

**ANNUAL FINANCIAL REPORT**  
**LAUDERDALE COUNTY, TENNESSEE**



**FOR THE YEAR ENDED JUNE 30, 2006**

**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, 2006**

*DEPARTMENT OF AUDIT*  
*JOHN G. MORGAN*  
*Comptroller of the Treasury*

*DIVISION OF COUNTY AUDIT*  
*RICHARD V. NORMENT*  
*Assistant to the Comptroller*

*ARTHUR L. ALEXANDER*  
*Director*

*NORMAN R. NORMENT, CGFM*  
*Audit Manager*

*HORACE B. WISEMAN, CGFM*  
*Auditor 4*

*MARVIN E. BOND, CGFM*  
*B. KEITH RICE, CGFM*  
*ELISHA CROWELL, CFE*  
*State Auditors*

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# LAUDERDALE COUNTY, TENNESSEE

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# ***Audit Highlights***

Annual Financial Report  
Lauderdale County, Tennessee  
For the Year Ended June 30, 2006

## ***Scope***

We have audited the basic financial statements of Lauderdale County as of and for the year ended June 30, 2006.

## ***Results***

Our report on Lauderdale County's financial statements is unqualified.

Our audit resulted in 13 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**

- ◆ The Highway/Public Works Fund had a cash overdraft of \$53,251 at June 30, 2006.
- ◆ The office had not established a formal purchase order system.
- ◆ The Highway Department did not maintain a system to account for materials used on some types of road projects.

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### **OFFICE OF DIRECTOR OF SCHOOLS**

- ◆ General Purpose School Fund expenditures and encumbrances exceeded appropriations approved by the County Commission at the major category level of control (the legal level of control).
- ◆ The office's warrant-signing machine did not have a counter to show the total number of warrants processed.

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### **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.

## **OFFICE OF TRUSTEE (CONT.)**

- ◆ 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, 2006.
  - ◆ The office had not implemented adequate controls to protect its information resources against unauthorized access, modification, destruction, or disclosure.
  - ◆ The office had deficiencies in computer system backup procedures.
- 

## **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 FINDING**

- ◆ A central system of accounting, budgeting, and purchasing had not been adopted.

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## INTRODUCTORY SECTION

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Lauderdale County Officials  
June 30, 2006

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**Officials**

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**

Rozelle Criner, Chairman	Charles Moore
Talmage Crihfield, Pro-tem	Elvis Moore
Charles Anthony, Jr.	Carolyn Pilcher
John Bates	Eugene Pugh
Billy Poe Brandon	Rob Reviere
Henry Buckner	Chris Shoemake
Judy Conrad	Lynnwood Shoemake
Roy 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.

## Lauderdale County Officials (Cont.)

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### **Budget Committee**

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

### **Finance Committee**

William Thomas, Chairman  
Gerald Cherry  
Gwinn Matthews

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## FINANCIAL SECTION

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**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**

February 2, 2007

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, 2006, 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 10.9 percent and 5.9 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 10.1 percent and 90.8 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 17.8 percent and 3.3 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 1.9 percent and .9 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.

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, each major fund, and the aggregate remaining fund information of Lauderdale County, Tennessee, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated February 2, 2007, 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 adopted the provisions of Governmental Accounting Standards Board Statement 42, Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries.

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 79 through 83 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), and miscellaneous schedules 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 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Very truly yours,

A handwritten signature in cursive script that reads "John G. Morgan". The signature is written in black ink and includes a horizontal flourish at the end.

John G. Morgan  
Comptroller of the Treasury

JGM/sb

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## **BASIC FINANCIAL STATEMENTS**

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Exhibit A

Lauderdale County, Tennessee  
Statement of Net Assets  
June 30, 2006

	Primary Government			Component Units		
	Governmental	Business -	Total	Lauderdale	Lauderdale	Emergency
	Activities	type		County	County	Communications
			School	Water	District	
			Department	System		
<b>ASSETS</b>						
Cash	\$ 457,213	\$ 0	\$ 457,213	\$ 0	\$ 24,348	\$ 405,349
Equity in Pooled Cash and Investments	3,611,261	1,336,897	4,948,158	1,423,681	1,998,756	0
Inventory	0	0	0	0	30,225	0
Investments	545,693	0	545,693	0	0	0
Accounts Receivable	580,037	9,116	589,153	2,317	96,011	23,090
Allowance for Uncollectibles	(468,009)	0	(468,009)	0	0	0
Due from Other Governments	4,121,071	20,796	4,141,867	668,191	8,162	0
Property Taxes Receivable	4,739,843	0	4,739,843	2,878,790	0	0
Allowance for Uncollectible Property Taxes	(154,176)	0	(154,176)	(97,273)	0	0
Prepaid Items	147,557	0	147,557	0	1,397	0
Accrued Interest Receivable	0	0	0	47,688	0	1,238
Deferred Charges - Debt Issuance Costs	70,107	0	70,107	0	0	0
Capital Assets:						
Assets Not Depreciated:						
Land	890,572	160,000	1,050,572	1,341,648	10,000	0
Assets Net of Accumulated Depreciation:						
Buildings and Improvements	5,661,122	259,737	5,920,859	21,355,909	4,465,141	258,783
Infrastructure	1,775,676	0	1,775,676	0	0	0
Other Capital Assets	837,200	55,691	892,891	2,252,775	0	0
Total Assets	\$ 22,815,167	\$ 1,842,237	\$ 24,657,404	\$ 29,873,726	\$ 6,634,040	\$ 688,460
<b>LIABILITIES</b>						
Accounts Payable	\$ 28,637	\$ 0	\$ 28,637	\$ 22,312	\$ 14,525	\$ 22,745
Accrued Payroll	6,227	0	6,227	0	32,942	3,746
Payroll Deductions Payable	78,683	2,599	81,282	233,298	0	0
Cash Overdraft	53,251	0	53,251	0	0	0
Due to State of Tennessee	2,793	0	2,793	0	0	0
Accrued Interest Payable	181,649	0	181,649	3,755	4,063	0
Capital Lease Payable - Current	0	0	0	10,492	0	0
Customer Deposits Payable	0	0	0	0	170,004	0
Deferred Revenue - Current Property Taxes	4,373,946	0	4,373,946	2,640,873	0	0
Other Deferred Revenues	0	0	0	0	8,162	0
Unamortized Premiums on Debt	8,537	0	8,537	0	0	0
Deferred Amount on Refunding	(36,674)	0	(36,674)	0	0	0
Health Insurance Payments	1,890	0	1,890	0	0	2,528
Noncurrent Liabilities:						
Due Within One Year	1,986,378	7,891	1,994,269	170,315	21,618	0
Due In More Than One Year	23,533,070	321,501	23,854,571	43,004	805,349	0
Total Liabilities	\$ 30,218,387	\$ 331,991	\$ 30,550,378	\$ 3,124,049	\$ 1,056,663	\$ 29,019
<b>NET ASSETS</b>						
Invested in Capital Assets, Net of Related Debt	\$ 5,727,435	\$ 1,510,246	\$ 7,237,681	\$ 24,737,013	\$ 0	\$ 236,754
Invested in Capital Assets	0	0	0	0	4,475,141	0
Restricted for:						
Sexual Offender Registration	1,118	0	1,118	0	0	0
Automation Purposes - General Sessions Court	3,038	0	3,038	0	0	0
Law Library	3,767	0	3,767	0	0	0
Endowments	409,089	0	409,089	0	0	0
Public Library	156,834	0	156,834	0	0	0
Ambulance Service	528,405	0	528,405	0	0	0
Drug Control	41,575	0	41,575	0	0	0
Highway/Public Works	554,266	0	554,266	0	0	0
Other General Purposes	3,270,891	0	3,270,891	0	0	0
Debt Service	880,979	0	880,979	0	0	0
Career Ladder - Extended Contract	0	0	0	455	0	0
Special Education - Grants to States	0	0	0	5,066	0	0
School Federal Projects	0	0	0	230,872	0	0
Central Cafeteria	0	0	0	566,441	0	0
Unrestricted	(18,980,617)	0	(18,980,617)	1,209,830	1,102,236	422,687
Total Net Assets	\$ (7,403,220)	\$ 1,510,246	\$ (5,892,974)	\$ 26,749,677	\$ 5,577,377	\$ 659,441

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, 2006

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets							
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary 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	\$ 1,714,128	\$ 138,630	\$ 16,380	\$ 212,200	\$ (1,346,918)	\$ 0	\$ (1,346,918)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Finance	623,399	518,682	9,294	0	(95,423)	0	(95,423)	0	0	0	0	0
Administration of Justice	1,226,476	411,394	106,599	0	(708,483)	0	(708,483)	0	0	0	0	0
Public Safety	3,032,674	1,149,283	24,356	236,289	(1,622,746)	0	(1,622,746)	0	0	0	0	0
Public Health and Welfare	1,331,338	867,820	260,319	(5,361)	(208,560)	0	(208,560)	0	0	0	0	0
Social, Cultural, and Recreational Services	184,683	0	50,638	1,814	0	0	(132,231)	0	0	0	0	0
Agriculture and Natural Resources	290,377	0	0	0	(290,377)	0	(290,377)	0	0	0	0	0
Other Operations	222,950	87	1,154	0	(221,709)	0	(221,709)	0	0	0	0	0
Highways/Public Works	2,630,038	0	1,748,540	511,300	(370,198)	0	(370,198)	0	0	0	0	0
Interest on Long-term Debt	804,409	0	1,787,326	0	982,917	0	982,917	0	0	0	0	0
Other Debt Service	3,633,311	0	0	0	(3,633,311)	0	(3,633,311)	0	0	0	0	0
Total Governmental Activities	\$ 15,693,783	\$ 3,085,896	\$ 4,004,606	\$ 956,242	\$ (7,647,039)	\$ 0	\$ (7,647,039)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Business-type Activities:												
Solid Waste Disposal Fund	\$ 441,477	\$ 380,187	\$ 0	\$ 0	\$ 0	\$ (61,290)	\$ (61,290)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Primary Government	\$ 16,135,260	\$ 3,466,083	\$ 4,004,606	\$ 956,242	\$ (7,647,039)	\$ (61,290)	\$ (7,708,329)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Component Units:												
Lauderdale County School Department	\$ 31,961,555	\$ 709,067	\$ 4,883,113	\$ 0	\$ 0	\$ 0	\$ 0	\$ (26,369,375)	\$ 0	\$ 0	\$ 0	\$ 0
Lauderdale County Water System	1,060,838	1,002,691	0	0	0	0	0	0	(58,147)	0	0	0
Emergency Communications District	237,457	235,570	0	0	0	0	0	0	0	(1,887)	0	0
Total Component Units	\$ 33,259,850	\$ 1,947,328	\$ 4,883,113	\$ 0	\$ 0	\$ 0	\$ 0	\$ (26,369,375)	\$ (58,147)	\$ (1,887)	\$ 0	\$ 0

(Continued)

Exhibit B

Lauderdale County, Tennessee  
Statement of Activities (Cont.)

		Net (Expense) Revenue and Changes in Net Assets								
Functions/Programs	Expenses	Program Revenues			Primary Government			Component Units		
		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					\$ 3,139,117	\$ 0	\$ 3,139,117	\$ 2,443,085	\$ 0	\$ 0
Property Taxes Levied for Debt Service					538,532	0	538,532	0	0	0
Local Option Sales Tax					0	0	0	1,724,810	0	0
Other Local Taxes					1,021,797	0	1,021,797	177,763	0	0
Grants and Contributions Not Restricted for Specific Programs					385,697	14,267	399,964	20,583,290	0	30,000
Unrestricted Investment Earnings					12,885	34,601	47,486	242,033	47,048	7,524
Miscellaneous					62,312	0	62,312	42,195	3,000	0
Total General Revenues					<u>\$ 5,160,340</u>	<u>\$ 48,868</u>	<u>\$ 5,209,208</u>	<u>\$ 25,213,176</u>	<u>\$ 50,048</u>	<u>\$ 37,524</u>
Change in Net Assets					\$ (2,486,699)	\$ (12,422)	\$ (2,499,121)	\$ (1,156,199)	\$ (8,099)	\$ 35,637
Net Assets, July 1, 2005					(4,956,298)	1,522,668	(3,433,630)	26,510,918	5,585,476	623,804
Prior Period Adjustment					39,777	0	39,777	1,394,958	0	0
Net Assets, June 30, 2006					<u>\$ (7,403,220)</u>	<u>\$ 1,510,246</u>	<u>\$ (5,892,974)</u>	<u>\$ 26,749,677</u>	<u>\$ 5,577,377</u>	<u>\$ 659,441</u>

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, 2006

	Major Funds			Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 457,213	\$ 457,213
Equity in Pooled Cash and Investments	2,567,107	3,860	994,952	45,342	3,611,261
Investments	0	0	0	545,693	545,693
Accounts Receivable	3,298	0	0	576,739	580,037
Allowance for Uncollectibles	0	0	0	(468,009)	(468,009)
Due from Other Governments	398,053	452,127	3,270,891	0	4,121,071
Due from Other Funds	6,473	0	0	0	6,473
Property Taxes Receivable	3,129,199	672,115	938,529	0	4,739,843
Allowance for Uncollectible Property Taxes	(104,782)	(22,158)	(27,236)	0	(154,176)
Prepaid Items	0	147,557	0	0	147,557
<b>Total Assets</b>	<b>\$ 5,999,348</b>	<b>\$ 1,253,501</b>	<b>\$ 5,177,136</b>	<b>\$ 1,156,978</b>	<b>\$ 13,586,963</b>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 24,252	\$ 0	\$ 0	\$ 4,385	\$ 28,637
Accrued Payroll	0	0	0	6,227	6,227
Payroll Deductions Payable	51,431	27,029	0	223	78,683
Cash Overdraft	0	53,251	0	0	53,251
Due to Other Funds	0	0	0	6,473	6,473
Due to State of Tennessee	2,793	0	0	0	2,793
Deferred Revenue - Current Property Taxes	2,874,700	618,955	880,291	0	4,373,946
Deferred Revenue - Delinquent Property Taxes	134,375	27,825	27,825	0	190,025
Other Deferred Revenues	377,814	155,813	0	0	533,627
Health Insurance Payments	1,890	0	0	0	1,890
<b>Total Liabilities</b>	<b>\$ 3,467,255</b>	<b>\$ 882,873</b>	<b>\$ 908,116</b>	<b>\$ 17,308</b>	<b>\$ 5,275,552</b>
<u>Fund Balances</u>					
Reserved for Sexual Offender Registration	\$ 1,118	\$ 0	\$ 0	\$ 0	\$ 1,118
Reserved for Automation Purposes - General Sessions Court	3,038	0	0	0	3,038
Reserved for Endowments	0	0	0	409,089	409,089
Reserved for Other General Purposes	0	0	3,270,891	0	3,270,891
Unreserved, Reported In:					
General Fund	2,527,937	0	0	0	2,527,937
Special Revenue Funds	0	370,628	0	730,581	1,101,209
Debt Service Fund	0	0	998,129	0	998,129
<b>Total Fund Balances</b>	<b>\$ 2,532,093</b>	<b>\$ 370,628</b>	<b>\$ 4,269,020</b>	<b>\$ 1,139,670</b>	<b>\$ 8,311,411</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,999,348</b>	<b>\$ 1,253,501</b>	<b>\$ 5,177,136</b>	<b>\$ 1,156,978</b>	<b>\$ 13,586,963</b>

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, 2006

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)		\$	8,311,411
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	890,572	
Add: buildings and improvements net of accumulated depreciation		5,661,122	
Add: infrastructure net of accumulated depreciation		1,775,676	
Add: other capital assets net of accumulated depreciation		<u>837,200</u>	9,164,570
(2) Long-term liabilities are not due in the current period and therefore are not reported in the governmental funds.			
Less: notes payable	\$	(461,448)	
Less: other loans payable		(188,000)	
Less: bonds payable		(21,320,000)	
Less: accrued interest on bonds and notes		(181,649)	
Less: judgments payable		(3,550,000)	
Less: unamortized premium on refunding bond		(8,537)	
Add: deferred charges - debt issuance costs		70,107	
Add: deferred amount on refunding bond proceeds		<u>36,674</u>	(25,602,853)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>723,652</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>(7,403,220)</u></u>

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

Exhibit C-3

Lauderdale County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2006

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 3,589,261	\$ 640,767	\$ 581,783	\$ 1,406	\$ 4,813,217
Licenses and Permits	30,547	615	615	0	31,777
Fines, Forfeitures, and Penalties	77,382	0	0	23,448	100,830
Charges for Current Services	72,948	0	0	866,385	939,333
Other Local Revenues	47,938	6,282	12,885	10,622	77,727
Fees Received from County Officials	916,575	0	0	0	916,575
State of Tennessee	1,513,161	2,296,447	0	0	3,809,608
Federal Government	256,814	0	0	0	256,814
Other Governments and Citizens Groups	100,180	0	1,787,326	50,638	1,938,144
<b>Total Revenues</b>	<b>\$ 6,604,806</b>	<b>\$ 2,944,111</b>	<b>\$ 2,382,609</b>	<b>\$ 952,499</b>	<b>\$ 12,884,025</b>
<u>Expenditures</u>					
Current:					
General Government	\$ 1,787,082	\$ 0	\$ 0	\$ 0	\$ 1,787,082
Finance	529,046	0	0	0	529,046
Administration of Justice	937,497	0	0	2,000	939,497
Public Safety	2,693,014	0	0	22,955	2,715,969
Public Health and Welfare	434,690	0	0	871,440	1,306,130
Social, Cultural, and Recreational Services	48,280	0	0	117,344	165,624
Agricultural and Natural Resources	133,470	0	0	0	133,470
Other Operations	946,392	0	0	0	946,392
Highways	0	3,170,265	0	0	3,170,265
Debt Service:					
Principal on Debt	0	0	1,589,752	0	1,589,752
Interest on Debt	0	0	832,574	0	832,574
Other Debt Service	0	0	147,290	0	147,290
<b>Total Expenditures</b>	<b>\$ 7,509,471</b>	<b>\$ 3,170,265</b>	<b>\$ 2,569,616</b>	<b>\$ 1,013,739</b>	<b>\$ 14,263,091</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (904,665)	\$ (226,154)	\$ (187,007)	\$ (61,240)	\$ (1,379,066)
<u>Other Financing Sources (Uses)</u>					
Refunding Debt Issued	\$ 0	\$ 0	\$ 4,605,000	\$ 0	\$ 4,605,000
Premiums on Debt Issued	0	0	8,624	0	8,624
Insurance Recovery	19,536	0	0	0	19,536
Transfers In	0	0	0	86,917	86,917
Transfers Out	(86,917)	0	0	0	(86,917)
Payments to Refunded Debt Escrow Agent	0	0	(4,542,802)	0	(4,542,802)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (67,381)</b>	<b>\$ 0</b>	<b>\$ 70,822</b>	<b>\$ 86,917</b>	<b>\$ 90,358</b>
Net Change in Fund Balances	\$ (972,046)	\$ (226,154)	\$ (116,185)	\$ 25,677	\$ (1,288,708)
Fund Balance, July 1, 2005	3,504,139	596,782	4,385,205	1,113,993	9,600,119
Fund Balance, June 30, 2006	\$ 2,532,093	\$ 370,628	\$ 4,269,020	\$ 1,139,670	\$ 8,311,411

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

Exhibit C-4

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, 2006

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

Net change in fund balances - total governmental funds (Exhibit C-3)		\$ (1,288,708)
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	\$ 1,156,179	
Less: current year depreciation expense	<u>(720,471)</u>	435,708
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.		
Add: gain on disposal of capital assets	\$ 1,776	
Less: decrease of revenue for the sale or insurance recovery of disposed assets	<u>(19,608)</u>	(17,832)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2006	\$ 723,652	
Less: deferred delinquent property taxes and other deferred June 30, 2005	<u>(400,680)</u>	322,972
(4) The issuance of long-term debt (e.g., bonds, notes, other loans) 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. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Less: refunding bond proceeds	\$ (4,605,000)	
Less: premium on refunding bond proceeds	(8,537)	
Add: deferred refunding bond proceeds costs	70,107	
Add: deferred amount on refunding bond proceeds	36,674	
Add: principal payments on notes	95,752	
Add: principal payments on other loans	179,000	
Add: principal payments on bonds	1,315,000	
Add: debt refunded	4,500,000	
Less: judgments payable	<u>(3,550,000)</u>	(1,967,004)
(5) 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 the governmental funds.		
Change in accrued interest payable		<u>28,165</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ (2,486,699)</u>

