(81,802)	0	(81,802)	0	0	0	
Social, Cultural, and Recreational Services	199,129	0	0	282,454	83,325	0	83,325	0	0	0	
Agriculture & Natural Resources	156,254	0	0	0	(156,254)	0	(156,254)	0	0	0	
Other Operations	148,064	0	0	0	(148,064)	0	(148,064)	0	0	0	
Highways/Public Works	3,201,705	0	1,919,632	406,208	(875,865)	0	(875,865)	0	0	0	
Interest on Long-term Debt	863,365	0	1,343,870	0	480,505	0	480,505	0	0	0	
Other Debt Service	13,470	0	0	0	(13,470)	0	(13,470)	0	0	0	
Total Governmental Activities	\$ 11,716,129	\$ 2,727,016	\$ 3,559,284	\$ 1,048,899	\$ (4,380,930)	\$ 0	\$ (4,380,930)	\$ 0	\$ 0	\$ 0	
Business-type Activities:											
Solid Waste Disposal Fund	\$ 581,838	\$ 314,952	\$ 0	\$ 0	\$ 0	\$ (266,886)	\$ (266,886)	\$ 0	\$ 0	\$ 0	
Total Primary Government	\$ 12,297,967	\$ 3,041,968	\$ 3,559,284	\$ 1,048,899	\$ (4,380,930)	\$ (266,886)	\$ (4,647,816)	\$ 0	\$ 0	\$ 0	
Component Units:											
Lauderdale County School Department	\$ 29,032,527	\$ 974,246	\$ 4,674,508	\$ 37,442	\$ 0	\$ 0	\$ 0	\$ (23,346,331)	\$ 0	\$ 0	
Lauderdale County Water System	1,020,039	976,917	0	0	0	0	0	0	(43,122)	0	
Emergency Communications District	249,045	193,717	0	0	0	0	0	0	0	(55,328)	
Total Component Units	\$ 30,301,611	\$ 2,144,880	\$ 4,674,508	\$ 37,442	\$ 0	\$ 0	\$ 0	\$ (23,346,331)	\$ (43,122)	\$ (55,328)	

(Continued)

Lauderdale County, Tennessee
Statement of Activities (Cont.)

		Net (Expense) Revenue and Changes in Net Assets														
		Program Revenues			Primary Government			Component Units								
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- type Activities	Total	Lauderdale County School Department	Lauderdale County Water System	Emergency Communications District						
General Revenues:																
Taxes:																
Property taxes levied for general purposes					\$	3,176,082	\$	0	\$	3,176,082	\$	2,502,781	\$	0	\$	0
Property taxes levied for debt service						551,684		0		551,684		0		0		0
Local option sales tax						0		0		0		1,663,533		0		0
Other local taxes						867,865		0		867,865		164,666		0		0
Grants & Contributions not restricted for specific programs						462,131		6,393		468,524		20,318,393		0		49,525
Unrestricted Investment Earnings						376		23,227		23,603		360,287		30,138		5,821
Miscellaneous						46,532		0		46,532		51,542		0		206
Total General Revenues					\$	5,104,670	\$	29,620	\$	5,134,290	\$	25,061,202	\$	30,138	\$	55,552
Change in net assets					\$	723,740	\$	(237,266)	\$	486,474	\$	1,714,871	\$	(12,984)	\$	224
Prior period adjustment						237,551		0		237,551		0		34,265		0
Net assets, July 1, 2004						(5,917,589)		1,759,934		(4,157,655)		24,796,047		5,564,195		623,580
Net assets, June 30, 2005					\$	(4,956,298)	\$	1,522,668	\$	(3,433,630)	\$	26,510,918	\$	5,585,476	\$	623,804

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

Exhibit C-1

Lauderdale County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2005

	Major Funds			Nonmajor Funds	Total Govern- mental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
ASSETS					
Cash	\$ 0	\$ 0	\$ 0	\$ 509,380	\$ 509,380
Equity in Pooled Cash and Investments	3,440,681	458,211	1,215,007	39,699	5,153,598
Investments	0	0	0	478,777	478,777
Accounts Receivable	7,618	0	0	144,921	152,539
Allowance for Uncollectibles	0	0	0	(27,535)	(27,535)
Due from Other Governments	187,994	401,927	3,162,741	0	3,752,662
Due from Other Funds	5,290	0	0	0	5,290
Property Taxes Receivable	2,496,084	516,866	516,866	0	3,529,816
Allowance for Uncollectible Property Taxes	(82,479)	(17,079)	(17,079)	0	(116,637)
Total Assets	\$ 6,055,188	\$ 1,359,925	\$ 4,877,535	\$ 1,145,242	\$ 13,437,890
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 17,772	\$ 93,747	\$ 0	\$ 4,312	\$ 115,831
Accrued Payroll	0	0	0	20,440	20,440
Payroll Deductions Payable	15,530	27,499	0	1,207	44,236
Due to Other Funds	0	0	0	5,290	5,290
Due to State of Tennessee	1,333	0	0	0	1,333
Deferred Revenue - Current Property Taxes	2,295,497	475,330	475,330	0	3,246,157
Deferred Revenue - Delinquent Property Taxes	87,058	17,000	17,000	0	121,058
Other Deferred Revenues	130,055	149,567	0	0	279,622
Health Insurance Payments	3,804	0	0	0	3,804
Total Liabilities	\$ 2,551,049	\$ 763,143	\$ 492,330	\$ 31,249	\$ 3,837,771
Fund Balances					
Reserved for Alcohol and Drug Treatment	\$ 6,562	\$ 0	\$ 0	\$ 0	\$ 6,562
Reserved for Automation Purposes - General Sessions Court	8,445	0	0	0	8,445
Reserved for Endowments	0	0	0	407,888	407,888
Reserved for Other General Purposes	0	0	3,155,079	0	3,155,079
Unreserved, Reported In:					
General Fund	3,489,132	0	0	0	3,489,132
Special Revenue Funds	0	596,782	0	706,105	1,302,887
Debt Service Funds	0	0	1,230,126	0	1,230,126
Total Fund Balances	\$ 3,504,139	\$ 596,782	\$ 4,385,205	\$ 1,113,993	\$ 9,600,119
Total Liabilities and Fund Balances	\$ 6,055,188	\$ 1,359,925	\$ 4,877,535	\$ 1,145,242	\$ 13,437,890

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

Exhibit C-2

Lauderdale County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2005

Amounts reported for governmental activities in the statement of net assets
(Exhibit A) are different because:

Total fund balances - balance sheet - governmental funds (Exhibit C-1)	\$ 9,600,119
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	8,706,917
(2) Long-term liabilities are not due in the current period and therefore are not reported in the funds.	(23,664,014)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	<u>400,680</u>
Net assets of governmental activities (Exhibit A)	<u>\$ (4,956,298)</u>

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

Exhibit D-1

Lauderdale County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2005

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 3,565,986	\$ 685,352	\$ 616,490	\$ 1,095	\$ 4,868,923
Licenses and Permits	34,594	612	610	0	35,816
Fines, Forfeitures and Penalties	67,474	0	0	16,242	83,716
Charges for Current Services	68,266	0	0	773,499	841,765
Other Local Revenues	26,511	15,669	0	17,824	60,004
Fees Received from County Officials	947,061	0	0	0	947,061
State of Tennessee	1,298,837	2,187,094	0	0	3,485,931
Federal Government	178,083	178,352	0	144,337	500,772
Other Governments and Citizens Groups	48,702	0	1,343,870	296,543	1,689,115
Total Revenues	\$ 6,235,514	\$ 3,067,079	\$ 1,960,970	\$ 1,249,540	\$ 12,513,103
<u>Expenditures</u>					
Current:					
General Government	\$ 1,308,408	\$ 0	\$ 0	\$ 0	\$ 1,308,408
Finance	494,612	0	0	0	494,612
Administration of Justice	768,553	0	0	0	768,553
Public Safety	2,338,259	0	0	16,999	2,355,258
Public Health and Welfare	439,440	0	0	716,509	1,155,949
Social, Cultural, and Recreational Services	61,153	0	0	118,373	179,526
Agricultural and Natural Resources	131,467	0	0	0	131,467
Other Operations	1,045,796	0	0	0	1,045,796
Highways	0	3,355,109	0	0	3,355,109
Debt Service:					
Debt Service Principal	0	0	1,529,903	0	1,529,903
Debt Service Interest	0	0	874,831	0	874,831
Other Debt Service	0	0	13,470	0	13,470
Capital Projects	0	0	0	330,622	330,622
Total Expenditures	\$ 6,587,688	\$ 3,355,109	\$ 2,418,204	\$ 1,182,503	\$ 13,543,504
Excess (Deficiency) of Revenues Over Expenditures					
	\$ (352,174)	\$ (288,030)	\$ (457,234)	\$ 67,037	\$ (1,030,401)
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 300,000	\$ 300,000
Transfers In	0	0	4,211	82,387	86,598
Transfers Out	(82,387)	0	0	(4,211)	(86,598)
Total Other Financing Sources (Uses)	\$ (82,387)	\$ 0	\$ 4,211	\$ 378,176	\$ 300,000
Net Change in Fund Balances					
	\$ (434,561)	\$ (288,030)	\$ (453,023)	\$ 445,213	\$ (730,401)
Fund Balance, July 1, 2004	3,938,700	884,812	4,838,228	1,121,736	10,783,476
Prior Period Adjustment	0	0	0	(452,956)	(452,956)
Fund Balance, June 30, 2005	\$ 3,504,139	\$ 596,782	\$ 4,385,205	\$ 1,113,993	\$ 9,600,119

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

Exhibit D-2

Lauderdale County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2005

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

Net change in fund balances - total governmental funds (Exhibit D-1)	\$ (730,401)
(1) 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 is reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	286,006
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(73,234)
(3) The issuance of long-term debt (e.g., bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.	1,229,903
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	<u>11,466</u>
Change in net assets of governmental activities (Exhibit B)	<u>\$ 723,740</u>

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

Exhibit E-1

Lauderdale County, Tennessee
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund
For the Year Ended June 30, 2005

	Business-type Activities
	Major Fund
	Solid Waste Disposal
<u>Operating Revenues</u>	
Tipping Fees	\$ 314,352
Other General Service Charges	600
Total Operating Revenues	<u>\$ 314,952</u>
<u>Operating Expenses</u>	
Supervisor/Director	\$ 21,906
Salary Supplements	4,048
Equipment Operators	40,591
Social Security	4,298
State Retirement	4,162
Employee and Dependent Insurance	20,393
Communication	423
Contracts with Private Agencies	244,736
Maintenance Agreements	2,000
Maintenance & Repair Services- Buildings	838
Maintenance & Repair Services- Equipment	33,054
Diesel Fuel	3,969
Office Supplies	754
Utilities	1,477
Other Supplies and Materials	1,656
Building and Contents Insurance	608
Trustee's Commission	232
Vehicle and Equipment Insurance	5,749
Worker's Compensation Insurance	3,821
Depreciation	47,002
Landfill Closure/Post Closure Care Costs	140,121
Total Operating Expenses	<u>\$ 581,838</u>
Operating Income (Loss)	<u>\$ (266,886)</u>
<u>Nonoperating Revenues (Expenses)</u>	
Investment Income	\$ 23,227
Solid Waste Grants	6,393
Total Nonoperating Revenues (Expenses)	<u>\$ 29,620</u>
Change in Net Assets	\$ (237,266)
Net Assets, July 1, 2004	<u>1,759,934</u>
Net Assets, June 30, 2005	<u>\$ 1,522,668</u>

The accompanying notes are an integral part of this statement.

Lauderdale County, Tennessee
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2005

	Business-type Activities
	<u>Major Fund</u>
	Solid Waste Disposal
<u>Cash Flows from Operating Activities</u>	
Receipts from Customers and Users	\$ 316,779
Other Cash Receipts	600
Waste Collections and Disposal Activity - Uses	(400,283)
Net Cash Provided by (Used In) Operating Activities	<u>\$ (82,904)</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Grants Received	\$ 6,393
Net Cash Provided by (Used In) Noncapital Financing Activities	<u>\$ 6,393</u>
<u>Cash Flows from Investing Activities</u>	
Investment Income	\$ 23,227
Net Cash Provided by (Used In) Investing Activities	<u>\$ 23,227</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (53,284)
Cash and Cash Equivalents, July 1, 2004	<u>1,388,787</u>
Cash and Cash Equivalents, June 30, 2005	<u>\$ 1,335,503</u>
<u>Reconciliation of Operating Income (Loss)</u>	
<u>To Net Cash Provided by Operating Activities</u>	
Operating Income (Loss)	\$ (266,886)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities:	
Depreciation	47,002
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	(4,582)
(Increase) Decrease in Due from Other Governments	2,816
Increase (Decrease) in Accounts Payable	3,118
Increase (Decrease) in Payroll Deductions Payable	668
Increase (Decrease) in Deferred Revenues	4,193
Increase (Decrease) in Accrued Liability for Landfill Closure/Postclosure Costs	<u>130,767</u>
Net Cash Provided by (Used In) Operating Activities	<u>\$ (82,904)</u>

The accompanying notes are an integral part of this statement.

Exhibit F

Lauderdale County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2005

	<u>Agency Funds</u>
<u>ASSETS</u>	
Equity in Pooled Cash and Investments	\$ 2,975,594
Cash	575,741
Due from Other Governments	<u>324,259</u>
Total Assets	<u>\$ 3,875,594</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 3,299,853
Due to Litigants, Heirs, and Others	<u>575,741</u>
Total Liabilities	<u>\$ 3,875,594</u>

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

LAUDERDALE COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Lauderdale County's financial statements are presented in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments.

The following are the more significant accounting policies of Lauderdale County:

A. Reporting Entity

Lauderdale County is a public municipal corporation governed by an elected 24-member board. As required by GAAP, these financial statements present Lauderdale County (the primary government) and its component units. The component units discussed below are included in the county's reporting entity because of the significance of their operational or financial relationships with the county.

Blended Component Units – There are no legally separate component units of Lauderdale County that meet the criteria for being reported as part of the primary government by the blending method.

Discretely Presented Component Units – The following entities meet the criteria for discretely presented component units of the county. They are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the county.

The Lauderdale County School Department operates the public school system in the county, and the voters of Lauderdale County elect its board. The School Department is fiscally dependent on the county because it may not issue debt without county approval, and its budget and property tax levy are subject to the County Commission's approval. The School Department's taxes are levied under the taxing authority of the county and are included as part of the county's total tax levy.

The Lauderdale County Water System provides water to the residents of Lauderdale County in unincorporated areas. The system's governing body is appointed by the Lauderdale County Commission, and its operating budget is subject to the County Commission's approval.

The Lauderdale County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Lauderdale County, and the Lauderdale County Commission appoints its governing body. The district is funded primarily through a service charge levied on telephone services.

Before the issuance of most debt instruments, the district must obtain the County Commission's approval.

The Lauderdale County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of the Lauderdale County School Department are included in this report as listed in the table of contents. Complete financial statements of the Lauderdale County Water System and the Lauderdale County Emergency Communications District can be obtained from their administrative offices at the following addresses:

Administrative Offices:

Lauderdale County Water System
550 Central Curve Road
P.O. Box 527
Ripley, TN 38063

Lauderdale County Emergency Communications District
671 Highway 51 South
P.O. Box 142
Ripley, TN 38063

Related Organization – The Lauderdale County Industrial Development Board is a related organization of Lauderdale County. The county's officials are responsible for appointing the members of the board, but the county's accountability for the organization does not extend beyond making the appointments.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities, which rely to a significant extent on fees and charges, are required to be reported separately from governmental activities in government-wide financial statements. The primary government of Lauderdale County has one business-type activity to report (the Solid Waste Disposal Fund). Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The Lauderdale County School Department component unit only reports governmental activities in the government-wide financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program

revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Lauderdale County issues all debt for the discretely presented Lauderdale County School Department.

Separate financial statements are provided for governmental funds, proprietary funds (enterprise fund), and fiduciary funds. The fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary funds financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund financial statements of Lauderdale County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Lauderdale County only reports one proprietary fund, a major enterprise fund. Separate financial statements are provided for governmental funds, the proprietary fund, and fiduciary funds. Major individual governmental funds and the enterprise fund are reported as separate columns in the fund financial statements. All other governmental funds are aggregated into a single column on the fund financial statements. The enterprise fund and fiduciary funds in total are reported in single columns by fund type.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the county considers

revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. Lauderdale County considers grant and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the General Debt Service Fund for payments to be made early in the following year.

Property taxes for the period levied, in-lieu-of tax payments, sales taxes, interest, and miscellaneous taxes are all considered to be susceptible to accrual and have been recognized as revenues of the current period. Applicable business taxes, litigation taxes, state-shared excise taxes, fines, forfeitures, and penalties are not susceptible to accrual since they are not measurable (reasonably estimable). All other revenue items are considered to be measurable and available only when the county receives cash.

Proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Lauderdale County reports the following major governmental funds:

General Fund – This is the county’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Highway/Public Works Fund – This fund accounts for transactions of the county’s Highway Department.

General Debt Service Fund – This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Lauderdale County reports the following major proprietary fund:

Solid Waste Disposal Fund – This fund accounts for the operations of the county’s landfill.

Additionally, Lauderdale County reports the following fund type:

Capital Projects Fund – The Community Development/Industrial Park Fund accounts for the construction of a county health department.

Agency Funds – These funds account for amounts collected in an agency capacity by the constitutional officers and local sales taxes received by the state to be forwarded to the various cities in Lauderdale County. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They do, however, use the accrual basis of accounting to recognize receivables and payables.

The discretely presented Lauderdale County School Department reports the following major governmental funds:

General Purpose School Fund – This fund is the primary operating fund for the School Department. It accounts for general operations of the School Department.

School Federal Projects Fund – This fund accounts for restricted federal revenues which must be expended on specific education programs.

Central Cafeteria Fund – This fund accounts for the cafeteria operations in each of the schools.

Additionally, the Lauderdale County School Department reports the following fund type:

Capital Projects Fund – The Education Capital Projects Fund accounts for the construction and equipping of public schools in the county.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. The county has one proprietary fund, an enterprise fund to account for the operations of the county's landfill. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted revenues first, then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

For purposes of the statement of cash flows, cash includes cash on deposit with the county trustee.

State statutes authorize the government to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; the county's own legally issued bonds or notes; the State Treasurer's Investment Pool; and repurchase agreements.

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented Lauderdale County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the Lauderdale County School Department's General Purpose School Fund. In addition, investments are held separately by the Public Library Fund. Lauderdale County and the Lauderdale County School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. Investments required to be reported at fair value were held at the balance sheet date.

2. Receivables and Payables

Activity between funds for unremitted current collections outstanding at the end of the fiscal year is referred to as due to/from other funds.

Ambulance and property taxes receivable are shown with an allowance for uncollectibles. The allowance for ambulance service uncollectibles is based on historical collection data. The allowance for uncollectible property taxes is equal to 1.7 percent of total taxes levied.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises. This date is January 1 and is referred to as the lien date. However, revenues from property taxes are recognized in the period for which the taxes are levied, which is the ensuing fiscal year. Since the receivable is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated allowance for uncollectible taxes, is reported as deferred revenue as of June 30.

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported as revenue during the current fiscal year. These property taxes receivable are presented on the balance sheet with offsetting deferred revenue to reflect amounts not available as of June 30. Property taxes collected within 30 days of year-end are considered available and accrued. The allowance for uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court for collection are not included in taxes receivable since they are neither measurable nor available.

Property taxes are levied as of the first Monday in October. Taxes become delinquent and begin accumulating interest and penalty the following March 1. Suit must be filed in Chancery Court between the following February 1 to April 1 for any remaining unpaid taxes. Additional costs attach to delinquent taxes after a court suit has been filed.

3. Capital Assets

Governmental funds do not capitalize the cost of capital outlays; these funds report capital outlays as expenditures upon acquisition.

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental column and the business-type column in the government-wide financial statements. Capital assets are defined

by the government as assets with an initial, individual cost of \$10,000 or more (buildings and improvements \$10,000, vehicles and equipment \$15,000, and infrastructure \$30,000), and an estimated useful life of more than five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, equipment, and infrastructure of the primary government and the discretely presented School Department are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	25
Other Capital Assets	5
Infrastructure:	
Roads	20
Bridges	20 - 30

Capital assets of the Solid Waste Disposal Fund include land, buildings, and equipment. Depreciation is determined on a straight-line basis using an estimated useful life of 40 years for buildings and ten years for equipment.

4. Compensated Absences

The general policy of Lauderdale County (with the exception of the Lauderdale County Library and sick leave for employees of the Highway Department) does not allow employees to accumulate sick and vacation days beyond the end of the fiscal year. The granting of sick leave has no guaranteed payment attached and therefore is not required to be accrued or recorded.

Lauderdale County Library allows full-time employees the option of accruing sick leave and vacation pay for use in future periods.

Lauderdale County Ambulance Service employees are given two weeks vacation and five paid sick days a year. If employees have not used their sick days during the year they are paid for this time at the end of the fiscal year. There are no accrued vacation or sick pay days.

The School Department's personnel policy does not allow employees to accumulate vacation days beyond the end of the fiscal year. Professional personnel are allowed to accumulate an unlimited amount of sick leave days and full time non-professional employees can accumulate a limited amount of sick leave days based upon the number of months employed. There is no liability for unpaid accumulated sick leave since the School Department does not have a policy to pay any amounts when employees separate from service with the government.

5. Long-term Obligations

In the government-wide financial statements, and the proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities (or proprietary fund type) statement of net assets. Debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the straight-line method. Debt issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize debt premiums and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Only the matured portion (the portion that has come due for payment) of long-term indebtedness, including bonds payable, is recognized as a liability and expenditure in the governmental fund financial statements. Liabilities and expenditures for other long-term obligations, including landfill closure and postclosure care costs are recognized to the extent that the liabilities have matured (come due for payment) each period.

6. Net Assets and Fund Equity

In the government-wide financial statements, equity is classified as net assets and displayed in three components:

- a. 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, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

As of June 30, 2005, Lauderdale County had \$19,364,216 in outstanding debt for capital purposes for the discretely presented Lauderdale County School Department. The debt is a liability of Lauderdale County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, Lauderdale County has incurred a liability significantly decreasing its unrestricted net assets with no corresponding increase in the county's capital assets.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

7. Prior-period Adjustments

Ambulance Service Fund accounts receivable had not been written-off against allowance for doubtful accounts in previous financial statements. Uncollectible receivables (\$452,956) prior to July 1, 2004, were written-off against the allowance for doubtful accounts and fund balance (net assets).

