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LAUDERDALE COUNTY, MISSISSIPPI

AUDITED FINANCIAL STATEMENTS
For the Year Ended September 30, 2005

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LAUDERDALE COUNTY, MISSISSIPPI

FINANCIAL AUDIT REPORT

For the Year Ended September 30, 2005



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

MEMBERS OF THE BOARD OF SUPERVISORS
LAUDERDALE COUNTY, MISSISSIPPI

We have audited the accompanying primary government financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Lauderdale County, Mississippi as of and for the year ended September 30, 2005, which collectively comprise the county's financial statements as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit. We also audited the financial statements of the Ambulance Enterprise Fund, which represent 100% of the assets and revenues of the enterprise fund column. We did not audit the financial statements of the Meridian-Lauderdale County Public Library and the Lauderdale County Tourism Commission, component units, which represent 100% of the assets and revenues of the governmental component units. Those 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 aforementioned component units, is based solely 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 standards applicable for financial audits contained in *Governmental 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 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, Mississippi, as of September 30, 2005, and the respective changes in financial position

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 May 12, 2006, on our consideration of Lauderdale County, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Lauderdale County, Mississippi has not presented the Management's Discussion and Analysis that are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board.

Our audit was conducted for the purpose of forming opinions on the primary government financial statements that collectively comprise Lauderdale County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The accompanying Reconciliation of Operating Costs of Solid Waste is also presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Rea, Shaw, Giffin & Stuart

REA, SHAW, GIFFIN & STUART, LLP

Meridian, Mississippi
May 12, 2006

LAUDERDALE COUNTY
FINANCIAL STATEMENTS

LAUDERDALE COUNTY

Exhibit 1

STATEMENT OF NET ASSETS

September 30, 2005

	Primary Government			Component Units	
	Governmental Activities	Business- type Activities	Total	Tourism	Public Library
ASSETS					
Cash and investments	\$ 8,231,930	\$ 939,981	\$ 9,171,911	\$ 275,309	\$ 1,673,700
Property tax receivable	13,153,173	-	13,153,173	-	-
Accounts receivable, net	-	428,115	428,115	-	-
Fines receivable	466,394	-	466,394	-	-
Intergovernmental receivables	559,136	-	559,136	8,797	1,000
Other receivables	6,212	-	6,212	36,827	-
Prepaid items	-	14,852	14,852	-	26,926
Inventories	-	16,771	16,771	-	-
Capital assets, net	38,934,395	347,577	39,281,972	9,135	99,076
Total assets	\$ 61,351,240	\$ 1,747,296	\$ 63,098,536	\$ 330,068	\$ 1,800,702
LIABILITIES					
Claims payable	\$ 2,743,317	\$ 50,226	\$ 2,793,543	\$ 14,591	\$ 6,960
Intergovernmental payables	1,085,906	-	1,085,906	-	-
Accrued interest payable	131,253	-	131,253	-	-
Deferred revenue	13,153,173	2,596	13,155,769	-	-
Other payables	-	109,630	109,630	2,496	18,847
Long-term liabilities					
Due within one year:					
Capital related debt	2,202,841	-	2,202,841	-	-
Non-capital debt	1,490,000	-	1,490,000	-	-
Due in more than one year:					
Capital related debt	15,444,461	-	15,444,461	-	-
Non-capital debt	11,529,789	-	11,529,789	-	-
Total liabilities	\$ 47,780,740	\$ 162,452	\$ 47,943,192	\$ 17,087	\$ 25,807
NET ASSETS					
Invested in capital assets, net of related debt	\$ 21,287,093	\$ 347,578	\$ 21,634,671	\$ 9,135	\$ 99,076
Restricted for:					
Debt service	822,180	-	822,180	-	-
Culture and recreation	233,133	-	233,133	-	199,559
Economic development	385,680	-	385,680	-	-
Capital projects	1,484,794	-	1,484,794	-	-
Other purposes	367,713	-	367,713	-	-
Unrestricted (deficit)	(11,010,093)	1,237,266	(9,772,827)	303,846	1,476,260
Total Net Assets	\$ 13,570,500	\$ 1,584,844	\$ 15,155,344	\$ 312,981	\$ 1,774,895

The Notes to Financial Statements are an integral part of this statement.