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

Exhibit D-1

Lauderdale County, Tennessee  
Statement of Revenues, Expenses, and Changes in Net Assets  
Proprietary Fund  
For the Year Ended June 30, 2006

	Business-type Activities
	<u>Major Fund</u>
	Solid Waste Disposal
<u>Operating Revenues</u>	
Tipping Fees	\$ 378,992
Other General Service Charges	1,195
Total Operating Revenues	<u>\$ 380,187</u>
<u>Operating Expenses</u>	
Supervisor/Director	\$ 22,752
Salary Supplements	4,169
Equipment Operators	42,120
Social Security	4,199
State Retirement	4,729
Employee and Dependent Insurance	25,891
Employer Medicare	287
Communication	391
Contracts with Private Agencies	266,161
Maintenance Agreements	2,000
Maintenance & Repair Services- Buildings	376
Maintenance & Repair Services- Equipment	21,646
Diesel Fuel	6,553
Office Supplies	1,203
Utilities	3,205
Other Supplies and Materials	1,268
Trustee's Commission	346
Vehicle and Equipment Insurance	5,749
Workers' Compensation Insurance	4,630
Depreciation	18,899
Landfill Closure/Post Closure Care Costs	4,903
Total Operating Expenses	<u>\$ 441,477</u>
Operating Income (Loss)	<u>\$ (61,290)</u>
<u>Nonoperating Revenues</u>	
Investment Income	\$ 34,601
Solid Waste Grants	14,267
Total Nonoperating Revenues	<u>\$ 48,868</u>
Change in Net Assets	\$ (12,422)
Net Assets, July 1, 2005	<u>1,522,668</u>
Net Assets, June 30, 2006	<u><u>\$ 1,510,246</u></u>

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

Exhibit D-2

Lauderdale County, Tennessee  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2006

	Business-type Activities
	<u>Major Fund</u>
	Solid Waste Disposal
<u>Cash Flows from Operating Activities</u>	
Receipts from Customers and Users	\$ 377,223
Receipts from Others	911
Payments for Waste Collections and Disposal Activity	<u>(425,608)</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ (47,474)</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Receipts from Grants	\$ 14,267
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>\$ 14,267</u>
<u>Cash Flows from Investing Activities</u>	
Interest on Investments	<u>\$ 34,601</u>
Net Cash Provided By (Used In) Investing Activities	<u>\$ 34,601</u>
Increase (Decrease) in Cash	\$ 1,394
Cash, July 1, 2005	<u>1,335,503</u>
Cash, June 30, 2006	<u>\$ 1,336,897</u>
<u>Reconciliation of Operating Income (Loss)</u>	
<u>To Net Cash Provided By Operating Activities</u>	
Operating Income (Loss)	\$ (61,290)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:	
Depreciation	18,899
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	(916)
(Increase) Decrease in Due from Other Governments	3,056
Increase (Decrease) in Accounts Payable	(3,118)
Increase (Decrease) in Payroll Deductions Payable	1,614
Increase (Decrease) in Deferred Revenues	(4,193)
Increase (Decrease) in Accrued Liability for Landfill Closure/Postclosure Costs	<u>(1,526)</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ (47,474)</u>
<u>Reconciliation of Cash with Statement of Net Assets</u>	
Equity in Pooled Cash and Investments	<u>\$ 1,336,897</u>
Cash, June 30, 2006	<u>\$ 1,336,897</u>

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

Exhibit E

Lauderdale County, Tennessee  
Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2006

	<u>Agency Funds</u>
<u>ASSETS</u>	
Equity in Pooled Cash and Investments	\$ 3,078,033
Cash	651,358
Due from Other Governments	<u>349,935</u>
Total Assets	<u>\$ 4,079,326</u>
<u>LIABILITIES</u>	
Due to Cities	\$ 157,077
Due to Other Taxing Units	3,270,891
Due to Litigants, Heirs, and Others	<u>651,358</u>
Total Liabilities	<u>\$ 4,079,326</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, 2006**

**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. However, when applicable, interfund services provided and used between functions are not eliminated in the process of consolidation in the statement of activities. 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 and the major enterprise fund 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, except for agency funds which have no measurement focus. 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 major 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 fiduciary funds in total are reported in a single column.

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 grants 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 (except for agency which have no measurements 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:

**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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide and proprietary fund 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 enterprise funds, subject to the same limitations. Lauderdale County has elected not to follow subsequent private-sector guidance.

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 (excluding the Lauderdale County Public Library and the Lauderdale County Ambulance Authority), the discretely presented Lauderdale County School Department, and the discretely presented Lauderdale County Water System. 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. Lauderdale County, the Lauderdale County School Department, and the Lauderdale County Water System 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.

## 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.

All ambulance and property taxes receivable are shown with an allowance for uncollectibles. Ambulance receivables allowance for uncollectibles is based on historical collection data. The allowance for uncollectible property taxes is equal to 1.9 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. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

**4. 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 \$5,000 or more (buildings and improvements \$10,000, vehicles and equipment \$5,000, 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	20 - 40
Other Capital Assets	5 - 20
Infrastructure:	
Roads	20
Bridges	20 - 30

**5. Compensated Absences**

The general policy of Lauderdale County (with the exception of 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.

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.

**6. Long-term Obligations**

In the government-wide 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 claims and judgments and landfill closure/postclosure care costs, are recognized to the extent that the liabilities have matured (come due for payment) each period.

**7. Net Assets and Fund Equity**

In the government-wide financial statements and the proprietary fund in the fund 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, 2006, Lauderdale County had \$18,493,112 in outstanding debt for capital purposes for the discretely presented Lauderdale County School Department. This debt is a liability of Lauderdale County, but the capital assets acquired are reported in the financial statements of the Lauderdale County 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.

## 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 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide statement of net assets.

#### Discretely Presented Lauderdale County School Department

Exhibit J-3 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide statement of net assets.

### 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 C-4 includes explanations of the nature of individual elements of items required to reconcile the net changes in fund balances – total governmental funds with the change in net assets of governmental activities reported in the government-wide statement of activities.

## Discretely Presented Lauderdale County School Department

Exhibit J-5 includes explanations of the nature of individual elements of items required to reconcile the net changes in fund balances – total governmental funds with the change in net assets of governmental activities reported in the government-wide statement of activities.

### **III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

#### **A. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except the Constitutional Officers – Fees Fund (special revenue fund) which is not budgeted, and capital projects funds, which adopt project length budgets. All annual appropriations lapse at fiscal year end.

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 Lauderdale 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/Executive, County Attorney, Election Commission, etc.). Management may make revisions within major categories, but only the Lauderdale County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

The county's budgetary basis of accounting is consistent with 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 schedule.

#### **B. Cash Overdraft**

The Highway/Public Works fund had a cash overdraft of \$53,251 at June 30, 2006. This cash overdraft resulted from issuing warrants that exceeded cash on deposit with the county trustee. The cash overdraft was liquidated subsequent to June 30, 2006.

**C. Expenditures and Encumbrances Exceeded Appropriations**

Ambulance Service Fund expenditures exceeded total appropriations approved by the County Commission by \$84,190. Also, the School Department's General Purpose School Fund expenditures and encumbrances exceeded appropriations approved by the County Commission in the Special Education Program major category (the legal level of control) by \$20,852.

Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balances.

**D. 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. At June 30, 2006, deposits at these depositories exceeded FDIC coverage and collateral securities by \$52,533. 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 (excluding the Lauderdale County Public Library and the Lauderdale County Ambulance Authority), the discretely presented Lauderdale County School Department, and the discretely presented Lauderdale County Water System 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. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts

are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

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, 2006, bank balances of \$52,533 were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$ 52,533</u>
Total	<u><u>\$ 52,533</u></u>

This \$52,533 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.

The county, excluding the Lauderdale County Public Library, had no pooled and pooled investments as of June 30, 2006.

**B. Capital Assets**

Capital asset activity for the year ended June 30, 2006, was as follows:

Primary Government

**Governmental Activities:**

	Balance 7-1-05	Prior Period Adjustment	Increases	Decreases	Balance 6-30-06
Capital Assets Not Depreciated:					
Land	\$ 888,856	\$ 0	\$ 1,716	\$ 0	\$ 890,572
Total Capital Assets Not Depreciated	\$ 888,856	\$ 0	\$ 1,716	\$ 0	\$ 890,572
Capital Assets Depreciated:					
Buildings and Improvements	\$ 8,639,194	\$ 0	\$ 0	\$ 0	\$ 8,639,194
Infrastructure	1,126,281	0	749,921	0	1,876,202
Other Capital Assets	3,147,150	120,110	404,542	(84,362)	3,587,440
Total Capital Assets Depreciated	\$ 12,912,625	\$ 120,110	\$ 1,154,463	\$ (84,362)	\$ 14,102,836
Less Accumulated Depreciation For:					
Buildings and Improvements	\$ 2,651,485	\$ -	\$ 326,587	\$ 0	\$ 2,978,072
Infrastructure	52,925	-	47,601	0	100,526
Other Capital Assets	2,390,154	80,333	346,283	(66,530)	2,750,240
Total Accumulated Depreciation	\$ 5,094,564	\$ 80,333	\$ 720,471	\$ (66,530)	\$ 5,828,838
Total Capital Assets Depreciated, Net	\$ 7,818,061	\$ 39,777	\$ 433,992	\$ (17,832)	\$ 8,273,998
Governmental Activities Capital Assets, Net	\$ 8,706,917	\$ 39,777	\$ 435,708	\$ (17,832)	\$ 9,164,570

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

General Government	\$	7,788
Administration of Justice		68,994
Public Safety		187,571
Social, Cultural, and Recreational Services		24,063
Agriculture and Natural Resources		76,302
Other Operations		4,015
Highway/Public Works		<u>351,738</u>
 Total Depreciation Expense - Governmental Activities	 \$	 <u><u>720,471</u></u>

**Business-type Activities:**

	Balance 7-1-05	Increases	Balance 6-30-06
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	\$ 33,172	\$ 7,509	\$ 40,681
Other Capital Assets	363,816	11,390	375,206
Total Accumulated Depreciation	<u>\$ 396,988</u>	<u>\$ 18,899</u>	<u>\$ 415,887</u>
Total Capital Assets Depreciated, Net	<u>\$ 334,327</u>	<u>\$ (18,899)</u>	<u>\$ 315,428</u>
Business-type Activities Capital Assets, Net	<u>\$ 494,327</u>	<u>\$ (18,899)</u>	<u>\$ 475,428</u>

Discretely Presented Lauderdale County School Department

**Governmental Activities:**

	Balance 7-1-05	Prior Period Adjustment	Increases	Decreases	Balance 6-30-06
Capital Assets Not Depreciated:					
Land	\$ 1,341,648	\$ 0	\$ 0	\$ 0	\$ 1,341,648
Total Capital Assets Not Depreciated	\$ 1,341,648	\$ 0	\$ 0	\$ 0	\$ 1,341,648
Capital Assets Depreciated:					
Buildings and Improvements	\$ 34,606,527	\$ 409,748	\$ 45,915	\$ 0	\$ 35,062,190
Other Capital Assets	2,674,258	2,597,901	226,588	381,903	5,116,844
Total Capital Assets Depreciated	\$ 37,280,785	\$ 3,007,649	\$ 272,503	\$ 381,903	\$ 40,179,034
Less Accumulated Depreciation For:					
Buildings and Improvements	\$ 12,760,905	\$ 39,533	\$ 905,843	\$ 0	\$ 13,706,281
Other Capital Assets	1,303,741	1,573,158	369,073	381,903	2,864,069
Total Accumulated Depreciation	\$ 14,064,646	\$ 1,612,691	\$ 1,274,916	\$ 381,903	\$ 16,570,350
Total Capital Assets Depreciated, Net	\$ 23,216,139	\$ 1,394,958	\$ (1,002,413)	\$ 0	\$ 23,608,684
Governmental Activities Capital Assets, Net	\$ 24,557,787	\$ 1,394,958	\$ (1,002,413)	\$ 0	\$ 24,950,332

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

**Governmental Activities:**

Instruction	\$ 920,074
Support Services	290,786
Operation of Non-Instructional Services	<u>64,056</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,274,916</u>

**C. Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of June 30, 2006, is as follows:

**Due to/from other funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
General	Nonmajor governmental	\$ 6,473

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, 2006, consisted of the following amounts:

**Primary Government**

<u>Transfers Out</u>	<u>Transfers In</u> Nonmajor Governmental Funds
General Fund	\$ <u>86,917</u>

**Discretely Presented Lauderdale County School Department**

<u>Transfers Out</u>	<u>Transfers In</u> General Purpose School Fund
School Federal Projects Fund	\$ <u>16,640</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. Capital Lease**

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 6.17 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, 2006, were as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2007	\$ 164,514
Total Minimum Lease Payments	\$ 164,514
Amount Representing Interest	(3,755)
Present Value of Minimum Lease Payments	\$ 160,759

**E. 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 nine 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, 2006, will be retired from the General Debt Service Fund.

General obligation bonds, capital outlay notes, and other loans outstanding as of June 30, 2006, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-06
General Obligation Bonds	2 to 3.75 %	\$ 9,835,000	\$ 8,935,000
General Obligation Bonds - Refunding	3 to 4	14,490,000	12,385,000
Capital Outlay Notes	3.5 to 5.35	720,000	461,448
Other Loans	variable	1,000,000	188,000

The County Mayor's Office is performing the accounting and oversight responsibilities for the discretely presented Lauderdale County Water System's water treatment plant expansion project. 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 (\$746,404) 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, 2006, the variable interest rate was 3.37 percent, and other fees amounted to approximately .17 percent (.2 percent letter of credit fee and .15 percent remarketing fee) of the outstanding loan principal.

The annual requirements to amortize all general obligation bonds, notes, and other loans as of June 30, 2006, including interest payments and other fees, are presented in the following table:

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2007	\$ 1,400,000	\$ 715,115	\$ 98,378	\$ 8,647
2008	1,420,000	699,783	101,104	5,905
2009	1,455,000	657,408	76,087	3,044
2010	1,495,000	613,158	77,547	1,547
2011	1,545,000	562,845	33,333	0
2012-2016	7,715,000	1,931,825	74,999	0
2017-2021	5,480,000	712,635	0	0
2022	810,000	30,375	0	0
Total	<u>\$ 21,320,000</u>	<u>\$ 5,923,144</u>	<u>\$ 461,448</u>	<u>\$ 19,143</u>

Year Ending June 30	Other Loan (\$1,000,000)			Total
	Principal	Interest	Other Fees	
2007	\$ 188,000	\$ 6,336	\$ 325	\$ 194,661
Total	<u>\$ 188,000</u>	<u>\$ 6,336</u>	<u>\$ 325</u>	<u>\$ 194,661</u>

There is \$4,269,020 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$787, based on the 2000 federal census. Debt per capita, including bonds, notes, and other loans, totaled \$811, based on the 2000 federal census.

#### Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2006, was as follows:

##### Governmental Activities:

	Bonds	Notes
Balance, July 1, 2005	\$ 22,530,000	\$ 557,200
Additions	4,605,000	0
Deductions	(5,815,000)	(95,752)
Balance, June 30, 2006	<u>\$ 21,320,000</u>	<u>\$ 461,448</u>
Balance Due Within One Year	<u>\$ 1,400,000</u>	<u>\$ 98,378</u>

Governmental Activities:

	Other Loan	Claims and Judgments
Balance, July 1, 2005	\$ 367,000	\$ 0
Additions	0	3,600,000
Deductions	(179,000)	(50,000)
Balance, June 30, 2006	<u>\$ 188,000</u>	<u>\$ 3,550,000</u>
Balance Due Within One Year	<u>\$ 188,000</u>	<u>\$ 300,000</u>

Analysis of the Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2006	\$ 25,848,840
Less: Balance Due Within One Year	(1,994,269)
Add: Unamortized Premium on Debt	8,537
Less: Deferred Amount on Refunding	<u>(36,674)</u>
Noncurrent Liabilities - Due In More Than One Year - Exhibit A	<u>\$ 23,826,434</u>

At year-end, \$3,550,000 of claims and judgments is included in the above amounts. Claims and judgments payable will be retired from the General Debt Service Fund.

Advance Refunding

On May 10, 2006, Lauderdale County advance refunded a general obligation refunding bond issue with a separate general obligation bond issue. The county issued \$4,605,000 of general obligation refunding bonds to provide resources to purchase U.S. government securities that were placed in an irrevocable trust to generate resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered defeased, and the liability has been removed from the county's long-term debt. As a result of the advance refunding, total debt service payments over the next ten years will be reduced by \$110,570, and an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$92,246 was obtained.

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, 2006:

Business-type Activities:

	Closure/ Postclosure Care Costs
Balance, July 1, 2005	\$ 330,918
Additions	4,902
Deductions	(6,428)
Balance, June 30, 2006	<u>\$ 329,392</u>
Balance Due Within One Year	<u>\$ 7,891</u>

Discretely Presented Lauderdale County School Department

Lauderdale County issues capital outlay notes to fund capital facilities and other capital purchases such as renovations.

Capital outlay notes are direct obligations and pledge the full faith and credit of the government. Capital outlay notes outstanding were issued for original terms of up to ten years. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. Capital outlay notes outstanding as of June 30, 2006, will be retired from the General Purpose School Fund.

Capital outlay notes and the capital lease outstanding as of June 30, 2006, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-06
Capital Outlay Note	0 %	\$ 172,013	\$ 52,560
Capital Lease	6.17	942,665	160,759

The annual requirements to amortize the note outstanding as of June 30, 2006, are presented in the following table:

Year Ending June 30	<u>Note Principal</u>
2007	\$ 9,556
2008	9,556
2009	9,556
2010	9,556
2011	9,556
2012	<u>4,780</u>
Total	<u>\$ 52,560</u>

Changes in Long-term Liabilities

Long-term liability activity for the discretely presented Lauderdale County School Department for the year ended June 30, 2006, was as follows:

	<u>Note</u>	<u>Lease</u>
Balance, July 1, 2005	\$ 62,116	\$ 272,962
Deductions	<u>(9,556)</u>	<u>(112,203)</u>
Balance, June 30, 2006	<u>\$ 52,560</u>	<u>\$ 160,759</u>
Balance Due Within One Year	<u>\$ 9,556</u>	<u>\$ 160,759</u>

**F. Prior-period Adjustments**

Capital assets were restated (\$39,777, net of depreciation) from the prior year because books, furniture, and fixtures at the Lauderdale County Public Library had been omitted.

In the discretely presented Lauderdale County School Department, capital assets were restated (\$1,394,958, net of depreciation) from the prior year because several school buses had been omitted.

**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 has been a material general liability judgment (\$3,600,000) against Lauderdale County during the past year.

#### 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

During the year, Lauderdale County adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries. GASB Statement No. 42 requires governments to report the effects of capital asset impairments in their financial statements when they occur rather than as a part of the ongoing depreciation expense for the capital asset or upon disposal of the capital asset. In addition, GASB Statement No. 42 clarifies and establishes accounting requirements for insurance recoveries.

The provisions of GASB Statement No. 44, Economic Condition Reporting: The Statistical Section (an amendment of NCGA Statement 1) became effective for the year ended June 30, 2006. GASB Statement No. 44 applies to the preparation of the statistical section. State and local governments may, but are not required to, prepare a statistical section to accompany basic financial statements. However, a statistical section is required to accompany a comprehensive annual financial report. Since Lauderdale County is not presenting a comprehensive annual financial report, it has elected not to prepare a statistical section. A limited statistical section was presented in the prior year's report. GASB Statement No. 44 amends guidance related to the preparation of the statistical section. This statement improves the understandability and usefulness of statistical information by addressing the comparability problems that have developed in practice and by adding information from the new financial reporting model for state and local governments required by GASB Statement No. 34. GASB Statement No. 44 establishes the objectives of the statistical section and the five categories it contains: financial trends, revenue capacity, debt capacity, demographic and economic, and operating. It is reasonably expected that Lauderdale County will prepare and present a statistical section in subsequent years that follows the requirements of GASB Statement No. 44.

The provisions of GASB Statement No. 46, Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34 became effective for the year ended June 30, 2006. GASB Statement No. 46 provides guidance to determine when net assets have been restricted to a particular use by the passage of enabling legislation and specifies how those net assets should be reported in financial statements when there are changes in the circumstances surrounding such legislation. The statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation as of the end of the reporting period. Lauderdale County had no net assets restricted by enabling legislation to disclose as of June 30, 2006. But it is reasonably expected that Lauderdale County will be required to disclose net assets restricted by enabling legislation in subsequent years.