Capital assets were restated (\$690,507, net of depreciation) from the prior year because a bridge had been omitted.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

Primary Government

Exhibit C-2 presents a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that long-term liabilities, including debt payable, are not due and payable in the current period and therefore are not reported in the funds. The details of the \$23,664,014 difference are as follows:

Bonds payable	\$ (22,530,000)
Accrued interest payable	(209,814)
Notes payable	(557,200)
Other loans payable	<u>(367,000)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ (23,664,014)</u>

Discretely Presented Lauderdale County School Department

Exhibit K-3 presents a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that long-term liabilities, including debt payable, are not due and payable in the current period and therefore are not reported in the funds. The details of the \$347,709 difference are as follows:

Accrued interest payable	\$ (12,631)
Notes payable	(272,962)
Capital leases payable	<u>(62,116)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ (347,709)</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

Primary Government

Exhibit D-2 presents a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that 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. The details of this \$286,006 difference are as follows:

Capital outlay	\$ 986,375
Depreciation expense	<u>(700,369)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 286,006</u>

Another element of that reconciliation states that the issuance of long-term debt (e.g., bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of this \$1,229,903 difference are as follows:

Debt issued or incurred:	
Issuance of capital outlay notes	(300,000)
Principal repayments:	
Notes	84,903
Other loans	170,000
Bonds	<u>1,275,000</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 1,229,903</u>

Discretely Presented Lauderdale County School Department

The discretely presented Lauderdale County School Department's Exhibit K-5 presents a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that 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. The details of this \$4,199,541 difference are as follows:

Capital outlay	\$ 5,164,475
Depreciation expense	<u>(964,934)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 4,199,541</u>

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Fund Deficit

The School Federal Projects Fund had a fund deficit of \$91,213 at June 30, 2005. This deficit occurred because the School Department did not request reimbursement of grant expenditures in a timely manner. Reimbursement for a portion of these expenditures (\$74,249) was requested, but was not received within 60 days after year-end. Consequently, those revenues were deferred on the financial statements.

B. Expenditures Exceeded Appropriations

Expenditures exceeded appropriations approved by the County Commission in the following major appropriation categories (the legal level of control) in the following funds:

<u>Fund</u>	<u>Major Appropriation Category</u>	<u>Amount</u>
General	Civil Defense	\$ 815
Highway/Public Works	Capital Outlay	55,433
General Purpose School	Board of Education	2,378

Also, expenditures exceeded appropriations approved by the County Commission in the Public Library Fund by \$14,917.

Such overexpenditures are a violation of state statute. These overexpenditures were funded by available fund balance.

C. The County Had Deposits That Were Exposed to Custodial Credit Risk

The trustee did not require two depositories holding county funds to pledge adequate securities to protect funds that exceeded Federal Deposit Insurance Corporation (FDIC) coverage in the amount of \$34,471. Section 5-8-201, Tennessee Code Annotated, provides for county officials to require any bank that is a depository of county funds to deposit in an escrow account in a second bank collateral security equal to 105 percent of such county funds.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Lauderdale County and the Lauderdale County School Department participate in an internal cash and investment pool through the Office of Trustee. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Cash and Investments reflected on the balance sheets or statements of net assets represent nonpooled amounts held separately by individual funds.

Deposits

Legal Provisions. All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Public fund accounts covered by the pool are considered to be insured for purposes of custodial credit risk exposure.

For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the county.

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, Lauderdale County's deposits may not be returned to it. Lauderdale County does not have a formal policy that limits custodial credit risks for deposits. Separate disclosures concerning bank balances of pooled deposits cannot be made for Lauderdale County and the discretely presented Lauderdale County School Department since both pool their deposits and investments with the county trustee. As of June 30, 2005, bank balances of \$34,471 were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$ 34,471</u>
Total	<u><u>\$ 34,471</u></u>

This \$34,471 consisted of pooled bank balances. Uninsured and uncollateralized deposits are a violation of state statutes.

Investments

Legal Provisions. Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state

or political subdivision rated A or higher by any nationally recognized rating service; and the county's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer's Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state director of Local Finance and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the market value of the securities on the day of purchase.

Investment Balances. As of June 30, 2005, Lauderdale County had the following investments carried at fair value. All of these investments are nonpooled investments held in the Lauderdale County Public Library Fund.

<u>Investment</u>	<u>Fair Value</u>
Lauderdale County Public Library:	
Government Mortgage Pools	\$ 258,632
Centennial Government Trust	53,659
Mortgage Securities	45,046
Preferred Debt	<u>121,440</u>
 Total	 <u>\$ 478,777</u>

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State statutes limit the maturities of certain investments as previously disclosed. Lauderdale County does not have a formal investment policy the limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

B. Capital Assets

Capital asset activity for the year ended June 30, 2005, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-04	Prior Period Adjustment	Increases	Decreases	Balance 6-30-05
Capital Assets Not Depreciated:					
Land	\$ 888,592	\$ 0	\$ 264	\$ 0	\$ 888,856
Construction in Progress	783,322	0	0	(783,322)	0
Total Capital Assets Not Depreciated	\$ 1,671,914	\$ 0	\$ 264	\$ (783,322)	\$ 888,856
Capital Assets Depreciated:					
Buildings and Improvements	\$ 7,521,050	\$ 0	\$ 1,118,144	\$ 0	\$ 8,639,194
Infrastructure	0	708,212	418,069	0	1,126,281
Other Capital Assets	2,991,763	0	233,220	(77,833)	3,147,150
Total Capital Assets Depreciated	\$ 10,512,813	\$ 708,212	\$ 1,769,433	\$ (77,833)	\$ 12,912,625
Less Accumulated Depreciation For:					
Buildings and Improvements	\$ 2,339,737	\$ 0	\$ 311,748	\$ 0	\$ 2,651,485
Infrastructure	0	17,705	35,220	0	52,925
Other Capital Assets	2,114,586	0	353,401	(77,833)	2,390,154
Total Accumulated Depreciation	\$ 4,454,323	\$ 17,705	\$ 700,369	\$ (77,833)	\$ 5,094,564
Total Capital Assets Depreciated, Net	\$ 6,058,490	\$ 690,507	\$ 1,069,064	\$ 0	\$ 7,818,061
Governmental Activities Capital Assets, Net	\$ 7,730,404	\$ 690,507	\$ 1,069,328	\$ (783,322)	\$ 8,706,917

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

Administration of Justice	\$	79,135
Public Safety		181,974
Public Health and Welfare		60,533
Social, Cultural, and Recreational Services		18,119
Agriculture and Natural Resources		729
Highway/Public Works		<u>359,879</u>

Total Depreciation Expense - Governmental Activities	\$	<u><u>700,369</u></u>
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Business-type Activities:

	Balance 7-1-04	Increases	Balance 6-30-05
Capital Assets Not Depreciated:			
Land	\$ 160,000	\$ 0	\$ 160,000
Total Capital Assets Not Depreciated	<u>\$ 160,000</u>	<u>\$ 0</u>	<u>\$ 160,000</u>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 300,418	\$ 0	\$ 300,418
Other Capital Assets	430,897	0	430,897
Total Capital Assets Depreciated	<u>\$ 731,315</u>	<u>\$ 0</u>	<u>\$ 731,315</u>
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 25,661	\$ 7,511	\$ 33,172
Other Capital Assets	324,325	39,491	363,816
Total Accumulated Depreciation	<u>\$ 349,986</u>	<u>\$ 47,002</u>	<u>\$ 396,988</u>
Total Capital Assets Depreciated, Net	<u>\$ 381,329</u>	<u>\$ (47,002)</u>	<u>\$ 334,327</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 541,329</u></u>	<u><u>\$ (47,002)</u></u>	<u><u>\$ 494,327</u></u>

Discretely Presented Lauderdale County School Department

Governmental Activities:

	Balance 7-1-04	Increases	Decreases	Balance 6-30-05
Capital Assets Not Depreciated:				
Land	\$ 1,060,661	\$ 280,987	\$ 0	\$ 1,341,648
Total Capital Assets Not Depreciated	\$ 1,060,661	\$ 280,987	\$ 0	\$ 1,341,648
Capital Assets Depreciated:				
Buildings and Improvements	\$ 30,229,061	\$ 4,377,466	\$ 0	\$ 34,606,527
Infrastructure	0	0	0	0
Other Capital Assets	2,337,382	506,022	(169,146)	2,674,258
Total Capital Assets Depreciated	\$ 32,566,443	\$ 4,883,488	\$ (169,146)	\$ 37,280,785
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 11,927,303	\$ 833,602	\$ 0	\$ 12,760,905
Infrastructure	0	0	0	0
Other Capital Assets	1,341,555	131,332	(169,146)	1,303,741
Total Accumulated Depreciation	\$ 13,268,858	\$ 964,934	\$ (169,146)	\$ 14,064,646
Total Capital Assets Depreciated, Net	\$ 19,297,585	\$ 3,918,554	\$ 0	\$ 23,216,139
Governmental Activities Capital Assets, Net	\$ 20,358,246	\$ 4,199,541	\$ 0	\$ 24,557,787

Depreciation expense was charged to functions of the discretely presented Lauderdale County School Department as follows:

Governmental Activities:

Instruction	\$ 835,684
Support Services	65,618
Operation of Non-Instructional Services	<u>63,632</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 964,934</u>

C. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2005, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
General	Nonmajor governmental	\$ 5,290

This balance resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur and payments between funds are made.

Interfund Transfers:

Interfund transfers for the year ended June 30, 2005, consisted of the following amounts:

Primary Government

<u>Transfers Out</u>	<u>Transfers In</u>	
	General Debt Service Fund	Nonmajor Governmental Funds
General Fund	\$ 0	\$ 82,387
Nonmajor governmental funds	4,211	0
Total	<u>\$ 4,211</u>	<u>\$ 82,387</u>

Discretely Presented Lauderdale County School Department

<u>Transfers Out</u>	<u>Transfers In</u>
	General Purpose School Fund
School Federal Projects Fund	<u>\$ 14,310</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the General Fund to

finance various programs accounted for in other funds in accordance with budgetary authorizations.

D. Contributions to Primary Government's Debt Service Fund

During the year, the School Department contributed \$1,200,000 from the General Purpose School Fund to the primary government's General Debt Service Fund to be applied toward the retirement of general obligation debt that was issued by the county for school capital purposes.

E. Capital Leases

Primary Government

The Lauderdale County Library Board of Trustees has leased the old Sugar Hill Library Building to the Lauderdale County Chamber of Commerce for a period of 99 years for \$1 per year. The Chamber of Commerce is to maintain insurance on the building with the Public Library Fund as the loss payee. The chamber shall be responsible for all maintenance and upkeep on the building during the lease term.

Discretely Presented Lauderdale County School Department

In October 1997, the director of schools entered into a ten-year lease-purchase agreement for an energy management system. The terms of the agreement require total lease payments of \$942,665 plus interest of 6.15 percent. Title to the equipment transfers to the School Department at the end of the lease period. The lease payments are made by the General Purpose School Fund.

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2005, were as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2006	\$ 125,907
2007	125,907
2008	41,969
Total Minimum Lease Payments	\$ 293,783
Amounts Representing Interest	<u>(20,821)</u>
 Present Value of Minimum Lease Payments	 \$ <u>272,962</u>

F. Long-term Debt

Primary Government

General Obligation Bonds, Notes, and Other Loans

The county issues general obligation bonds and other loans to provide funds for the acquisition and construction of major capital facilities. In addition, general obligation bonds have been issued to refund other general obligation bonds. Capital outlay notes are also issued to fund capital facilities and other capital outlay purchases, such as equipment.

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to 19 years for bonds, up to seven years for notes, and up to seven years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds, notes and other loans included in long-term debt as of June 30, 2005, will be retired from the General Debt Service Fund.

General obligation bonds, capital outlay notes, and other loans outstanding as of June 30, 2005, are as follows:

Type	Interest Rate	Amount of Issue	Balance 6-30-05
General Obligation Bonds	2 to 3.75 %	\$ 9,835,000	\$ 9,235,000
General Obligation Bonds - Refunding	3 to 4.75	15,800,000	13,295,000
Capital Outlay Notes	3.5 to 5.35	720,000	557,200
Other Loans	variable	1,000,000	367,000

The County Mayor's Office is performing the accounting and oversight responsibilities for the Lauderdale County Water System's water treatment plant expansion project. Financial transactions relating to this project have been reflected in the financial statements of the Other Capital Projects Fund. Lauderdale County secured financing for this project with United States Department of Agriculture – Rural Development (U.S.D.A. – R.D.) bond proceeds received during the 2001-02 year. The liability for these bonds (\$755,598) has not been reflected in the county's general long-term debt schedule since they are to be retired by the Lauderdale County Water System. Lauderdale County will be contingently liable for the U.S.D.A. – R.D. loan and the interest thereon, in the event of default by the Lauderdale County Water System.

In a prior year, Lauderdale County entered into a loan agreement with the Montgomery County Public Building Authority. Under this loan agreement, the authority loaned Lauderdale County \$1,000,000 for constructing and improving roads at a variable interest rate. The loan is repayable at an interest rate that is a tax-exempt variable rate determined by the remarketing agent daily or weekly, depending on the particular program. In addition, the county pays various other fees (trustee, letter of credit, and debt remarketing) in connection with this loan. At June 30, 2005, the variable interest rate was 2.3 percent, and other fees amounted to .17 percent of the outstanding loan principal.

The annual requirements to amortize all general obligation bonds, notes and other loans as of June 30, 2005, including interest payments, are presented in the following table:

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2006	\$ 1,315,000	\$ 810,260	\$ 95,752	\$ 11,273
2007	1,355,000	769,520	98,378	8,647
2008	1,405,000	727,280	101,104	5,905
2009	1,440,000	683,160	76,087	3,044
2010	1,485,000	636,735	77,547	1,547
2011-2015	7,850,000	2,300,030	108,332	0
2016-2020	5,870,000	924,235	0	0
2021-2022	1,810,000	97,750	0	0
Total	\$ 22,530,000	\$ 6,948,970	\$ 557,200	\$ 30,416

Year Ending June 30	Other Loan (\$1,000,000)			
	Principal	Interest	Other Fees	Total
2006	\$ 179,000	\$ 8,441	\$ 635	\$ 11,273
2007	188,000	4,324	325	8,647
Total	\$ 367,000	\$ 12,765	\$ 960	\$ 19,920

There is \$4,385,205 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita amounted to \$831, based on the 2000 federal census. Total debt per capita, including bonds, notes, and other loans, amounted to \$845, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2005, was as follows:

Governmental Activities:

	Bonds	Notes	Other Loans
Balance, July 1, 2004	\$ 23,805,000	\$ 342,103	\$ 537,000
Additions	0	300,000	0
Deductions	(1,275,000)	(84,903)	(170,000)
Balance, June 30, 2005	<u>\$ 22,530,000</u>	<u>\$ 557,200</u>	<u>\$ 367,000</u>
Balance Due Within One Year	<u>\$ 1,315,000</u>	<u>\$ 95,752</u>	<u>\$ 179,000</u>

Analysis of the Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2005	\$ 23,785,118
Less: Balance Due Within One Year	<u>(1,591,402)</u>
Noncurrent Liabilities - Due In More Than One Year - Exhibit A	<u>\$ 22,193,716</u>

Lauderdale County Solid Waste Disposal Fund (Enterprise Fund)

The following is a summary of changes in the long-term liabilities of the Solid Waste Disposal Fund (enterprise fund) for the year ended June 30, 2005:

Business-type Activities:

	Closure/ Postclosure Care Costs
Balance, July 1, 2004	\$ 200,151
Additions	140,121
Deductions	<u>(9,354)</u>
Balance, June 30, 2005	<u>\$ 330,918</u>
Balance Due Within One Year	<u>\$ 9,354</u>

Discretely Presented Lauderdale County School Department

The annual requirements to amortize the note outstanding as of June 30, 2005, including are presented in the following table:

Year Ending June 30	<u>Notes</u> <u>Principal</u>
2006	\$ 9,556
2007	9,556
2008	9,556
2009	9,556
2010	9,556
2011-2012	14,336
Total	<u>\$ 62,116</u>

Changes in Long-term Liabilities

Long-term liability activity for the discretely presented Lauderdale County School Department for the year ended June 30, 2005, was as follows:

Governmental Activities:

	<u>Note</u>	<u>Capital Lease</u>
Balance, July 1, 2004	\$ 71,672	\$ 378,468
Deductions	(9,556)	(105,506)
Balance, June 30, 2005	<u>\$ 62,116</u>	<u>\$ 272,962</u>
Balance Due Within One Year	<u>\$ 9,557</u>	<u>\$ 125,907</u>

V. OTHER INFORMATION

A. Risk Management

Primary Government

Lauderdale County participates in the Local Government Group Insurance Fund (LGGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local governments and quasi-governmental entities that was established for the primary purpose of providing services for or on behalf of state and local governments. In accordance with Section 8-27-207, Tennessee Code Annotated (TCA), all local governments and quasi-governmental entities described above are eligible to participate. The LGGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee but the state does not retain any risk for losses by this fund. The state statute provides for the LGGIF to be self-sustaining through member premiums.

Lauderdale County participates in the Local Government Workers' Compensation Fund (LGWCF), a public entity risk pool, established under the provisions of Section 29-20-401, TCA, by the Tennessee County Services Association to provide a program of workers' compensation coverage to employees of local governments. The county pays an annual premium to the LGWCF for its workers' compensation insurance coverage. The LGWCF is self-sustaining through member premiums. The LGWCF reinsures through commercial insurance companies for claims exceeding \$300,000.

Lauderdale County purchases commercial insurance for risks related to property and casualty losses. Settled claims have not exceeded this commercial coverage in any of the past three years.

Lauderdale County has chosen to provide for its risk-financing activities involving general liability insurance claims by paying any claims from funds available in the General Fund. County officials have not made any estimates of potential losses and/or claims against the county and have not determined if Lauderdale County is adequately protected. There have not been any material general liability claims paid by Lauderdale County during the past three years.

The Lauderdale County Public Library Fund is exposed to various risks or losses related to theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The fund purchases commercial insurance to cover all of its insurance needs. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

The Ambulance Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2005, the authority purchased commercial insurance for all of the above risks. Settled claims have not exceeded this coverage in any of the past three years and there has been no significant reduction in the amount of coverage provided.

Discretely Presented Lauderdale County School Department

The School Department participates in the Local Education Group Insurance Fund (LEGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local education agencies. In accordance with Section 8-27-302, Tennessee Code Annotated (TCA), all local education agencies are eligible to participate. The LEGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk of losses by this fund. Section 8-27-303, TCA, provides for the LEGIF to be self-sustaining through member premiums.

The School Department joined the Tennessee School Boards Risk Management Trust (TSB-RMT), which is a public entity risk pool established by the School Boards Association, an association of member school boards. The School Department pays annual premiums to the TSB-RMT for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of TSB-RMT provides for it to be self-sustaining through member premiums. The TSB-RMT reinsures through commercial insurance companies for claims exceeding \$100,000 for each insured event.

B. Accounting Changes

At the beginning of the year, the discretely presented Lauderdale County School Department implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. In the prior year, the School Department had only elected to implement the provisions of Statement 34 that related to the fund financial statements.

During the year, Lauderdale County adopted the provisions of Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures. These provisions modified the county's previous custodial risk disclosures for deposits and investments and related collateral. These provisions also added disclosures about other types of risk, including credit risk, interest rate risk, foreign currency risk, and concentrations of credit risk. Governments are also required to provide brief disclosures about their deposit and investment policies that are related to any of the risks required to be disclosed.

C. Contingent Liabilities

Lauderdale County is contingently liable for the Lauderdale County Water System bonds and interest thereon, in the event of default by the Lauderdale County Water System. As of June 30, 2005, future principal requirements were \$847,520, and future interest requirements were \$757,323.

The county is involved in several pending lawsuits. The county attorney estimates that the potential claims against the county not covered by insurance resulting from such litigation would not materially affect the county's financial statements.

D. Change in Administration

On August 31, 2004, Don Smith left the Office of Assessor of Property and was succeeded by Jerry Buckner.

E. Landfill Closure/Postclosure Care Costs

State and federal laws and regulations require the county to place a final cover on its landfill site when it stops accepting waste and to perform certain

maintenance and monitoring functions at the site for 30 years after closure. The Lauderdale County Landfill Consortium, which consisted of Lauderdale County and the Cities of Halls, Gates, Ripley, and Henning, operated a landfill until approximately June 30, 1993, at which time the consortium was dissolved and the consortium's landfill was closed. During the 1993-94 year, Lauderdale County assumed control of the consortium's landfill and its postclosure monitoring, and at this time the county also began operating a new Class 1 landfill. Lauderdale County stopped accepting solid waste at this landfill on February 1, 2001, and began operating a transfer station. Lauderdale County closed this landfill in the 2001-02 fiscal year. Lauderdale County now contracts with a private vendor for the transfer of the county's solid waste to another site. Also, during 1998, the county began operating a Class 3 landfill. Lauderdale County has a liability of \$330,918 for landfill closure and postclosure care costs at June 30, 2005. This amount represents future landfill closure and Postclosure care costs associated with the Class 3 and the two Class 1 landfills at June 30, 2005. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

F. Retirement Commitments

Plan Description

Employees of Lauderdale County are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service, and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Lauderdale County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at

www.treasury.state.tn.us. Copies of footnotes in PDF format can be accessed at <http://www.treasury.state.tn.us/tcrs/PS/>.

Funding Policy

Lauderdale County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2005, was 6.85 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Lauderdale County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2005, Lauderdale County’s annual pension cost of \$499,738 to TCRS was equal to the county’s required and actual contributions. The required contribution was determined as part of the July 1, 2003, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Lauderdale County’s unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2003, was 12 years.

Trend Information

Fiscal Year Ended	Annual Pension Cost(APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-05	\$499,738	100%	\$0
6-30-04	324,201	100	0
6-30-03	319,315	100	0

Required Supplementary Information
Schedule of Funding Progress for Lauderdale County

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b) - (a)	(a/b)	(c)	((b-a)/c)
6-30-03	\$15,643	\$16,249	\$606	96.27%	\$6,215	9.75%
6-30-01	14,192	14,901	709	95.24	5,384	13.17
6-30-99	12,345	13,062	717	94.51	4,970	14.43

SCHOOL TEACHERS

Plan Description

The Lauderdale County School Department contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979, are vested after five years of service. Members joining prior to July 1, 1979, are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. A cost of living adjustment (COLA) is provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at

www.treasury.state.tn.us. Copies of footnotes in PDF format can be accessed at <http://www.treasury.state.tn.us/tcrs/Schools/>.

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the Lauderdale County School Department is established at an actuarially determined rate. The employer rate for the fiscal year ending June 30, 2005, was 5.5 percent of annual covered payroll. The employer contribution requirement for the Lauderdale County School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2005, 2004, and 2003, were \$806,045, \$456,795, and \$447,481, respectively, equal to the required contributions for each year.