LAUDERDALE COUNTY

Exhibit 2

STATEMENT OF ACTIVITIES
September 30, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets				
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-type Activities	Total	Tourism	Public Library
Primary government:									
Governmental activities									
General government	\$ 6,361,421	\$ 1,608,235	\$ 85,227	\$ -	\$ (4,667,959)	\$ -	\$ (4,667,959)	\$ -	\$ -
Public safety	8,684,409	2,498,021	723,267	65,636	(5,397,485)	-	(5,397,485)	-	-
Public works	8,915,451	639,089	663,701	3,504,736	(4,107,925)	-	(4,107,925)	-	-
Health and welfare	1,000,039	-	162,416	-	(837,623)	-	(837,623)	-	-
Culture and recreation	238,729	-	9,427	100,000	(129,302)	-	(129,302)	-	-
Conser. of natural resources	131,537	-	92,197	-	(39,340)	-	(39,340)	-	-
Economic development	1,648,094	-	424,344	134,900	(1,088,850)	-	(1,088,850)	-	-
Interest & bond issuance costs	1,389,673	-	-	-	(1,389,673)	-	(1,389,673)	-	-
Total Governmental Activities	\$ 28,369,353	\$ 4,745,345	\$ 2,160,579	\$ 3,805,272	\$ (17,658,157)	\$ -	\$ (17,658,157)	\$ -	\$ -
Business-type activities									
Metro Ambulance	\$ 3,552,654	\$ 3,755,849	\$ -	\$ -	\$ -	\$ 203,195	\$ 203,195	\$ -	\$ -
Total Business-type Activities	\$ 3,552,654	\$ 3,755,849	\$ -	\$ -	\$ -	\$ 203,195	\$ 203,195	\$ -	\$ -
Total Primary Government	\$ 31,922,007	\$ 8,501,194	\$ 2,160,579	\$ 3,805,272	\$ (17,658,157)	\$ 203,195	\$ (17,454,962)	\$ -	\$ -
Component Units									
Tourism	\$ 495,995	\$ -	\$ 477,183	\$ -	\$ -	\$ -	\$ -	\$ (18,812)	\$ -
Public Library	1,002,962	40,280	825,583	-	-	-	-	-	(137,099)
Total Component Units	\$ 1,498,957	\$ 40,280	\$ 1,302,766	\$ -	\$ -	\$ -	\$ -	\$ (18,812)	\$ (137,099)

REA, SHAW, GIFFIN & STUART, LLP

The Notes to Financial Statements are an integral part of this statement.

LAUDERDALE COUNTY

Exhibit 2

STATEMENT OF ACTIVITIES (continued)
September 30, 2005

	Net (Expense) Revenue and Changes in Net Assets				
	Primary Government			Component Units	
	Governmental Activities	Business- type Activities	Total	Tourism	Public Library
General revenues:					
Taxes:					
Property taxes	\$ 17,670,015	\$ -	\$ 17,670,015	\$ -	\$ -
Road & bridge privilege taxes	917,592	-	917,592	-	-
Grants and contributions not restricted to specific programs	1,475,130	91,100	1,566,230	-	201,241
Unrestricted gifts and donations	32,899	4,709	37,608	-	1,195
Unrestricted investment income	293,056	1,102	294,158	6,187	32,127
Miscellaneous	716,430	-	716,430	225	(618)
Lease principal payments	183,486	-	183,486	-	-
(Loss) on sale of capital assets	43,024	-	43,024	-	-
Total General Revenues	\$ 21,331,632	\$ 96,911	\$ 21,428,543	\$ 6,412	\$ 233,945
Changes in Net Assets	\$ 3,673,475	\$ 300,106	\$ 3,973,581	\$ (12,400)	\$ 96,846
Net Assets - Beginning	\$ 9,897,025	\$ 1,284,738	\$ 11,181,763	\$ 325,106	\$ 1,735,049
Prior period adjustment	-	-	-	275	(57,000)
Net Assets - Beginning restated	\$ 9,897,025	\$ 1,284,738	\$ 11,181,763	\$ 325,381	\$ 1,678,049
Net Assets - Ending	\$ 13,570,500	\$ 1,584,844	\$ 15,155,344	\$ 312,981	\$ 1,774,895

REA, SHAW, GIFFIN & STUART, LLP

The Notes to Financial Statements are an integral part of this statement.