The provisions of GASB Statement No. 47, Accounting for Termination Benefits became effective for the year ended June 30, 2006. GASB Statement

No. 47 provides accounting and reporting guidance for state and local governments that offer benefits such as early retirement incentives or severance to employees who are involuntarily terminated. Statement No. 47 specifies when governments should recognize the cost of termination benefits they offer in accrual basis financial statements. Lauderdale County was not offering any termination benefits to employees as of June 30, 2006. But it is reasonably expected that Lauderdale County will offer termination benefits in subsequent years subject to the accounting and reporting requirements of GASB Statement No. 47.

**C. Contingent Liabilities**

Lauderdale County is contingently liable for the discretely presented Lauderdale County Water System bonds and interest thereon, in the event of default by the Lauderdale County Water System. As of June 30, 2006, future principal requirements were \$826,966, and future interest requirements were \$718,642.

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. Subsequent Events**

On August 31, 2006, Rozelle Criner left the Office of County Mayor and was succeeded by Rod Schuh, and Louis Craig left the Office of Sheriff and was succeeded by Steve Sanders.

On October 30, 2006, Lauderdale County entered into a five-year capital lease-purchase agreement for a bulldozer for \$195,586 with an interest rate of 4.5 percent.

**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 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 \$329,392 for landfill closure and postclosure care costs at June 30, 2006. This amount represents future landfill closure and postclosure care costs associated with the Class 3 and the two Class 1 landfills at June 30, 2006. 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](http://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, 2006, 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, 2006, Lauderdale County's annual pension cost of \$523,653 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, 2005, was ten years. An actuarial valuation was performed as of July 1, 2005, which established contribution rates effective July 1, 2006.

### Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-06	\$523,653	100%	\$0
6-30-05	499,738	100	0
6-30-04	324,201	100	0

### Schedule of Funding Progress

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-05	\$17,296	\$17,833	\$537	96.99%	\$7,046	7.62%
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

## 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](http://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, 2006, 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, 2006, 2005, and 2004, were \$816,603, \$806,045, and \$456,795, respectively, equal to the required contributions for each year.

**G. Other Post-employment Benefits**

In addition to the retirement commitments described above, the discretely presented Lauderdale County School Department pays up to \$1,000 per year toward the cost of health insurance premiums for retired certified staff who meet established criteria. The criteria are as follows:

1. To have 30 years of total teaching experience
2. To have 20 years of the experience in Lauderdale County
3. To be covered under the group insurance at the time of retirement
4. To be younger than 65

As of June 30, 2006, five retirees were receiving this benefit. During the year, expenditures totaling \$1,250 were recognized for post-employment health insurance premiums.

**H. 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, (TCA). 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, TCA (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, TCA, 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 \$10,000.

VI. **OTHER NOTES – LAUDERDALE COUNTY PUBLIC LIBRARY (SPECIAL REVENUE FUND)**

A. **Summary of Significant Accounting Policies**

1. **General**

The Lauderdale County Public Library serves as a public library for Lauderdale County.

2. **Reporting Entity**

The library is a special revenue fund of Lauderdale County, Tennessee, which is issued to record the general operations of the library.

The financial statements are limited to the assets, liabilities, fund balance, and results of operations of the library. They are not intended to present the assets, liabilities, fund balances and results of operations of Lauderdale County taken as a whole. The Lauderdale County Commission appoints the board of trustees of the library. The criteria of control or dependence is used to determine which activities are included in the library fund's financial statements.

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

Government 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 are 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Grants, entitlements, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when the library fund receives cash.

Amounts reported as program revenues include 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues.

**4. Capital Assets**

Capital assets, which include property, plant, and equipment are reported in the government-wide financial statements. Capital assets are defined by the government as assets that have an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building	40
Books	7
Furniture and fixtures	5-10

**5. Compensated Absences**

Full-time employees have the option of accruing sick leave and vacation pay for use in future periods.

**6. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principals requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**B. Cash and Investments**

Cash, which is stated at cost, consists of the following:

	<u>Amount</u>
Cash on hand	\$ 955
Cash in bank	<u>25,502</u>
Total Cash	<u><u>\$ 26,457</u></u>

All monies are deposited in banks fully insured by the Federal Deposit Insurance Corporation (FDIC) and are in the name of Lauderdale County Library Fund.

Surplus funds may be invested in securities. State statutes authorize the Library Fund to invest in obligations of the U.S. Treasury, commercial paper, corporate bond, repurchase agreements, and the State Treasurer's Investment Pool. Some of the investments currently owned by the fund do not meet these criteria. However, as the investments mature, new investments purchased will be within these guidelines.

**Custodial Credit Risk of Investment.** Custodial credit risk is the risk that, in the event of failure of the counterparty, the Library Fund will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. At year end, the fund's investments were subject to custodial credit risk due to one or more of the following:

Investments were book-entry only in the name of the fund and were fully insured

Investments were part of a mutual fund

**Interest Rate Risk.** Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. At year-end, the average maturities of investments are as follows:

Investment	Fair Value	Yearly Average Maturity
Money market funds	\$ 9,101	N/A
U.S. government or agency bond or note	142,378	17
Corporate bonds	292,018	22
Certificate of deposits	102,196	6

**Credit Risk.** In compliance with state law, the fund's investment policy limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Organization
Money market funds	\$ 9,101	Not rated	
U.S. government or agency bond or note	142,378	Not rated	
Corporate bonds	292,018	AAA	S&P or Moody's
Certificate of deposits	102,196	Not rated	

**Concentration of Credit Risk.** Not more than nine percent of the investments are invested in any one investment.

**C. Capital Assets**

The following is a summary of changes in capital assets for the year ended June 30, 2006:

**Governmental Activities:**

	Restated		
	Balance		Balance
	7-1-05	Increases	6-30-06
Capital Assets Not Depreciated			
Land	\$ 7,800	\$ 0	\$ 7,800
Total Capital Assets Not Depreciated	\$ 7,800	\$ 0	\$ 7,800
Capital Assets Depreciated:			
Buildings	\$ 452,978	\$ 0	\$ 452,978
Books	46,853	4,814	51,667
Furniture and Fixtures	73,257	190	73,447
Total Capital Assets Depreciated	\$ 573,088	\$ 5,004	\$ 578,092
Less Accumulated Depreciation For:			
Buildings	\$ 67,947	\$ 11,324	\$ 79,271
Books	24,361	7,054	31,415
Furniture and Fixtures	55,972	5,685	61,657
Total Accumulated Depreciation	\$ 148,280	\$ 24,063	\$ 172,343
Total Capital Assets Depreciated, Net	\$ 424,808	\$ (19,059)	\$ 405,749
Governmental Activities Capital Assets, Net	\$ 432,608	\$ (19,059)	\$ 413,549

Depreciation expense of \$24,063 was charged for the year.

**D. Reserved Funds**

1. Rice Fund. Principal bequest from the will of Lucie L. Rice for \$25,000. Principal is restricted perpetually. Use of income is restricted to no more than half of the income in any one year for operating expense.

2. Morris Fund. Restricted for the purchase of children's books and historical fiction. The fund maintains a current balance of \$11,972.
3. Palmer Fund. The library received \$10,000 in the year ended June 30, 2000, from Mrs. Jack Palmer. In 2005, Dorothy Palmer bequeathed an additional \$270,000 to this fund. These monies are restricted for capital purchases. The current balance is \$279,383.
4. Drake Fund. Monies received from the Drake estate. The monies are restricted for the purchase of English and American literature. The balance in the fund at June 30, 2006, is \$92,734.

Funds are not segregated. However, expenditures from these funds are designated within the accounting records.

**E. Revenues**

The library is funded by private contributions, operating transfers from Lauderdale County and grants from the City of Ripley General Funds.

**F. Lease**

The 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 all subsequent years, the Library Fund receives \$1 per year. The Chamber of Commerce is to maintain insurance on the building with the Library Fund as the loss payee. The chamber shall be responsible for all maintenance and upkeep on the building during the lease term.

**G. Risk Management**

The Lauderdale County 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.

**H. Prior Period Adjustment**

Books, furniture, and fixtures were not reflected in the prior period. The assets are reflected within these financial statements to reflect this inclusion. Capital assets, June 30, 2005, totaled \$392,831. Capital assets restated totaled \$432,608 at June 30, 2005.

**VII. OTHER NOTES – LAUDERDALE COUNTY AMBULANCE AUTHORITY (SPECIAL REVENUE FUND)**

**A. Summary of Significant Accounting Policies**

The Lauderdale County Ambulance Authority is a special revenue fund of Lauderdale County, Tennessee. Financial statements of the authority are consolidated into the financial statements of Lauderdale County, Tennessee. The authority is governed by a committee of the Lauderdale County Commission and provides ambulance services to the citizens of Lauderdale County.

The accounting and reporting policies of the authority relating to the activities included in the accompanying financial statements conform to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units. The GASB periodically updates its codification of the existing Governmental Accounting and Standards, which, along with the subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant accounting policies of the authority are described below.

**1. Reporting Entity**

The authority, for financial purposes, includes all the funds relevant to the operations of the Lauderdale County Ambulance Authority.

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

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 are 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Accounts receivable are reduced by an allowance for uncollectible accounts. The authority has one fund, which is a self-balancing account comprised of its assets, liabilities, fund equity, revenues and expenditures.

**B. Cash and Cash Equivalents**

Cash and cash equivalents consist of the following:

	Amount 6-30-06
Cash in bank	\$ 424,276
Cash on hand	<u>7</u>
Total	<u>\$ 424,283</u>

Cash in banks is insured up to \$100,000 by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2006, \$100,000 was covered by FDIC while \$324,283 was collateralized by the Tennessee Collateral Pool. All cash is held by the depositories in the name of the authority.

**C. Capital Assets**

Capital assets are comprised of equipment purchased by the authority for the past two years. All capital assets are capitalized and depreciated in the government-wide statements. Capital assets are recorded as expenditures of the current period in the governmental fund financial statements. Assets purchased prior to July 1, 2004, are reflected within the financial statements of Lauderdale County in conformity with Governmental Accounting Standards Board (GASB) Statement No. 34 (as amended by Statement No. 37) and are not included in these financial statements.

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.

Depreciation of capital assets is computed and recorded by the straight-line method over the estimated useful lives of the assets. Estimated useful lives of the vehicles and equipment are five years. Total depreciation expense was \$11,271 for the year ended June 30, 2006.

Capital assets are summarized as follows:

	Balance 7-1-05	Additions	Retirements	Balance 6-30-06
Vehicles	\$ 46,363	\$ 0	\$ 0	\$ 46,363
Equipment	0	19,983	0	19,983
Total	<u>\$ 46,363</u>	<u>\$ 19,983</u>	<u>\$ 0</u>	<u>\$ 66,346</u>
Accumulated Depreciation	(4,636)	(11,271)	0	(15,907)
Total	<u>\$ 41,727</u>	<u>\$ 8,712</u>	<u>\$ 0</u>	<u>\$ 50,439</u>

Assets purchased prior to July 1, 2004, have previously been incorporated in the financial statements.

**D. Allowance for Uncollectible Accounts**

The authority's allowance for estimated uncollectible receivables at June 30, 2006, was \$468,009.

**E. Compensated Absences**

The authority pays employees the value of all accumulated vacation and personal days prior to the end of the fiscal year. Therefore, no compensated absences are reflected within these statements.

**F. Estimates**

Management is required to make estimates and assumptions that may affect the reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from those estimates.

**G. 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.

Excess of expenditures over appropriations – Expenditures exceeded budgeted items for many line items. Revenues exceeded budgeted revenues and total expenditures were more than total budgeted expenditures. The primary difference was due to expenditures incurred in the lawsuit settlement.

**H. Contingent Liabilities**

Thirteen ambulance workers filed a lawsuit requesting back pay under the wage and hour law. Subsequent to June 30, 2005, the lawsuit was settled. The employees were awarded \$50,000 back pay and the attorneys were awarded \$60,000. In accordance with generally accepted accounting principles, the expense was reflected in the Statement of Revenues, Expenditures, and Changes in Fund Balance in the year paid, the year ended June 30, 2006.

**I. Pension Plan**

The pension fund of the Lauderdale County Ambulance Authority is included in the total retirement program for Lauderdale County, Tennessee, under the Tennessee Consolidated Retirement System. Five percent is deducted from the employees' checks and the county pays a percentage match of 6.85 percent to fund the employees retirement. Retirement is based on

30 years of service or reaching the age of 60. For details relative to the funding status and progress, actuarial determined contribution requirements and contributions made, and trend information refer to the Annual Financial Report for Lauderdale County.

**J. Risk Management**

The 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. The authority has purchased commercial insurance for all of the above risks. Settled claims have not exceeded this coverage in any of the past three years.

**VIII. OTHER NOTES – DISCRETELY PRESENTED LAUDERDALE COUNTY WATER SYSTEM**

**A. Reporting Entity**

The Lauderdale County Water System was created in 1974. The Lauderdale County Commission 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, 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 (GASB) which establishes 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 live are as follows:

<u>Asset</u>	<u>Years</u>
Utility plant in service	10-50
Equipment	2-10

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 U.S. government or any of its agencies. Securities pledged as collateral for the certificates of deposit in local banks are held in the name of Lauderdale County and are combined with other funds.

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's deposits and investments at June 30, 2006, consist of the following:

Deposits:	
Cash on hand	\$ 225
Cash in bank	24,123
Cash on deposit through county trustee	<u>448,756</u>
 Total Cash and Cash Equivalents	 <u>\$ 473,104</u>
 Investments:	
Certificates of Deposit managed by county trustee	<u>\$ 1,550,000</u>

The Lauderdale County Water System's deposits and investments at June 30, 2006, were covered by federal depository insurance or by the Tennessee Collateral Pool or by securities held by the custodial bank in the County Trustee's name.

**Interest Rate Risk.** To minimize exposure to declines in fair value, the certificates of deposit have staggering maturity rates with maturity dates of one year or less.

**Custodial Credit Risk.** The certificates of deposit are held in the County Trustee's Office name for the benefit of the Lauderdale County Water System, and are not subject to custodial credit risk.

**Concentrations of Credit Risk.** The certificates of deposit are not subject to concentrations of credit risk as the custodial banks are either a member of the Tennessee Collateral Pool or provide securities held by the custodial bank as security for the funds invested.

**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, 2006, is also reflected as deferred revenue.

**E. Capital Assets**

Capital assets are summarized as follows:

	Balance 7-1-05	Increases	Decreases	Balance 6-30-06
Capital Assets Not Depreciated:				
Land	\$ 10,000	\$ 0	\$ 0	\$ 10,000
Total Capital Assets Not Depreciated	<u>\$ 10,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 10,000</u>
Capital Assets Depreciated:				
Water Plant	\$ 7,230,710	\$ 77,395	\$ 0	\$ 7,308,105
Plant Equipment	104,335	443	0	104,778
Office Equipment	67,848	0	0	67,848
Equipment	306,736	15,027	(52,837)	268,926
Total Capital Assets Depreciated	<u>\$ 7,709,629</u>	<u>\$ 92,865</u>	<u>\$ (52,837)</u>	<u>\$ 7,749,657</u>
Accumultated Depreciation	<u>\$ 3,071,723</u>	<u>\$ 265,630</u>	<u>\$ (52,837)</u>	<u>\$ 3,284,516</u>
Total Capital Assets Depreciated, Net	<u>\$ 4,637,906</u>	<u>\$ (172,765)</u>	<u>\$ 0</u>	<u>\$ 4,465,141</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,647,906</u>	<u>\$ (172,765)</u>	<u>\$ 0</u>	<u>\$ 4,475,141</u>

**F. Bonds Payable**

Bonds payable at June 30, 2006, consist of the following:

	Current	Long-term	Total
FHA; 5%; payable in annual installments of \$6,345 including interest	\$ 4,178	\$ 36,818	\$ 40,996
FHA; 6%; payable in monthly installments of \$815 including interest	7,622	31,944	39,566
Rural Economic and Community Development 4.5%; payable in monthly installments of \$3,592	9,818	736,586	746,404
Total	<u>\$ 21,618</u>	<u>\$ 805,348</u>	<u>\$ 826,966</u>

The annual maturities of long-term bonds as of June 30, 2006, are:

Year Ending June 30	Bonds
2007	\$ 21,618
2008	22,753
2009	23,944
2010	25,198
2011	23,014
2012-2016	84,088
2017-2021	83,474
2022-2026	104,493
2027-2031	130,803
2032-2036	163,740
2037-2040	<u>143,841</u>
Total	<u>\$ 826,966</u>

Net changes for the year ended June 30, 2006, in bond balances are:

	Bonds
Balance, July 1, 2005	\$ 847,520
Deductions	<u>(20,554)</u>
Balance, June 30, 2006	<u>\$ 826,966</u>

**G. 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.

**H. 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.

## 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](http://www.treasury.state.tn.us). Copies of footnotes in PDF format can be assessed at <http://www.treasury.state.tn.us/tcrs/PS/>.

### **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, 2006, 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, 2006, the Lauderdale County Water System's annual pension cost of \$16,811 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 a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005, was zero years. An actuarial valuation was performed as of July 1, 2005, which established the contribution rate effective July 1, 2006.

### Trend information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-06	\$ 16,811	100%	\$ 0
6-30-05	15,305	100	0
6-30-04	10,090	100	0

## IX. 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 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, 2006, 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 \$17,447 for the year ended June 30, 2006. 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 of hours actually worked. The district has accrued absences that have been earned by the employees and are payable in accordance with the previous 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 assumptions 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**

Cash, which is stated at cost, consisted of the following:

Cash in Banks	\$ 205,349
Certificates of Deposit	<u>200,000</u>
Total	<u><u>\$ 405,349</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, 2006, \$218,328 was covered by FDIC while \$187,021 was collateralized with securities held by the district's agent in the district's name. The Board of Directors must approve all investments. All cash is held by the depositories in the name of the district.

**2. Capital Assets**

Capital assets are summarized as follows:

	Balance 7-1-05	Additions	Balance 6-30-06
Building and Improvements	\$ 135,192	\$ 22,450	\$ 157,642
Communication Equipment	82,700	39,380	122,080
Office Equipment	32,698	14,851	47,549
Furniture and Fixtures	7,616	2,518	10,134
Total	\$ 258,206	\$ 79,199	\$ 337,405
Less Accumulated Depreciation	(61,175)	(17,447)	(78,622)
Net Capital Assets	\$ 197,031	\$ 61,752	\$ 258,783

**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 \$3,031.

The following is a schedule by years of expected minimum future rentals on operating leases as of June 30, 2006:

<u>Year Ending June 30:</u>	<u>Amount</u>
2007	\$ 36,372
2008	36,372
2009	36,600
2010	36,372
2011	36,372

**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 monthly operating lease is 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 2006. 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](http://www.treasurer.state.tn.us) Copies of footnotes in PDF format can be accessed at <http://www.treasurer.state.tn.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, 2006, 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, 2006, the district’s annual pension cost of \$3,459 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, 2005, was zero years. An actuarial valuation was performed as of July 1, 2005, which established contribution rates effective July 1, 2006.