G. Purchasing Laws

Office of County Mayor

Purchasing procedures for the County Mayor's Office are governed by the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, Tennessee Code Annotated. This act provides for all purchases exceeding \$5,000 (excluding emergency purchases) to be made based on competitive bids solicited through newspaper advertisement.

Office of Highway Commissioner

Purchasing procedures for the Highway Department are governed by provisions of Section 54-7-113, Tennessee Code Annotated (Uniform Road Law), which requires all purchases exceeding \$10,000 to be made on the basis of publicly advertised competitive bids.

Office of Director of Schools

Purchasing procedures for the discretely presented Lauderdale County School Department are governed by purchasing laws applicable to schools as set forth in Section 49-2-203, Tennessee Code Annotated, which provides for the county Board of Education, through its executive committee (director of schools and chairman of the Board of Education), to make all purchases. This statute also requires competitive bids to be solicited through newspaper advertisement on all purchases exceeding \$5,000.

VI. OTHER NOTES – DISCRETELY PRESENTED LAUDERDALE COUNTY WATER SYSTEM

A. Reporting Entity

The Lauderdale County Water System was created in 1974. These financial statements are limited to the assets, liabilities, fund balance, and results of

operations of the Lauderdale County Water System. They are not intended to present the assets, liabilities, fund balances and results of operations of Lauderdale County taken as a whole. The County Commission of Lauderdale County appoints the five-member board of the Lauderdale County Water System, approves the system's operating budget, and is liable for any unpaid debt of the Lauderdale County Water System.

In accordance with the requirements of Governmental Accounting Standards Board Statement No. 14, The Financial Reporting Entity, of the Governmental Accounting Standards Board, financial statements are incorporated into the financial statements of Lauderdale County, Tennessee, as a component unit.

B. Summary of Significant Accounting Policies

Financial Reporting

The Lauderdale County Water System follows the provisions of the Governmental Accounting Standards Board Statements (GASB) which establish the financial reporting standards for all state and local government entities.

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting and reflect transactions on behalf of the Lauderdale County Water System, the reporting entity. The Lauderdale County Water System accounts for its operations as an enterprise fund. Operating revenues and expenses result from providing water service to residents of Lauderdale County in unincorporated areas of the county. All other revenues and expenses are reported as nonoperating revenues and expenses.

Under GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Government Entities that Use Proprietary Fund Accounting, the Lauderdale County Water System has adopted the option to apply only those Financial Accounting Standards Board (FASB) statements and interpretations issued before November 30, 1989, that do not conflict with or contradict GASB pronouncements. Only GASB pronouncements issued after this date will be followed.

Capital Assets

Capital assets are stated at historical cost. Depreciation is provided on the straight-line method at rates that are designed to amortize the original cost of the property over its estimated useful life. The major categories of property in service and their estimated useful lives are as follows:

<u>Asset</u>	<u>Estimated Useful Life</u>
Utility plant in service	10-50 years
Equipment	2-10 years

Investments

Investments owned by the Lauderdale County Water System are in the safe-keeping of the Lauderdale County Trustee. They are valued at cost and consist of short-term certificates of deposits in area banks. The certificates of deposit have staggered maturity dates. The Lauderdale County Water System is authorized to make direct investments in bonds, notes or treasury bills of the US Government or any of its agencies. Securities pledged as collateral with local banks are held in the name of Lauderdale County and are combined with other funds. There are no restrictions on the investments.

Statement of Cash Flows

For purposes of the statement of cash flows, the Lauderdale County Water System considers all highly liquid investments purchased with a maturity of three months or less to be temporary cash investments.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Compensated Absences

The Lauderdale County Water System accrues vacation and compensated time for its employees to use in future periods.

Inventory

Inventory of supplies are recorded at historical cost.

Bad Debts

The Lauderdale County Water System uses the direct write-off method to account for bad debts. Amounts subsequently collected from a bad-debt write-off are recorded as income

C. Deposits and Investments

The Lauderdale County Water System has implemented Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures, for financial reporting of deposit risk.

Custodial Credit Risk. The Lauderdale County Water System's policies limit investments to those instruments allowed by applicable state laws. State statute required that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105 percent of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance of the Tennessee Bank Collateral Pool, by collateral held by the utility's agent in the utility's name, or by the Federal Reserve Banks acting as third party agents. As of June 30, 2005, all bank deposits were fully collateralized or insured.

D. Accounts Receivable—Annexation

The City of Ripley, Tennessee, annexed an area and agreed to pay the water system for estimated revenue lost by the Lauderdale County Water System from this annexation. The estimated revenue is payable over a ten year period. The amount not collected at June 30, 2005, is also reflected as deferred revenue.

E. Bonds Payable

Bonds payable at June 30, 2005, consist of the following:

	<u>Current</u>	<u>Long-term</u>	<u>Total</u>
FHA; 5%; payable in annual installments of \$6,345 including interest	\$ 4,085	\$ 41,108	\$ 45,193
FHA; 6%; payable in monthly installments of \$815 including interest	7,171	39,558	46,729
Rural Economic and Community Development 4.5%; payable in monthly installments of \$3,592	9,293	746,305	755,598
Total	<u>\$ 20,549</u>	<u>\$ 826,971</u>	<u>\$ 847,520</u>

The annual maturities of long-term bonds as of June 30, 2005, are:

Year Ending June 30	Bonds
2006	\$ 20,549
2007	21,623
2008	22,753
2009	23,944
2010	25,198
2011-2015	92,541
2016-2020	79,808
2021-2025	99,903
2026-2030	125,058
2031-2035	156,548
2036-2040	179,595
Total	<u>\$ 847,520</u>

Net changes for the year ended June 30, 2005, in bond balances are:

	Bonds
Balance, July 1, 2004	\$ 867,036
Deductions	<u>(19,516)</u>
Balance, June 30, 2005	<u>\$ 847,520</u>

F. Stewardship, Compliance, and Accountability

An annual budget is adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end. Some expenditures exceeded appropriations.

G. Risk Management

The Lauderdale County Water System is exposed to various risks or losses related to theft of, damage to, and destruction of assets; injuries to employees, and natural disasters. The Lauderdale County Water System purchases commercial insurance to cover all of its insurance needs. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

H. Concentration of Credit Risk

The Lauderdale County Water System receives its operating funds from fees charged to water customers in Lauderdale County, Tennessee. While the Lauderdale County Water System has a broad consumer base, the ability of customers to pay their accounts is dependent on the economic conditions of the area.

I. Retirement Plan

Plan description

Employees of the Lauderdale County Water System are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service, and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the Lauderdale County Water System participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.treasury.state.tn.us.

Funding policy

The Lauderdale County Water System requires full time employees to contribute five percent of earned compensation. The system is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2005, was 6.85 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the Lauderdale County Water System is established and may be amended by the TCRS Board of Trustees.

Annual pension cost

For the year ended June 30, 2005, the Lauderdale County Water System's annual pension cost of \$15,305 to TCRS was equal to the system's required and actual contributions. The required contribution was determined as part of the July 1, 2003, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. The Lauderdale County Water System's unfunded accrued liability is being amortized as level dollar amount on a closed basis. The remaining amortization period at July 1, 2003, was 12 years.

Trend information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6-30-05	\$ 15,305	100%	\$ 0
6-30-04	10,090	100	0
6-30-03	9,678	100	0

J. Prior Period Adjustment

Prior year net assets were adjusted to account for a cumulative posting error that affected accounts receivable. Accounts receivable and water revenue had been understated for an undeterminable amount of time.

VII. **OTHER NOTES – DISCRETELY PRESENTED LAUDERDALE COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

A. **Summary of Significant Accounting Policies**

1. **Reporting Entity**

Lauderdale County Emergency Communication District, Lauderdale County, Tennessee, is a governmental agency authorized by Tennessee state law and approved by the voters of Lauderdale County. The district provides a simplified method of securing emergency services for the residents of Lauderdale County, Tennessee. A seven-member board appointed by the County Commission governs the district. Because the district cannot issue debt without the approval of the County Commission, Lauderdale County Emergency Communications District has been determined to be a discrete component unit of Lauderdale County, Tennessee, as required by Governmental Accounting Standards Board No. 14. The financial statements presented include only the Lauderdale County Emergency Communications District and the monies and funds managed by the Board of Directors of the district.

2. **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The district distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the district are tariffs charged to telephone users. Operating expenses for the district include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The district has elected not to follow subsequent private-sector guidance.

3. Assets, Liabilities, and Net Assets or Equity

a. Deposits and investments

The district's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the district to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool. The district has no investments that meet this criteria. All investments of the district consist of certificates of deposit, which are stated at cost.

b. Receivables and Service Fees

Fees collected by the Lauderdale County Emergency Communication District are derived from tariffs assessed on the telephone customers of Lauderdale County, Tennessee. The tariff is billed and collected by Bell South and other telephone companies, who then remit the amounts collected to the district. Shared wireless charges are collected by the State of Tennessee and remitted to the district on a monthly basis.

At June 30, 2005, accounts receivable represent service fees and wireless charges collected by the entities named above and not remitted to the district.

c. Capital Assets

Capital assets consist of buildings, communication equipment, and office equipment owned by the district. The assets are capitalized at cost. Depreciation for furniture, fixtures, and equipment is computed using the straight-line method over a ten-year estimated life of the assets. Buildings and building improvements are depreciated over a 40-year estimated life using the straight-line method.

Depreciation expense charged to operations was \$15,829 for the year ended June 30, 2005. Capitalization of asset type purchases is determined on an item by item basis.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

d. Compensated Absences

It is the district's policy to permit employees to accumulate earned but unused vacation, holiday, and compensatory pay benefits.

Vacation benefits are earned in accordance with the following table.

<u>Length of Service</u>	<u>Benefit</u>
1 year	4 hours/Month
After 1 year	8 hours/month

Maximum accumulation - 80 hours

There is no liability for unpaid accumulated sick leave.

Compensatory and holiday time is payable to the employee at 1 and 1/2 times the number hours actually worked. The district has accrued absences that have been earned by the employees and are payable in accordance with the above table.

e. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumption that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

B. Stewardship, Compliance, and Accountability

Budgetary Information

An annual budget is adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end.

C. Detailed Notes on All Funds

1. Cash and Investments

Cash and investments, which are stated at cost, consisted of the following:

Cash in Banks	\$ 209,336
Certificates of Deposit	<u>200,000</u>
Total	<u><u>\$ 409,336</u></u>

Cash in banks and certificates of deposits, are insured up to \$ 100,000 by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2005, \$218,090 was covered by FDIC while \$191,246 was collateralized with securities held by the district's agent in the district's name. The Board of Directors approves all investments. The investments consist of certificates of deposits and are in conformity with state guidelines. All cash and investments are held by the depositories in the name of the district.

2. Capital Assets

Capital assets are summarized as follows:

	Balance 7-1-04	Additions	Balance 6-30-05
Building and Improvements	\$ 131,128	\$ 4,064	\$ 135,192
Communication Equipment	82,700	0	82,700
Office Equipment	31,450	1,248	32,698
Furniture and Fixtures	7,616	0	7,616
Total	<u>\$ 252,894</u>	<u>\$ 5,312</u>	<u>\$ 258,206</u>
Less Accumulated Depreciation	(45,345)	(15,830)	(61,175)
Net Capital Assets	<u><u>\$ 207,549</u></u>	<u><u>\$ (10,518)</u></u>	<u><u>\$ 197,031</u></u>

3. Leases

The Emergency Communication District leases answering and monitoring equipment from Bell South under operating leases for an indefinite period. The lease, which began at the date of installation, is billed to the district at a monthly rate of \$3,050.

The following is a schedule by years of expected minimum future rentals on operating leases as of June 30, 2005:

Year ending June 30:

2006	\$	36,600
2007		36,600
2008		36,600
2009		36,600
2010		36,600

D. Other Information

1. Risk Management

Under Tennessee State Law, the board of directors is immune from liability unless they are grossly negligent. Therefore, no additional liability insurance is purchased on behalf of the board members. Board members who are responsible for the cash management of the district are covered under an insurance bond. The Board insures the equipment from loss through commercial insurance. Insurance has been purchased to protect against dispatcher negligence or omissions. No settlements have occurred in any of the prior three years.

2. Related Party Transactions

The district leases office space from an employee to house computer equipment and to transact the day-to-day business of the district. The lease is a monthly operating lease for a one-year term with the option of renewing on a month-to-month basis. The office space rent is \$180 per month in 2005. Annual rent for the next five years is expected to be \$2,160 per year.

3. Concentration of Credit Risk

The district receives its operating funds from tariffs assessed on and collected from telephone users in Lauderdale County, Tennessee. While the district has a broad consumer base, the ability of consumers to pay their accounts is dependent on the economic conditions of the area.

4. Retirement Plan

Plan Description

Employees of the district are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using

the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service, and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the district participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.treasurer.state.tn.us Copies of footnotes in PDF format can be accessed at [http://www.treasurer.state.tn.us us/tcrs/PS/](http://www.treasurer.state.tn.us/us/tcrs/PS/).

Funding policy

The district requires employees to contribute five percent of earnable compensation. The district is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2005, was 5.56 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the district is established and may be amended by the TCRS Board of Trustees.

Annual pension cost

For the year ended June 30, 2005, the district's annual pension cost of \$5,076 to TCRS was equal to the district's required and actual contributions. The required contribution was determined as part of the July 1, 2003, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of

inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. The district's unfounded accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2003, was 17 years.

Trend information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-05	\$ 5,733	100%	\$ 0
6-30-04	5,034	100	0
6-30-03	3,832	100	0

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit G-1

Lauderdale County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 3,565,986	\$ 3,445,440	\$ 3,445,440	\$ 120,546
Licenses and Permits	34,594	36,697	36,697	(2,103)
Fines, Forfeitures and Penalties	67,474	95,041	95,041	(27,567)
Charges for Current Services	68,266	183,353	183,353	(115,087)
Other Local Revenues	26,511	5,000	5,000	21,511
Fees Received from County Officials	947,061	833,550	833,550	113,511
State of Tennessee	1,298,837	1,392,819	1,392,819	(93,982)
Federal Government	178,083	16,257	90,922	87,161
Other Governments and Citizens Groups	48,702	46,000	46,000	2,702
Total Revenues	\$ 6,235,514	\$ 6,054,157	\$ 6,128,822	\$ 106,692
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 48,365	\$ 66,700	\$ 66,700	\$ 18,335
County Mayor/County Executive	153,190	163,677	163,677	10,487
County Attorney	415,878	60,238	423,238	7,360
Election Commission	134,080	128,250	139,250	5,170
Register of Deeds	97,243	101,455	101,455	4,212
Development	93,900	98,166	348,166	254,266
Planning	18,616	25,076	25,076	6,460
County Buildings	343,718	423,522	423,522	79,804
Other General Administration	3,418	3,439	3,439	21
<u>Finance</u>				
Accounting and Budgeting	900	1,000	1,000	100
Property Assessor's Office	134,673	147,408	147,408	12,735
Reappraisal Program	22,528	23,192	23,192	664
County Trustee's Office	125,292	135,853	135,853	10,561
County Clerk's Office	211,219	213,115	213,115	1,896
<u>Administration of Justice</u>				
Circuit Court	139,822	175,784	175,784	35,962
General Sessions Judge	58,330	58,954	58,954	624
General Sessions Court Clerk	117,172	118,784	118,784	1,612
Chancery Court	115,982	132,162	133,962	17,980
Juvenile Court	245,819	246,732	250,232	4,413
Other Administration of Justice	91,428	91,428	91,428	0
<u>Public Safety</u>				
Sheriff's Department	1,137,677	1,149,414	1,171,250	33,573
Jail	1,061,103	1,028,229	1,098,229	37,126
Fire Prevention and Control	19,669	26,716	26,716	7,047
Civil Defense	75,480	0	74,665	(815)
Rescue Squad	6,007	3,000	6,007	0
Other Emergency Management	38,323	43,350	43,350	5,027
Local Health Center	54,806	57,962	57,962	3,156
Rabies and Animal Control	40,187	40,570	40,570	383
Dental Health Program	216,694	220,639	220,639	3,945
Other Local Health Services	91,736	92,464	92,464	728
Aid to Dependent Children	0	600	600	600
Sanitation Education/Information	36,017	38,928	38,928	2,911

(Continued)

Exhibit G-1

Lauderdale County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Fund (Cont.)

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Social, Cultural and Recreational Services</u>				
Libraries	\$ 22,153	\$ 104,540	\$ 22,153	\$ 0
Parks and Fair Boards	39,000	41,000	41,000	2,000
<u>Agriculture & Natural Resources</u>				
Agriculture Extension Service	85,119	98,250	98,250	13,131
Soil Conservation	46,348	46,348	46,348	0
<u>Other Operations</u>				
Veterans' Services	13,916	15,835	15,835	1,919
Other Charges	109,272	110,150	110,150	878
Contributions to Other Agencies	53,607	53,607	53,607	0
Employee Benefits	829,547	817,000	887,000	57,453
Miscellaneous	39,454	131,769	131,769	92,315
Total Expenditures	<u>\$ 6,587,688</u>	<u>\$ 6,535,306</u>	<u>\$ 7,321,727</u>	<u>\$ 734,039</u>
Excess (Deficiency) of Revenues				
Over Expenditures	\$ (352,174)	\$ (481,149)	\$ (1,192,905)	\$ 840,731
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (82,387)	0	\$ (82,387)	0
Total Other Financing Sources (Uses)	<u>\$ (82,387)</u>	<u>0</u>	<u>\$ (82,387)</u>	<u>0</u>
Net Change in Fund Balance				
Fund Balance, July 1, 2004	\$ (434,561)	\$ (481,149)	\$ (1,275,292)	\$ 840,731
	<u>3,938,700</u>	<u>3,855,964</u>	<u>3,855,964</u>	<u>82,736</u>
Fund Balance, June 30, 2005				
	<u>\$ 3,504,139</u>	<u>\$ 3,374,815</u>	<u>\$ 2,580,672</u>	<u>\$ 923,467</u>

Exhibit G-2

Lauderdale County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 685,352	\$ 649,245	\$ 649,245	\$ 36,107
Licenses and Permits	612	1,500	1,500	(888)
Other Local Revenues	15,669	25,500	25,500	(9,831)
State of Tennessee	2,187,094	2,181,530	2,181,530	5,564
Federal Government	178,352	200,000	200,000	(21,648)
Total Revenues	<u>\$ 3,067,079</u>	<u>\$ 3,057,775</u>	<u>\$ 3,057,775</u>	<u>\$ 9,304</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 154,968	\$ 166,338	\$ 166,338	\$ 11,370
Highway and Bridge Maintenance	1,235,374	1,376,100	1,376,100	140,726
Operation and Maintenance of Equipment	444,183	457,450	457,450	13,267
Other Charges	175,545	186,500	186,500	10,955
Employee Benefits	389,606	384,625	409,625	20,019
Capital Outlay	955,433	900,000	900,000	(55,433)
Total Expenditures	<u>\$ 3,355,109</u>	<u>\$ 3,471,013</u>	<u>\$ 3,496,013</u>	<u>\$ 140,904</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (288,030)</u>	<u>\$ (413,238)</u>	<u>\$ (438,238)</u>	<u>\$ 150,208</u>
Net Change in Fund Balance	\$ (288,030)	\$ (413,238)	\$ (438,238)	\$ 150,208
Fund Balance, July 1, 2004	<u>884,812</u>	<u>906,556</u>	<u>906,556</u>	<u>(21,744)</u>
Fund Balance, June 30, 2005	<u>\$ 596,782</u>	<u>\$ 493,318</u>	<u>\$ 468,318</u>	<u>\$ 128,464</u>

LAUDERDALE COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2005

A. BUDGETARY INFORMATION

The county is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, County Mayor, County Attorney, Election Commission, etc.). Management may make revisions within major categories, but only the governing body may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

The county's budgetary basis of accounting is consistent with generally accepted accounting principles (GAAP), except instances in which encumbrances are treated as budgeted expenditures. The difference between the budgetary basis and the GAAP basis is presented on the face of each budgetary statement.

B. EXPENDITURES EXCEEDED APPROPRIATIONS

Expenditures exceeded appropriations approved by the County Commission in the Civil Defense (\$815) major appropriation category (the legal level of control) of the General Fund and in the Capital Outlay (\$55,433) major appropriation category of the Highway/Public Works Fund. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balances.

**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes.

Law Library Fund – The Law Library Fund is used to account for a special tax levied by private act on litigation. Proceeds of the tax must be expended for the benefit of the county’s law library.

Public Library Fund – The Public Library Fund is used to account for transactions of the county library, which is jointly funded by Lauderdale County and the City of Ripley.

Ambulance Service Fund – The Ambulance Service Fund is used to account for transactions of the county ambulance service.

Drug Control Fund – The Drug Control Fund is used to account for revenues received from drug-related fines, forfeitures, and seizures.

Constitutional Officers - Fees Fund – The Constitutional Officers - Fees Fund is used to account for operating expenses paid directly from the fee and commission accounts of the trustee, clerks, register, and sheriff.

Capital Projects Fund

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Community Development/Industrial Park Fund – The Community Development/Industrial Park Fund is used to account for the construction of a county health department building.