**Trend information**

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-06	\$ 3,459	100%	\$ 0
6-30-05	5,076	100	0
6-30-04	6,040	100	0

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit F-1

Lauderdale County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Fund  
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 3,589,261	\$ 3,563,890	\$ 3,563,890	\$ 25,371
Licenses and Permits	30,547	33,011	33,011	(2,464)
Fines, Forfeitures, and Penalties	77,382	75,160	75,160	2,222
Charges for Current Services	72,948	126,600	126,600	(53,652)
Other Local Revenues	47,938	5,500	3,000	44,938
Fees Received from County Officials	916,575	835,000	835,000	81,575
State of Tennessee	1,513,161	1,375,328	1,376,528	136,633
Federal Government	256,814	16,257	760,357	(503,543)
Other Governments and Citizens Groups	100,180	46,000	46,000	54,180
<b>Total Revenues</b>	<b>\$ 6,604,806</b>	<b>\$ 6,076,746</b>	<b>\$ 6,819,546</b>	<b>\$ (214,740)</b>
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 56,556	\$ 68,050	\$ 68,050	\$ 11,494
County Mayor/Executive	167,326	166,284	180,619	13,293
County Attorney	815,052	60,545	869,048	53,996
Election Commission	124,018	112,523	139,053	15,035
Register of Deeds	110,116	106,861	112,130	2,014
Development	95,360	98,166	98,166	2,806
Planning	17,347	25,050	25,050	7,703
County Buildings	397,586	373,858	414,042	16,456
Other General Administration	3,721	3,636	3,722	1
<u>Finance</u>				
Accounting and Budgeting	917	1,000	1,000	83
Property Assessor's Office	144,084	147,567	156,698	12,614
Reappraisal Program	33,606	32,391	33,858	252
County Trustee's Office	132,487	127,135	136,641	4,154
County Clerk's Office	217,952	203,013	218,870	918
<u>Administration of Justice</u>				
Circuit Court	174,664	177,076	189,306	14,642
General Sessions Judge	64,314	60,398	64,455	141
General Sessions Court Clerk	137,581	120,773	138,096	515
Chancery Court	121,807	146,404	146,404	24,597
Juvenile Court	347,704	301,056	357,717	10,013
Other Administration of Justice	91,427	91,428	91,427	0
<u>Public Safety</u>				
Sheriff's Department	1,273,908	1,165,830	1,303,899	29,991
Administration of the Sexual Offender Registry	862	0	900	38
Jail	1,106,559	1,054,981	1,148,066	41,507
Fire Prevention and Control	24,340	30,000	30,000	5,660
Civil Defense	238,584	0	744,100	505,516
Rescue Squad	2,963	3,000	3,000	37
Other Emergency Management	45,798	50,050	50,050	4,252

(Continued)

Exhibit F-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>Public Health and Welfare</u>				
Local Health Center	\$ 55,259	\$ 57,962	\$ 57,962	\$ 2,703
Rabies and Animal Control	42,175	42,262	42,262	87
Dental Health Program	230,912	232,515	232,515	1,603
Other Local Health Services	68,166	76,515	76,515	8,349
Aid to Dependent Children	0	600	600	600
Sanitation Education/Information	38,178	38,928	38,928	750
<u>Social, Cultural, and Recreational Services</u>				
Libraries	22,280	22,280	22,280	0
Parks and Fair Boards	26,000	26,000	26,000	0
<u>Agriculture &amp; Natural Resources</u>				
Agriculture Extension Service	81,494	100,392	100,392	18,898
Soil Conservation	51,976	49,553	51,976	0
<u>Other Operations</u>				
Veterans' Services	16,125	16,387	17,587	1,462
Other Charges	193,076	117,150	199,433	6,357
Contributions to Other Agencies	39,607	53,607	54,607	15,000
Employee Benefits	653,550	940,000	675,242	21,692
Miscellaneous	44,034	102,525	102,525	58,491
Total Expenditures	\$ 7,509,471	\$ 6,603,751	\$ 8,423,191	\$ 913,720
Excess (Deficiency) of Revenues Over Expenditures	\$ (904,665)	\$ (527,005)	\$ (1,603,645)	\$ 698,980
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 19,536	\$ 0	\$ 2,500	\$ 17,036
Transfers Out	(86,917)	(86,917)	(86,917)	0
Total Other Financing Sources (Uses)	\$ (67,381)	\$ (86,917)	\$ (84,417)	\$ 17,036
Net Change in Fund Balance	\$ (972,046)	\$ (613,922)	\$ (1,688,062)	\$ 716,016
Fund Balance, July 1, 2005	3,504,139	3,551,875	3,551,875	(47,736)
Fund Balance, June 30, 2006	\$ 2,532,093	\$ 2,937,953	\$ 1,863,813	\$ 668,280

Exhibit F-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, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 640,767	\$ 672,719	\$ 672,719	\$ (31,952)
Licenses and Permits	615	1,500	1,500	(885)
Other Local Revenues	6,282	25,500	25,500	(19,218)
State of Tennessee	2,296,447	2,350,785	2,350,785	(54,338)
Federal Government	0	100,000	100,000	(100,000)
Total Revenues	<u>\$ 2,944,111</u>	<u>\$ 3,150,504</u>	<u>\$ 3,150,504</u>	<u>\$ (206,393)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 171,761	\$ 184,402	\$ 185,878	\$ 14,117
Highway and Bridge Maintenance	1,119,805	1,304,600	1,304,600	184,795
Operation and Maintenance of Equipment	504,497	490,450	543,390	38,893
Other Charges	209,257	201,500	214,263	5,006
Employee Benefits	372,302	434,500	434,500	62,198
Capital Outlay	792,643	900,000	868,879	76,236
Total Expenditures	<u>\$ 3,170,265</u>	<u>\$ 3,515,452</u>	<u>\$ 3,551,510</u>	<u>\$ 381,245</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (226,154)</u>	<u>\$ (364,948)</u>	<u>\$ (401,006)</u>	<u>\$ 174,852</u>
Net Change in Fund Balance	\$ (226,154)	\$ (364,948)	\$ (401,006)	\$ 174,852
Fund Balance, July 1, 2005	<u>596,782</u>	<u>916,709</u>	<u>916,709</u>	<u>(319,927)</u>
Fund Balance, June 30, 2006	<u>\$ 370,628</u>	<u>\$ 551,761</u>	<u>\$ 515,703</u>	<u>\$ (145,075)</u>

**LAUDERDALE COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2006**

**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 Lauderdale 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/Executive, County Attorney, Election Commission, etc.). Management may make revisions within major categories, but only the Lauderdale County Commission 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 schedule.

**B. CASH OVERDRAFT**

The Highway/Public Works Fund had a cash overdraft of \$53,251 at June 30, 2006. This cash overdraft resulted from issuing warrants that exceeded cash on deposit with the county trustee. The cash overdraft was liquidated subsequent to June 30, 2006.

**C. THE ACTUAL FUND BALANCE EXCEEDED THE ESTIMATED BEGINNING FUND BALANCE BY A MATERIAL AMOUNT**

The Highway/Public Works Fund's actual fund balance at July 1, 2005, was \$596,782; however, the estimated fund balance reflected in the county's budget was \$916,709. Therefore, the actual fund balance exceeded the estimated fund balance presented to the County Commission during the budget process by \$319,927.

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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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.

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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.

Exhibit G-1

Lauderdale County, Tennessee  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2006

	<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	\$ 26,457	\$ 424,283	\$ 0	\$ 6,473	\$ 457,213
Equity in Pooled Cash and Investments	3,767	0	0	41,575	0	45,342
Investments	0	545,693	0	0	0	545,693
Accounts Receivable	0	0	576,739	0	0	576,739
Allowance for Uncollectibles	0	0	(468,009)	0	0	(468,009)
Total Assets	<u>\$ 3,767</u>	<u>\$ 572,150</u>	<u>\$ 533,013</u>	<u>\$ 41,575</u>	<u>\$ 6,473</u>	<u>\$ 1,156,978</u>
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Accounts Payable	\$ 0	\$ 0	\$ 4,385	\$ 0	\$ 0	\$ 4,385
Accrued Payroll	0	6,227	0	0	0	6,227
Payroll Deductions Payable	0	0	223	0	0	223
Due to Other Funds	0	0	0	0	6,473	6,473
Total Liabilities	<u>\$ 0</u>	<u>\$ 6,227</u>	<u>\$ 4,608</u>	<u>\$ 0</u>	<u>\$ 6,473</u>	<u>\$ 17,308</u>
<u>Fund Balances</u>						
Reserved for Endowments	\$ 0	\$ 409,089	\$ 0	\$ 0	\$ 0	\$ 409,089
Unreserved	3,767	156,834	528,405	41,575	0	730,581
Total Fund Balances	<u>\$ 3,767</u>	<u>\$ 565,923</u>	<u>\$ 528,405</u>	<u>\$ 41,575</u>	<u>\$ 0</u>	<u>\$ 1,139,670</u>
Total Liabilities and Fund Balances	<u>\$ 3,767</u>	<u>\$ 572,150</u>	<u>\$ 533,013</u>	<u>\$ 41,575</u>	<u>\$ 6,473</u>	<u>\$ 1,156,978</u>

Exhibit G-2

Lauderdale County, Tennessee  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2006

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Law Library	Public Library	Ambulance Service	Drug Control	Constitu- tional Officers - Fees	
<u>Revenues</u>						
Local Taxes	\$ 1,406	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,406
Fines, Forfeitures, and Penalties	0	0	0	23,448	0	23,448
Charges for Current Services	0	0	864,385	0	2,000	866,385
Other Local Revenues	0	5,314	716	4,592	0	10,622
Other Governments and Citizens Groups	0	50,638	0	0	0	50,638
Total Revenues	<u>\$ 1,406</u>	<u>\$ 55,952</u>	<u>\$ 865,101</u>	<u>\$ 28,040</u>	<u>\$ 2,000</u>	<u>\$ 952,499</u>
<u>Expenditures</u>						
Current:						
Administration of Justice	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,000	\$ 2,000
Public Safety	0	0	0	22,955	0	22,955
Public Health and Welfare	0	0	871,440	0	0	871,440
Social, Cultural, and Recreational Services	848	116,496	0	0	0	117,344
Total Expenditures	<u>\$ 848</u>	<u>\$ 116,496</u>	<u>\$ 871,440</u>	<u>\$ 22,955</u>	<u>\$ 2,000</u>	<u>\$ 1,013,739</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 558</u>	<u>\$ (60,544)</u>	<u>\$ (6,339)</u>	<u>\$ 5,085</u>	<u>\$ 0</u>	<u>\$ (61,240)</u>
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 0	\$ 86,917	\$ 0	\$ 0	\$ 0	\$ 86,917
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 86,917</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 86,917</u>
Net Change in Fund Balances	\$ 558	\$ 26,373	\$ (6,339)	\$ 5,085	\$ 0	\$ 25,677
Fund Balance, July 1, 2005	3,209	539,550	534,744	36,490	0	1,113,993
Fund Balance, June 30, 2006	<u>\$ 3,767</u>	<u>\$ 565,923</u>	<u>\$ 528,405</u>	<u>\$ 41,575</u>	<u>\$ 0</u>	<u>\$ 1,139,670</u>

Exhibit G-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, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,406	\$ 1,400	\$ 1,400	\$ 6
Total Revenues	<u>\$ 1,406</u>	<u>\$ 1,400</u>	<u>\$ 1,400</u>	<u>\$ 6</u>
<u>Expenditures</u>				
<u>Social, Cultural, and Recreational Services</u>				
Libraries	\$ 848	\$ 2,020	\$ 2,020	\$ 1,172
Total Expenditures	<u>\$ 848</u>	<u>\$ 2,020</u>	<u>\$ 2,020</u>	<u>\$ 1,172</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 558</u>	<u>\$ (620)</u>	<u>\$ (620)</u>	<u>\$ 1,178</u>
Net Change in Fund Balance	\$ 558	\$ (620)	\$ (620)	\$ 1,178
Fund Balance, July 1, 2005	<u>3,209</u>	<u>2,410</u>	<u>2,410</u>	<u>799</u>
Fund Balance, June 30, 2006	<u>\$ 3,767</u>	<u>\$ 1,790</u>	<u>\$ 1,790</u>	<u>\$ 1,977</u>

Exhibit G-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, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 5,314	\$ 10,124	\$ 10,124	\$ (4,810)
Other Governments and Citizens Groups	50,638	20,000	20,000	30,638
Total Revenues	\$ 55,952	\$ 30,124	\$ 30,124	\$ 25,828
<u>Expenditures</u>				
<u>Social, Cultural, and Recreational Services</u>				
Libraries	\$ 116,496	\$ 119,794	\$ 119,794	\$ 3,298
Total Expenditures	\$ 116,496	\$ 119,794	\$ 119,794	\$ 3,298
Excess (Deficiency) of Revenues Over Expenditures	\$ (60,544)	\$ (89,670)	\$ (89,670)	\$ 29,126
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 86,917	\$ 86,971	\$ 86,971	\$ (54)
Total Other Financing Sources (Uses)	\$ 86,917	\$ 86,971	\$ 86,971	\$ (54)
Net Change in Fund Balance	\$ 26,373	\$ (2,699)	\$ (2,699)	\$ 29,072
Fund Balance, July 1, 2005	539,550	539,550	539,550	0
Fund Balance, June 30, 2006	\$ 565,923	\$ 536,851	\$ 536,851	\$ 29,072

Exhibit G-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, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 864,385	\$ 620,000	\$ 620,000	\$ 244,385
Other Local Revenues	716	200	200	516
Total Revenues	<u>\$ 865,101</u>	<u>\$ 620,200</u>	<u>\$ 620,200</u>	<u>\$ 244,901</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Ambulance/Emergency Medical Services	\$ 871,440	\$ 720,718	\$ 787,250	\$ (84,190)
Total Expenditures	<u>\$ 871,440</u>	<u>\$ 720,718</u>	<u>\$ 787,250</u>	<u>\$ (84,190)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (6,339)</u>	<u>\$ (100,518)</u>	<u>\$ (167,050)</u>	<u>\$ 160,711</u>
Net Change in Fund Balance	\$ (6,339)	\$ (100,518)	\$ (167,050)	\$ 160,711
Fund Balance, July 1, 2005	<u>534,744</u>	<u>534,744</u>	<u>534,744</u>	<u>0</u>
Fund Balance, June 30, 2006	<u>\$ 528,405</u>	<u>\$ 434,226</u>	<u>\$ 367,694</u>	<u>\$ 160,711</u>

Exhibit G-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, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 23,448	\$ 10,900	\$ 10,900	\$ 12,548
Other Local Revenues	4,592	0	4,592	0
Total Revenues	<u>\$ 28,040</u>	<u>\$ 10,900</u>	<u>\$ 15,492</u>	<u>\$ 12,548</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 22,955	\$ 30,000	\$ 34,592	\$ 11,637
Total Expenditures	<u>\$ 22,955</u>	<u>\$ 30,000</u>	<u>\$ 34,592</u>	<u>\$ 11,637</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 5,085</u>	<u>\$ (19,100)</u>	<u>\$ (19,100)</u>	<u>\$ 24,185</u>
Net Change in Fund Balance	\$ 5,085	\$ (19,100)	\$ (19,100)	\$ 24,185
Fund Balance, July 1, 2005	<u>36,490</u>	<u>31,592</u>	<u>31,592</u>	<u>4,898</u>
Fund Balance, June 30, 2006	<u><u>\$ 41,575</u></u>	<u><u>\$ 12,492</u></u>	<u><u>\$ 12,492</u></u>	<u><u>\$ 29,083</u></u>

# **Major Governmental Fund**

## **General Debt Service Fund**

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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.

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Exhibit H

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, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 581,783	\$ 602,591	\$ 602,591	\$ (20,808)
Licenses and Permits	615	500	500	115
Other Local Revenues	12,885	0	0	12,885
Other Governments and Citizens Groups	1,787,326	1,671,516	1,671,516	115,810
Total Revenues	<u>\$ 2,382,609</u>	<u>\$ 2,274,607</u>	<u>\$ 2,274,607</u>	<u>\$ 108,002</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 488,746	\$ 584,752	\$ 488,746	\$ 0
Education	1,101,006	1,005,000	1,101,006	0
<u>Interest on Debt</u>				
General Government	178,263	173,161	188,572	10,309
Education	654,311	660,373	654,312	1
<u>Other Debt Service</u>				
General Government	146,890	15,000	150,781	3,891
Education	400	1,000	1,000	600
Total Expenditures	<u>\$ 2,569,616</u>	<u>\$ 2,439,286</u>	<u>\$ 2,584,417</u>	<u>\$ 14,801</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (187,007)</u>	<u>\$ (164,679)</u>	<u>\$ (309,810)</u>	<u>\$ 122,803</u>
<u>Other Financing Sources (Uses)</u>				
Refunding Debt Issued	\$ 4,605,000	\$ 0	\$ 4,650,000	\$ (45,000)
Premiums on Debt Issued	8,624	0	8,623	1
Payments to Refunded Debt Escrow Agent	(4,542,802)	0	(4,542,802)	0
Total Other Financing Sources (Uses)	<u>\$ 70,822</u>	<u>\$ 0</u>	<u>\$ 115,821</u>	<u>\$ (44,999)</u>
Net Change in Fund Balance	\$ (116,185)	\$ (164,679)	\$ (193,989)	\$ 77,804
Fund Balance, July 1, 2005	4,385,205	4,680,874	4,680,874	(295,669)
Fund Balance, June 30, 2006	<u>\$ 4,269,020</u>	<u>\$ 4,516,195</u>	<u>\$ 4,486,885</u>	<u>\$ (217,865)</u>

# Fiduciary Funds

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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.

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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.

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 I-1

Lauderdale County, Tennessee  
Combining Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2006

	<u>Agency Funds</u>		
	Local	Constitu-	
	Sales	tional	
	Tax	Officers -	Total
		Agency	
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 3,078,033	\$ 0	\$ 3,078,033
Cash	0	651,358	651,358
Due from Other Governments	349,935	0	349,935
Total Assets	<u>\$ 3,427,968</u>	<u>\$ 651,358</u>	<u>\$ 4,079,326</u>
<u>LIABILITIES</u>			
Due to Cities	\$ 157,077	\$ 0	\$ 157,077
Due to Other Taxing Units	3,270,891	0	3,270,891
Due to Litigants, Heirs, and Others	0	651,358	651,358
Total Liabilities	<u>\$ 3,427,968</u>	<u>\$ 651,358</u>	<u>\$ 4,079,326</u>

Exhibit I-2

Lauderdale County, Tennessee  
Combining Statement of Changes in Assets and Liabilities - All Agency Funds  
For the Year Ended June 30, 2006

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Local Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 2,975,594	\$ 2,055,886	\$ 1,953,447	\$ 3,078,033
Due from Other Governments	324,259	349,935	324,259	349,935
Total Assets	\$ 3,299,853	\$ 2,405,821	\$ 2,277,706	\$ 3,427,968
<u>Liabilities</u>				
Due to Cities	\$ 144,774	\$ 157,077	\$ 144,774	\$ 157,077
Due to Other Taxing Units	3,155,079	2,248,744	2,132,932	3,270,891
Total Liabilities	\$ 3,299,853	\$ 2,405,821	\$ 2,277,706	\$ 3,427,968
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 575,741	\$ 4,120,488	\$ 4,044,871	\$ 651,358
Total Assets	\$ 575,741	\$ 4,120,488	\$ 4,044,871	\$ 651,358
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 575,741	\$ 4,120,488	\$ 4,044,871	\$ 651,358
Total Liabilities	\$ 575,741	\$ 4,120,488	\$ 4,044,871	\$ 651,358
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 2,975,594	\$ 2,055,886	\$ 1,953,447	\$ 3,078,033
Cash	575,741	4,120,488	4,044,871	651,358
Due from Other Governments	324,259	349,935	324,259	349,935
Total Assets	\$ 3,875,594	\$ 6,526,309	\$ 6,322,577	\$ 4,079,326
<u>Liabilities</u>				
Due to Cities	\$ 144,774	\$ 157,077	\$ 144,774	\$ 157,077
Due to Other Taxing Units	3,155,079	2,248,744	2,132,932	3,270,891
Due to Litigants, Heirs, and Others	575,741	4,120,488	4,044,871	651,358
Total Liabilities	\$ 3,875,594	\$ 6,526,309	\$ 6,322,577	\$ 4,079,326

# Lauderdale County School Department

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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 and two Special Revenue Funds.

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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.

Exhibit J-1

Lauderdale County, Tennessee  
Statement of Activities  
Discretely Presented Lauderdale County School Department  
For the Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets
				<u>Total</u>
				Governmental Activities
Component Unit:				
Governmental Activities:				
Instruction	\$ 19,204,327	\$ 5,168	\$ 2,944,038	\$ (16,255,121)
Support Services	8,316,434	97,909	127,935	(8,090,590)
Operation of Non-Instructional Services	3,235,966	605,990	1,811,140	(818,836)
Interest on Long-term Debt	4,828	0	0	(4,828)
Other Debt Service	1,200,000	0	0	(1,200,000)
Total Governmental Activities	<u>\$ 31,961,555</u>	<u>\$ 709,067</u>	<u>\$ 4,883,113</u>	<u>\$ (26,369,375)</u>
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 2,443,085
Local Option Sales Tax				1,724,810
Other Local Taxes				177,763
Grants and Contributions Not Restricted for Specific Programs				20,583,290
Unrestricted Investment Earnings				242,033
Miscellaneous				42,195
Total General Revenues				<u>\$ 25,213,176</u>
Change in Net Assets				\$ (1,156,199)
Net Assets, July 1, 2005				26,510,918
Prior Period Adjustment				1,394,958
Net Assets, June 30, 2006				<u>\$ 26,749,677</u>

Exhibit J-2

Lauderdale County, Tennessee  
 Balance Sheet - Governmental Funds  
 Discretely Presented Lauderdale County School Department  
 June 30, 2006

	Major Funds			Total Govern- mental Funds
	General Purpose School	School Federal Projects	Central Cafeteria	
<u>ASSETS</u>				
Equity in Pooled Cash and Investments	\$ 813,461	\$ 199,486	\$ 410,734	\$ 1,423,681
Accounts Receivable	2,317	0	0	2,317
Due from Other Governments	415,856	96,628	155,707	668,191
Property Taxes Receivable	2,878,790	0	0	2,878,790
Allowance for Uncollectible Property Taxes	(97,273)	0	0	(97,273)
Accrued Interest Receivable	47,688	0	0	47,688
Total Assets	<u>\$ 4,060,839</u>	<u>\$ 296,114</u>	<u>\$ 566,441</u>	<u>\$ 4,923,394</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 17,482	\$ 4,830	\$ 0	\$ 22,312
Payroll Deductions Payable	172,886	60,412	0	233,298
Capital Leases Payable - Current	10,492	0	0	10,492
Deferred Revenue - Current Property Taxes	2,640,873	0	0	2,640,873
Deferred Revenue - Delinquent Property Taxes	126,232	0	0	126,232
Other Deferred Revenues	254,612	0	0	254,612
Total Liabilities	<u>\$ 3,222,577</u>	<u>\$ 65,242</u>	<u>\$ 0</u>	<u>\$ 3,287,819</u>
<u>Fund Balances</u>				
Reserved for Encumbrances	\$ 77,678	\$ 10,538	\$ 0	\$ 88,216
Reserved for Career Ladder - Extended Contract	455	0	0	455
Reserved for Title I Grants to Local Education Agencies	0	64,029	0	64,029
Reserved for Innovative Education Program Strategies	0	9,737	0	9,737
Reserved for Special Education - Grants to States	5,066	139,240	0	144,306
Other Federal Reserves	0	7,328	0	7,328
Unreserved, Reported In:				
General Fund	755,063	0	0	755,063
Special Revenue Funds	0	0	566,441	566,441
Total Fund Balances	<u>\$ 838,262</u>	<u>\$ 230,872</u>	<u>\$ 566,441</u>	<u>\$ 1,635,575</u>
Total Liabilities and Fund Balances	<u>\$ 4,060,839</u>	<u>\$ 296,114</u>	<u>\$ 566,441</u>	<u>\$ 4,923,394</u>

Exhibit J-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, 2006

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

Total fund balances - balance sheet - governmental funds (Exhibit J-2)		\$	1,635,575
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	1,341,648	
Add: buildings and improvements net of accumulated depreciation		21,355,909	
Add: other capital assets net of accumulated depreciation		<u>2,252,775</u>	24,950,332
(2) Long-term liabilities are not due in the current period and therefore are not reported in the governmental funds.			
Less: notes payable	\$	(160,759)	
Less: leases payable		(52,560)	
Less: accrued interest on leases		<u>(3,755)</u>	(217,074)
(3) Other long-term assets earned amounts are not available to pay for current period expenditures and therefore are deferred in the governmental funds.			<u>380,844</u>
Net assets of governmental activities (Exhibit A)		\$	<u>26,749,677</u>

Exhibit J-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, 2006

	Major Funds			Total Governmental Funds
	General Purpose School	School Federal Projects	Central Cafeteria	
<u>Revenues</u>				
Local Taxes	\$ 4,408,022	\$ 0	\$ 0	\$ 4,408,022
Licenses and Permits	4,642	0	0	4,642
Fines, Forfeitures, and Penalties	679	0	0	679
Charges for Current Services	89,763	0	615,836	705,599
Other Local Revenues	352,030	0	3,460	355,490
State of Tennessee	19,700,917	0	28,646	19,729,563
Federal Government	102,052	3,262,217	1,655,912	5,020,181
Other Governments and Citizens Groups	568,206	0	0	568,206
<b>Total Revenues</b>	<b>\$ 25,226,311</b>	<b>\$ 3,262,217</b>	<b>\$ 2,303,854</b>	<b>\$ 30,792,382</b>
<u>Expenditures</u>				
Current:				
Instruction	\$ 15,811,961	\$ 2,396,158	\$ 0	\$ 18,208,119
Support Services	7,967,043	401,936	35	8,369,014
Operation of Non-Instructional Services	448,591	295,132	2,274,227	3,017,950
Capital Outlay	36,718	0	0	36,718
Debt Service:				
Principal on Debt	121,759	0	0	121,759
Interest on Debt	13,704	0	0	13,704
Other Debt Service	1,200,000	0	0	1,200,000
<b>Total Expenditures</b>	<b>\$ 25,599,776</b>	<b>\$ 3,093,226</b>	<b>\$ 2,274,262</b>	<b>\$ 30,967,264</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (373,465)	\$ 168,991	\$ 29,592	\$ (174,882)
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 609	\$ 0	\$ 0	\$ 609
Transfers In	16,640	0	0	16,640
Transfers Out	0	(16,640)	0	(16,640)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 17,249</b>	<b>\$ (16,640)</b>	<b>\$ 0</b>	<b>\$ 609</b>
Net Change in Fund Balances	\$ (356,216)	\$ 152,351	\$ 29,592	\$ (174,273)
Fund Balance, July 1, 2005	1,194,478	78,521	536,849	1,809,848
<b>Fund Balance, June 30, 2006</b>	<b>\$ 838,262</b>	<b>\$ 230,872</b>	<b>\$ 566,441</b>	<b>\$ 1,635,575</b>

Exhibit J-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, 2006

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

Net change in fund balances - total governmental funds (Exhibit J-4)		\$	(174,273)
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:			
Add: capital assets purchased in the current period	\$	272,503	
Less: current year depreciation expense		<u>(1,274,916)</u>	(1,002,413)
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.			
Add: deferred delinquent property taxes and other deferred June 30, 2006	\$	380,844	
Less: deferred delinquent property taxes and other deferred June 30, 2005		<u>(490,992)</u>	(110,148)
(3) The issuance of long-term debt (e.g., bonds, notes, other loans) 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.			
Add: principal payments on notes	\$	9,556	
Add: principal payments on leases		<u>112,203</u>	121,759
(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 the governmental funds.			
Change in accrued interest			<u>8,876</u>
Change in net assets of governmental activities (Exhibit B)		\$	<u>(1,156,199)</u>

Exhibit J-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, 2006

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 4,408,022	\$ 0	\$ 0	\$ 4,408,022	\$ 5,040,755	\$ 4,492,123	\$ (84,101)
Licenses and Permits	4,642	0	0	4,642	5,000	5,000	(358)
Fines, Forfeitures, and Penalties	679	0	0	679	0	0	679
Charges for Current Services	89,763	0	0	89,763	0	84,359	5,404
Other Local Revenues	352,030	0	0	352,030	348,900	377,514	(25,484)
State of Tennessee	19,700,917	0	0	19,700,917	19,330,638	19,900,049	(199,132)
Federal Government	102,052	0	0	102,052	48,000	72,344	29,708
Other Governments and Citizens Groups	568,206	0	0	568,206	0	565,082	3,124
Total Revenues	\$ 25,226,311	\$ 0	\$ 0	\$ 25,226,311	\$ 24,773,293	\$ 25,496,471	\$ (270,160)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 12,988,890	\$ 0	\$ 4,798	\$ 12,993,688	\$ 13,225,058	\$ 13,182,949	\$ 189,261
Special Education Program	2,030,936	(474)	198	2,030,660	1,917,479	2,036,839	6,179
Vocational Education Program	792,135	0	0	792,135	849,930	771,283	(20,852)
<u>Support Services</u>							
Attendance	7,917	0	0	7,917	8,000	8,000	83
Health Services	109,067	(41)	0	109,026	123,649	112,053	3,027
Other Student Support	587,660	0	0	587,660	582,387	595,822	8,162
Regular Instruction Program	677,060	0	0	677,060	675,524	695,007	17,947
Special Education Program	270,463	(220)	0	270,243	277,347	271,647	1,404
Vocational Education Program	101,691	0	0	101,691	99,647	109,447	7,756
Board of Education	378,676	0	0	378,676	345,973	381,160	2,484
Director of Schools	254,198	0	0	254,198	278,044	259,144	4,946
Office of the Principal	1,729,523	0	320	1,729,843	1,717,393	1,759,392	29,549
Fiscal Services	147,948	0	0	147,948	156,530	149,830	1,882
Operation of Plant	1,829,113	0	0	1,829,113	1,667,931	1,829,198	85
Maintenance of Plant	472,948	(9,033)	60,298	524,213	528,106	524,575	362

(Continued)

Exhibit J-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 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Transportation	\$ 1,311,705	\$ (863)	\$ 0	\$ 1,310,842	\$ 1,198,577	\$ 1,313,161	\$ 2,319
Central and Other	89,074	0	0	89,074	31,217	89,098	24
<u>Operation of Non-Instructional Services</u>							
Community Services	193,672	0	0	193,672	61,579	287,368	93,696
Early Childhood Education	254,919	0	12,064	266,983	0	271,721	4,738
<u>Capital Outlay</u>							
Regular Capital Outlay	36,718	(36,968)	0	(250)	0	0	250
<u>Principal on Debt</u>							
Education	121,759	0	0	121,759	108,765	121,759	0
<u>Interest on Debt</u>							
Education	13,704	0	0	13,704	26,698	13,704	0
<u>Other Debt Service</u>							
Education	1,200,000	0	0	1,200,000	1,200,000	1,200,000	0
Total Expenditures	\$ 25,599,776	\$ (47,599)	\$ 77,678	\$ 25,629,855	\$ 25,079,834	\$ 25,983,157	\$ 353,302
Excess (Deficiency) of Revenues							
Over Expenditures	\$ (373,465)	\$ 47,599	\$ (77,678)	\$ (403,544)	\$ (306,541)	\$ (486,686)	\$ 83,142
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 609	\$ 0	\$ 0	\$ 609	\$ 37,016	\$ 37,016	\$ (36,407)
Transfers In	16,640	0	0	16,640	28,000	28,000	(11,360)
Transfers Out	0	0	0	0	0	(460)	460
Total Other Financing Sources (Uses)	\$ 17,249	\$ 0	\$ 0	\$ 17,249	\$ 65,016	\$ 64,556	\$ (47,307)
Net Change in Fund Balance							
Fund Balance, July 1, 2005	\$ (356,216)	\$ 47,599	\$ (77,678)	\$ (386,295)	\$ (241,525)	\$ (422,130)	\$ 35,835
	1,194,478	(47,599)	0	1,146,879	1,061,243	1,061,243	85,636
Fund Balance, June 30, 2006							
	\$ 838,262	\$ 0	\$ (77,678)	\$ 760,584	\$ 819,718	\$ 639,113	\$ 121,471

Exhibit J-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, 2006

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Federal Government	\$ 3,262,217	\$ 0	\$ 0	\$ 3,262,217	\$ 3,196,403	\$ 3,219,782	\$ 42,435
Total Revenues	\$ 3,262,217	\$ 0	\$ 0	\$ 3,262,217	\$ 3,196,403	\$ 3,219,782	\$ 42,435
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 1,471,188	\$ (23,440)	\$ 233	\$ 1,447,981	\$ 1,481,835	\$ 1,499,927	\$ 51,946
Special Education Program	812,482	0	0	812,482	939,121	939,297	126,815
Vocational Education Program	112,488	0	8,489	120,977	73,246	121,054	77
<u>Support Services</u>							
Other Student Support	8,434	0	1,607	10,041	25,600	10,600	559
Regular Instruction Program	196,564	(3,427)	0	193,137	213,118	220,161	27,024
Special Education Program	192,661	0	0	192,661	240,387	240,387	47,726
Vocational Education Program	4,277	0	209	4,486	6,600	4,600	114
<u>Operation of Non-Instructional Services</u>							
Community Services	295,132	(3,730)	0	291,402	307,680	307,680	16,278
Total Expenditures	\$ 3,093,226	\$ (30,597)	\$ 10,538	\$ 3,073,167	\$ 3,287,587	\$ 3,343,706	\$ 270,539
Excess (Deficiency) of Revenues Over Expenditures	\$ 168,991	\$ 30,597	\$ (10,538)	\$ 189,050	\$ (91,184)	\$ (123,924)	\$ 312,974
<u>Other Financing Sources (Uses)</u>							
Transfers Out	\$ (16,640)	\$ 0	\$ 0	\$ (16,640)	\$ (29,216)	\$ (27,284)	\$ 10,644
Total Other Financing Sources (Uses)	\$ (16,640)	\$ 0	\$ 0	\$ (16,640)	\$ (29,216)	\$ (27,284)	\$ 10,644
Net Change in Fund Balance	\$ 152,351	\$ 30,597	\$ (10,538)	\$ 172,410	\$ (120,400)	\$ (151,208)	\$ 323,618
Fund Balance, July 1, 2005	78,521	(30,597)	0	47,924	151,208	151,208	(103,284)
Fund Balance, June 30, 2006	\$ 230,872	\$ 0	\$ (10,538)	\$ 220,334	\$ 30,808	\$ 0	\$ 220,334

Exhibit J-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, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 615,836	\$ 591,830	\$ 591,830	\$ 24,006
Other Local Revenues	3,460	1,850	1,850	1,610
State of Tennessee	28,646	28,500	28,500	146
Federal Government	1,655,912	1,601,421	1,601,421	54,491
Total Revenues	<u>\$ 2,303,854</u>	<u>\$ 2,223,601</u>	<u>\$ 2,223,601</u>	<u>\$ 80,253</u>
<u>Expenditures</u>				
<u>Support Services</u>				
Board of Education	\$ 35	\$ 50	\$ 50	\$ 15
<u>Operation of Non-Instructional Services</u>				
Food Service	2,274,227	2,434,842	2,434,842	160,615
Total Expenditures	<u>\$ 2,274,262</u>	<u>\$ 2,434,892</u>	<u>\$ 2,434,892</u>	<u>\$ 160,630</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 29,592</u>	<u>\$ (211,291)</u>	<u>\$ (211,291)</u>	<u>\$ 240,883</u>
Net Change in Fund Balance	\$ 29,592	\$ (211,291)	\$ (211,291)	\$ 240,883
Fund Balance, July 1, 2005	<u>536,849</u>	<u>478,840</u>	<u>478,840</u>	<u>58,009</u>
Fund Balance, June 30, 2006	<u>\$ 566,441</u>	<u>\$ 267,549</u>	<u>\$ 267,549</u>	<u>\$ 298,892</u>

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## MISCELLANEOUS SCHEDULES

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Exhibit K-1

Lauderdale County, Tennessee  
Schedule of Changes in Long-term Notes, Other Loans, Capital Leases, and Bonds  
Primary Government and Discretely Presented Lauderdale County School Department  
For the Year Ended June 30, 2006

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-05	Issued During Period	Paid and/or Matured During Period	Debt Refunded	Outstanding 6-30-06
<b>PRIMARY GOVERNMENT</b>									
<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	\$ 75,454	\$ 0	\$ 23,857	\$ 0	\$ 51,597
Health Department Construction	300,000	0	11-7-04	9-1-13	275,000	0	33,334	0	241,666
School Rehabilitation and Road Bank Stabilization	280,000	3.5	12-10-02	12-10-09	206,746	0	38,561	0	168,185
Total Notes Payable					<u>\$ 557,200</u>	<u>\$ 0</u>	<u>\$ 95,752</u>	<u>\$ 0</u>	<u>\$ 461,448</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	\$ 367,000	\$ 0	\$ 179,000	\$ 0	\$ 188,000
Total Other Loans Payable					<u>\$ 367,000</u>	<u>\$ 0</u>	<u>\$ 179,000</u>	<u>\$ 0</u>	<u>\$ 188,000</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	\$ 4,830,000	\$ 0	\$ 330,000	\$ 4,500,000	\$ 0
G.O. School Refunding, Series 2003	9,840,000	3 to 4	6-1-03	4-1-18	8,465,000	0	685,000	0	7,780,000
G.O. School, Series 2003	9,835,000	2 to 3.75	5-1-03	4-1-22	9,235,000	0	300,000	0	8,935,000
G.O. Refunding, Series 2006	4,650,000	3.75 to 4	5-10-06	4-1-16	0	4,605,000	0	0	4,605,000
Total Bonds Payable					<u>\$ 22,530,000</u>	<u>\$ 4,605,000</u>	<u>\$ 1,315,000</u>	<u>\$ 4,500,000</u>	<u>\$ 21,320,000</u>
<u>DISCRETELY PRESENTED 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	\$ 62,116	\$ 0	\$ 9,556	\$ 0	\$ 52,560
Total Notes Payable					<u>\$ 62,116</u>	<u>\$ 0</u>	<u>\$ 9,556</u>	<u>\$ 0</u>	<u>\$ 52,560</u>
<u>CAPITAL LEASES PAYABLE</u>									
<u>Payable through General Purpose School Fund</u>									
Energy Savings Equipment	942,665	6.17	10-3-1997	7-10-06	\$ 272,962	\$ 0	\$ 112,203	\$ 0	\$ 160,759
Total Capital Leases Payable					<u>\$ 272,962</u>	<u>\$ 0</u>	<u>\$ 112,203</u>	<u>\$ 0</u>	<u>\$ 160,759</u>

Exhibit K-2

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

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2007	\$ 1,400,000	\$ 715,115	\$ 2,115,115
2008	1,420,000	699,783	2,119,783
2009	1,455,000	657,408	2,112,408
2010	1,495,000	613,158	2,108,158
2011	1,545,000	562,845	2,107,845
2012	1,605,000	506,133	2,111,133
2013	1,665,000	444,933	2,109,933
2014	1,725,000	381,583	2,106,583
2015	1,335,000	324,338	1,659,338
2016	1,385,000	274,838	1,659,838
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	<u>\$ 21,320,000</u>	<u>\$ 5,923,144</u>	<u>\$ 27,243,144</u>

Exhibit K-3

Lauderdale County, Tennessee  
Schedule of Investments  
June 30, 2006

<u>Fund and Type</u>	<u>Amount</u>
<u>Public Library Fund</u>	
Money Market Funds	\$ 9,101
U.S. government or agency bond or note	142,378
Corporate bonds	292,018
Certificates of deposit	<u>102,196</u>
Total Investments	<u>\$ 545,693</u>

Exhibit K-4

Lauderdale County, Tennessee  
Schedule of Transfers  
Primary Government and Discretely Presented Lauderdale County School Department  
For the Year Ended June 30, 2006

<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	\$ 86,917
Total Transfers Primary Government			<u>\$ 86,917</u>
<u>Discretely Presented Lauderdale County School Department</u>			
School Federal Projects	General Purpose School	Indirect cost	\$ 16,640
Total Transfers Discretely Presented Lauderdale County School Department			<u>\$ 16,640</u>

Exhibit K-5

Lauderdale County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Officials  
Primary Government and Discretely Presented Lauderdale County School Department  
For the Year Ended June 30, 2006

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, TCA, and County Commission	\$ 74,969	\$ 50,000	RLI Insurance Company
Highway Commissioner	Chapter 304, Private Acts of 1929, as amended, and County Commission	59,452	100,000	"
Director of Schools	State Board of Education and Lauderdale County Board of Education	93,419 (1)	150,000	Tennessee School Boards Risk Management Trust
Trustee	Section 8-24-102, <u>TCA</u>	54,048	772,700	RLI Insurance Company
Assessor of Property	Section 8-24-102, <u>TCA</u>	54,048	10,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	54,048	50,000	"
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	54,048	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u> , and Chancery Court Judge	56,048 (2)	100,000	"
Register	Section 8-24-102, <u>TCA</u>	54,048	25,000	"
Sheriff	Section 8-24-102, <u>TCA</u>	59,971 (3)	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			10,000	"
Deputies - Clerk and Master's Office			10,000	"
Sheriff's Department Bookkeeper			10,000	"

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

(2) Includes special commissioner fees of \$2,000.

(3) Includes law enforcement training supplement of \$519.