Exhibit H-1

Lauderdale County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005

	<u>Special Revenue Funds</u>					
	Law Library	Public Library	Ambulance Service	Drug Control	Constitu - tional Officers - Fees	Total Nonmajor Governmental Funds
<u>ASSETS</u>						
Cash	\$ 0	\$ 65,442	\$ 438,648	\$ 0	\$ 5,290	\$ 509,380
Equity in Pooled Cash and Investments	3,209	0	0	36,490	0	39,699
Investments	0	478,777	0	0	0	478,777
Accounts Receivable	0	0	144,921	0	0	144,921
Allowance for Uncollectibles	0	0	(27,535)	0	0	(27,535)
Total Assets	<u>\$ 3,209</u>	<u>\$ 544,219</u>	<u>\$ 556,034</u>	<u>\$ 36,490</u>	<u>\$ 5,290</u>	<u>\$ 1,145,242</u>
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Accounts Payable	\$ 0	\$ 0	\$ 4,312	\$ 0	\$ 0	\$ 4,312
Accrued Payroll	0	4,669	15,771	0	0	20,440
Payroll Deductions Payable	0	0	1,207	0	0	1,207
Due to Other Funds	0	0	0	0	5,290	5,290
Total Liabilities	<u>\$ 0</u>	<u>\$ 4,669</u>	<u>\$ 21,290</u>	<u>\$ 0</u>	<u>\$ 5,290</u>	<u>\$ 31,249</u>
<u>Fund Balances</u>						
Reserved for Endowments	\$ 0	\$ 407,888	\$ 0	\$ 0	\$ 0	\$ 407,888
Unreserved	3,209	131,662	534,744	36,490	0	706,105
Total Fund Balances	<u>\$ 3,209</u>	<u>\$ 539,550</u>	<u>\$ 534,744</u>	<u>\$ 36,490</u>	<u>\$ 0</u>	<u>\$ 1,113,993</u>
Total Liabilities and Fund Balances	<u>\$ 3,209</u>	<u>\$ 544,219</u>	<u>\$ 556,034</u>	<u>\$ 36,490</u>	<u>\$ 5,290</u>	<u>\$ 1,145,242</u>

Exhibit H-2

Lauderdale County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2005

	Special Revenue Funds					Capital Projects Fund	Total Nonmajor Governmental Funds
	Law Library	Public Library	Ambulance Service	Drug Control	Total	Community Development/ Industrial Park	
<u>Revenues</u>							
Local Taxes	\$ 1,095	\$ 0	\$ 0	\$ 0	\$ 1,095	\$ 0	\$ 1,095
Fines, Forfeitures, and Penalties	0	0	0	16,242	16,242	0	16,242
Charges for Current Services	0	0	773,499	0	773,499	0	773,499
Other Local Revenues	0	17,182	182	0	17,364	460	17,824
Federal Government	0	0	0	0	0	144,337	144,337
Other Governments and Citizens Groups	0	296,543	0	0	296,543	0	296,543
Total Revenues	\$ 1,095	\$ 313,725	\$ 773,681	\$ 16,242	\$ 1,104,743	\$ 144,797	\$ 1,249,540
<u>Expenditures</u>							
Current:							
Public Safety	\$ 0	\$ 0	\$ 0	\$ 16,999	\$ 16,999	\$ 0	\$ 16,999
Public Health and Welfare	0	0	716,509	0	716,509	0	716,509
Social, Cultural, and Recreational Services	961	117,412	0	0	118,373	0	118,373
Capital Projects	0	0	0	0	0	330,622	330,622
Total Expenditures	\$ 961	\$ 117,412	\$ 716,509	\$ 16,999	\$ 851,881	\$ 330,622	\$ 1,182,503
Excess (Deficiency) of Revenues Over Expenditures							
	\$ 134	\$ 196,313	\$ 57,172	\$ (757)	\$ 252,862	\$ (185,825)	\$ 67,037
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 300,000	\$ 300,000
Transfers In	0	82,387	0	0	82,387	0	82,387
Transfers Out	0	0	0	0	0	(4,211)	(4,211)
Total Other Financing Sources (Uses)	\$ 0	\$ 82,387	\$ 0	\$ 0	\$ 82,387	\$ 295,789	\$ 378,176
Net Change in Fund Balances							
	\$ 134	\$ 278,700	\$ 57,172	\$ (757)	\$ 335,249	\$ 109,964	\$ 445,213
Fund Balance, July 1, 2004	3,075	260,850	930,528	37,247	1,231,700	(109,964)	1,121,736
Prior Period Adjustment	0	0	(452,956)	0	(452,956)	0	(452,956)
Fund Balance, June 30, 2005	\$ 3,209	\$ 539,550	\$ 534,744	\$ 36,490	\$ 1,113,993	\$ 0	\$ 1,113,993

Exhibit H-3

Lauderdale County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Law Library Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,095	\$ 1,400	\$ 1,400	\$ (305)
Total Revenues	\$ 1,095	\$ 1,400	\$ 1,400	\$ (305)
<u>Expenditures</u>				
<u>Social, Cultural, and Recreational Services</u>				
Libraries	\$ 961	\$ 2,020	\$ 2,020	\$ 1,059
Total Expenditures	\$ 961	\$ 2,020	\$ 2,020	\$ 1,059
Excess (Deficiency) of Revenues Over Expenditures	\$ 134	\$ (620)	\$ (620)	\$ 754
Net Change in Fund Balance	\$ 134	\$ (620)	\$ (620)	\$ 754
Fund Balance, July 1, 2004	3,075	2,984	2,984	91
Fund Balance, June 30, 2005	\$ 3,209	\$ 2,364	\$ 2,364	\$ 845

Exhibit H-4

Lauderdale County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Public Library Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 17,182	\$ 4,001	\$ 4,001	\$ 13,181
Other Governments and Citizens Groups	296,543	26,107	26,107	270,436
Total Revenues	<u>\$ 313,725</u>	<u>\$ 30,108</u>	<u>\$ 30,108</u>	<u>\$ 283,617</u>
<u>Expenditures</u>				
<u>Social, Cultural, and Recreational Services</u>				
Libraries	\$ 117,412	\$ 112,495	\$ 102,495	\$ (14,917)
Total Expenditures	<u>\$ 117,412</u>	<u>\$ 112,495</u>	<u>\$ 102,495</u>	<u>\$ (14,917)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 196,313</u>	<u>\$ (82,387)</u>	<u>\$ (72,387)</u>	<u>\$ 268,700</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 82,387	\$ 82,387	\$ 82,387	\$ 0
Total Other Financing Sources (Uses)	<u>\$ 82,387</u>	<u>\$ 82,387</u>	<u>\$ 82,387</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 278,700	\$ 0	\$ 10,000	\$ 268,700
Fund Balance, July 1, 2004	260,850	260,850	260,850	0
Fund Balance, June 30, 2005	<u>\$ 539,550</u>	<u>\$ 260,850</u>	<u>\$ 270,850</u>	<u>\$ 268,700</u>

Exhibit H-5

Lauderdale County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Ambulance Service Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 773,499	\$ 620,000	\$ 620,000	\$ 153,499
Other Local Revenues	182	0	0	182
Total Revenues	<u>\$ 773,681</u>	<u>\$ 620,000</u>	<u>\$ 620,000</u>	<u>\$ 153,681</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Ambulance/Emergency Medical Services	\$ 716,509	\$ 722,053	\$ 722,053	\$ 5,544
Total Expenditures	<u>\$ 716,509</u>	<u>\$ 722,053</u>	<u>\$ 722,053</u>	<u>\$ 5,544</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 57,172</u>	<u>\$ (102,053)</u>	<u>\$ (102,053)</u>	<u>\$ 159,225</u>
Net Change in Fund Balance	\$ 57,172	\$ (102,053)	\$ (102,053)	\$ 159,225
Fund Balance, July 1, 2004	930,528	477,572	477,572	452,956
Prior Period Adjustment	(452,956)	0	0	(452,956)
Fund Balance, June 30, 2005	<u>\$ 534,744</u>	<u>\$ 375,519</u>	<u>\$ 375,519</u>	<u>\$ 159,225</u>

Exhibit H-6

Lauderdale County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Drug Control Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 16,242	\$ 25,500	\$ 25,500	\$ (9,258)
Total Revenues	\$ 16,242	\$ 25,500	\$ 25,500	\$ (9,258)
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 16,999	\$ 36,500	\$ 36,500	\$ 19,501
Total Expenditures	\$ 16,999	\$ 36,500	\$ 36,500	\$ 19,501
Excess (Deficiency) of Revenues Over Expenditures	\$ (757)	\$ (11,000)	\$ (11,000)	\$ 10,243
Net Change in Fund Balance	\$ (757)	\$ (11,000)	\$ (11,000)	\$ 10,243
Fund Balance, July 1, 2004	37,247	36,382	36,382	865
Fund Balance, June 30, 2005	\$ 36,490	\$ 25,382	\$ 25,382	\$ 11,108

Major Governmental Fund

General Debt Service Fund

The General Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

Exhibit I

Lauderdale County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Debt Service Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 616,490	\$ 576,354	\$ 576,354	\$ 40,136
Licenses and Permits	610	900	900	(290)
Other Governments and Citizens Groups	1,343,870	1,200,000	1,343,870	0
Total Revenues	<u>\$ 1,960,970</u>	<u>\$ 1,777,254</u>	<u>\$ 1,921,124</u>	<u>\$ 39,846</u>
<u>Expenditures</u>				
<u>Debt Service Principal</u>				
General Government	\$ 526,617	\$ 549,903	\$ 526,617	\$ 0
Education	1,003,286	980,000	1,003,286	0
<u>Debt Service Interest</u>				
General Government	181,684	188,213	182,827	1,143
Education	693,147	687,023	693,148	1
<u>Other Debt Service</u>				
General Government	13,070	15,000	15,760	2,690
Education	400	1,000	1,000	600
Total Expenditures	<u>\$ 2,418,204</u>	<u>\$ 2,421,139</u>	<u>\$ 2,422,638</u>	<u>\$ 4,434</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (457,234)</u>	<u>\$ (643,885)</u>	<u>\$ (501,514)</u>	<u>\$ 44,280</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 4,211	\$ 471,515	\$ 0	\$ 4,211
Total Other Financing Sources (Uses)	<u>\$ 4,211</u>	<u>\$ 471,515</u>	<u>\$ 0</u>	<u>\$ 4,211</u>
Net Change in Fund Balance	\$ (453,023)	\$ (172,370)	\$ (501,514)	\$ 48,491
Fund Balance, July 1, 2004	<u>4,838,228</u>	<u>4,708,255</u>	<u>4,708,255</u>	<u>129,973</u>
Fund Balance, June 30, 2005	<u>\$ 4,385,205</u>	<u>\$ 4,535,885</u>	<u>\$ 4,206,741</u>	<u>\$ 178,464</u>

Fiduciary Funds

Agency Funds are used to account for assets held by the county as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Local Sales Tax Fund – The Local Sales Tax Fund is used to account for certain local option sales tax collections, which are to be used for the retirement of school debt.

Community Development - Agency Fund – The Community Development - Agency Fund is used to account for interest earned on a TVA grant received in a prior year.

Constitutional Officers - Agency Fund – The Constitutional Officers - Agency Fund is used to account for amounts collected in an agency capacity by the county clerk, circuit and general sessions courts clerk, clerk and master, register, and sheriff. Such collections include amounts due the state, cities, other county funds, litigants, heirs, and others.

Exhibit J-1

Lauderdale County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2005

	<u>Agency Funds</u>		
	Local	Constitu-	
	Sales	tional	
	Tax	Officers -	
		Agency	Total
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 2,975,594	\$ 0	\$ 2,975,594
Cash	0	575,741	575,741
Due from Other Governments	324,259	0	324,259
Total Assets	<u>\$ 3,299,853</u>	<u>\$ 575,741</u>	<u>\$ 3,875,594</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 3,299,853	\$ 0	\$ 3,299,853
Due to Litigants, Heirs, and Others	0	575,741	575,741
Total Liabilities	<u>\$ 3,299,853</u>	<u>\$ 575,741</u>	<u>\$ 3,875,594</u>

Exhibit J-2

Lauderdale County, Tennessee
Combining Statement of Changes in Assets and Liabilities - All Agency Funds
For the Year Ended June 30, 2005

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Local Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 3,284,991	\$ 2,011,688	\$ 2,321,085	\$ 2,975,594
Due From Other Governments	351,283	324,259	351,283	324,259
Total Assets	\$ 3,636,274	\$ 2,335,947	\$ 2,672,368	\$ 3,299,853
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 3,636,274	\$ 2,335,947	\$ 2,672,368	\$ 3,299,853
Total Liabilities	\$ 3,636,274	\$ 2,335,947	\$ 2,672,368	\$ 3,299,853
<u>Community Development - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 3,462	\$ 23	\$ 3,485	\$ 0
Total Assets	\$ 3,462	\$ 23	\$ 3,485	\$ 0
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 3,462	\$ 23	\$ 3,485	\$ 0
Total Liabilities	\$ 3,462	\$ 23	\$ 3,485	\$ 0
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 687,639	\$ 4,642,919	\$ 4,754,817	\$ 575,741
Total Assets	\$ 687,639	\$ 4,642,919	\$ 4,754,817	\$ 575,741
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 687,639	\$ 4,642,919	\$ 4,754,817	\$ 575,741
Total Liabilities	\$ 687,639	\$ 4,642,919	\$ 4,754,817	\$ 575,741
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 3,284,991	\$ 2,011,688	\$ 2,321,085	\$ 2,975,594
Cash	691,101	4,642,942	4,758,302	575,741
Due From Other Governments	351,283	324,259	351,283	324,259
Total Assets	\$ 4,327,375	\$ 6,978,889	\$ 7,430,670	\$ 3,875,594
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 3,636,274	\$ 2,335,947	\$ 2,672,368	\$ 3,299,853
Due to Litigants, Heirs, and Others	691,101	4,642,942	4,758,302	575,741
Total Liabilities	\$ 4,327,375	\$ 6,978,889	\$ 7,430,670	\$ 3,875,594

Lauderdale County School Department

This section presents combining and individual fund financial statements for the Lauderdale County School Department, a discretely presented component unit. The Lauderdale County School Department uses a General Fund, two Special Revenue Funds, and a Capital Projects Fund.

General Purpose School Fund – The General Purpose School Fund is used to account for general operations of the School Department.

School Federal Projects – The School Federal Projects Fund is used to account for restricted federal revenues which must be expended on specific education programs.

Central Cafeteria Fund – The Central Cafeteria Fund is used to account for the cafeteria operations in each of the schools.

Education Capital Projects Fund – The Education Capital Projects Fund is used to account for building construction and renovations of the School Department.

Exhibit K-1

Lauderdale County, Tennessee
Statement of Activities
Discretely Presented Lauderdale County School Department
For the Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets Total Governmental Activities
Component Unit:					
Governmental Activities:					
Instruction	\$ 16,833,742	\$ 14,860	\$ 2,812,609	\$ 37,442	\$ (13,968,831)
Support Services	8,091,089	318,950	127,754	0	(7,644,385)
Operation of Non-Instructional Services	2,892,178	640,436	1,734,145	0	(517,597)
Interest on Long-term Debt	15,518	0	0	0	(15,518)
Other Debt Service	1,200,000	0	0	0	(1,200,000)
Total Governmental Activities	\$ 29,032,527	\$ 974,246	\$ 4,674,508	\$ 37,442	\$ (23,346,331)
General Revenues:					
Taxes:					
Property taxes levied for general purposes					\$ 2,502,781
Local option sales tax					1,663,533
Other local taxes					164,666
Grants & contributions not restricted for specific programs					20,318,393
Unrestricted investment earnings					360,287
Miscellaneous					51,542
Total General Revenues					\$ 25,061,202
Change in net assets					\$ 1,714,871
Net assets, July 1, 2004					24,796,046
Net assets, June 30, 2005					\$ 26,510,918

Exhibit K-2

Lauderdale County, Tennessee
 Balance Sheet - Governmental Funds
 Discretely Presented Lauderdale County School Department
 June 30, 2005

	Major Funds			Nonmajor Fund	Total Governmental Funds
	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	
<u>ASSETS</u>					
Equity in Pooled Cash and Investments	\$ 1,244,543	\$ 63,630	\$ 411,484	\$ 39,601	\$ 1,759,258
Accounts Receivable	117,201	0	0	0	117,201
Due from Other Governments	470,895	174,201	125,543	0	770,639
Property Taxes Receivable	2,344,808	0	0	0	2,344,808
Allowance for Uncollectible Property Taxes	(77,480)	0	0	0	(77,480)
Total Assets	\$ 4,099,967	\$ 237,831	\$ 537,027	\$ 39,601	\$ 4,914,426
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 590	\$ 590
Payroll Deductions Payable	332,546	85,061	0	0	417,607
Contracts Payable	0	0	0	39,011	39,011
Deferred Revenue - Current Property Taxes	2,156,378	0	0	0	2,156,378
Deferred Revenue - Delinquent Property Taxes	77,115	0	0	0	77,115
Other Deferred Revenues	339,450	74,249	178	0	413,877
Total Liabilities	\$ 2,905,489	\$ 159,310	\$ 178	\$ 39,601	\$ 3,104,578
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 47,599	\$ 30,597	\$ 0	\$ 0	\$ 78,196
Reserved for Title I Grants to Local Education Agencies	0	51,978	0	0	51,978
Reserved for Innovative Education Program Strategies	0	10	0	0	10
Reserved for Special Education - Grants to States	5,066	87,149	0	0	92,215
Unreserved, Reported In:					
General Fund	1,141,813	0	0	0	1,141,813
Special Revenue Funds (Deficit)	0	(91,213)	536,849	0	445,636
Total Fund Balances	\$ 1,194,478	\$ 78,521	\$ 536,849	\$ 0	\$ 1,809,848
Total Liabilities and Fund Balances	\$ 4,099,967	\$ 237,831	\$ 537,027	\$ 39,601	\$ 4,914,426

Exhibit K-3

Lauderdale County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
Discretely Presented Lauderdale County School Department
June 30, 2005

Amounts reported for governmental activities in the statement of net assets (Exhibit A) are different because:

Total fund balances - balance sheet - governmental funds (Exhibit K-2)	\$ 1,809,848
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	24,557,787
(2) Long-term liabilities are not due in the current period and therefore are not reported in the funds.	(347,709)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	<u>490,992</u>
Net assets of governmental activities (Exhibit A)	<u><u>\$ 26,510,918</u></u>

Exhibit K-4

Lauderdale County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Discretely Presented Lauderdale County School Department
For the Year Ended June 30, 2005

	Major Funds			Nonmajor Fund	Total Governmental Funds
	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	
<u>Revenues</u>					
Local Taxes	\$ 4,537,930	\$ 0	\$ 0	\$ 0	\$ 4,537,930
Licenses and Permits	4,779	0	0	0	4,779
Fines, Forfeitures, and Penalties	527	0	0	0	527
Charges for Current Services	330,508	0	640,436	0	970,944
Other Local Revenues	295,599	0	1,840	19,825	317,264
State of Tennessee	18,962,748	0	29,357	0	18,992,105
Federal Government	97,136	3,065,036	1,568,292	0	4,730,464
Other Governments and Citizens Groups	951,297	0	0	0	951,297
Total Revenues	<u>\$ 25,180,524</u>	<u>\$ 3,065,036</u>	<u>\$ 2,239,925</u>	<u>\$ 19,825</u>	<u>\$ 30,505,310</u>
<u>Expenditures</u>					
Current:					
Instruction	\$ 15,688,177	\$ 2,343,604	\$ 0	\$ 0	\$ 18,031,781
Support Services	7,681,499	470,366	27	0	8,151,892
Operation of Non-Instructional Services	124,033	316,678	2,201,854	0	2,642,565
Capital Outlay	483,672	0	0	0	483,672
Debt Service:					
Debt Service Principal	115,062	0	0	0	115,062
Debt Service Interest	20,401	0	0	0	20,401
Other Debt Service	1,200,000	0	0	0	1,200,000
Capital Projects	0	0	0	2,571,984	2,571,984
Total Expenditures	<u>\$ 25,312,844</u>	<u>\$ 3,130,648</u>	<u>\$ 2,201,881</u>	<u>\$ 2,571,984</u>	<u>\$ 33,217,357</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (132,320)</u>	<u>\$ (65,612)</u>	<u>\$ 38,044</u>	<u>\$ (2,552,159)</u>	<u>\$ (2,712,047)</u>
<u>Other Financing Sources (Uses)</u>					
Transfers In	\$ 14,310	\$ 0	\$ 0	\$ 0	\$ 14,310
Transfers Out	0	(14,310)	0	0	(14,310)
Total Other Financing Sources (Uses)	<u>\$ 14,310</u>	<u>\$ (14,310)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Net Change in Fund Balances	\$ (118,010)	\$ (79,922)	\$ 38,044	\$ (2,552,159)	\$ (2,712,047)
Fund Balance, July 1, 2004	<u>1,312,488</u>	<u>158,443</u>	<u>498,805</u>	<u>2,552,159</u>	<u>4,521,895</u>
Fund Balance, June 30, 2005	<u>\$ 1,194,478</u>	<u>\$ 78,521</u>	<u>\$ 536,849</u>	<u>\$ 0</u>	<u>\$ 1,809,848</u>

Exhibit K-5

Lauderdale County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Discretely Presented Lauderdale County School Department
For the Year Ended June 30, 2005

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

Net change in fund balances - total governmental funds (Exhibit K-4)	\$ (2,712,047)
(1) 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. This is the amount by which capital outlays exceeded depreciation in the current period.	4,199,541
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	107,432
(3) The issuance of long-term debt (e.g., bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.	115,062
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	<u>4,883</u>
Change in net assets of governmental activities (Exhibit B)	<u><u>\$ 1,714,871</u></u>

Exhibit K-6

Lauderdale County, Tennessee
 Schedule of Revenues, Expenditures, and Changes
 in Fund Balance - Actual (Budgetary Basis) and Budget
 Discretely Presented Lauderdale County School Department
 General Purpose School Fund
 For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Revenues							
Local Taxes	\$ 4,537,930	\$ 0	\$ 0	\$ 4,537,930	\$ 4,949,707	\$ 4,401,075	\$ 136,855
Licenses and Permits	4,779	0	0	4,779	9,500	9,500	(4,721)
Fines, Forfeitures, and Penalties	527	0	0	527	0	0	527
Charges for Current Services	330,508	0	0	330,508	0	315,835	14,673
Other Local Revenues	295,599	0	0	295,599	350,200	382,874	(87,275)
State of Tennessee	18,962,748	0	0	18,962,748	18,579,306	19,002,675	(39,927)
Federal Government	97,136	0	0	97,136	40,000	88,225	8,911
Other Governments and Citizens Groups	951,297	0	0	951,297	0	951,297	0
Total Revenues	\$ 25,180,524	\$ 0	\$ 0	\$ 25,180,524	\$ 23,928,713	\$ 25,151,481	\$ 29,043
Expenditures							
Instruction							
Regular Instruction Program	\$ 12,973,863	\$ (10,902)	\$ 0	\$ 12,962,961	\$ 12,505,980	\$ 13,032,441	\$ 69,480
Special Education Program	1,858,196	(200)	474	1,858,470	1,881,528	1,863,337	4,867
Vocational Education Program	856,118	(1,200)	0	854,918	855,234	855,808	890
Support Services							
Attendance	6,112	0	0	6,112	11,356	6,112	0
Health Services	120,963	(1,000)	41	120,004	120,718	120,908	904
Other Student Support	752,780	0	0	752,780	559,044	761,729	8,949
Regular Instruction Program	691,585	0	0	691,585	659,051	699,412	7,827
Special Education Program	297,823	0	220	298,043	268,924	307,627	9,584
Vocational Education Program	79,987	(1,788)	0	78,199	81,544	92,072	13,873
Board of Education	347,672	0	0	347,672	335,587	345,294	(2,378)
Director of Schools	253,360	0	0	253,360	272,405	263,575	10,215
Office of the Principal	1,561,578	(8,417)	0	1,553,161	1,565,658	1,556,790	3,629
Fiscal Services	151,180	0	0	151,180	151,108	151,670	490

(Continued)

Exhibit K-6

Lauderdale County, Tennessee
 Schedule of Revenues, Expenditures, and Changes
 in Fund Balance - Actual (Budgetary Basis) and Budget
 Discretely Presented Lauderdale County School Department
 General Purpose School Fund (Cont.)