Exhibit K-6

Lauderdale County, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types  
 For the Year Ended June 30, 2006

	Special Revenue Funds							Debt Service Fund	Total
	General	Law Library	Public Library	Ambulance Service	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Local Taxes</u>									
<u>County Property Taxes</u>									
Current Property Tax	\$ 2,382,322	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 493,309	\$ 493,309	\$ 3,368,940
Trustee's Collections - Prior Year	86,794	0	0	0	0	0	16,970	16,970	120,734
Circuit/Clerk & Master Collections - Prior Years	51,774	0	0	0	0	0	10,723	10,723	73,220
Interest and Penalty	24,166	0	0	0	0	0	5,004	5,004	34,174
Pick-up Taxes	8,212	0	0	0	0	0	1,701	1,701	11,614
Payments in-Lieu-of Taxes - T.V.A.	444	0	0	0	0	0	92	92	628
Payments in-Lieu-of Taxes - Local Utilities	28,885	0	0	0	0	0	5,982	5,982	40,849
Payments in-Lieu-of Taxes - Other	79,668	0	0	0	0	0	16,500	16,500	112,668
<u>County Local Option Taxes</u>									
Hotel/Motel Tax	22,514	0	0	0	0	0	0	0	22,514
Wheel Tax	691,952	0	0	0	0	0	86,494	0	778,446
Litigation Tax - General	67,616	0	0	0	0	0	0	0	67,616
Litigation Tax - Special Purpose	14,794	1,406	0	0	0	0	0	0	16,200
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	0	0	0	27,510	27,510
Business Tax	49,176	0	0	0	0	0	0	0	49,176
<u>Statutory Local Taxes</u>									
Bank Excise Tax	19,274	0	0	0	0	0	3,992	3,992	27,258
Wholesale Beer Tax	58,892	0	0	0	0	0	0	0	58,892
Interstate Telecommunications Tax	2,778	0	0	0	0	0	0	0	2,778
<b>Total Local Taxes</b>	<b>\$ 3,589,261</b>	<b>\$ 1,406</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 640,767</b>	<b>\$ 581,783</b>	<b>\$ 4,813,217</b>
<u>Licenses and Permits</u>									
<u>Licenses</u>									
Animal Registration	\$ 3,435	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,435
Cable TV Franchise	2,970	0	0	0	0	0	615	615	4,200
<u>Permits</u>									
Beer Permits	950	0	0	0	0	0	0	0	950
Building Permits	23,192	0	0	0	0	0	0	0	23,192
<b>Total Licenses and Permits</b>	<b>\$ 30,547</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 615</b>	<b>\$ 615</b>	<b>\$ 31,777</b>

(Continued)

Exhibit K-6

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

	Special Revenue Funds							Debt Service Fund	Total
	General	Law Library	Public Library	Ambulance Service	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Fines, Forfeitures, and Penalties</u>									
<u>Circuit Court</u>									
Fines	\$ 3,063	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,063
Officers Costs	4,099	0	0	0	0	0	0	0	4,099
Drug Control Fines	5,403	0	0	0	16,166	0	0	0	21,569
Jail Fees	1,083	0	0	0	0	0	0	0	1,083
DUI Treatment Fines	207	0	0	0	0	0	0	0	207
Data Entry Fee - Circuit Court	229	0	0	0	0	0	0	0	229
<u>General Sessions Court</u>									
Fines	23,665	0	0	0	0	0	0	0	23,665
Officers Costs	15,686	0	0	0	0	0	0	0	15,686
Game and Fish Fines	358	0	0	0	0	0	0	0	358
Drug Control Fines	4,375	0	0	0	7,282	0	0	0	11,657
Jail Fees	9,719	0	0	0	0	0	0	0	9,719
DUI Treatment Fines	2,903	0	0	0	0	0	0	0	2,903
Data Entry Fee - General Sessions Court	5,262	0	0	0	0	0	0	0	5,262
<u>Chancery Court</u>									
Officers Costs	1,252	0	0	0	0	0	0	0	1,252
Data Entry Fee - Chancery Court	30	0	0	0	0	0	0	0	30
<u>Judicial District Drug Program</u>									
Drug Task Force Forfeitures and Seizures	48	0	0	0	0	0	0	0	48
<b>Total Fines, Forfeitures, and Penalties</b>	<b>\$ 77,382</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 23,448</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 100,830</b>
<u>Charges for Current Services</u>									
<u>General Service Charges</u>									
Patient Charges	\$ 0	\$ 0	\$ 0	\$ 864,385	\$ 0	\$ 0	\$ 0	\$ 0	\$ 864,385
<u>Fees</u>									
Telephone Commissions	28,471	0	0	0	0	0	0	0	28,471
Constitutional Officers' Fees and Commissions	0	0	0	0	0	2,000	0	0	2,000
Data Processing Fee - Register	7,948	0	0	0	0	0	0	0	7,948
Data Processing Fee - Sheriff	4,649	0	0	0	0	0	0	0	4,649
Sexual Offender Registration Fees - Sheriff	1,980	0	0	0	0	0	0	0	1,980
<u>Education Charges</u>									
Tuition - Other	29,900	0	0	0	0	0	0	0	29,900
<b>Total Charges for Current Services</b>	<b>\$ 72,948</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 864,385</b>	<b>\$ 0</b>	<b>\$ 2,000</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 939,333</b>

(Continued)

Exhibit K-6

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

	Special Revenue Funds							Debt Service Fund	Total
	General	Law Library	Public Library	Ambulance Service	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Other Local Revenues</u>									
<u>Recurring Items</u>									
Investment Income	\$ 0	\$ 0	\$ 1,814	\$ 716	\$ 0	\$ 0	\$ 0	\$ 12,885	\$ 15,415
Miscellaneous Refunds	43,411	0	3,500	0	4,592	0	6,282	0	57,785
<u>Nonrecurring Items</u>									
Sale of Equipment	4,500	0	0	0	0	0	0	0	4,500
Damages Recovered from Individuals	27	0	0	0	0	0	0	0	27
<b>Total Other Local Revenues</b>	<b>\$ 47,938</b>	<b>\$ 0</b>	<b>\$ 5,314</b>	<b>\$ 716</b>	<b>\$ 4,592</b>	<b>\$ 0</b>	<b>\$ 6,282</b>	<b>\$ 12,885</b>	<b>\$ 77,727</b>
<u>Fees Received from County Officials</u>									
<u>Fees-In-Lieu of Salary</u>									
County Clerk	\$ 257,344	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 257,344
Circuit Court Clerk	76,852	0	0	0	0	0	0	0	76,852
General Sessions Court Clerk	135,560	0	0	0	0	0	0	0	135,560
Clerk and Master	68,118	0	0	0	0	0	0	0	68,118
Register	102,390	0	0	0	0	0	0	0	102,390
Sheriff	14,473	0	0	0	0	0	0	0	14,473
Trustee	261,838	0	0	0	0	0	0	0	261,838
<b>Total Fees Received from County Officials</b>	<b>\$ 916,575</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 916,575</b>
<u>State of Tennessee</u>									
<u>General Government Grants</u>									
Juvenile Services Program	\$ 13,500	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 13,500
State Reappraisal Grant	9,294	0	0	0	0	0	0	0	9,294
Other General Government Grants	1,154	0	0	0	0	0	0	0	1,154
<u>Public Safety Grants</u>									
Law Enforcement Training Programs	10,893	0	0	0	0	0	0	0	10,893
<u>Health and Welfare Grants</u>									
Health Department Programs	246,888	0	0	0	0	0	0	0	246,888
<u>Public Works Grants</u>									
Bridge Program	0	0	0	0	0	0	360,247	0	360,247
State Aid Program	0	0	0	0	0	0	151,053	0	151,053
Litter Program	29,533	0	0	0	0	0	0	0	29,533

(Continued)

Exhibit K-6

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

	Special Revenue Funds							Debt Service Fund	Total
	General	Law Library	Public Library	Ambulance Service	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>State of Tennessee (Cont.)</u>									
<u>Other State Revenues</u>									
Income Tax	\$ 25,067	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 25,067
Beer Tax	17,212	0	0	0	0	0	0	0	17,212
Alcoholic Beverage Tax	39,282	0	0	0	0	0	0	0	39,282
Mixed Drink Tax	361	0	0	0	0	0	0	0	361
State Revenue Sharing - T.V.A.	81,810	0	0	0	0	0	42,853	0	124,663
Contracted Prisoner Boarding	996,730	0	0	0	0	0	0	0	996,730
Gasoline and Motor Fuel Tax	0	0	0	0	0	0	1,720,293	0	1,720,293
Petroleum Special Tax	0	0	0	0	0	0	22,001	0	22,001
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	0	16,380
Other State Grants	23,597	0	0	0	0	0	0	0	23,597
Other State Revenues	1,460	0	0	0	0	0	0	0	1,460
Total State of Tennessee	\$ 1,513,161	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,296,447	\$ 0	\$ 3,809,608
<u>Federal Government</u>									
<u>Federal Through State</u>									
Civil Defense Reimbursement	\$ 17,725	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 17,725
Homeland Security Grants	236,289	0	0	0	0	0	0	0	236,289
<u>Direct Federal Revenue</u>									
Other Direct Federal Revenue	2,800	0	0	0	0	0	0	0	2,800
Total Federal Government	\$ 256,814	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 256,814
<u>Other Governments and Citizens Groups</u>									
<u>Other Governments</u>									
Prisoner Board	\$ 18,180	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 18,180
Contributions	36,000	0	50,638	0	0	0	0	1,787,326	1,873,964
Contracted Services	46,000	0	0	0	0	0	0	0	46,000
Total Other Governments and Citizens Groups	\$ 100,180	\$ 0	\$ 50,638	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,787,326	\$ 1,938,144
Total	\$ 6,604,806	\$ 1,406	\$ 55,952	\$ 865,101	\$ 28,040	\$ 2,000	\$ 2,944,111	\$ 2,382,609	\$ 12,884,025

Exhibit K-7

Lauderdale County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
Discretely Presented Lauderdale County School Department  
For the Year Ended June 30, 2006

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 2,237,942	\$ 0	\$ 0	\$ 2,237,942
Trustee's Collections - Prior Year	76,979	0	0	76,979
Circuit/Clerk & Master Collections - Prior Years	48,631	0	0	48,631
Interest and Penalty	22,701	0	0	22,701
Pick-up Taxes	7,715	0	0	7,715
Payments in-Lieu-of Taxes - T.V.A.	418	0	0	418
Payments in-Lieu-of Taxes - Local Utilities	27,131	0	0	27,131
Payments in-Lieu-of Taxes - Other	74,831	0	0	74,831
<u>County Local Option Taxes</u>				
Local Option Sales Tax	1,714,045	0	0	1,714,045
Wheel Tax	173,083	0	0	173,083
<u>Statutory Local Taxes</u>				
Bank Excise Tax	18,104	0	0	18,104
Interstate Telecommunications Tax	4,680	0	0	4,680
Other Statutory Local Taxes	1,762	0	0	1,762
Total Local Taxes	\$ 4,408,022	\$ 0	\$ 0	\$ 4,408,022
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 1,853	\$ 0	\$ 0	\$ 1,853
Cable TV Franchise	2,789	0	0	2,789
Total Licenses and Permits	\$ 4,642	\$ 0	\$ 0	\$ 4,642
<u>Fines, Forfeitures, and Penalties</u>				
<u>Juvenile Court</u>				
Fines	\$ 679	\$ 0	\$ 0	\$ 679
Total Fines, Forfeitures, and Penalties	\$ 679	\$ 0	\$ 0	\$ 679
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Tuition - Summer School	\$ 1,700	\$ 0	\$ 0	\$ 1,700
Lunch Payments - Children	0	0	278,818	278,818
Lunch Payments - Adults	0	0	60,797	60,797
Income from Breakfast	0	0	52,920	52,920
Special Milk Sales	0	0	7,803	7,803
A la carte Sales	0	0	184,919	184,919
Contract for Instructional Services with Other LEAs	67,330	0	0	67,330
<u>Other Charges for Services</u>				
Other Charges for Services	20,733	0	30,579	51,312
Total Charges for Current Services	\$ 89,763	\$ 0	\$ 615,836	\$ 705,599
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 311,546	\$ 0	\$ 3,460	\$ 315,006
Lease/Rentals	308	0	0	308
Miscellaneous Refunds	31,640	0	0	31,640
<u>Nonrecurring Items</u>				
Sale of Property	5,308	0	0	5,308

(Continued)

Exhibit K-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	Total
<u>Other Local Revenues (Cont.)</u>				
<u>Nonrecurring Items (Cont.)</u>				
Damages Recovered from Individuals	\$ 2,801	\$ 0	\$ 0	\$ 2,801
Contributions & Gifts	225	0	0	225
<u>Other Local Revenues</u>				
Other Local Revenues	202	0	0	202
Total Other Local Revenues	<u>\$ 352,030</u>	<u>\$ 0</u>	<u>\$ 3,460</u>	<u>\$ 355,490</u>
<u>State of Tennessee</u>				
<u>Health and Welfare Grants</u>				
Other Health and Welfare Grants	\$ 82,781	\$ 0	\$ 0	\$ 82,781
<u>State Education Funds</u>				
Basic Education Program	18,456,637	0	0	18,456,637
School Food Service	0	0	28,646	28,646
Driver Education	3,948	0	0	3,948
Other State Education Funds	121,291	0	0	121,291
Career Ladder Program	311,977	0	0	311,977
Career Ladder - Extended Contract	193,376	0	0	193,376
Other Vocational	14,757	0	0	14,757
<u>Other State Revenues</u>				
Mixed Drink Tax	361	0	0	361
State Revenue Sharing - T.V.A.	264,907	0	0	264,907
Other State Grants	250,882	0	0	250,882
Total State of Tennessee	<u>\$ 19,700,917</u>	<u>\$ 0</u>	<u>\$ 28,646</u>	<u>\$ 19,729,563</u>
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 1,125,461	\$ 1,125,461
Breakfast	0	0	520,337	520,337
USDA - Other	0	0	10,114	10,114
Vocational Education - Basic Grants to States	0	144,901	0	144,901
Title I Grants to Local Education Agencies	0	1,031,334	0	1,031,334
Innovative Education Program Strategies	0	156,887	0	156,887
Special Education - Grants to States	24,344	1,015,365	0	1,039,709
Special Education Preschool Grants	0	43,055	0	43,055
Eisenhower Professional Development State Grants	0	303,402	0	303,402
Other Federal through State	25,000	567,273	0	592,273
<u>Direct Federal Revenue</u>				
ROTC Reimbursement	52,708	0	0	52,708
Total Federal Government	<u>\$ 102,052</u>	<u>\$ 3,262,217</u>	<u>\$ 1,655,912</u>	<u>\$ 5,020,181</u>
<u>Other Governments and Citizens Groups</u>				
<u>Other Governments</u>				
Contributions	\$ 548,632	\$ 0	\$ 0	\$ 548,632
<u>Citizens Groups</u>				
Donations	19,574	0	0	19,574
Total Other Governments and Citizens Groups	<u>\$ 568,206</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 568,206</u>
Total	<u>\$ 25,226,311</u>	<u>\$ 3,262,217</u>	<u>\$ 2,303,854</u>	<u>\$ 30,792,382</u>

Exhibit K-8

Lauderdale County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2006

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	43,103	
Social Security		1,182	
State Retirement		1,730	
Employer Medicare		276	
Audit Services		6,234	
Dues and Memberships		1,400	
Travel		2,631	
Total County Commission			\$ 56,556

County Mayor/Executive

County Official/Administrative Officer	\$	74,969	
Accountants/Bookkeepers		53,195	
Salary Supplements		660	
Social Security		2,433	
State Retirement		2,959	
Employee and Dependent Insurance		8,348	
Employer Medicare		569	
Communication		1,353	
Dues and Memberships		1,400	
Postal Charges		14,000	
Travel		3,422	
Office Supplies		3,018	
Other Supplies and Materials		1,000	
Total County Mayor/Executive			167,326

County Attorney

County Official/Administrative Officer	\$	10,545	
Social Security		130	
Employee and Dependent Insurance		3,341	
Employer Medicare		30	
Legal Services		251,872	
Judgments		549,134	
Total County Attorney			815,052

Election Commission

County Official/Administrative Officer	\$	48,643	
Deputy(ies)		26,013	
Clerical Personnel		499	
Part-time Personnel		12,988	
Election Commission		6,917	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Social Security	\$	1,799	
State Retirement		1,663	
Employee and Dependent Insurance		6,442	
Employer Medicare		421	
Communication		2,191	
Data Processing Services		2,500	
Dues and Memberships		175	
Legal Notices, Recording, and Court Costs		473	
Travel		4,147	
Data Processing Supplies		927	
Office Supplies		2,872	
Other Supplies and Materials		1,342	
Office Equipment		4,006	
Total Election Commission			\$ 124,018

Register of Deeds

County Official/Administrative Officer	\$	54,048	
Deputy(ies)		24,955	
Part-time Personnel		6,416	
Social Security		1,708	
State Retirement		1,804	
Employee and Dependent Insurance		1,335	
Employer Medicare		399	
Communication		1,720	
Contracts with Other Public Agencies		7,592	
Dues and Memberships		487	
Travel		1,187	
Office Supplies		8,465	
Total Register of Deeds			110,116

Development

Contracts with Government Agencies	\$	93,666	
Other Charges		1,694	
Total Development			95,360

Planning

Materials Supervisor	\$	11,596	
Board and Committee Members Fees		3,650	
Social Security		391	
Employer Medicare		91	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

General Government (Cont.)

Planning (Cont.)

Advertising	\$	273	
Communication		682	
Office Supplies		564	
Other Supplies and Materials		100	
Total Planning			\$ 17,347

County Buildings

Custodial Personnel	\$	18,000	
Maintenance Personnel		38,260	
Part-time Personnel		8,198	
Social Security		1,152	
State Retirement		411	
Employee and Dependent Insurance		3,351	
Employer Medicare		270	
Maintenance & Repair Services - Buildings		91,158	
Custodial Supplies		16,609	
Utilities		199,749	
Building and Contents Insurance		20,428	
Total County Buildings			397,586

Other General Administration

Other Salaries & Wages	\$	3,336	
Social Security		69	
Employer Medicare		16	
Travel		300	
Total Other General Administration			3,721

Finance

Accounting and Budgeting

Social Security	\$	14	
Employer Medicare		3	
Accounting Services		900	
Total Accounting and Budgeting			917

Property Assessor's Office

County Official/Administrative Officer	\$	54,048	
Deputy(ies)		41,480	
Secretary(ies)		23,540	
Board and Committee Members Fees		3,676	
Social Security		2,566	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

State Retirement	\$	2,500	
Employee and Dependent Insurance		3,041	
Employer Medicare		600	
Communication		560	
Contracts with Private Agencies		1,924	
Dues and Memberships		1,259	
Travel		3,130	
Data Processing Supplies		5,000	
Office Supplies		760	
Total Property Assessor's Office			\$ 144,084

Reappraisal Program

Part-time Personnel	\$	19,000	
Social Security		279	
State Retirement		331	
Employee and Dependent Insurance		791	
Employer Medicare		65	
Data Processing Services		2,883	
Postal Charges		800	
Rentals		4,400	
Travel		1,825	
Office Supplies		63	
Utilities		3,169	
Total Reappraisal Program			33,606

County Trustee's Office

County Official/Administrative Officer	\$	54,048	
Deputy(ies)		51,586	
Part-time Personnel		436	
Social Security		2,080	
State Retirement		2,412	
Employee and Dependent Insurance		4,528	
Employer Medicare		486	
Communication		1,874	
Dues and Memberships		587	
Legal Notices, Recording, and Court Costs		91	
Travel		1,965	
Office Supplies		8,467	
Office Equipment		3,927	
Total County Trustee's Office			132,487

(Continued)

Exhibit K-8

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	\$	54,048	
Deputy(ies)		129,413	
Social Security		3,619	
State Retirement		4,189	
Employee and Dependent Insurance		5,702	
Employer Medicare		846	
Communication		921	
Contracts with Other Public Agencies		13,556	
Dues and Memberships		512	
Travel		1,264	
Office Supplies		2,432	
Office Equipment		1,450	
Total County Clerk's Office			\$ 217,952

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	54,048	
Deputy(ies)		41,657	
Attendants		6,750	
Jury and Witness Fees		20,431	
Social Security		1,899	
State Retirement		2,185	
Employee and Dependent Insurance		7,730	
Employer Medicare		444	
Communication		901	
Dues and Memberships		457	
Maintenance & Repair Services - Equipment		4,463	
Postal Charges		2,500	
Travel		2,511	
Data Processing Supplies		7,361	
Office Supplies		10,312	
Other Charges		116	
Office Equipment		10,899	
Total Circuit Court			174,664

General Sessions Judge

Judge(s)	\$	57,033	
Other Per Diem & Fees		1,800	
Social Security		1,130	
State Retirement		1,302	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Judge (Cont.)