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Operation of Plant	\$ 1,642,760	\$ 0	\$ 0	\$ 1,642,760	\$ 1,637,745	\$ 1,644,625	\$ 1,865
Maintenance of Plant	509,574	(8,678)	9,033	509,929	520,667	510,514	585
Transportation	1,236,541	(66)	863	1,237,338	1,211,469	1,278,026	40,688
Central and Other	29,584	0	0	29,584	30,310	29,623	39
<u>Operation of Non-Instructional Services</u>							
Community Services	124,033	0	0	124,033	93,901	124,702	669
<u>Capital Outlay</u>							
Regular Capital Outlay	483,672	0	36,968	520,640	0	520,707	67
<u>Debt Service Principal</u>							
Education	115,062	0	0	115,062	9,557	115,063	1
<u>Debt Service Interest</u>							
Education	20,401	0	0	20,401	0	20,401	0
<u>Other Debt Service</u>							
Education	1,200,000	0	0	1,200,000	1,325,906	1,200,000	0
Total Expenditures	\$ 25,312,844	\$ (32,251)	\$ 47,599	\$ 25,328,192	\$ 24,097,692	\$ 25,500,436	\$ 172,244
Excess (Deficiency) of Revenues							
Over Expenditures	\$ (132,320)	\$ 32,251	\$ (47,599)	\$ (147,668)	\$ (168,979)	\$ (348,955)	\$ 201,287
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 14,310	\$ 0	\$ 0	\$ 14,310	\$ 28,000	\$ 28,000	\$ (13,690)
Total Other Financing Sources (Uses)	\$ 14,310	\$ 0	\$ 0	\$ 14,310	\$ 28,000	\$ 28,000	\$ (13,690)
Net Change in Fund Balance							
Fund Balance, July 1, 2004	\$ (118,010)	\$ 32,251	\$ (47,599)	\$ (133,358)	\$ (140,979)	\$ (320,955)	\$ 187,597
	1,312,488	(32,251)	0	1,280,237	968,602	968,602	311,635
Fund Balance, June 30, 2005							
	\$ 1,194,478	\$ 0	\$ (47,599)	\$ 1,146,879	\$ 827,623	\$ 647,647	\$ 499,232

Exhibit K-7

Lauderdale County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Lauderdale County School Department
School Federal Projects Fund
For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Federal Government	\$ 3,065,036	\$ 0	\$ 0	\$ 3,065,036	\$ 2,728,720	\$ 3,196,106	\$ (131,070)
Total Revenues	\$ 3,065,036	\$ 0	\$ 0	\$ 3,065,036	\$ 2,728,720	\$ 3,196,106	\$ (131,070)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 1,393,410	\$ 0	\$ 23,440	\$ 1,416,850	\$ 1,328,854	\$ 1,469,610	\$ 52,760
Special Education Program	858,401	(1,200)	0	857,201	788,060	941,656	84,455
Vocational Education Program	91,793	(403)	0	91,390	80,442	91,442	52
<u>Support Services</u>							
Other Student Support	10,947	(2,399)	0	8,548	500	8,600	52
Regular Instruction Program	206,432	0	3,427	209,859	195,573	220,482	10,623
Special Education Program	247,887	0	0	247,887	294,213	268,920	21,033
Vocational Education Program	5,100	(100)	0	5,000	24,100	5,000	0
<u>Operation of Non-Instructional Services</u>							
Community Services	316,678	(4,862)	3,730	315,546	0	350,291	34,745
Total Expenditures	\$ 3,130,648	\$ (8,964)	\$ 30,597	\$ 3,152,281	\$ 2,711,742	\$ 3,356,001	\$ 203,720
Excess (Deficiency) of Revenues Over Expenditures	\$ (65,612)	\$ 8,964	\$ (30,597)	\$ (87,245)	\$ 16,978	\$ (159,895)	\$ 72,650
<u>Other Financing Sources (Uses)</u>							
Transfers Out	\$ (14,310)	\$ 0	\$ 0	\$ (14,310)	\$ (13,951)	\$ (15,597)	\$ 1,287
Total Other Financing Sources (Uses)	\$ (14,310)	\$ 0	\$ 0	\$ (14,310)	\$ (13,951)	\$ (15,597)	\$ 1,287
Net Change in Fund Balance	\$ (79,922)	\$ 8,964	\$ (30,597)	\$ (101,555)	\$ 3,027	\$ (175,492)	\$ 73,937
Fund Balance, July 1, 2004	158,443	(8,964)	0	149,479	337,209	337,209	(187,730)
Fund Balance, June 30, 2005	\$ 78,521	\$ 0	\$ (30,597)	\$ 47,924	\$ 340,236	\$ 161,717	\$ (113,793)

Exhibit K-8

Lauderdale County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Lauderdale County School Department
Central Cafeteria Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 640,436	\$ 660,460	\$ 660,460	\$ (20,024)
Other Local Revenues	1,840	2,000	2,000	(160)
State of Tennessee	29,357	30,000	30,000	(643)
Federal Government	1,568,292	1,583,998	1,583,998	(15,706)
Total Revenues	<u>\$ 2,239,925</u>	<u>\$ 2,276,458</u>	<u>\$ 2,276,458</u>	<u>\$ (36,533)</u>
<u>Expenditures</u>				
<u>Support Services</u>				
Board of Education	\$ 27	\$ 250	\$ 250	\$ 223
<u>Operation of Non-Instructional Services</u>				
Food Service	2,201,854	2,357,523	2,357,523	155,669
Total Expenditures	<u>\$ 2,201,881</u>	<u>\$ 2,357,773</u>	<u>\$ 2,357,773</u>	<u>\$ 155,892</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 38,044</u>	<u>\$ (81,315)</u>	<u>\$ (81,315)</u>	<u>\$ 119,359</u>
Net Change in Fund Balance	\$ 38,044	\$ (81,315)	\$ (81,315)	\$ 119,359
Fund Balance, July 1, 2004	<u>498,805</u>	<u>506,250</u>	<u>506,250</u>	<u>(7,445)</u>
Fund Balance, June 30, 2005	<u>\$ 536,849</u>	<u>\$ 424,935</u>	<u>\$ 424,935</u>	<u>\$ 111,914</u>

MISCELLANEOUS SCHEDULES

Exhibit L-1

Lauderdale County, Tennessee
Schedule of Changes in Long-term Notes, Capital Leases, and Bonds
Primary Government and Discretely Presented Lauderdale County School Department
For the Year Ended June 30, 2005

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-04	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-05
<u>PRIMARY GOVERNMENT</u>								
<u>NOTES PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Fire Fighting Equipment	\$ 140,000	5.35 %	10-5-01	10-5-07	\$ 98,100	\$ 0	\$ 22,646	\$ 75,454
Health Department Construction	300,000	0	11-7-04	9-1-13	0	300,000	25,000	275,000
School Rehabilitation and Road Bank Stabilization	280,000	3.5	12-10-02	12-10-09	244,003	0	37,257	206,746
Total Notes Payable					<u>\$ 342,103</u>	<u>\$ 300,000</u>	<u>\$ 84,903</u>	<u>\$ 557,200</u>
<u>OTHER LOANS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Public Works Projects	1,000,000	variable	9-22-00	5-25-07	\$ 537,000	\$ 0	\$ 170,000	\$ 367,000
Total Other Loans Payable					<u>\$ 537,000</u>	<u>\$ 0</u>	<u>\$ 170,000</u>	<u>\$ 367,000</u>
<u>BONDS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
G.O. Refunding, Series 1998	5,960,000	3.9 to 4.75	6-1-1998	4-1-16	\$ 5,145,000	\$ 0	\$ 315,000	\$ 4,830,000
G.O. School Refunding, Series 2003	9,840,000	3 to 4	6-1-03	4-1-18	9,125,000	0	660,000	8,465,000
G.O. School, Series 2003	9,835,000	2 to 3.75	5-1-03	4-1-22	9,535,000	0	300,000	9,235,000
Total Bonds Payable					<u>\$ 23,805,000</u>	<u>\$ 0</u>	<u>\$ 1,275,000</u>	<u>\$ 22,530,000</u>
<u>LAUDERDALE COUNTY SCHOOL DEPARTMENT</u>								
<u>NOTES PAYABLE</u>								
<u>Payable through General Purpose School Fund</u>								
Asbestos Abatement	172,013	0	4-17-1992	5-30-12	\$ 71,672	\$ 0	\$ 9,556	\$ 62,116
Total Notes Payable					<u>\$ 71,672</u>	<u>\$ 0</u>	<u>\$ 9,556</u>	<u>\$ 62,116</u>
<u>CAPITAL LEASES PAYABLE</u>								
<u>Payable through General Purpose School Fund</u>								
Energy Savings Equipment	942,665	6.17	10-3-1997	10-1-07	\$ 378,468	\$ 0	\$ 105,506	\$ 272,962
Total Capital Leases Payable					<u>\$ 378,468</u>	<u>\$ 0</u>	<u>\$ 105,506</u>	<u>\$ 272,962</u>

Exhibit L-2

Lauderdale County, Tennessee
Schedule of Bond and Interest Requirements by Year

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2006	\$ 1,315,000	\$ 810,260	\$ 2,125,260
2007	1,355,000	769,520	2,124,520
2008	1,405,000	727,280	2,132,280
2009	1,440,000	683,160	2,123,160
2010	1,485,000	636,735	2,121,735
2011	1,535,000	583,718	2,118,718
2012	1,595,000	525,005	2,120,005
2013	1,660,000	461,475	2,121,475
2014	1,725,000	395,245	2,120,245
2015	1,335,000	334,588	1,669,588
2016	1,390,000	278,975	1,668,975
2017	1,440,000	225,235	1,665,235
2018	1,040,000	176,275	1,216,275
2019	1,000,000	139,875	1,139,875
2020	1,000,000	103,875	1,103,875
2021	1,000,000	67,375	1,067,375
2022	810,000	30,375	840,375
Total	\$ 22,530,000	\$ 6,948,970	\$ 29,478,970

Exhibit L-3

Lauderdale County, Tennessee
Schedule of Investments - All Funds
June 30, 2005

<u>Fund and Type</u>	<u>Amount</u>
<u>Public Library Fund</u>	
Government Mortgage Pools	\$ 258,632
Centennial Government Trust	53,659
Mortgage Securities	45,046
Preferred Debt	<u>121,440</u>
Total Investments	<u>\$ 478,777</u>

Exhibit L-4

Lauderdale County, Tennessee
Schedule of Transfers - All Funds and Discretely Presented Lauderdale County School Department
For the Year Ended June 30, 2005

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>Primary Government</u>			
General	Public Library	To provide funds for operations	\$ 82,387
Community Development/Industrial Park	General Debt Service	To close fund	4,211
<u>School Department</u>			
School Federal Projects	General Purpose School	Indirect cost	<u>14,310</u>
Total			<u>\$ 100,908</u>

Exhibit L-5

Lauderdale County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
For the Year Ended June 30, 2005

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, TCA, and County Commission	\$ 72,568	\$ 50,000	RLI Insurance Company
Highway Commissioner	Chapter 304, Private Acts of 1929, as amended, and County Commission	57,165	100,000	"
Director of Schools	State Board of Education and Lauderdale County Board of Education	91,957 (1)	150,000	Tennessee School Boards Risk Management Trust
Trustee	Section 8-24-102, <u>TCA</u>	51,969	772,700	RLI Insurance Company
Assessor of Property:				
Donald R. Smith (7-1-04 through 8-31-04)	Section 8-24-102, <u>TCA</u>	8,662	10,000	"
Jerry Buckner (9-1-04 through 6-30-05)	Section 8-24-102, <u>TCA</u>	43,307	10,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	51,969	50,000	"
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	51,969	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u>	51,969	100,000	"
Register	Section 8-24-102, <u>TCA</u>	51,969	25,000	"
Sheriff	Section 8-24-102, <u>TCA</u>	57,683 (2)	25,000	"
Employees Blanket Bonds:				
Office:				
County Mayor's Staff			10,000	RLI Insurance Company
Highway Department's Staff			10,000	"
Director of Schools - All Employees			150,000	Tennessee School Boards Risk Management Trust
Deputies - Trustee's Office			10,000	RLI Insurance Company
Deputies - County Clerk's Office			10,000	"
Deputies - Circuit and General Sessions Courts Clerk's Office			25,000	State Automobile Mutual Insurance Company
Deputies - Clerk and Master's Office			10,000	RLI Insurance Company
Sheriff's Department Bookkeeper			10,000	"

(1) Includes chief executive officer training supplement of \$1,000.

(2) Includes law enforcement training supplement or \$518.

Exhibit L-6

Lauderdale County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
For the Year Ended June 30, 2005

	Special Revenue Funds						Debt Service Fund	Capital Projects Fund	Total
	General	Law Library	Public Library	Ambulance Service	Drug Control	Highway / Public Works	General Debt Service	Community Development/ Industrial Park	
<u>Local Taxes</u>									
<u>County Property Taxes</u>									
Current Property Tax	\$ 2,389,917	\$ 0	\$ 0	\$ 0	\$ 0	\$ 495,909	\$ 495,909	\$ 0	\$ 3,381,735
Trustee's Collections - Prior Year	98,424	0	0	0	0	25,089	26,204	0	149,717
Circuit/Clerk & Master Collections - Prior Years	104,916	0	0	0	0	27,933	27,933	0	160,782
Interest and Penalty	19,676	0	0	0	0	4,955	4,955	0	29,586
Pick-up Taxes	3,702	0	0	0	0	795	795	0	5,292
Payments in Lieu of Taxes - T.V.A.	444	0	0	0	0	92	92	0	628
Payments in Lieu of Taxes - Local Utilities	30,759	0	0	0	0	6,371	6,371	0	43,501
Payments in Lieu of Taxes - Other	76,104	0	0	0	0	15,842	15,842	0	107,788
<u>County Local Option Taxes</u>									
Hotel/Motel Tax	28,648	0	0	0	0	0	0	0	28,648
Wheel Tax	550,823	0	0	0	0	91,386	0	0	642,209
Litigation Tax - General	52,828	0	0	0	0	0	0	0	52,828
Litigation Tax - Special Purpose	11,352	1,095	0	0	0	0	0	0	12,447
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	0	0	21,409	0	21,409
Business Tax	43,994	0	0	0	0	0	0	0	43,994
<u>Statutory Local Taxes</u>									
Bank Excise Tax	81,988	0	0	0	0	16,980	16,980	0	115,948
Wholesale Beer Tax	72,411	0	0	0	0	0	0	0	72,411
Total Local Taxes	\$ 3,565,986	\$ 1,095	\$ 0	\$ 0	\$ 0	\$ 685,352	\$ 616,490	\$ 0	\$ 4,868,923
<u>Licenses and Permits</u>									
<u>Licenses</u>									
Animal Registration	\$ 3,732	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,732
Cable TV Franchise	2,754	0	0	0	0	612	610	0	3,976
<u>Permits</u>									
Beer Permits	950	0	0	0	0	0	0	0	950
Building Permits	27,158	0	0	0	0	0	0	0	27,158
Total Licenses and Permits	\$ 34,594	\$ 0	\$ 0	\$ 0	\$ 0	\$ 612	\$ 610	\$ 0	\$ 35,816
<u>Fines, Forfeitures, and Penalties</u>									
<u>Circuit Court</u>									
Fines	\$ 6,676	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,676

(Continued)

Exhibit L-6

Lauderdale County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types (Cont.)

	Special Revenue Funds						Debt Service Fund	Capital Projects Fund	Total
	General	Law Library	Public Library	Ambulance Service	Drug Control	Highway / Public Works	General Debt Service	Community Development/ Industrial Park	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>									
<u>Circuit Court (Cont.)</u>									
Officers Costs	\$ 3,239	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	3,239
Drug Control Fines	6,956	0	0	0	10,462	0	0	0	17,418
Jail Fees	1,649	0	0	0	0	0	0	0	1,649
DUI Treatment Fines	573	0	0	0	0	0	0	0	573
Data Entry Fee - Circuit Court	221	0	0	0	0	0	0	0	221
<u>General Sessions Court</u>									
Fines	15,288	0	0	0	0	0	0	0	15,288
Officers Costs	12,976	0	0	0	0	0	0	0	12,976
Game and Fish Fines	56	0	0	0	0	0	0	0	56
Drug Control Fines	3,178	0	0	0	5,780	0	0	0	8,958
Jail Fees	7,952	0	0	0	0	0	0	0	7,952
DUI Treatment Fines	2,199	0	0	0	0	0	0	0	2,199
Data Entry Fee - General Sessions Court	4,022	0	0	0	0	0	0	0	4,022
<u>Chancery Court</u>									
Officers Costs	2,357	0	0	0	0	0	0	0	2,357
<u>Judicial District Drug Program</u>									
Drug Task Force Forfeitures and Seizures	132	0	0	0	0	0	0	0	132
Total Fines, Forfeitures, and Penalties	\$ 67,474	\$ 0	\$ 0	\$ 0	\$ 16,242	\$ 0	\$ 0	\$ 0	83,716
<u>Charges for Current Services</u>									
<u>General Service Charges</u>									
Patient Charges	\$ 0	\$ 0	\$ 0	\$ 773,499	\$ 0	\$ 0	\$ 0	\$ 0	773,499
<u>Fees</u>									
Telephone Commissions	22,218	0	0	0	0	0	0	0	22,218
Data Processing Fee - Register	8,329	0	0	0	0	0	0	0	8,329
Data Processing Fee - Sheriff	3,679	0	0	0	0	0	0	0	3,679
<u>Education Charges</u>									
Tuition - Other	34,040	0	0	0	0	0	0	0	34,040
Total Charges for Current Services	\$ 68,266	\$ 0	\$ 0	\$ 773,499	\$ 0	\$ 0	\$ 0	\$ 0	841,765

(Continued)

Exhibit L-6

Lauderdale County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types (Cont.)

	Special Revenue Funds						Debt Service Fund	Capital Projects Fund	Total
	General	Law Library	Public Library	Ambulance Service	Drug Control	Highway / Public Works	General Debt Service	Community Development/ Industrial Park	
<u>Other Local Revenues</u>									
<u>Recurring Items</u>									
Investment Income	\$ 376	\$ 0	\$ 12,454	\$ 182	\$ 0	\$ 0	\$ 0	\$ 460	\$ 13,472
Miscellaneous Refunds	12,295	0	4,728	0	0	12,316	0	0	29,339
<u>Nonrecurring Items</u>									
Insurance Recovery	9,678	0	0	0	0	3,353	0	0	13,031
Sale of Property	3,972	0	0	0	0	0	0	0	3,972
Damages Recovered from Individuals	190	0	0	0	0	0	0	0	190
Total Other Local Revenues	\$ 26,511	\$ 0	\$ 17,182	\$ 182	\$ 0	\$ 15,669	\$ 0	\$ 460	\$ 60,004
<u>Fees Received from County Officials</u>									
<u>Fees In Lieu of Salary</u>									
County Clerk	\$ 353,628	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 353,628
Circuit Court Clerk	56,837	0	0	0	0	0	0	0	56,837
General Sessions Court Clerk	87,833	0	0	0	0	0	0	0	87,833
Clerk and Master	76,304	0	0	0	0	0	0	0	76,304
Register	104,276	0	0	0	0	0	0	0	104,276
Sheriff	15,408	0	0	0	0	0	0	0	15,408
Trustee	252,775	0	0	0	0	0	0	0	252,775
Total Fees Received from County Officials	\$ 947,061	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 947,061
<u>State of Tennessee</u>									
<u>General Government Grants</u>									
Juvenile Services Program	\$ 14,630	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 14,630
State Reappraisal Grant	9,190	0	0	0	0	0	0	0	9,190
<u>Public Safety Grants</u>									
Law Enforcement Training Programs	10,374	0	0	0	0	0	0	0	10,374
<u>Health and Welfare Grants</u>									
Health Department Programs	183,165	0	0	0	0	0	0	0	183,165
<u>Public Works Grants</u>									
Bridge Program	0	0	0	0	0	125,390	0	0	125,390
State Aid Program	0	0	0	0	0	230,818	0	0	230,818
Litter Program	34,206	0	0	0	0	0	0	0	34,206

(Continued)

Exhibit L-6

Lauderdale County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types (Cont.)