Employee and Dependent Insurance	\$	1,359	
Employer Medicare		264	
Dues and Memberships		240	
Travel		1,186	
Total General Sessions Judge			\$ 64,314

General Sessions Court Clerk

Clerical Personnel	\$	119,373	
Social Security		2,125	
State Retirement		2,707	
Employee and Dependent Insurance		12,052	
Employer Medicare		497	
Communication		827	
Total General Sessions Court Clerk			137,581

Chancery Court

County Official/Administrative Officer	\$	54,048	
Deputy(ies)		21,605	
Attendants		11,387	
Part-time Personnel		20,839	
In-Service Training		160	
Social Security		2,107	
State Retirement		1,727	
Employee and Dependent Insurance		1,237	
Employer Medicare		493	
Communication		1,385	
Office Supplies		6,218	
Office Equipment		601	
Total Chancery Court			121,807

Juvenile Court

County Official/Administrative Officer	\$	32,597	
Judge(s)		57,033	
Deputy(ies)		87,731	
Probation Officer(s)		23,799	
Youth Service Officer(s)		30,259	
Secretary(ies)		21,177	
Attendants		18,637	
In-Service Training		1,081	
Other Per Diem & Fees		106	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Administration of Justice (Cont.)

Juvenile Court (Cont.)

Social Security	\$	5,442	
State Retirement		5,900	
Employee and Dependent Insurance		13,746	
Employer Medicare		1,273	
Communication		7,022	
Contracts with Private Agencies		13,081	
Dues and Memberships		443	
Maintenance & Repair Services - Equipment		605	
Maintenance & Repair Services - Vehicles		5,775	
Travel		12,604	
Office Supplies		699	
Other Supplies and Materials		5,534	
Vehicle and Equipment Insurance		3,160	
Total Juvenile Court			\$ 347,704

Other Administration of Justice

Social Workers	\$	42,248	
Secretary(ies)		1,900	
Social Security		3,424	
Handling Charges & Administrative Costs		8,137	
State Retirement		1,773	
Employee and Dependent Insurance		10,016	
Employer Medicare		230	
Communication		2,375	
Contracts with Private Agencies		2,340	
Maintenance & Repair Services - Equipment		1,500	
Maintenance & Repair Services - Vehicles		1,382	
Postal Charges		556	
Travel		1,071	
Data Processing Supplies		4,780	
Instructional Supplies and Materials		200	
Office Supplies		800	
Vehicle and Equipment Insurance		632	
Workers' Compensation Insurance		1,804	
In Service/Staff Development		140	
Other Charges		6,119	
Total Other Administration of Justice			91,427

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	59,452	
Assistant(s)		38,935	
Deputy(ies)		307,463	
Investigator(s)		150,053	
Accountants/Bookkeepers		26,118	
Salary Supplements		10,893	
Dispatchers/Radio Operators		156,031	
Clerical Personnel		25,107	
Part-time Personnel		55,158	
Other Salaries & Wages		40,427	
In-Service Training		4,312	
Social Security		16,887	
State Retirement		16,937	
Employee and Dependent Insurance		31,965	
Employer Medicare		3,949	
Communication		13,796	
Data Processing Services		624	
Dues and Memberships		1,400	
Maintenance & Repair Services - Equipment		4,951	
Maintenance & Repair Services - Vehicles		19,854	
Postal Charges		4,500	
Travel		7,811	
Data Processing Supplies		2,860	
Gasoline		94,682	
Law Enforcement Supplies		6,167	
Office Supplies		8,247	
Uniforms		5,194	
Other Supplies and Materials		2,984	
Vehicle and Equipment Insurance		21,490	
Workers' Compensation Insurance		38,762	
Other Charges		4,402	
Motor Vehicles		89,415	
Office Equipment		3,082	
Total Sheriff's Department			\$ 1,273,908

Administration of the Sexual Offender Registry

Other Supplies and Materials	\$	862	
Total Administration of the Sexual Offender Registry			862

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Safety (Cont.)

Jail

Captain(s)	\$	38,618	
Lieutenant(s)		24,700	
Sergeant(s)		128,808	
Accountants/Bookkeepers		22,095	
Medical Personnel		34,255	
Salary Supplements		6,300	
Guards		321,334	
Cafeteria Personnel		29,446	
Custodial Personnel		13,011	
Part-time Personnel		37,268	
Social Security		12,689	
State Retirement		9,806	
Employee and Dependent Insurance		31,366	
Employer Medicare		2,968	
Medical and Dental Services		38,630	
Travel		1,730	
Other Contracted Services		34,334	
Drugs and Medical Supplies		50,694	
Food Supplies		207,796	
Office Supplies		5,539	
Prisoners Clothing		3,562	
Uniforms		3,084	
Other Supplies and Materials		20,262	
Workers' Compensation Insurance		24,018	
Liability Claims		80	
In Service/Staff Development		1,605	
Office Equipment		2,561	
Total Jail			\$ 1,106,559

Fire Prevention and Control

Other Salaries & Wages	\$	5,000	
Social Security		103	
State Retirement		114	
Employer Medicare		25	
Contracts with Government Agencies		12,427	
Other Supplies and Materials		6,671	
Total Fire Prevention and Control			24,340

Civil Defense

Other Equipment	\$	238,584	
Total Civil Defense			238,584

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Safety (Cont.)

Rescue Squad

Contributions	\$ 2,963	
Total Rescue Squad		\$ 2,963

Other Emergency Management

Supervisor/Director	\$ 35,000	
Social Security	716	
State Retirement	799	
Employee and Dependent Insurance	28	
Employer Medicare	167	
Communication	1,965	
Rentals	2,400	
Travel	3,935	
Data Processing Supplies	68	
Office Supplies	245	
Other Supplies and Materials	475	
Total Other Emergency Management		45,798

Public Health and Welfare

Local Health Center

Communication	\$ 2,259	
Maintenance & Repair Services - Buildings	18,070	
Postal Charges	3,800	
Other Contracted Services	13,000	
Drugs and Medical Supplies	2,345	
Office Supplies	4,029	
Utilities	11,756	
Total Local Health Center		55,259

Rabies and Animal Control

Investigator(s)	\$ 23,326	
Part-time Personnel	5,767	
Social Security	2,090	
Employer Medicare	136	
Communication	704	
Gasoline	1,772	
Utilities	5,842	
Other Supplies and Materials	2,538	
Total Rabies and Animal Control		42,175

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Dental Health Program

Medical Personnel	\$	18,440	
Clerical Personnel		11,378	
Educational Assistants		50,006	
Social Security		5,266	
State Retirement		4,674	
Employee and Dependent Insurance		13,656	
Employer Medicare		429	
Medical and Dental Services		110,803	
Travel		4,401	
Drugs and Medical Supplies		11,859	
Total Dental Health Program			\$ 230,912

Other Local Health Services

Contracts with Government Agencies	\$	4,065	
Contracts with Other Public Agencies		52,410	
Other Contracted Services		11,691	
Total Other Local Health Services			68,166

Sanitation Education/Information

Guards	\$	27,697	
Clerical Personnel		2,658	
Social Security		624	
State Retirement		723	
Employee and Dependent Insurance		124	
Employer Medicare		146	
Contracts with Other Public Agencies		6,206	
Total Sanitation Education/Information			38,178

Social, Cultural, and Recreational Services

Libraries

Contributions	\$	22,280	
Total Libraries			22,280

Parks and Fair Boards

Contributions	\$	26,000	
Total Parks and Fair Boards			26,000

Agriculture & Natural Resources

Agriculture Extension Service

Salary Supplements	\$	38,372	
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(Continued)

Exhibit K-8

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

General Fund (Cont.)

Agriculture & Natural Resources (Cont.)

Agriculture Extension Service (Cont.)

Secretary(ies)	\$	8,506	
Social Security		103	
State Retirement		117	
Employer Medicare		24	
Communication		3,590	
Janitorial Services		2,400	
Maintenance & Repair Services - Equipment		7,647	
Other Contracted Services		<u>20,735</u>	
Total Agriculture Extension Service			\$ 81,494

Soil Conservation

Salary Supplements	\$	29,000	
Secretary(ies)		20,553	
Social Security		1,024	
State Retirement		1,131	
Employee and Dependent Insurance		28	
Employer Medicare		<u>240</u>	
Total Soil Conservation			51,976

Other Operations

Veterans' Services

Supervisor/Director	\$	13,087	
Social Security		250	
Employer Medicare		59	
Communication		844	
Travel		889	
Office Supplies		<u>996</u>	
Total Veterans' Services			16,125

Other Charges

Remittance of Revenue Collected	\$	61,623	
Refunds		10,000	
Trustee's Commission		80,768	
Workers' Compensation Insurance		27,660	
Other Charges		<u>13,025</u>	
Total Other Charges			193,076

Contributions to Other Agencies

Contributions	\$	<u>39,607</u>	
Total Contributions to Other Agencies			39,607

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Other Operations (Cont.)

Employee Benefits

Social Security	\$	154,578	
State Retirement		152,364	
Employee and Dependent Insurance		346,074	
Unemployment Compensation		534	
Total Employee Benefits			\$ 653,550

Miscellaneous

Advertising	\$	564	
Data Processing Services		4,090	
Dues and Memberships		10,486	
Other Contracted Services		17,579	
Other Supplies and Materials		332	
Other Charges		10,983	
Total Miscellaneous			44,034

Total General Fund \$ 7,509,471

Law Library Fund

Social, Cultural, and Recreational Services

Libraries

Library Books/Media	\$	834	
Trustee's Commission		14	
Total Libraries			\$ 848

Total Law Library Fund 848

Public Library Fund

Social, Cultural, and Recreational Services

Libraries

Other Salaries & Wages	\$	62,337	
Social Security		4,650	
Medical Insurance		12,589	
Accounting Services		1,980	
Communication		2,694	
Maintenance & Repair Services - Buildings		11,602	
Library Books/Media		4,814	
Office Supplies		2,745	
Utilities		8,286	
Building and Contents Insurance		4,609	
Office Equipment		190	
Total Libraries			\$ 116,496

Total Public Library Fund 116,496

(Continued)

Exhibit K-8

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

Ambulance Service Fund

Public Health and Welfare

Ambulance/Emergency Medical Services

Medical Personnel	\$	568,479	
In-Service Training		1,271	
Social Security		41,879	
Bank Charges		160	
Communication		7,861	
Debt Collection Services		1,274	
Legal Services		60,000	
Licenses		650	
Maintenance & Repair Services - Equipment		20,336	
Other Contracted Services		9,962	
Diesel Fuel		26,433	
Drugs and Medical Supplies		32,770	
Office Supplies		7,367	
Uniforms		3,223	
Utilities		6,439	
Other Supplies and Materials		1,337	
Liability Insurance		59,945	
Other Charges		2,071	
Other Capital Outlay		19,983	
Total Ambulance/Emergency Medical Services			\$ 871,440

Total Ambulance Service Fund \$ 871,440

Drug Control Fund

Public Safety

Drug Enforcement

In-Service Training	\$	1,381	
Confidential Drug Enforcement Payments		10,000	
Maintenance & Repair Services - Equipment		1,208	
Maintenance & Repair Services - Vehicles		30	
Remittance of Revenue Collected		4,592	
Other Supplies and Materials		2,144	
Other Charges		2,855	
Law Enforcement Equipment		745	
Total Drug Enforcement			\$ 22,955

Total Drug Control Fund 22,955

(Continued)

Exhibit K-8

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

Constitutional Officers - Fees Fund

Administration of Justice

Chancery Court

Constitutional Officers' Operating Expenses	\$ 2,000	
Total Chancery Court		\$ 2,000

Total Constitutional Officers - Fees Fund \$ 2,000

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 59,452	
Accountants/Bookkeepers	49,039	
Communication	5,018	
Data Processing Services	13,220	
Dues and Memberships	2,850	
Legal Notices, Recording, and Court Costs	291	
Maintenance & Repair Services - Equipment	60	
Medical and Dental Services	545	
Postal Charges	458	
Printing, Stationery, and Forms	199	
Travel	1,424	
Other Contracted Services	1,429	
Data Processing Supplies	62	
Drugs and Medical Supplies	740	
Electricity	12,310	
Natural Gas	18,091	
Office Supplies	1,606	
Other Charges	4,967	
Total Administration		\$ 171,761

Highway and Bridge Maintenance

Foremen	\$ 132,990
Equipment Operators	405,155
Truck Drivers	207,913
Laborers	167,610
Asphalt - Cold Mix	4,118
Asphalt - Liquid	41,568
Crushed Stone	57,670
General Construction Materials	284
Other Road Supplies	4,758
Pipe - Metal	40,432
Road Signs	1,430

(Continued)

Exhibit K-8

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

Small Tools	\$	193	
Chemicals		54,180	
Other Supplies and Materials		1,504	
Total Highway and Bridge Maintenance			\$ 1,119,805

Operation and Maintenance of Equipment

Mechanic(s)	\$	100,499	
Laundry Service		13,031	
Maintenance & Repair Services - Equipment		26,511	
Diesel Fuel		150,324	
Equipment and Machinery Parts		135,993	
Garage Supplies		6,580	
Gasoline		25,369	
Lubricants		15,989	
Small Tools		2,587	
Tires and Tubes		25,443	
Other Supplies and Materials		1,307	
Other Charges		864	
Total Operation and Maintenance of Equipment			504,497

Other Charges

Remittance of Revenue Collected	\$	12,762	
Liability Insurance		33,199	
Premiums on Corporate Surety Bonds		313	
Trustee's Commission		29,310	
Workers' Compensation Insurance		133,673	
Total Other Charges			209,257

Employee Benefits

Social Security	\$	78,884	
State Retirement		76,842	
Employee and Dependent Insurance		214,513	
Unemployment Compensation		1,080	
Other Fringe Benefits		983	
Total Employee Benefits			372,302

Capital Outlay

Engineering Services	\$	18,072	
Bridge Construction		397,169	
Communication Equipment		154	

(Continued)

Exhibit K-8

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Capital Outlay (Cont.)

Highway Equipment	\$ 172,225	
State Aid Projects	205,023	
Total Capital Outlay		\$ 792,643

Total Highway/Public Works Fund \$ 3,170,265

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$ 238,095	
Principal on Notes	71,651	
Principal on Other Loans	179,000	
Total General Government		\$ 488,746

Education

Principal on Bonds	\$ 1,076,905	
Principal on Notes	24,101	
Total Education		1,101,006

Interest on Debt

General Government

Interest on Bonds	\$ 160,472	
Interest on Notes	6,750	
Interest on Other Loans	11,041	
Total General Government		178,263

Education

Interest on Bonds	\$ 649,788	
Interest on Notes	4,523	
Total Education		654,311

Other Debt Service

General Government

Remittance of Revenue Collected	\$ 12,763	
Judgments	50,000	
Trustee's Commission	11,109	
Underwriter's Discount	30,163	
Other Debt Issuance Charges	40,659	
Other Debt Service	2,196	
Total General Government		146,890

(Continued)

Exhibit K-8

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

General Debt Service Fund (Cont.)

Other Debt Service (Cont.)

Education

Other Debt Service

\$ 400

Total Education

\$ 400

Total General Debt Service Fund

\$ 2,569,616

Total Governmental Funds - Primary Government

\$ 14,263,091

Exhibit K-9

Lauderdale County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Discretely Presented Lauderdale County School Department  
For the Year Ended June 30, 2006

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 8,886,678	
Career Ladder Program	183,788	
Career Ladder Extended Contracts	91,000	
Educational Assistants	392,309	
Certified Substitute Teachers	207,401	
Social Security	581,633	
State Retirement	461,273	
Medical Insurance	1,471,426	
Unemployment Compensation	1,220	
Employer Medicare	135,938	
Other Contracted Services	155,981	
Instructional Supplies and Materials	110,637	
Textbooks	130,466	
Other Supplies and Materials	1,487	
Fee Waivers	3,420	
Other Charges	154,783	
Regular Instruction Equipment	19,450	
Total Regular Instruction Program		\$ 12,988,890

Special Education Program

Teachers	\$ 1,500,718	
Career Ladder Program	26,000	
Career Ladder Extended Contracts	20,500	
Homebound Teachers	13,014	
Social Security	94,121	
State Retirement	86,781	
Medical Insurance	238,729	
Employer Medicare	22,012	
Instructional Supplies and Materials	9,105	
Other Supplies and Materials	19,956	
Total Special Education Program		2,030,936

Vocational Education Program

Teachers	\$ 603,114	
Career Ladder Program	8,000	
Career Ladder Extended Contracts	6,000	
Social Security	37,055	
State Retirement	34,051	
Medical Insurance	88,704	

(Continued)

Exhibit K-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.)

Employer Medicare	\$	8,666	
Instructional Supplies and Materials		202	
Textbooks		6,343	
Total Vocational Education Program			\$ 792,135

Support Services

Attendance

Other Contracted Services	\$	7,417	
Other Supplies and Materials		500	
Total Attendance			7,917

Health Services

Medical Personnel	\$	78,952	
Social Security		4,454	
State Retirement		3,845	
Medical Insurance		16,724	
Employer Medicare		1,042	
Other Supplies and Materials		4,050	
Total Health Services			109,067

Other Student Support

Career Ladder Program	\$	11,000	
Guidance Personnel		418,967	
Career Ladder Extended Contracts		4,000	
Social Workers		8,224	
Clerical Personnel		3,860	
Other Salaries & Wages		16,029	
Social Security		27,735	
State Retirement		25,738	
Medical Insurance		60,622	
Employer Medicare		6,486	
Evaluation and Testing		4,999	
Total Other Student Support			587,660

Regular Instruction Program

Supervisor/Director	\$	65,306	
Career Ladder Program		21,500	
Career Ladder Extended Contracts		22,000	
Librarians		271,614	

(Continued)

Exhibit K-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.)

Materials Supervisor	\$	65,306	
Instructional Computer Personnel		57,955	
Social Security		30,240	
State Retirement		27,648	
Medical Insurance		62,892	
Employer Medicare		7,072	
Travel		4,729	
Other Contracted Services		28,161	
In Service/Staff Development		9,585	
Other Equipment		3,052	
Total Regular Instruction Program			\$ 677,060

Special Education Program

Supervisor/Director	\$	62,081	
Career Ladder Program		5,000	
Psychological Personnel		67,737	
Career Ladder Extended Contracts		7,000	
Secretary(ies)		48,171	
Social Security		11,273	
State Retirement		11,100	
Medical Insurance		23,085	
Employer Medicare		2,636	
Consultants		21,127	
Travel		11,034	
Other Supplies and Materials		219	
Total Special Education Program			270,463

Vocational Education Program

Supervisor/Director	\$	62,081	
Career Ladder Program		2,000	
Career Ladder Extended Contracts		2,000	
Clerical Personnel		13,452	
Social Security		4,829	
State Retirement		4,556	
Medical Insurance		3,993	
Employer Medicare		1,129	
Travel		969	
In Service/Staff Development		6,682	
Total Vocational Education Program			101,691

(Continued)

Exhibit K-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

Board and Committee Members Fees	\$	14,829	
Social Security		919	
State Retirement		827	
Employer Medicare		215	
Audit Services		4,000	
Dues and Memberships		14,301	
Legal Services		4,090	
Travel		9,184	
Liability Insurance		68,645	
Premiums on Corporate Surety Bonds		3,306	
Trustee's Commission		119,224	
Workers' Compensation Insurance		137,284	
Other Charges		1,852	
Total Board of Education			\$ 378,676

Director of Schools

County Official/Administrative Officer	\$	92,419	
Assistant(s)		66,255	
Career Ladder Program		1,000	
Social Security		9,566	
State Retirement		8,727	
Medical Insurance		9,489	
Employer Medicare		2,241	
Other Fringe Benefits		300	
Communication		38,126	
Postal Charges		3,386	
Travel		6,984	
Other Contracted Services		385	
Office Supplies		6,293	
Other Charges		1,043	
Administration Equipment		7,984	
Total Director of Schools			254,198

Office of the Principal

Principals	\$	516,385	
Career Ladder Program		20,000	
Career Ladder Extended Contracts		18,000	
Assistant Principals		383,964	
Secretary(ies)		368,885	

(Continued)

Exhibit K-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.)

Office of the Principal (Cont.)