	Special Revenue Funds						Debt Service Fund	Capital Projects Fund	Total
	General	Law Library	Public Library	Ambulance Service	Drug Control	Highway / Public Works	General Debt Service	Community Development/ Industrial Park	
<u>State of Tennessee (Cont.)</u>									
<u>Other State Revenues</u>									
Alcoholic Beverage Tax	\$ 44,514	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	44,514
Mixed Drink Tax	300	0	0	0	0	0	0	0	300
State Revenue Sharing - T.V.A.	78,791	0	0	0	0	41,271	0	0	120,062
Prisoner Transportation	2,313	0	0	0	0	0	0	0	2,313
Contracted Prisoner Boarding	807,555	0	0	0	0	0	0	0	807,555
Gasoline and Motor Fuel Tax	0	0	0	0	0	1,718,014	0	0	1,718,014
Petroleum Special Tax	0	0	0	0	0	21,601	0	0	21,601
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	0	16,380
Other State Grants	93,228	0	0	0	0	50,000	0	0	143,228
Other State Revenues	4,191	0	0	0	0	0	0	0	4,191
Total State of Tennessee	\$ 1,298,837	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,187,094	\$ 0	\$ 0	\$ 3,485,931
<u>Federal Government</u>									
<u>Federal Through State</u>									
Disaster Relief	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	178,352	\$ 0	\$ 0	178,352
Homeland Security Grants	172,727	0	0	0	0	0	0	0	172,727
Other Federal through State	0	0	0	0	0	0	0	144,337	144,337
<u>Direct Federal Revenue</u>									
Other Direct Federal Revenue	5,356	0	0	0	0	0	0	0	5,356
Total Federal Government	\$ 178,083	\$ 0	\$ 0	\$ 0	\$ 0	\$ 178,352	\$ 0	\$ 144,337	\$ 500,772
<u>Other Governments and Citizens Groups</u>									
<u>Other Governments</u>									
Contributions	\$ 0	\$ 0	296,543	\$ 0	\$ 0	\$ 0	1,343,870	\$ 0	1,640,413
Contracted Services	48,702	0	0	0	0	0	0	0	48,702
Total Other Governments and Citizens Groups	\$ 48,702	\$ 0	\$ 296,543	\$ 0	\$ 0	\$ 0	\$ 1,343,870	\$ 0	\$ 1,689,115
Total	\$ 6,235,514	\$ 1,095	\$ 313,725	\$ 773,681	\$ 16,242	\$ 3,067,079	\$ 1,960,970	\$ 144,797	\$ 12,513,103

Exhibit L-7

Lauderdale County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented Lauderdale County School Department
For the Year Ended June 30, 2005

	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	Total
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 2,249,741	\$ 0	\$ 0	\$ 0	\$ 2,249,741
Trustee's Collections - Prior Year	118,876	0	0	0	118,876
Circuit/Clerk & Master Collections - Prior Years	126,739	0	0	0	126,739
Interest and Penalty	22,477	0	0	0	22,477
Pick-up Taxes	3,604	0	0	0	3,604
Payments in Lieu of Taxes - T.V.A.	417	0	0	0	417
Payments in Lieu of Taxes - Local Utilities	28,892	0	0	0	28,892
Payments in Lieu of Taxes - Other	71,850	0	0	0	71,850
<u>County Local Option Taxes</u>					
Local Option Sales Tax	1,672,462	0	0	0	1,672,462
Wheel Tax	160,314	0	0	0	160,314
<u>Statutory Local Taxes</u>					
Bank Excise Tax	77,010	0	0	0	77,010
Interstate Telecommunications Tax	4,352	0	0	0	4,352
Other Statutory Local Taxes	1,196	0	0	0	1,196
Total Local Taxes	\$ 4,537,930	\$ 0	\$ 0	\$ 0	\$ 4,537,930
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 2,004	\$ 0	\$ 0	\$ 0	\$ 2,004
Cable TV Franchise	2,775	0	0	0	2,775
Total Licenses and Permits	\$ 4,779	\$ 0	\$ 0	\$ 0	\$ 4,779
<u>Fines, Forfeitures, and Penalties</u>					
<u>Juvenile Court</u>					
Fines	\$ 527	\$ 0	\$ 0	\$ 0	\$ 527
Total Fines, Forfeitures, and Penalties	\$ 527	\$ 0	\$ 0	\$ 0	\$ 527
<u>Charges for Current Services</u>					
<u>Education Charges</u>					
Tuition - Summer School	\$ 11,558	\$ 0	\$ 0	\$ 0	\$ 11,558
Lunch Payments - Children	0	0	284,452	0	284,452
Lunch Payments - Adults	0	0	56,603	0	56,603
Income from Breakfast	0	0	53,673	0	53,673
Special Milk Sales	0	0	8,225	0	8,225
A la carte Sales	0	0	208,957	0	208,957
Contract for Instructional Services with Other LEA's	292,695	0	0	0	292,695
<u>Other Charges for Services</u>					
Other Charges for Services	26,255	0	28,526	0	54,781
Total Charges for Current Services	\$ 330,508	\$ 0	\$ 640,436	\$ 0	\$ 970,944
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 243,086	\$ 0	\$ 1,840	\$ 19,825	\$ 264,751
Miscellaneous Refunds	34,294	0	0	0	34,294
<u>Nonrecurring Items</u>					
Insurance Recovery	2,352	0	0	0	2,352
Sale of Equipment	14,289	0	0	0	14,289
Damages Recovered from Individuals	429	0	0	0	429
Contributions & Gifts	1,025	0	0	0	1,025
<u>Other Local Revenues</u>					
Other Local Revenues	124	0	0	0	124
Total Other Local Revenues	\$ 295,599	\$ 0	\$ 1,840	\$ 19,825	\$ 317,264

(Continued)

Exhibit L-7

Lauderdale County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented Lauderdale County School Department (Cont.)

	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	Total
<u>State of Tennessee</u>					
<u>State Education Funds</u>					
Basic Education Program	\$ 17,882,447	\$ 0	\$ 0	\$ 0	\$ 17,882,447
School Food Service	0	0	29,357	0	29,357
Driver Education	4,020	0	0	0	4,020
Other State Education Funds	277,741	0	0	0	277,741
Career Ladder Program	316,748	0	0	0	316,748
Career Ladder - Extended Contract	193,456	0	0	0	193,456
Other Vocational	5,117	0	0	0	5,117
<u>Other State Revenues</u>					
Mixed Drink Tax	327	0	0	0	327
State Revenue Sharing - T.V.A.	255,132	0	0	0	255,132
Other State Grants	27,760	0	0	0	27,760
Total State of Tennessee	\$ 18,962,748	\$ 0	\$ 29,357	\$ 0	\$ 18,992,105
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA School Lunch Program	\$ 0	\$ 0	\$ 1,057,161	\$ 0	\$ 1,057,161
Breakfast	0	0	502,027	0	502,027
USDA - Other	0	0	9,104	0	9,104
Vocational Education - Basic Grants to States	0	95,298	0	0	95,298
Title I Grants to Local Education Agencies	0	1,023,379	0	0	1,023,379
Innovative Education Program Strategies	0	23,290	0	0	23,290
Special Education - Grants to States	28,108	1,094,751	0	0	1,122,859
Special Education Preschool Grants	0	43,526	0	0	43,526
Eisenhower Professional Development State Grants	0	314,353	0	0	314,353
Other Federal through State	19,742	470,439	0	0	490,181
<u>Direct Federal Revenue</u>					
ROTC Reimbursement	49,286	0	0	0	49,286
Total Federal Government	\$ 97,136	\$ 3,065,036	\$ 1,568,292	\$ 0	\$ 4,730,464
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 951,297	\$ 0	\$ 0	\$ 0	\$ 951,297
Total Other Governments and Citizens Groups	\$ 951,297	\$ 0	\$ 0	\$ 0	\$ 951,297
Total	\$ 25,180,524	\$ 3,065,036	\$ 2,239,925	\$ 19,825	\$ 30,505,310

Lauderdale County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2005

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	36,261	
State Retirement		1,436	
Accounting Services		1,250	
Audit Services		6,302	
Dues and Memberships		1,400	
Travel		1,716	
Total County Commission			\$ 48,365

County Mayor/County Executive

County Official/Administrative Officer	\$	72,568	
Accountants/Bookkeepers		50,480	
Salary Supplements		484	
Communication		1,435	
Dues and Memberships		1,400	
Postal Charges		16,000	
Travel		5,440	
Office Supplies		4,000	
Other Supplies and Materials		1,383	
Total County Mayor/County Executive			153,190

County Attorney

County Official/Administrative Officer	\$	10,238	
Legal Services		368,426	
Judgments		37,214	
Total County Attorney			415,878

Election Commission

County Official/Administrative Officer	\$	41,575	
Deputy(ies)		21,692	
Clerical Personnel		4,694	
Part-time Personnel		13,220	
Election Commission		4,555	
Election Workers		20,887	
Audit Services		2,635	
Communication		2,016	
Data Processing Services		3,827	
Dues and Memberships		175	
Legal Notices, Recording and Court Costs		2,630	
Printing, Stationery and Forms		6,228	
Travel		5,582	

(Continued)

Lauderdale County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Office Supplies	\$	2,754	
Other Supplies and Materials		1,565	
Office Equipment		45	
Total Election Commission			\$ 134,080

Register of Deeds

County Official/Administrative Officer	\$	51,969	
Deputy(ies)		24,228	
Part-time Personnel		3,609	
Communication		1,763	
Contracts with Other Public Agencies		8,835	
Dues and Memberships		466	
Travel		778	
Office Supplies		5,595	
Total Register of Deeds			97,243

Development

Contracts with Government Agencies	\$	93,666	
Other Charges		234	
Total Development			93,900

Planning

Materials Supervisor	\$	13,579	
Board and Committee Members Fees		3,085	
Advertising		424	
Communication		647	
Office Supplies		781	
Other Supplies and Materials		100	
Total Planning			18,616

County Buildings

Custodial Personnel	\$	21,814	
Maintenance Personnel		32,853	
Part-time Personnel		7,959	
Maintenance & Repair Services- Buildings		79,292	
Custodial Supplies		21,100	
Utilities		158,750	
Building and Contents Insurance		21,950	
Total County Buildings			343,718

(Continued)

Lauderdale County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

General Fund (Cont.)

General Government (Cont.)

Other General Administration

Other Salaries & Wages	\$	3,239	
Travel		179	
Total Other General Administration			\$ 3,418

Finance

Accounting and Budgeting

Accounting Services	\$	900	
Total Accounting and Budgeting			900

Property Assessor's Office

County Official/Administrative Officer	\$	51,969	
Deputy(ies)		45,708	
Secretary(s)		19,296	
Board and Committee Members Fees		165	
Communication		463	
Contracts with Private Agencies		6,575	
Dues and Memberships		1,244	
Travel		2,708	
Data Processing Supplies		4,943	
Office Supplies		1,602	
Total Property Assessor's Office			134,673

Reappraisal Program

Part-time Personnel	\$	16,921	
Data Processing Services		2,848	
Postal Charges		1,200	
Travel		1,445	
Office Supplies		114	
Total Reappraisal Program			22,528

County Trustee's Office

County Official/Administrative Officer	\$	51,969	
Deputy(ies)		50,084	
Part-time Personnel		452	
Communication		2,159	
Dues and Memberships		566	
Legal Notices, Recording, and Court Costs		595	
Travel		1,632	
Office Supplies		8,433	
Office Equipment		9,402	
Total County Trustee's Office			125,292

(Continued)

Lauderdale County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office

County Official/Administrative Officer	\$	51,969	
Deputy(ies)		125,644	
Communication		975	
Contracts with Other Public Agencies		9,469	
Dues and Memberships		416	
Travel		570	
Office Supplies		4,561	
Office Equipment		17,615	
Total County Clerk's Office			\$ 211,219

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	51,969	
Deputy(ies)		39,083	
Attendants		4,903	
Jury and Witness Fees		13,854	
Communication		1,164	
Dues and Memberships		436	
Maintenance & Repair Services- Equipment		4,274	
Postal Charges		2,500	
Travel		2,370	
Data Processing Supplies		7,503	
Office Supplies		11,547	
Other Charges		71	
Office Equipment		148	
Total Circuit Court			139,822

General Sessions Judge

Judge(s)	\$	55,534	
Other Per Diem & Fees		1,800	
Dues and Memberships		215	
Travel		781	
Total General Sessions Judge			58,330

General Sessions Court Clerk

Clerical Personnel	\$	116,284	
Communication		888	
Total General Sessions Court Clerk			117,172

(Continued)

Lauderdale County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court

County Official/Administrative Officer	\$	51,969	
Deputy(ies)		20,776	
Attendants		4,924	
Part-time Personnel		22,152	
Communication		1,514	
Legal Notices, Recording, and Court Costs		2,303	
Office Supplies		6,263	
Office Equipment		6,081	
Total Chancery Court			\$ 115,982

Juvenile Court

County Official/Administrative Officer	\$	31,411	
Judge(s)		55,534	
Deputy(ies)		58,782	
Youth Service Officer(s)		29,378	
Secretary(s)		16,546	
Attendants		3,971	
In-Service Training		490	
Other Per Diem & Fees		691	
Communication		7,482	
Contracts with Private Agencies		12,500	
Dues and Memberships		332	
Maintenance & Repair Services- Equipment		3,304	
Maintenance & Repair Services- Vehicles		4,992	
Travel		11,278	
Office Supplies		722	
Other Supplies and Materials		4,634	
Vehicle and Equipment Insurance		3,772	
Total Juvenile Court			245,819

Other Administration of Justice

Social Workers	\$	32,425	
Secretary(s)		17,948	
Social Security		4,102	
Handling Charges & Administrative Costs		8,137	
State Retirement		2,005	
Employee and Dependent Insurance		10,103	
Communication		2,195	
Contracts with Private Agencies		1,860	
Maintenance & Repair Services- Equipment		333	

(Continued)

Lauderdale County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

General Fund (Cont.)

Administration of Justice (Cont.)

Other Administration of Justice (Cont.)

Maintenance & Repair Services- Vehicles	\$	692	
Postal Charges		250	
Travel		436	
Data Processing Supplies		250	
Instructional Supplies and Materials		100	
Office Supplies		750	
Vehicle and Equipment Insurance		800	
Workers' Compensation Insurance		1,314	
Other Charges		6,028	
Data Processing Equipment		1,500	
Furniture and Fixtures		100	
Office Equipment		100	
Total Other Administration of Justice			\$ 91,428

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	57,165
Assistant(s)		37,801
Deputy(ies)		269,384
Investigator(s)		179,153
Accountants/Bookkeepers		25,280
Salary Supplements		10,374
Dispatchers/Radio Operators		159,944
Clerical Personnel		22,607
Part-time Personnel		55,526
Other Salaries & Wages		35,189
In-Service Training		4,234
Communication		18,137
Data Processing Services		945
Dues and Memberships		1,400
Maintenance & Repair Services- Equipment		7,260
Maintenance & Repair Services- Vehicles		18,624
Postal Charges		4,500
Travel		8,041
Data Processing Supplies		3,724
Gasoline		60,174
Law Enforcement Supplies		6,345
Office Supplies		8,693
Uniforms		6,105
Other Supplies and Materials		5,896

(Continued)

Lauderdale County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Vehicle and Equipment Insurance	\$	23,613	
Workers' Compensation Insurance		21,193	
Other Charges		5,235	
Motor Vehicles		65,508	
Office Equipment		15,627	
Total Sheriff's Department			\$ 1,137,677

Jail

Captain(s)	\$	36,625	
Lieutenant(s)		22,727	
Sergeant(s)		117,914	
Accountants/Bookkeepers		22,639	
Medical Personnel		33,257	
Salary Supplements		6,600	
Guards		309,042	
Cafeteria Personnel		33,179	
Custodial Personnel		12,452	
Part-time Personnel		8,201	
Medical and Dental Services		139,680	
Travel		2,653	
Other Contracted Services		24,237	
Drugs and Medical Supplies		49,934	
Food Supplies		193,425	
Office Supplies		6,592	
Uniforms		4,724	
Other Supplies and Materials		16,567	
Workers' Compensation Insurance		19,634	
Liability Claims		165	
In Service/Staff Development		856	
Total Jail			1,061,103

Fire Prevention and Control

Other Salaries & Wages	\$	4,578	
Contracts with Government Agencies		10,752	
Other Supplies and Materials		4,339	
Total Fire Prevention and Control			19,669

Civil Defense

Other Equipment	\$	75,480	
Total Civil Defense			75,480

(Continued)

Lauderdale County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

General Fund (Cont.)

Public Safety (Cont.)

Rescue Squad

Contributions	\$ 6,007	
Total Rescue Squad		\$ 6,007

Other Emergency Management

Supervisor/Director	\$ 28,000	
Communication	1,376	
Rentals	2,400	
Travel	5,621	
Office Supplies	672	
Other Supplies and Materials	254	
Total Other Emergency Management		38,323

Public Health and Welfare

Local Health Center

Custodial Personnel	\$ 4,109	
Social Security	314	
Communication	2,420	
Maintenance & Repair Services- Buildings	12,875	
Postal Charges	1,775	
Other Contracted Services	11,392	
Drugs and Medical Supplies	6,751	
Office Supplies	4,682	
Utilities	10,488	
Total Local Health Center		54,806

Rabies and Animal Control

Investigator(s)	\$ 22,646	
Part-time Personnel	5,531	
Social Security	2,132	
Communication	1,101	
Gasoline	1,185	
Utilities	4,904	
Other Supplies and Materials	2,688	
Total Rabies and Animal Control		40,187

Dental Health Program

Medical Personnel	\$ 20,918
Clerical Personnel	19,714
Educational Assistants	40,767
Social Security	5,773

(Continued)

Lauderdale County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

General Fund (Cont.)

Public Health and Welfare (Cont.)

Dental Health Program (Cont.)

State Retirement	\$	4,606	
Employee and Dependent Insurance		12,877	
Medical and Dental Services		97,519	
Travel		2,555	
Drugs and Medical Supplies		11,965	
Total Dental Health Program			\$ 216,694

Other Local Health Services

Contracts with Government Agencies	\$	23,065	
Contracts with Other Public Agencies		58,744	
Other Contracted Services		9,927	
Total Other Local Health Services			91,736

Sanitation Education/Information

Guards	\$	26,890	
Clerical Personnel		2,658	
Contracts with Other Public Agencies		6,400	
Other Charges		69	
Total Sanitation Education/Information			36,017

Social, Cultural, and Recreational Services

Libraries

Contributions	\$	22,153	
Total Libraries			22,153

Parks and Fair Boards

Contributions	\$	39,000	
Total Parks and Fair Boards			39,000

Agriculture & Natural Resources

Agriculture Extension Service

Salary Supplements	\$	41,618	
Secretary(s)		9,910	
Communication		3,187	
Janitorial Services		1,141	
Maintenance & Repair Services- Equipment		8,435	
Other Contracted Services		20,828	
Total Agriculture Extension Service			85,119

(Continued)

Lauderdale County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

General Fund (Cont.)

Agriculture & Natural Resources (Cont.)

Soil Conservation

Salary Supplements	\$	26,394	
Secretary(s)		19,954	
Total Soil Conservation			\$ 46,348

Other Operations

Veterans' Services

Supervisor/Director	\$	11,735	
Communication		1,059	
Travel		400	
Office Supplies		722	
Total Veterans' Services			13,916

Other Charges

Refunds	\$	240	
Trustee's Commission		77,210	
Workers' Compensation Insurance		21,456	
Other Charges		10,366	
Total Other Charges			109,272

Contributions to Other Agencies

Contributions	\$	53,607	
Total Contributions to Other Agencies			53,607

Employee Benefits

Social Security	\$	216,677	
State Retirement		195,910	
Employee and Dependent Insurance		401,824	
Unemployment Compensation		15,136	
Total Employee Benefits			829,547

Miscellaneous

Employee and Dependent Insurance	\$	1,657	
Advertising		1,141	
Data Processing Services		4,316	
Dues and Memberships		10,163	
Other Contracted Services		7,410	
Other Supplies and Materials		293	
Other Charges		14,474	
Total Miscellaneous			39,454

Total General Fund \$ 6,587,688

(Continued)

Lauderdale County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

Law Library Fund

Social, Cultural, and Recreational Services

Libraries

Library Books/Media	\$ 949	
Trustee's Commission	12	
Total Libraries		<u>\$ 961</u>

Total Law Library Fund \$ 961

Public Library Fund

Social, Cultural, and Recreational Services

Libraries

Other Salaries & Wages	\$ 58,541	
Social Security	5,350	
Medical Insurance	12,059	
Accounting Services	1,200	
Communication	2,664	
Maintenance & Repair Services- Buildings	10,031	
Library Books/Media	5,277	
Office Supplies	2,768	
Utilities	7,633	
Building and Contents Insurance	4,490	
Office Equipment	7,399	
Total Libraries		<u>\$ 117,412</u>

Total Public Library Fund 117,412

Ambulance Service Fund

Public Health and Welfare

Ambulance/Emergency Medical Services

Supervisor/Director	\$ 2,400
Medical Personnel	449,072
In-Service Training	2,301
Social Security	47,261
Audit Services	1,750
Bank Charges	125
Communication	6,666
Debt Collection Services	3,358
Licenses	257
Maintenance & Repair Services- Equipment	21,108
Travel	529
Other Contracted Services	6,181
Data Processing Supplies	6,808

(Continued)

Lauderdale County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

Ambulance Service Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services (Cont.)

Diesel Fuel	\$	18,512	
Drugs and Medical Supplies		29,186	
Office Supplies		16,465	
Uniforms		2,108	
Utilities		5,337	
Liability Insurance		48,613	
Other Charges		2,109	
Motor Vehicles		46,363	
Total Ambulance/Emergency Medical Services			\$ 716,509

Total Ambulance Service Fund \$ 716,509

Drug Control Fund

Public Safety

Drug Enforcement

In-Service Training	\$	550	
Confidential Drug Enforcement Payments		5,000	
Maintenance & Repair Services- Equipment		120	
Maintenance & Repair Services- Vehicles		356	
Travel		80	
Other Supplies and Materials		1,375	
Other Charges		1,949	
Law Enforcement Equipment		219	
Motor Vehicles		7,350	
Total Drug Enforcement			\$ 16,999

Total Drug Control Fund 16,999

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	57,165	
Accountants/Bookkeepers		47,652	
Communication		6,132	
Data Processing Services		5,109	
Dues and Memberships		2,751	
Legal Notices, Recording, and Court Costs		409	
Medical and Dental Services		1,007	
Postal Charges		484	
Printing, Stationery and Forms		927	

(Continued)

Lauderdale County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Travel	\$	402	
Other Contracted Services		1,033	
Data Processing Supplies		664	
Drugs and Medical Supplies		447	
Electricity		10,474	
Natural Gas		13,651	
Office Supplies		1,162	
Other Charges		5,499	
Total Administration			\$ 154,968

Highway and Bridge Maintenance

Foremen	\$	127,540	
Equipment Operators		415,341	
Truck Drivers		226,112	
Laborers		151,618	
Other Contracted Services		44,753	
Asphalt - Cold Mix		5,216	
Asphalt - Liquid		89,570	
Crushed Stone		85,602	
General Construction Materials		358	
Other Road Supplies		5,230	
Pipe - Metal		43,632	
Road Signs		2,276	
Small Tools		267	
Wood Products		23,656	
Chemicals		11,703	
Other Supplies and Materials		2,500	
Total Highway and Bridge Maintenance			1,235,374

Operation and Maintenance of Equipment

Mechanic(s)	\$	95,762	
Laundry Service		12,833	
Maintenance & Repair Services- Equipment		6,714	
Diesel Fuel		112,967	
Equipment and Machinery Parts		124,606	
Garage Supplies		6,995	
Gasoline		26,933	
Lubricants		15,779	
Small Tools		5,957	
Tires and Tubes		33,320	

(Continued)

Lauderdale County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment (Cont.)

Other Supplies and Materials	\$	1,982	
Other Charges		335	
Total Operation and Maintenance of Equipment			\$ 444,183

Other Charges

Liability Insurance	\$	33,883	
Premiums on Corporate Surety Bonds		453	
Trustee's Commission		29,176	
Workers' Compensation Insurance		112,033	
Total Other Charges			175,545

Employee Benefits

Social Security	\$	86,038	
State Retirement		76,712	
Employee and Dependent Insurance		220,623	
Unemployment Compensation		5,110	
Other Fringe Benefits		1,123	
Total Employee Benefits			389,606

Capital Outlay

Engineering Services	\$	27,054	
Bridge Construction		375,065	
Communication Equipment		4,137	
Highway Construction		60,758	
Highway Equipment		170,398	
State Aid Projects		267,509	
Other Construction		512	
Other Capital Outlay		50,000	
Total Capital Outlay			955,433

Total Highway/Public Works Fund \$ 3,355,109

General Debt Service Fund

Debt Service Principal

General Government

Principal on Bonds	\$	295,000	
Principal on Notes		61,617	
Principal on Other Loans		170,000	
Total General Government			\$ 526,617

(Continued)

Lauderdale County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

General Debt Service Fund (Cont.)

Debt Service Principal (Cont.)