Clerical Personnel	\$	41,952	
Social Security		79,440	
State Retirement		78,779	
Medical Insurance		161,822	
Employer Medicare		18,579	
Travel		4,491	
Administration Equipment		37,226	
Total Office of the Principal			\$ 1,729,523

Fiscal Services

Supervisor/Director	\$	58,350	
Accountants/Bookkeepers		27,696	
Secretary(ies)		26,904	
Social Security		6,728	
State Retirement		7,737	
Medical Insurance		7,809	
Employer Medicare		1,574	
Travel		1,890	
Other Contracted Services		8,538	
Office Supplies		722	
Total Fiscal Services			147,948

Operation of Plant

Supervisor/Director	\$	37,703	
Custodial Personnel		241,866	
Social Security		16,286	
State Retirement		18,643	
Medical Insurance		30,598	
Employer Medicare		3,809	
Other Contracted Services		541,138	
Electricity		494,586	
Natural Gas		371,616	
Boiler Insurance		1,653	
Building and Contents Insurance		71,215	
Total Operation of Plant			1,829,113

Maintenance of Plant

Maintenance Personnel	\$	84,028	
Other Salaries & Wages		84,813	

(Continued)

Exhibit K-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	\$	9,698	
State Retirement		10,695	
Medical Insurance		23,517	
Employer Medicare		2,268	
Maintenance & Repair Services - Buildings		7,775	
Maintenance & Repair Services - Equipment		55,573	
Travel		1,121	
Other Contracted Services		134,476	
Other Supplies and Materials		53,984	
Maintenance Equipment		5,000	
Total Maintenance of Plant			\$ 472,948

Transportation

Supervisor/Director	\$	37,703	
Mechanic(s)		84,148	
Bus Drivers		519,038	
Other Salaries & Wages		21,402	
Social Security		40,579	
State Retirement		11,431	
Medical Insurance		15,618	
Employer Medicare		9,500	
Other Fringe Benefits		3,795	
Rentals		2,483	
Travel		462	
Gasoline		215,179	
Tires and Tubes		20,508	
Vehicle Parts		104,056	
Other Supplies and Materials		5,000	
Vehicle and Equipment Insurance		29,753	
Other Charges		2,050	
Transportation Equipment		189,000	
Total Transportation			1,311,705

Central and Other

Clerical Personnel	\$	27,264	
Social Security		1,670	
State Retirement		1,868	
Employer Medicare		391	
Remittance of Revenue Collected		57,881	
Total Central and Other			89,074

(Continued)

Exhibit K-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

Supervisor/Director	\$	5,529	
Teachers		70,891	
Clerical Personnel		8,826	
Other Salaries & Wages		50,261	
Social Security		8,297	
State Retirement		7,122	
Medical Insurance		2,920	
Employer Medicare		1,940	
Maintenance & Repair Services - Equipment		740	
Other Contracted Services		3,169	
Other Supplies and Materials		7,337	
Refunds		10,000	
Other Charges		16,640	
Total Community Services			\$ 193,672

Early Childhood Education

Teachers	\$	83,517	
Educational Assistants		31,400	
Certified Substitute Teachers		2,000	
Social Security		7,030	
State Retirement		5,827	
Medical Insurance		16,982	
Employer Medicare		1,644	
Instructional Supplies and Materials		101,749	
In Service/Staff Development		4,770	
Total Early Childhood Education			254,919

Capital Outlay

Regular Capital Outlay

Building Improvements	\$	36,718	
Total Regular Capital Outlay			36,718

Principal on Debt

Education

Principal on Notes	\$	9,556	
Principal on Capital Leases		112,203	
Total Education			121,759

(Continued)

Exhibit K-9

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

General Purpose School Fund (Cont.)

Interest on Debt

Education

Interest on Capital Leases	\$ 13,704	
Total Education		\$ 13,704

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$ 1,200,000	
Total Education		<u>1,200,000</u>

Total General Purpose School Fund		\$ 25,599,776
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School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 690,480	
Educational Assistants	138,405	
Other Salaries & Wages	30,072	
Certified Substitute Teachers	20,386	
Social Security	51,436	
State Retirement	49,167	
Medical Insurance	170,328	
Unemployment Compensation	5,814	
Employer Medicare	12,029	
Travel	6,777	
Other Contracted Services	63,569	
Instructional Supplies and Materials	104,063	
Other Supplies and Materials	7,136	
Other Charges	2,041	
Regular Instruction Equipment	<u>119,485</u>	
Total Regular Instruction Program		\$ 1,471,188

Special Education Program

Teachers	\$ 83,645
Educational Assistants	528,000
Other Salaries & Wages	20,000
Social Security	37,644
State Retirement	38,031
Medical Insurance	64,424
Unemployment Compensation	6,781
Employer Medicare	8,804

(Continued)

Exhibit K-9

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Contracts for Substitute Teachers - Non-certified	\$	10,000	
Instructional Supplies and Materials		5,898	
Other Supplies and Materials		9,255	
Total Special Education Program			\$ 812,482

Vocational Education Program

Educational Assistants	\$	28,722	
Social Security		1,673	
State Retirement		1,968	
Medical Insurance		2,793	
Employer Medicare		391	
Travel		8,334	
Instructional Supplies and Materials		64,866	
Other Supplies and Materials		480	
Other Charges		1,971	
Vocational Instruction Equipment		1,290	
Total Vocational Education Program			112,488

Support Services

Other Student Support

Travel	\$	4,814	
Other Supplies and Materials		436	
In Service/Staff Development		3,184	
Total Other Student Support			8,434

Regular Instruction Program

Supervisor/Director	\$	73,407	
Secretary(ies)		13,452	
Social Security		5,333	
State Retirement		4,959	
Medical Insurance		3,974	
Employer Medicare		1,247	
Travel		3,592	
Other Contracted Services		28,000	
Library Books/Media		15,135	
Other Supplies and Materials		1,750	
In Service/Staff Development		45,715	
Total Regular Instruction Program			196,564

(Continued)

Exhibit K-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 (Cont.)

Special Education Program

Psychological Personnel	\$	53,351	
Other Salaries & Wages		27,800	
Social Security		4,803	
State Retirement		4,463	
Medical Insurance		20,197	
Employer Medicare		1,123	
Consultants		51,492	
Travel		10,575	
Other Supplies and Materials		9,500	
In Service/Staff Development		9,357	
Total Special Education Program			\$ 192,661

Vocational Education Program

Travel	\$	2,920	
Other Supplies and Materials		600	
Other Charges		757	
Total Vocational Education Program			4,277

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$	58,711	
Teachers		129,050	
Educational Assistants		18,820	
Other Salaries & Wages		12,780	
Social Security		13,556	
State Retirement		11,506	
Medical Insurance		3,854	
Employer Medicare		3,171	
Travel		4,171	
Other Contracted Services		6,000	
Other Supplies and Materials		22,027	
Other Charges		9,643	
Other Equipment		1,843	
Total Community Services			<u>295,132</u>

Total School Federal Projects Fund \$ 3,093,226

(Continued)

Exhibit K-9

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

Central Cafeteria Fund

Support Services

Board of Education

Trustee's Commission	\$ 35	
Total Board of Education		\$ 35

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$ 50,072	
Clerical Personnel	27,696	
Cafeteria Personnel	792,475	
Other Salaries & Wages	5,840	
Social Security	52,610	
State Retirement	44,952	
Medical Insurance	91,189	
Unemployment Compensation	38	
Employer Medicare	12,304	
Other Fringe Benefits	15,655	
Communication	3,855	
Maintenance & Repair Services - Equipment	20,926	
Payments to Schools - Other	900	
Transportation - Other than Students	12,925	
Travel	7,286	
Other Contracted Services	34,431	
Food Supplies	955,980	
Uniforms	9,057	
Utilities	96,899	
Other Supplies and Materials	8,108	
In Service/Staff Development	2,275	
Food Service Equipment	28,754	
Total Food Service		<u>2,274,227</u>

Total Central Cafeteria Fund \$ 2,274,262

Total Governmental Funds - Lauderdale County School Department \$ 30,967,264

Exhibit K-10

Lauderdale County, Tennessee  
Schedule of Detailed Receipts, Disbursements,  
and Changes in Cash Balance - City Agency Fund  
For the Year Ended June 30, 2006

	<u>Local Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	<u>\$ 2,055,886</u>
Total Cash Receipts	<u>\$ 2,055,886</u>
<u>Cash Disbursements</u>	
Contributions:	
General Debt Service Fund	\$ 548,632
General Purpose School Fund	471,515
Remittance of Revenues Collected	912,741
Trustee's Commission	20,559
Total Cash Disbursements	<u>\$ 1,953,447</u>
Excess of Cash Receipts Over (Under)	
Cash Disbursements	\$ 102,439
Cash Balance, July 1, 2005	<u>2,975,594</u>
Cash Balance, June 30, 2006	<u><u>\$ 3,078,033</u></u>

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## **SINGLE AUDIT SECTION**

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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

February 2, 2007

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, 2006, which collectively comprise Lauderdale County's basic financial statements and have issued our report thereon dated February 2, 2007. 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 06.01, 06.02, 06.03, 06.05, 06.07, 06.09, 06.10, 06.11, 06.12, and 06.13.

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 are described in the accompanying Schedule of Findings and Questioned Costs as items 06.04, 06.06, and 06.08.

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/sb



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

February 2, 2007

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, 2006. 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, 2006.

#### 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.

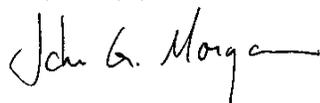
Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce 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, 2006, and have issued our report thereon dated February 2, 2007. 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/sb

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 the Lauderdale County Library Fund, a separately reported special revenue fund of Lauderdale County, Tennessee, as of and for the year ended June 30, 2006, 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 the 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 the Lauderdale County Library Fund'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 item 2006-01.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. 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 condition described above, I consider it to be a material weakness.

## 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 an instance of noncompliance that is required to be reported under Government Auditing Standards and is described in the accompanying schedule of findings as item 2006-02.

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.

### **LAUDERDALE COUNTY LIBRARY FUND SCHEDULE OF FINDINGS FOR THE YEAR ENDED JUNE 30, 2006**

2006-01      Expenditures exceeded the appropriated amounts during the fiscal year ended June 30, 2006.

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.

2006-02      The results of my tests disclosed that the library had funds invested in instruments not allowed by statutes.

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 the governmental activities and the major fund of the Lauderdale County Ambulance Authority, a special revenue fund of Lauderdale County, Tennessee, as of and for the year ended June 30, 2006, 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 the 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 the 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 2006-01, 2006-02, 2006-03, and 2006-04.

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 items 2006-01 and 2006-02 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and is described as item 2006-05.

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 RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2006**

2006-01        Whereas many of the old delinquent accounts were written off against the allowance for doubtful accounts, the accounts were written off one time, and the procedure was not continued month by month; accounts receivable and allowance for doubtful accounts continue to grow.

Recommendation: Establish a monthly procedure of preparing a list of accounts aged over 12 months. After proper review by 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. The board should ensure that this policy is written and consistently applied. A monthly accrual of estimated bad debt expense increasing the allowance for doubtful accounts is also necessary.

Response: To be implemented.

2006-02        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 full responsibility of the complete revenue cycle. Reports are not prepared on a monthly basis to include the revenue in the general ledger. This condition continues to exist.

Recommendation: Record revenue in the general ledger on a monthly basis. An internal audit committee should be established to test a sample of the monthly billings. 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: Partially Implemented.

2006-03 The payroll records do not reconcile properly with payroll tax reports.

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

Response: Implemented.

2006-04 Receivable transactions that had been fully paid within the year were purged subsequent to year end. The purging limited the reports that were available from the billing system.

Recommendation: Upon further investigation, the auditor and the authority's staff discovered that the purging of paid accounts was not necessary. Therefore, no purging of the accounts should be performed until a number of years have elapsed.

Response: Implemented.

2006-05 The Lauderdale County Ambulance Authority is not in compliance with the Tennessee Uniform Disposition of Unclaimed Property Act.

Recommendation: The authority should take the proper steps to comply with the act.

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 the Lauderdale County Water System, a component unit of Lauderdale County, Tennessee, as of and for the year ended June 30, 2006, 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 the 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. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which in the design or operations of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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, and 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 Emergency Communications District

Board of Directors  
Lauderdale County Emergency Communications District  
Ripley, Tennessee

We have audited the financial statements of the Lauderdale County Emergency Communications District, as of and for the year ended June 30, 2006, 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 Communications 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 Communications District'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 2006-01 and 2006-02.

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 and Other Matters

As part of obtaining reasonable assurance about whether the Lauderdale County Emergency Communications 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 Communications District in the accompanying Schedule of Findings as Findings 2006-01 and 2006-02.

This report is intended solely for the information of management, 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 COMMUNICATIONS DISTRICT  
SCHEDULE OF FINDINGS, RECOMMENDATIONS, AND REPLIES  
FOR THE YEAR ENDED JUNE 30, 2006**

2006-01     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.

2006-02     Findings – Invoices are not effectively cancelled at the time of payment to preclude their reuse.

Recommendation – We suggest that all vendor invoices be cancelled at the time of payment with a “paid” stamp or some other effective means. The stamp would be applied and initialed by the executive director.

Reply – We will follow your suggestion.

Lauderdale County, Tennessee  
Schedule of Expenditures of Federal Awards and State Grants (1)  
For the Year Ended June 30, 2006

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	\$ 123,122
Passed through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	520,337
National School Lunch Program	10.555	N/A	1,135,575
Total U.S. Department of Agriculture			<u>\$ 1,779,034</u>
U.S. Department of Justice:			
Passed through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	Z0600261500	\$ 13,500
Total U.S. Department of Justice			<u>\$ 13,500</u>
U.S. Department of Education:			
Passed through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 1,019,283
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	1,014,037
Special Education - Preschool Grant	84.173	N/A	41,636
Vocational Education - Basic Grants to States	84.048	N/A	125,198
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	62,055
Twenty-First Century Community Learning Centers	84.287	(2)	279,638
State Grants for Innovative Programs	84.298	N/A	15,291
Education Technology State Grants	84.318	N/A	25,342
Comprehensive School Reform Demonstration	84.332	(2)	158,121
Rural Education	84.358	(2)	131,869
English Language Acquisition Grants	84.365	N/A	8,642
Improving Teacher Quality State Grants	84.367	N/A	278,097
Total U.S. Department of Education			<u>\$ 3,159,209</u>
U.S. Department of Health Resources and Human Services:			
Passed through State Department of Health:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	Z05020785	\$ 82,781
Total U.S. Department of Health Resources and Human Services			<u>\$ 82,781</u>
U.S. Department of Homeland Security:			
Passed through State Department of Military:			
State Domestic Preparedness Equipment Support Program	97.004	Z0502517800	\$ 236,289
Emergency Management Performance Grants	97.042	(3)	17,725
Total U.S. Department of Homeland Security			<u>\$ 254,014</u>
Total Expenditures of Federal Awards			<u>\$ 5,288,538</u>

(Continued)

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	Contract Number	Expenditures
State Grants:			
Reappraisal Program - Comptroller of the Treasury	N/A	(2)	\$ 9,294
Litter Program - State Department of Transportation	N/A	Z06027979	29,533
Juvenile Justice and Delinquency Prevention - State Commission on Children and Youth	N/A	GG0611897	23,597
Veterans Grant - State Department of Veterans Affairs	N/A	(2)	1,154
Local Health Services - State Department of Health	N/A	Z0602597002	246,888
Safe Schools Act 2004 - State Department of Education	N/A	(2)	26,213
Pre-K Lottery Grant - State Department of Education	N/A	(2)	250,182
High Schools that Work - State Department of Education	N/A	(2)	<u>14,757</u>
Total State Grants			<u>\$ 601,618</u>

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) Z0502541400: \$6,844; Z0603284100: \$10,881

Lauderdale County, Tennessee  
Schedule of Audit Findings Not Corrected  
June 30, 2006

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, 2005, which have not been corrected.

**OFFICE OF HIGHWAY COMMISSIONER**

Finding Number	Page Number	Subject
05.02	172	A formal purchase order system had not been established
05.03	173	The Highway Department did not maintain a system to account for materials used on some types of road projects

**OFFICE OF DIRECTOR OF SCHOOLS**

Finding Number	Page Number	Subject
05.06	174	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
05.07	175	The trustee's depository used an unauthorized method for payment of warrants
05.08	176	The trustee allowed individuals unsupervised access to the office after business hours
05.09	176	Two depositories were not required to sufficiently collateralize funds that exceeded FDIC coverage
05.10	176	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
05.11	177	The register allowed individuals unsupervised access to the office after business hours

**OFFICE OF SHERIFF**

Finding Number	Page Number	Subject
05.12	177	Duties were not segregated adequately

**OTHER FINDING**

Finding Number	Page Number	Subject
05.13	178	A central system of accounting, budgeting, and purchasing had not been adopted

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**LAUDERDALE COUNTY, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2006**

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**PART I, SUMMARY OF AUDITOR'S RESULTS**

1. Our report on the financial statements of Lauderdale County 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), and the Special Education Cluster: Special Education – Grants to States and Special Education - Preschool Grants (CFDA Nos. 84.027 and 84.173) 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 highway commissioner and director of schools are quoted 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 06.01**                      **THE HIGHWAY/PUBLIC WORKS FUND HAD A CASH OVERDRAFT**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

The Highway/Public Works Fund had a cash overdraft of \$53,251 at June 30, 2006. This overdraft resulted from the issuance of warrants that exceeded cash on deposit with the county trustee. The cash overdraft was liquidated November 30, 2006.

#### **RECOMMENDATION**

The office should not make disbursements that exceed available cash on deposit with the county trustee.

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**FINDING 06.02**                      **A FORMAL PURCHASE ORDER SYSTEM HAD NOT BEEN ESTABLISHED**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

The office 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.

#### **MANAGEMENT'S RESPONSE – HIGHWAY COMMISSIONER (DIRECT QUOTE)**

A formal purchase order system was established in October 2006.

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FINDING 06.03

**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.

MANAGEMENT’S RESPONSE – HIGHWAY COMMISSIONER (DIRECT QUOTE)

An inventory system of our yard materials was established on October 1, 2006.

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OFFICE OF DIRECTOR OF SCHOOLS

FINDING 06.04

**EXPENDITURES AND ENCUMBRANCES EXCEEDED APPROPRIATIONS IN THE GENERAL PURPOSE SCHOOL FUND**

(Noncompliance Under Government Auditing Standards)

General Purpose School Fund expenditures and encumbrances exceeded appropriations approved by the County Commission in the Instruction – Vocational Education Program major appropriation category (the legal level of control) by \$20,852. Section 5-9-401, Tennessee Code Annotated, states that “All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies.”

RECOMMENDATION

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

MANAGEMENT’S RESPONSE – DIRECTOR OF SCHOOLS (DIRECT QUOTE)

The Vocational Education program expenditures exceeded appropriations because of actual June 2006 salary expense. A review of projected salaries was done at the end of May. The

amount for vocational salaries and related benefits was miscalculated. We are aware that expenditures and encumbrances should stay within the approved appropriation. It will be done in the future.

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FINDING 06.05

**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 there was no 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 (DIRECT QUOTE)

We will investigate buying a laser printer in school year 2007-2008.

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OFFICE OF TRUSTEE

FINDING 06.06

**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.

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FINDING 06.07

**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.

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FINDING 06.08

**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, 2006. 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, 2006, 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.

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FINDING 06.09

**THE OFFICE 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. 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. Also, the office should take steps to establish or improve any compensating controls until these conditions are remedied.

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FINDING 06.10

**THE OFFICE HAD DEFICIENCIES IN COMPUTER SYSTEM BACKUP PROCEDURES**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

The following weaknesses regarding computer system backup procedures in the office were identified:

- A. 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.
- B. A backup log was not maintained. If system backups are not labeled and inventoried systematically, discrepancies may occur and affect the integrity of system backups in the event of a hardware or software failure.

RECOMMENDATION

Backups should be rotated off-site on a weekly basis. A complete systems backup should also be performed at fiscal 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. Furthermore, a current log of all backups that includes label descriptions, date of creation, contents, and storage location should be maintained.

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## **OFFICE OF REGISTER**

### **FINDING 06.11**

### **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.

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## **OFFICE OF SHERIFF**

### **FINDING 06.12**

### **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.

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## **OTHER FINDING AND RECOMMENDATION**

### **FINDING 06.13**

### **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.

### **MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS (DIRECT QUOTE)**

We are not convinced that a central system would significantly improve controls over accounting, budgeting, and purchasing processes. Having discussed the issue with other school systems, we believe that it would create an additional level of bureaucracy that would hinder the ability to respond to classroom/teacher needs and slow the processes for purchasing and paying invoices. We are aware of some weaknesses in controls and would appreciate input from the County Audit staff regarding their opinions for improvement. We are slowly addressing areas of weakness of which we are aware.

**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, 2006**

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