Education

Principal on Bonds	\$ 980,000	
Principal on Notes	23,286	
Total Education	<u>1,003,286</u>	\$ 1,003,286

Debt Service Interest

General Government

Interest on Bonds	\$ 162,425	
Interest on Notes	10,073	
Interest on Other Loans	9,186	
Total General Government	<u>181,684</u>	181,684

Education

Interest on Bonds	\$ 687,022	
Interest on Notes	6,125	
Total Education	<u>693,147</u>	693,147

Other Debt Service

General Government

Trustee's Commission	\$ 11,310	
Other Debt Service	1,760	
Total General Government	<u>13,070</u>	13,070

Education

Other Debt Service	\$ 400	
Total Education	<u>400</u>	400

Total General Debt Service Fund \$ 2,418,204

Community Development/Industrial Park Fund

Capital Projects

Public Health and Welfare Projects

Engineering Services	\$ 13,392	
Legal Services	9,000	
Trustee's Commission	9	
Other Charges	13,378	
Building Construction	294,843	
Total Public Health and Welfare Projects	<u>330,622</u>	\$ 330,622

Total Community Development/Industrial Park Fund 330,622

Total Governmental Funds - Primary Government \$ 13,543,504

Lauderdale County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Lauderdale County School Department
For the Year Ended June 30, 2005

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 8,817,553	
Career Ladder Program	192,500	
Career Ladder Extended Contracts	89,290	
Educational Assistants	393,278	
Certified Substitute Teachers	210,620	
Social Security	579,747	
State Retirement	522,012	
Medical Insurance	1,409,694	
Unemployment Compensation	11,213	
Employer Medicare	135,586	
Other Contracted Services	134,412	
Instructional Supplies and Materials	116,444	
Textbooks	162,664	
Other Supplies and Materials	1,581	
Other Charges	154,685	
Regular Instruction Equipment	42,584	
Total Regular Instruction Program		\$ 12,973,863

Special Education Program

Teachers	\$ 1,426,173	
Career Ladder Program	26,000	
Career Ladder Extended Contracts	20,620	
Homebound Teachers	13,233	
Social Security	88,729	
State Retirement	81,685	
Medical Insurance	156,576	
Employer Medicare	20,751	
Instructional Supplies and Materials	22,662	
Other Supplies and Materials	1,767	
Total Special Education Program		1,858,196

Vocational Education Program

Teachers	\$ 635,953
Career Ladder Program	7,000
Career Ladder Extended Contracts	5,620
Social Security	38,516
State Retirement	35,671
Medical Insurance	111,803
Employer Medicare	9,008

(Continued)

Exhibit L-9

Lauderdale County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Lauderdale County School Department (Cont.)

General Purpose School Fund (Cont.)

Instruction (Cont.)

Vocational Education Program (Cont.)

Instructional Supplies and Materials	\$	3,832	
Textbooks		7,540	
Vocational Instruction Equipment		1,175	
Total Vocational Education Program			\$ 856,118

Support Services

Attendance

Other Contracted Services	\$	6,112	
Total Attendance			6,112

Health Services

Medical Personnel	\$	89,718	
Social Security		5,263	
State Retirement		6,146	
Medical Insurance		11,898	
Employer Medicare		1,231	
Travel		480	
Other Supplies and Materials		4,677	
Health Equipment		1,550	
Total Health Services			120,963

Other Student Support

Career Ladder Program	\$	11,000	
Guidance Personnel		410,250	
Career Ladder Extended Contracts		4,000	
Social Workers		48,692	
Clerical Personnel		21,264	
Other Salaries & Wages		87,631	
Social Security		34,637	
State Retirement		33,526	
Medical Insurance		89,826	
Employer Medicare		8,100	
Evaluation and Testing		3,854	
Total Other Student Support			752,780

Regular Instruction Program

Supervisor/Director	\$	70,029	
Career Ladder Program		22,000	
Career Ladder Extended Contracts		23,810	

(Continued)

Exhibit L-9

Lauderdale County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Lauderdale County School Department (Cont.)

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Librarians	\$	288,305	
Materials Supervisor		64,069	
Instructional Computer Personnel		56,951	
Social Security		31,612	
State Retirement		28,884	
Medical Insurance		52,948	
Employer Medicare		7,393	
Travel		5,849	
In Service/Staff Development		10,888	
Other Equipment		28,847	
Total Regular Instruction Program			\$ 691,585

Special Education Program

Supervisor/Director	\$	60,940	
Career Ladder Program		5,000	
Psychological Personnel		66,437	
Career Ladder Extended Contracts		7,810	
Secretary(s)		46,572	
Social Security		11,106	
State Retirement		10,900	
Medical Insurance		31,544	
Employer Medicare		2,597	
Consultants		20,365	
Travel		9,717	
Other Supplies and Materials		8,835	
In Service/Staff Development		16,000	
Total Special Education Program			297,823

Vocational Education Program

Supervisor/Director	\$	60,940	
Social Security		3,701	
State Retirement		3,352	
Medical Insurance		3,608	
Employer Medicare		866	
Travel		1,315	
In Service/Staff Development		6,205	
Total Vocational Education Program			79,987

(Continued)

Exhibit L-9

Lauderdale County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Lauderdale County School Department (Cont.)

General Purpose School Fund (Cont.)

Support Services (Cont.)

Board of Education

Secretary to Board	\$	600	
Board and Committee Members Fees		11,963	
Social Security		779	
State Retirement		518	
Employer Medicare		182	
Audit Services		4,000	
Dues and Memberships		15,365	
Legal Services		20,551	
Travel		9,285	
Liability Insurance		67,387	
Premiums on Corporate Surety Bonds		3,306	
Trustee's Commission		114,380	
Workers' Compensation Insurance		95,890	
Other Charges		3,466	
Total Board of Education			\$ 347,672

Director of Schools

County Official/Administrative Officer	\$	90,957	
Assistant(s)		65,001	
Career Ladder Program		1,000	
Social Security		9,503	
State Retirement		8,633	
Medical Insurance		10,130	
Employer Medicare		2,224	
Other Fringe Benefits		300	
Communication		40,446	
Postal Charges		3,701	
Travel		14,000	
Other Contracted Services		197	
Office Supplies		6,215	
Other Charges		1,053	
Total Director of Schools			253,360

Office of the Principal

Principals	\$	503,829	
Career Ladder Program		22,000	
Career Ladder Extended Contracts		17,823	
Assistant Principals		323,906	
Secretary(s)		328,990	

(Continued)

Lauderdale County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Lauderdale County School Department (Cont.)

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal (Cont.)

Clerical Personnel	\$	40,736	
Social Security		73,443	
State Retirement		73,042	
Medical Insurance		141,342	
Employer Medicare		17,176	
Travel		6,242	
Administration Equipment		13,049	
Total Office of the Principal			\$ 1,561,578

Fiscal Services

Supervisor/Director	\$	56,650	
Accountants/Bookkeepers		26,772	
Secretary(s)		26,124	
Social Security		6,519	
State Retirement		6,534	
Medical Insurance		15,390	
Employer Medicare		1,525	
Travel		2,500	
Other Contracted Services		8,425	
Office Supplies		741	
Total Fiscal Services			151,180

Operation of Plant

Supervisor/Director	\$	36,605	
Custodial Personnel		234,228	
Social Security		15,872	
State Retirement		17,492	
Medical Insurance		27,781	
Employer Medicare		3,712	
Other Contracted Services		510,917	
Electricity		466,759	
Natural Gas		256,526	
Boiler Insurance		1,653	
Building and Contents Insurance		71,215	
Total Operation of Plant			1,642,760

Maintenance of Plant

Maintenance Personnel	\$	68,674	
Other Salaries & Wages		83,415	

(Continued)

Exhibit L-9

Lauderdale County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Lauderdale County School Department (Cont.)

General Purpose School Fund (Cont.)

Support Services (Cont.)

Maintenance of Plant (Cont.)

Social Security	\$	8,674	
State Retirement		8,174	
Medical Insurance		28,049	
Employer Medicare		2,029	
Maintenance & Repair Services- Buildings		50,262	
Maintenance & Repair Services- Equipment		37,480	
Other Contracted Services		142,276	
Other Supplies and Materials		75,620	
Maintenance Equipment		4,921	
Total Maintenance of Plant			\$ 509,574

Transportation

Supervisor/Director	\$	36,605	
Mechanic(s)		80,291	
Bus Drivers		480,785	
Other Salaries & Wages		20,779	
Social Security		37,891	
State Retirement		9,893	
Medical Insurance		17,905	
Employer Medicare		8,869	
Other Fringe Benefits		5,819	
Rentals		1,355	
Travel		334	
Gasoline		161,594	
Tires and Tubes		14,867	
Vehicle Parts		81,849	
Other Supplies and Materials		4,621	
Vehicle and Equipment Insurance		29,753	
Other Charges		2,161	
Transportation Equipment		241,170	
Total Transportation			1,236,541

Central and Other

Clerical Personnel	\$	25,872	
Social Security		1,572	
State Retirement		1,772	
Employer Medicare		368	
Total Central and Other			29,584

(Continued)

Exhibit L-9

Lauderdale County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Lauderdale County School Department (Cont.)

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services

Community Services

Clerical Personnel	\$	17,137	
Other Salaries & Wages		59,131	
Social Security		4,631	
State Retirement		3,625	
Medical Insurance		2,451	
Employer Medicare		1,083	
Travel		586	
Other Contracted Services		10,380	
Other Supplies and Materials		2,696	
Refunds		10,000	
Other Charges		12,313	
Total Community Services			\$ 124,033

Capital Outlay

Regular Capital Outlay

Building Improvements	\$	483,672	
Total Regular Capital Outlay			483,672

Debt Service Principal

Education

Principal on Notes	\$	9,556	
Principal on Capital Leases		105,506	
Total Education			115,062

Debt Service Interest

Education

Interest on Capital Leases	\$	20,401	
Total Education			20,401

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$	1,200,000	
Total Education			1,200,000

Total General Purpose School Fund \$ 25,312,844

(Continued)

Exhibit L-9

Lauderdale County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Lauderdale County School Department (Cont.)

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	746,729	
Educational Assistants		171,649	
Certified Substitute Teachers		19,325	
Social Security		55,142	
State Retirement		52,237	
Medical Insurance		166,712	
Employer Medicare		12,896	
Travel		5,148	
Other Contracted Services		25,527	
Instructional Supplies and Materials		83,016	
Other Charges		2,321	
Regular Instruction Equipment		52,708	
Total Regular Instruction Program			\$ 1,393,410

Special Education Program

Teachers	\$	82,142	
Educational Assistants		526,839	
Other Salaries & Wages		15,000	
Social Security		36,473	
State Retirement		38,950	
Medical Insurance		89,784	
Employer Medicare		8,530	
Maintenance & Repair Services- Equipment		1,113	
Instructional Supplies and Materials		23,702	
Other Supplies and Materials		23,991	
Special Education Equipment		11,877	
Total Special Education Program			858,401

Vocational Education Program

Educational Assistants	\$	16,405	
Social Security		998	
State Retirement		1,079	
Employer Medicare		233	
Travel		8,864	
Instructional Supplies and Materials		42,186	
Other Supplies and Materials		893	
Other Charges		3,135	
Vocational Instruction Equipment		18,000	
Total Vocational Education Program			91,793

(Continued)

Exhibit L-9

Lauderdale County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Lauderdale County School Department (Cont.)

School Federal Projects Fund (Cont.)

Support Services

Other Student Support

Travel	\$	5,267	
Other Supplies and Materials		1,569	
In Service/Staff Development		1,264	
Other Charges		2,847	
Total Other Student Support			\$ 10,947

Regular Instruction Program

Supervisor/Director	\$	66,020	
Secretary(s)		13,062	
Social Security		4,852	
State Retirement		4,526	
Medical Insurance		3,331	
Employer Medicare		1,135	
Travel		3,300	
Other Contracted Services		30,483	
Library Books/Media		23,229	
In Service/Staff Development		56,494	
Total Regular Instruction Program			206,432

Special Education Program

Psychological Personnel	\$	110,515	
Other Salaries & Wages		33,336	
Social Security		8,596	
State Retirement		7,912	
Medical Insurance		33,048	
Employer Medicare		2,010	
Consultants		33,964	
Travel		8,984	
In Service/Staff Development		9,142	
Other Equipment		380	
Total Special Education Program			247,887

Vocational Education Program

Travel	\$	3,296	
Other Supplies and Materials		848	
In Service/Staff Development		956	
Total Vocational Education Program			5,100

(Continued)

Exhibit L-9

Lauderdale County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Lauderdale County School Department (Cont.)

School Federal Projects Fund (Cont.)

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$	58,636	
Teachers		106,477	
Educational Assistants		29,648	
Other Salaries & Wages		13,998	
Social Security		12,860	
State Retirement		10,352	
Medical Insurance		5,090	
Employer Medicare		3,008	
Travel		7,531	
Other Contracted Services		2,961	
Other Supplies and Materials		15,388	
In Service/Staff Development		4,575	
Other Charges		9,523	
Other Equipment		36,631	
Total Community Services			\$ 316,678

Total School Federal Projects Fund \$ 3,130,648

Central Cafeteria Fund

Support Services

Board of Education

Trustee's Commission	\$	27	
Total Board of Education			\$ 27

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	48,664
Clerical Personnel		26,772
Cafeteria Personnel		772,298
Other Salaries & Wages		4,376
Social Security		51,471
State Retirement		43,133
Medical Insurance		84,627
Unemployment Compensation		38
Employer Medicare		12,038
Other Fringe Benefits		12,000
Communication		3,124
Maintenance & Repair Services- Equipment		14,041
Payments to Schools - Other		900

(Continued)

Exhibit L-9

Lauderdale County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Lauderdale County School Department (Cont.)

Central Cafeteria Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Transportation - Other than Students	\$	11,705	
Travel		5,256	
Other Contracted Services		39,040	
Food Supplies		924,526	
Uniforms		8,454	
Utilities		84,495	
Other Supplies and Materials		18,129	
In Service/Staff Development		1,929	
Food Service Equipment		34,838	
Total Food Service			\$ 2,201,854

Total Central Cafeteria Fund \$ 2,201,881

Education Capital Projects Fund

Capital Projects

Education Capital Projects

Building Construction	\$	2,571,984	
Total Education Capital Projects			\$ 2,571,984

Total Education Capital Projects Fund 2,571,984

Total Governmental Funds - Lauderdale County School Department \$ 33,217,357

Lauderdale County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balance - City Agency Fund
For the Year Ended June 30, 2005

	<u>Local Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 2,011,688
Total Cash Receipts	<u>\$ 2,011,688</u>
<u>Cash Disbursements</u>	
Contributions	\$ 1,422,812
Remittance of Revenues Collected	878,156
Trustee's Commission	20,117
Total Cash Disbursements	<u>\$ 2,321,085</u>
Excess of Cash Receipts Over (Under)	
Cash Disbursements	\$ (309,397)
Cash Balance, July 1, 2004	<u>3,284,991</u>
Cash Balance, June 30, 2005	<u><u>\$ 2,975,594</u></u>

STATISTICAL SECTION

Table 1

Lauderdale County, Tennessee
Uncollected Taxes Filed in Chancery Court
June 30, 2005

Year	Amount
1995	\$ 27,900
1996	37,676
1997	8,823
1998	6,742
1999	18,203
2000	27,660
2001	40,712
2002	49,184
2003	80,592
Total	\$ 297,492

Table 2

Lauderdale County, Tennessee
Tax Rates and Assessments
Last Ten Years

Fund	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
General	\$ 0.84	\$ 0.86	\$ 0.88	\$ 0.90	\$ 0.93	\$ 0.93	\$ 0.770	\$ 0.720	\$ 0.770	\$ 0.990
Highway/Public Works	0.25	0.25	0.25	0.25	0.25	0.25	0.205	0.205	0.205	0.205
General Debt Service	0.31	0.29	0.27	0.25	0.25	0.25	0.205	0.255	0.205	0.205
General Purpose School	0.90	0.90	0.90	0.90	1.12	1.12	0.930	0.930	0.930	0.930
Total Tax Rates	\$ 2.30	\$ 2.30	\$ 2.30	\$ 2.30	\$ 2.55	\$ 2.55	\$ 2.11	\$ 2.11	\$ 2.11	\$ 2.33
<u>Assessed Valuation</u>										
Real and Personal	\$ 164,746,461	\$ 166,742,569	\$ 171,743,499	\$ #####	\$ 185,612,516	\$ 188,546,910	\$ 233,076,521	\$ #####	\$ 233,459,141	\$ #####
Public Utilities	19,302,914	20,176,475	17,084,049	18,288,006	18,251,586	17,398,479	22,142,320	22,285,277	19,920,527	22,142,320
Total Assessed Valuation	\$ 184,049,375	\$ 186,919,044	\$ 188,827,548	\$ #####	\$ 203,864,102	\$ 205,945,389	\$ 255,218,841	\$ #####	\$ 253,379,668	\$ #####

SINGLE AUDIT SECTION



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0269
PHONE (615) 401-7841

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

January 10, 2006

Lauderdale County Mayor and
Board of County Commissioners
Lauderdale County, Tennessee

To the County Mayor and Board of County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lauderdale County, Tennessee, as of and for the year ended June 30, 2005, which collectively comprise Lauderdale County's basic financial statements and have issued our report thereon dated January 10, 2006. Our report on the aggregate remaining fund information was qualified because there was not sufficient information available from other auditors to determine the credit risk and custodial credit risk of certain investments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing 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 Lauderdale County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to

significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Lauderdale County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 05.02, 05.03, 05.04, 05.05, 05.06, 05.08, 05.10, 05.11, 05.12, 05.13, and 05.14.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error of fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lauderdale County'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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as item 05.01, 05.07, and 05.09.

We have also noted certain matters that we reported to the management of Lauderdale County in separate communications.

This report is intended solely for the information and use of the Board of County Commissioners, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



John G. Morgan
Comptroller of the Treasury

JGM/yu



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0269
PHONE (615) 401-7841

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

January 10, 2006

Lauderdale County Mayor and
Board of County Commissioners
Lauderdale County, Tennessee

To the County Mayor and Board of County Commissioners:

Compliance

We have audited the compliance of Lauderdale County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. Lauderdale County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Lauderdale County's management. Our responsibility is to express an opinion on Lauderdale County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lauderdale County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Lauderdale County's compliance with those requirements.

In our opinion, Lauderdale County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Lauderdale County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Lauderdale County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lauderdale County, Tennessee, as of and for the year ended June 30, 2005, and have issued our report thereon dated January 10, 2006. Our report on the aggregate remaining fund information was qualified because there was not sufficient information available from other auditors to determine the credit risk and custodial credit risk of certain investments. Our audit was performed for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Grants is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of County Commissioners, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



John G. Morgan
Comptroller of the Treasury

JGM/yu

OTHER AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
For the Lauderdale County Public Library

Board of Trustees
County Mayor of Lauderdale County
Lauderdale County Library Fund
Ripley, Tennessee

I have audited the financial statements of Lauderdale County Library Fund, a separately reported special revenue fund of Lauderdale County, Tennessee, as of and for the year ended June 30, 2005 and have issued my report thereon. I conducted my 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 my audit, I considered Lauderdale County Library Fund's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operations that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operations of the internal control over financial reporting that, in my judgment, could adversely affect Lauderdale County Library Fund's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are:

Expenditures exceeded the appropriated amounts during the fiscal year ended June 30, 2005.

The Library Fund has insufficient personnel to enable separation of duties within the accounting process. The Librarian maintains the general operating fund while the Chairman of the Board of Trustees maintains the investment accounts and the other checking account. Without the addition of new personnel or the inclusion of other board members within the accounting process, this situation is not correctable, however, the librarian and the Chairman are working together to improve this matter.

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

material weaknesses. However, of the reportable conditions described above, I consider both to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lauderdale County Library Fund's financial statements are free of material misstatement, I 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 statements amounts. However, providing an opinion on compliance with these provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Lauderdale County Library Fund's management, the Lauderdale County Commissioners, the Tennessee State Comptroller's Office, other regulatory bodies, and is not intended to be and should not be used by anyone other than those specified parties.

OTHER AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
For the Lauderdale County Ambulance Authority

County Mayor of Lauderdale County
Lauderdale County Ambulance Authority
Ripley, Tennessee

I have audited the financial statements of Lauderdale County Ambulance Authority, a separately reported special revenue fund of Lauderdale County, Tennessee, as of and for the year ended June 30, 2005 and have issued my report thereon. I conducted my 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 my audit, I considered Lauderdale County Ambulance Authority's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operations that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operations of the internal control over financial reporting that, in my judgment, could adversely affect Lauderdale County Ambulance Authority's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2005-01, 2005-02, 2005-03, 2005-04, 2005-05, 2005-06, 2005-07, and 2005-08.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I consider item 2005-01, 2005-02, and 2005-03 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lauderdale County Ambulance Authority's financial statements are free of material misstatement, I 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 statements amounts. However, providing an opinion on compliance with these provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Lauderdale County Ambulance Authority's management, the Lauderdale County Commissioners, the Tennessee State Comptroller's Office, other regulatory bodies, and is not intended to be and should not be used by anyone other than those specified parties.

LAUDERDALE COUNTY AMBULANCE AUTHORITY
SCHEDULE OF FINDINGS, RECOMMENDATIONS, AND REPLIES
FOR THE YEAR ENDED JUNE 30, 2005

2005-01 Delinquent accounts have not been written off against the allowance for doubtful accounts since 1992. Therefore accounts receivable have reached an unmanageable volume (480 pages). The current procedure is that amounts are billed to governmental agencies and insurance companies, and after contractual allowances are recorded, amounts are billed to the client. After 120 days, if amounts are not being collected, the account is turned over to a collection agency. The accounts receivable balance remains in the billing system.

Recommendation: Accounts receivable over one year old should be written off against the existing allowance for doubtful accounts and as a prior period adjustment to reflect receivables with an age of not more than one year.

Establish a procedure of preparing a list of accounts aged over twelve months on a monthly basis. After proper review of Ambulance Authority staff, the list should be presented to the board for approval to write the delinquent accounts off against the allowance for doubtful accounts. The accounts can thus be reviewed and written off on a monthly basis.

Response: Implemented.

2005-02 Billing is currently being handled by one employee due to the complexity of the Medicare, TennCare, insurance, and other billing rules. With the exception of another employee preparing the daily deposits, one employee has the full responsibility of the complete revenue cycle. Reports are not prepared on a monthly basis to include the revenue in the general ledger on a monthly basis.

Recommendation: Using a spreadsheet program, an employee can summarize each ambulance trip on a monthly basis. Heading information should include trip number, patient name, applicable account numbers, amount billed, third party billing party, contractual adjustments, rebilling information, amount, and date fee was collected. From this sheet, data necessary to record transactions into the general ledger can be summarized. This sheet should also be submitted to the director for review and approval. The director should critically review the sheet for unusual transactions, such as an unusual contractual adjustment. The director will have to gain a familiarity with Medicare, TennCare, and other insurance procedures to enhance the review procedure.

An internal audit committee should be established to test a sample of the postings to this spreadsheet. Because the billing cycle takes several weeks, the sample (randomly selected, five to ten tested per month) should be pulled from the prior month's spreadsheet. Tests should include compliance to the Medicare, TennCare, or insurance billing procedures, subsequent patient

billing, and proper recording of the contractual adjustments. This recommendation is submitted in recognition that the billing cycle is complicated and multiple employees performing the billing cycle functions may not be effective. However, the random tests by an internal audit committee may detect errors on a timely basis. The internal audit committee should report findings to the director. The director should recommend appropriate corrective actions.

Response: Implemented.

2005-03 Complete accounting transactions are not recorded in the general ledger. General ledger postings do not match budgetary line items. Accounting staff are not familiar with generally accepted accounting principles.

Recommendation: The spreadsheet recommended above should provide the basis for recording the revenue cycle transactions. The general ledger should be redesigned to reflect the budgetary transactions. Most accounting programs allow the use of sub-accounts to provide additional accounting detail. Additional training of accounting staff would increase the familiarity with generally accepted accounting principles. General ledger, balance sheet, and profit and loss should be printed monthly for administrative review.

Response: Implemented.

2005-04 Bank reconciliation was not compared with general ledger cash balance on a monthly basis.

Recommendation: The accounting personnel should perform the additional step of comparing the reconciled balance to the general ledger to ensure that all transactions are recorded.

Response: Implemented.

2005-05 Proper approval of invoices was not evidenced.

Recommendation: The director should review and initial all invoices prior to payment.

Response: Implemented.

2005-06 Invoices appear to be posted to the general ledger based on date paid rather than the date of the invoice. Liabilities at the end of a period do not appear to be properly reflected.

Recommendation: Record the invoices using the accounts payable portion of the program with the invoice date recorded. Selection of accounts payable to be paid at a particular time period may result in a check date differing from the invoice date.

Response: Implemented.

2005-07 Payroll records do not appear to reconcile properly with payroll tax reports, resulting in possible errors in reporting and payment of tax liability.

Recommendation: Additional training of accounting personnel and inspection of the payroll program postings will correct this error.

Response: Implemented.

2005-08 Accounting personnel have not taken advantage of direct deposit options from third party sources. Direct deposit options reduce the number of transactions to process, freeing up office time, but also add an additional internal control procedure.

Recommendation: Accounting personnel should explore all direct deposit opportunities and implement all available direct deposit options.

Response: Implemented.

OTHER AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
For the Lauderdale County Water System

Board of Commissioners
Lauderdale County Water System
Ripley, Tennessee

I have audited the financial statements of Lauderdale County Water System, a component unit of Lauderdale County, Tennessee, as of and for the year ended June 30, 2005, and have issued my report thereon. I conducted my 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 my audit, I considered Lauderdale County Water System's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operations that I consider to be reportable conditions. Reportable conditions involve matter coming to my attention relating to significant deficiencies in the design or operations of the internal control over financial reporting that, in my judgment, could adversely affect Lauderdale County Water System's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2005-01 and 2005-02.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I consider item 2005-02 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lauderdale County Water System's financial statements are free of material misstatement, I 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 statements amounts. However, providing an opinion on compliance with these provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Lauderdale County Water System Commissioners, the Lauderdale County Commissioners, the Tennessee State Comptroller's Office, other regulatory bodies, and is not intended to be and should not be used by anyone other than those specified parties.

LAUDERDALE COUNTY WATER SYSTEM
SCHEDULE OF FINDINGS, RECOMMENDATIONS, AND REPLIES
FOR THE YEAR ENDED JUNE 30, 2005

2005-01 Finding – Expenses Exceed Budget. Line items of expenses exceeded the budget.

Recommendation – Management should compare line item budgeted amounts with expended amounts periodically. The budget should be amended to encompass unexpected expenditures that cause the budget to be exceeded.

Response – Budget amendments are periodically submitted to the Board of Commissioners.

2005-02 Finding – Accounts receivable reflected in the general ledger did not agree with the detail subsidiary ledger. (Material weakness)

Recommendation – At month-end, an ageing report of accounts receivable should be printed and compared to the general ledger balance. Differences should be investigated and corrected.

Response – Implemented

OTHER AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
For the Lauderdale County Emergency Communications District

Board of Directors
Lauderdale County Emergency Communication District
Ripley, Tennessee

We have audited the financial statements of the Lauderdale County Emergency Communication District, as of and for the year ended June 30, 2005, and have issued our report thereon. 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 the Lauderdale County Emergency Communication District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Lauderdale County Emergency Communication District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying Schedule of Findings as Finding 2005-01.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

Compliance

As part of obtaining reasonable assurance about whether the Lauderdale County Emergency Communication District's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws,

regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statements 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 that are required to be reported under Government Auditing Standards. However, we noted an immaterial instance of noncompliance, which we have reported to the management of the Lauderdale County Emergency Communication District in the accompanying Schedule of Findings as Finding 2005-01.

This report is intended solely for the information of management of the Board of Directors, pass through entities, the State of Tennessee Comptroller's Office and other regulatory bodies, and is not intended to be and should not be used by anyone other than those specified parties.

LAUDERDALE COUNTY EMERGENCY COMMUNICATION DISTRICT
SCHEDULE OF FINDINGS, RECOMMENDATIONS, AND REPLIES
FOR THE YEAR ENDED JUNE 30, 2005

2005-01 Findings – Disbursements of district funds are not always evidenced by supporting documentation.

Recommendation – We suggest that documentation supporting all disbursements be retained and filed monthly at the district office.

Reply – We understand the necessity of this suggestion, and we will do our best to have supporting documentation available for inspection.

Resolution of prior audit findings:

 Finding 2004-01 has been resolved

 The finding above is repeated from the previous year.

Lauderdale County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2005

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed through State Department of Agriculture:			
Food Donation (Noncash Assistance)	10.550	N/A	\$ 134,656
Total Passed through State Department of Agriculture			<u>\$ 134,656</u>
Passed through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	\$ 502,027
National School Lunch Program	10.555	N/A	\$ 1,066,265
Total Passed through State Department of Education			<u>\$ 1,568,292</u>
Total U.S. Department of Agriculture			<u>\$ 1,702,948</u>
U.S. Department of Housing and Urban Development:			
Passed through State Department of Economic and Community Development:			
Community Development Block Grants/State's Program	14.228	(2)	\$ 144,337
Total U.S. Department of Housing and Urban Development			<u>\$ 144,337</u>
U. S. Department of Justice:			
Passed through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	(2)	\$ 14,630
Total U. S. Department of Justice			<u>\$ 14,630</u>
U.S. Federal Emergency Management Agency:			
Passed through State Department of Military:			
Disaster Assistance	83.516	Z0301580800	\$ 178,352
Total U.S. Federal Emergency Management Agency			<u>\$ 178,352</u>
U.S. Department of Education:			
Passed through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 1,055,775
Special Education - Grants to States	84.027	N/A	1,133,553
Vocational Education - Basic Grants to States	84.048	N/A	107,679
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	34,538
Twenty-First Century Community Learning Centers	84.287	Z05021727	266,553 (3)
Twenty-First Century Community Learning Centers	84.287	Z04015940	51,204 (3)
State Grants for Innovative Programs	84.298	N/A	26,206
Education Technology State Grants	84.318	N/A	27,583
Comprehensive School Reform Demonstration Program	84.332A	(2)	175,503
School Renovation Grants	84.352	(2)	17,617
English Language Acquisition Grants	84.365	N/A	4,812
Improving Teacher Quality State Grants	84.367	N/A	286,719
Total U.S. Department of Education			<u>\$ 3,187,742</u>
U. S. Department of Health and Human Services:			
Passed through State Department of Health:			
Rural Health Care Services Outreach and Rural Network Development Program	93.912A	D04RH003343-03-02	\$ 3,756
Block Grants for Prevention and Treatment of Substance Abuse	93.959	(2)	27,760
Total U. S. Department of Health and Human Services			<u>\$ 31,516</u>
U. S. Department of Homeland Security:			
Passed through State Department of Military:			
State Domestic Preparedness Equipment Support Program	97.004	Z0402011500	\$ 81,112 (4)
State Domestic Preparedness Equipment Support Program	97.004	Z0402246300	73,869 (4)
Emergency Management Performance Grants	97.042	Z0502541400	9,413 (5)
Emergency Management Performance Grants	97.042	Z0402026000	8,334 (5)
Total U. S. Department of Homeland Security			<u>\$ 172,728</u>
Total Expenditures of Federal Awards			<u>\$ 5,432,253</u>

Lauderdale County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1) (Cont.)

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
State Grants:			
Reappraisal Program - Comptroller of the Treasury	N/A	(2)	\$ 9,190
Litter Program - State Department of Transportation	N/A	Z-03-011317-01	34,206
Juvenile Justice and Delinquency Prevention - State Commission on Children and Youth	N/A	(2)	93,228
Hazard Safety Grant - State Department of Transportation	N/A	(2)	50,000
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	6,393
Safe Schools Act 2004 - State Department of Education	N/A	(2)	58,806
Family Preservation and Support Services (Family Resource Center) - State Department of Education	N/A	(2)	33,300
Total State Grants			\$ 285,123

CFDA = Catalog of Federal Domestic Assistance
N/A = Not Applicable

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Information not available.
- (3) Total Twenty-First Century Community Learning Centers (CFDA No. 84.287) from the U.S. Department of Education \$317,757.
- (4) Total State Domestic Preparedness Equipment Support Program (CFDA No. 97.004) from the U.S. Department of Homeland Security \$154,981
- (5) Total Emergency Management Performance Grants (CFDA No. 97.042) from the U.S. Department of Homeland Security \$17,747.

Lauderdale County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2005

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report for Lauderdale County, Tennessee, for the year ended June 30, 2004, which have not been corrected.

OFFICE OF HIGHWAY COMMISSIONER

Finding Number	Page Number	Subject
04.03	27	The Highway Department did not issue purchase orders
04.04	27	The Highway Department did not account for the use of road materials

OFFICE OF DIRECTOR OF SCHOOLS

Finding Number	Page Number	Subject
04.06	28	The office's warrant-signing machine did not have a counter to show the total number of warrants processed

OFFICE OF TRUSTEE

Finding Number	Page Number	Subject
04.09	30	The trustee's depository used an unauthorized method for payment of warrants
04.10	30	The trustee allowed individuals unsupervised access to his office after business hours
04.11	31	Three depositories were not required to adequately collateralize funds
04.12	31	The Office of Trustee did not implement adequate controls to protect its information resources against unauthorized access, modification, destruction, or disclosure

OFFICE OF REGISTER

Finding Number	Page Number	Subject
04.14	32	The register allowed individuals unsupervised access to her office after business hours

OFFICE OF SHERIFF

Finding Number	Page Number	Subject
04.15	32	Duties were not segregated adequately

OTHER FINDINGS AND RECOMMENDATIONS

Finding Number	Page Number	Subject
04.16	33	A central system of accounting, budgeting, and purchasing had not been adopted
04.17	33	The County Commission had not adopted a formal travel policy

LAUDERDALE COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2005

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the aggregate remaining fund information is qualified. Our report on the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund is unqualified.
2. The audit of the financial statements of Lauderdale County disclosed reportable conditions in internal control. None of these conditions was considered to be a material weakness.
3. The audit disclosed no instances of noncompliance that were material to the financial statements of Lauderdale County.
4. The audit disclosed no reportable conditions in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555), Title I Grants to Local Educational Agencies (CFDA No. 84.010), Special Education – Grants to States (CFDA No. 84.027), and Twenty-First Century Community Learning Centers (CFDA No. 84.287) were determined to be major programs.
8. A threshold of \$300,000 was used to distinguish between Type A and Type B federal programs.
9. Lauderdale County did not qualify as a low-risk auditee.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. The written responses of the director of schools have been paraphrased in this report. Other officials offered oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

OFFICE OF HIGHWAY COMMISSIONER

FINDING 05.01 EXPENDITURES EXCEEDED APPROPRIATIONS (Noncompliance Under Government Auditing Standards)

Expenditures exceeded appropriations approved by the County Commission in the Capital Outlay major appropriation category (the legal level of control) of the Highway/Public Works Fund by \$55,433. Section 5-9-401, Tennessee Code Annotated, states that “All funds ...including, but not limited to...taxes, county aid funds, federal funds, and fines, which are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies.”

RECOMMENDATION

Expenditures should be held within appropriations approved by the County Commission.

FINDING 05.02 A FORMAL PURCHASE ORDER SYSTEM HAD NOT BEEN ESTABLISHED (Internal Control – Reportable Condition Under Government Auditing Standards)

The Office of Highway Commissioner had not established a formal purchase order system. Purchase orders are necessary to control who has purchasing authority for the county and to document purchasing commitments.

RECOMMENDATION

The office should establish a formal purchase order system to improve internal controls over the purchasing process and to document purchasing commitments.

FINDING 05.03

THE HIGHWAY DEPARTMENT DID NOT MAINTAIN A SYSTEM TO ACCOUNT FOR MATERIALS USED ON SOME TYPES OF ROAD PROJECTS

(Internal Control – Reportable Condition Under Government Auditing Standards)

The Highway Department had a system to determine the use of road materials, such as rock and asphalt, for state-aid road projects. However, the department did not have a system to account for materials used on other types of road projects. The failure to maintain a system to document the use of road materials results in a loss of control over assets and increases the risk of inventory loss.

RECOMMENDATION

The Highway Department should develop and implement a system to account for materials used on all types of road projects.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 05.04

THE SCHOOL FEDERAL PROJECTS FUND HAD A FUND DEFICIT

(Internal Control – Reportable Condition Under Government Auditing Standards)

The School Federal Projects Fund had a fund deficit of \$91,213 at June 30, 2005. This deficit occurred because School Department personnel had not requested reimbursements for grant expenditures on a timely basis. Reimbursements for a portion of these expenditures (\$74,249) were requested, but not received within the department's 60-day revenue recognition period. Consequently, those revenues were deferred in the financial statements of this report.

RECOMMENDATION

Management should liquidate the fund deficit in the School Federal Projects Fund. Requests for reimbursements of grant funds should be filed on a timely basis.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

Several of our federal grants are on a reimbursement basis which means we must spend the money before we ask for reimbursements; thus, creating cash flow problems for school systems. Specifically we requested funds on July 13, 2005, and set up receivables for funds due from the Carl Perkins Comprehensive School Reform Grant and the 21st Century Community Learning Centers Grants. We did not receive the requested funds from the state until September 8, 2005. Therefore, the reimbursements did not meet the revenue recognition criteria for receiving funds within 60 days after year-end because the state did

not send us the funds in a timely manner. We are now set up on the FACT system with the state, and hopefully they will issue the funds to us in a timelier manner. This was not an issue of an employee not requesting the funds in a timely manner.

REBUTTAL

From the date the funds were requested (July 13, 2005) to the date the funds were received (September 8, 2005) totaled 57 days; therefore, the department could have received the reimbursements within the department's 60-day revenue recognition period had the requests been made by June 30, 2005.

FINDING 05.05 **THE OFFICE HAD DEFICIENCIES IN COMPUTER SYSTEM BACKUP PROCEDURES**

(Internal Control – Reportable Condition Under Government Auditing Standards)

System backups were not stored off-site. In the event of a disaster, all backup data could be destroyed, resulting in costly delays in generating and recording information accounted for through the automated process.

RECOMMENDATION

Backups should be rotated off-site on a weekly basis. A complete systems backup should also be performed at year-end. These year-end backups should be stored off-site and retained indefinitely. Some possibilities for an off-site storage location would be another county office building with a fireproof vault or a safe deposit box at a local bank.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

Backup tapes are created each workday and are stored in a fire-proof cabinet on-site or in a safe deposit box off-site. A backup tape will be stored off-site in the safe deposit box on a weekly basis. The year-end backup tapes and payroll W-2 diskettes are stored off-site.

FINDING 05.06 **THE OFFICE'S WARRANT-SIGNING MACHINE DID NOT HAVE A COUNTER TO SHOW THE TOTAL NUMBER OF WARRANTS PROCESSED**

(Internal Control – Reportable Condition Under Government Auditing Standards)

The Board of Education used a mechanical warrant-signing machine to affix the signature of the director of schools and the chairman of the Board of Education. Various department employees were allowed to use the warrant-signing machine. The mechanical counter on

the machine could be reset and did not have a counter to show the total number of warrants processed through the machine.

RECOMMENDATION

The warrant-signing machine should have a counter that cannot be reset indicating the total number of warrants processed.

MANAGEMENT’S RESPONSE – DIRECTOR OF SCHOOLS

No action is planned at this time regarding this recommendation. A new machine with a counter would add some degree of control; however, it is difficult financially to buy a new machine to replace one that is operational without any certainty of guaranteed control.

REBUTTAL

Internal control over the number of warrants processed would be strengthened with a warrant-signing machine with a counter that cannot be reset.



OFFICE OF TRUSTEE

FINDING 05.07 **THE TRUSTEE’S DEPOSITORY USED AN UNAUTHORIZED METHOD TO PAY FOR WARRANTS**
(Noncompliance Under Government Auditing Standards)

The trustee’s depository deducted warrants from the office’s bank account before the bank presented the warrants to the trustee for payment. Section 8-11-104, Tennessee Code Annotated (TCA), states that the trustee should “pay all just claims against the county as they are presented, if he has a sufficient sum of money ... not otherwise appropriated.” The depository’s practice did not provide a method for the trustee to verify the availability of funds for paying warrants. Section 5-8-210, TCA, provides an alternative method for the trustee to determine that adequate funds are available and for the bank to charge the trustee’s account directly. This section authorizes the county trustee to implement a checking system instead of a warrant system for disbursing funds.

RECOMMENDATION

The office’s depository should not deduct warrants from the office’s bank account until the warrants have been presented to the trustee for payment. As an alternative to this practice, the trustee should consider implementing a checking system for disbursing county funds as authorized by state statute.



FINDING 05.08 THE TRUSTEE ALLOWED INDIVIDUALS UNSUPERVISED ACCESS TO THE OFFICE AFTER BUSINESS HOURS
(Internal Control – Reportable Condition Under Government Auditing Standards)

Our examination disclosed that the trustee did not adequately control access to his office. Individuals who were not office employees had unsupervised access to the Trustee’s Office after business hours. Allowing persons who are not employees to have unsupervised access to an office after business hours seriously weakens internal controls over office assets.

RECOMMENDATION

Individuals who are not office employees should not be allowed unsupervised access to the Trustee’s Office after business hours.

FINDING 05.09 TWO DEPOSITORIES WERE NOT REQUIRED TO SUFFICIENTLY COLLATERALIZE FUNDS THAT EXCEEDED FDIC COVERAGE
(Noncompliance Under Government Auditing Standards)

The trustee did not require two depositories holding county funds to pledge sufficient securities to protect funds exceeding Federal Deposit Insurance Corporation (FDIC) coverage at June 30, 2005. Section 5-8-201, Tennessee Code Annotated, provides for county officials to require any bank that is a depository of county funds to deposit in an escrow account in a second bank collateral security equal to 105 percent of county funds. Subsequent to June 30, 2005, sufficient securities were pledged.

RECOMMENDATION

The trustee should require all depositories to pledge sufficient securities to protect county funds exceeding FDIC coverage as required by state statute.

FINDING 05.10 THE OFFICE OF TRUSTEE DID NOT IMPLEMENT ADEQUATE CONTROLS TO PROTECT ITS INFORMATION RESOURCES AGAINST UNAUTHORIZED ACCESS, MODIFICATION, DESTRUCTION, OR DISCLOSURE
(Internal Control – Reportable Condition Under Government Auditing Standards)

The Office of Trustee did not implement adequate controls to protect its information resources against unauthorized access, modification, destruction, or disclosure. The failure to provide such controls increases the risk that individuals could inappropriately access and manipulate the county’s computer system, software applications, and sensitive information.

This finding does not identify specific vulnerabilities that could allow someone to exploit the office's information system or misuse county funds. Disclosing those vulnerabilities could present a potential security risk by providing the readers with information that might be confidential pursuant to Section 10-7-504(i), Tennessee Code Annotated. We provided the official with detailed information regarding the specific vulnerabilities we identified, as well as our recommendations for improvement.

RECOMMENDATION

The Office of Trustee should ensure that adequate controls over information systems and the resources associated with those systems are implemented. The office should take steps to establish or improve any compensating controls until these conditions are remedied.

OFFICE OF REGISTER

FINDING 05.11 **THE REGISTER ALLOWED INDIVIDUALS UNSUPERVISED ACCESS TO THE OFFICE AFTER BUSINESS HOURS**
(Internal Control – Reportable Condition Under Government Auditing Standards)

Our examination disclosed that the register did not adequately control access to her office. Individuals who were not office employees had unsupervised access to the Register's Office after business hours. Allowing persons who are not employees to have unsupervised access to an office after business hours seriously weakens internal controls over assets.

RECOMMENDATION

Individuals who are not office employees should not be allowed unsupervised access to the office after business hours.

OFFICE OF SHERIFF

FINDING 05.12 **DUTIES WERE NOT SEGREGATED ADEQUATELY**
(Internal Control – Reportable Condition Under Government Auditing Standards)

Duties were not segregated adequately among employees in the Sheriff's Office. One employee was responsible for receipting, preparing bank deposits, posting entries to the cash journal, and reconciling bank statements. We realize that due to limited resources and personnel, management may not be able to properly segregate duties among employees. However, our professional standards require that we bring this matter to the reader's attention in this report.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 05.13 **A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED**
(Internal Control – Reportable Condition Under Government Auditing Standards)

County officials had not adopted a central system of accounting, budgeting, and purchasing. Establishing a central system would significantly improve internal controls over the accounting, budgeting, and purchasing processes.

RECOMMENDATION

County officials should consider adopting the County Financial Management System of 1981 or a private act, which would provide for a central system of accounting, budgeting, and purchasing covering all county departments.

FINDING 05.14 **THE COUNTY COMMISSION HAD NOT ADOPTED A FORMAL TRAVEL POLICY**
(Internal Control – Reportable Condition Under Government Auditing Standards)

The Lauderdale County Commission had not adopted formal policies and procedures governing travel reimbursements for county employees. During the year, the county paid employees and officials actual costs for meals and lodging. Without a formal travel policy, employees have no limitations placed on their lodging and meal expenses.

RECOMMENDATION

The Lauderdale County Commission should adopt formal policies and procedures for the payment of travel expenses. These policies and procedures should establish maximum limits for the reimbursement of lodging and meal expenses.

**PART III, FINDINGS AND QUESTIONED
COSTS FOR FEDERAL AWARDS**

There were no findings and questioned costs for federal awards.

LAUDERDALE COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2005

There were no audit findings relative to federal awards presented in the prior audit's Schedule of Findings and Questioned Costs or the current year's Schedule of Findings and Questioned Costs.