LAUDERDALE COUNTY

Exhibit 3

BALANCE SHEET – GOVERNMENTAL FUNDS

September 30, 2005

	Major Funds				Total Governmental Funds
	General Fund	Road Maintenance Fund	GO Road & Bridge Series 2004 Fund	Other Governmental Funds	
ASSETS					
Cash and investments	\$ 3,380,856	\$ (78,491)	\$ 2,495,624	\$ 2,433,941	\$ 8,231,930
Property tax receivable	6,854,962	2,051,604	-	4,246,607	13,153,173
Fines receivable	466,394	-	-	-	466,394
Intergovernmental receivables	366,797	984	-	191,355	559,136
Other receivables	6,212	-	-	-	6,212
Due from other funds	-	116,793	-	130,606	247,399
Advances to other funds	250,000	-	-	56,000	306,000
Total assets	\$ 11,325,221	\$ 2,090,890	\$ 2,495,624	\$ 7,058,509	\$ 22,970,244
LIABILITIES & FUND BALANCES					
Liabilities:					
Claims payable	\$ 816,307	\$ 403,652	\$ 1,091,768	\$ 431,590	\$ 2,743,317
Intergovernmental payables	1,073,481	-	-	-	1,073,481
Due to other funds	259,824	-	-	-	259,824
Advances from other funds	-	-	-	306,000	306,000
Deferred revenue-other	7,321,356	2,051,604	-	4,246,607	13,619,567
Total liabilities	\$ 9,470,968	\$ 2,455,256	\$ 1,091,768	\$ 4,984,197	\$ 18,002,189
Fund balances:					
Reserved for:					
Advances	\$ 250,000	\$ -	\$ -	\$ 56,000	\$ 306,000

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6 The Notes to Financial Statements are an integral part of this statement.

LAUDERDALE COUNTY

Exhibit 3

BALANCE SHEET – GOVERNMENTAL FUNDS (continued)
September 30, 2005

Unreserved, reported in:					
General fund	1,604,253	-	-	-	1,604,253
Special revenue funds	-	(364,366)	-	983,941	619,575
Capital project funds	-	-	1,403,856	80,938	1,484,794
Total fund balances	<u>\$ 1,854,253</u>	<u>\$ (364,366)</u>	<u>\$ 1,403,856</u>	<u>\$ 2,074,312</u>	<u>\$ 4,968,055</u>
Total liabilities & fund balances	<u>\$ 11,325,221</u>	<u>\$ 2,090,890</u>	<u>\$ 2,495,624</u>	<u>\$ 7,058,509</u>	<u>\$ 22,970,244</u>

LAUDERDALE COUNTY

Exhibit 3.1

BALANCE SHEET – GOVERNMENTAL FUNDS (Continued)
September 30, 2005

(Exhibit 3 continued)

Total governmental fund balances \$ 4,968,055

Amounts reported for governmental activities
in the statement of net assets (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds (Note 1):

Capital assets net of depreciation as of 10/1/04	\$ 35,150,162	
Plus capital outlay expenditures and reclassifications made during year	5,659,652	
Less depreciation expense recorded during year	(1,465,843)	
Less net book value of capital assets disposed of during year, reclassifications and adjustments for items under threshold	<u>(409,576)</u>	\$ 38,934,395

Fines receivable that have accrued at year end but are not available to liquidate liabilities of the current period are not reported in the funds.		\$ 466,394
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Liabilities not due and payable in the current period are not reported
in the funds:

Long-term liabilities	\$(30,667,091)	
Accrued interest on bonds	<u>(131,253)</u>	
		<u>\$(30,798,344)</u>

Net assets of governmental activities		<u>\$ 13,570,500</u>
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The Notes to Financial Statements are an integral part of this statement.

LAUDERDALE COUNTY

Exhibit 4

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS

September 30, 2005

	Major Funds				Total Governmental Funds
	General Fund	Road Maintenance Fund	GO Road & Bridge Series 2005 Fund	Other Governmental Funds	
REVENUES					
Property taxes	\$ 9,147,432	\$ 2,193,490	\$ -	\$ 6,329,093	\$ 17,670,015
Road and bridge privilege taxes	-	917,592	-	-	917,592
Licenses, commissions and other revenue	603,506	394	-	36,097	639,997
Fines and forfeitures	1,755,542	76,354	-	21,555	1,853,451
Intergovernmental revenues	1,685,913	1,026,348	3,258,854	1,502,765	7,473,880
Charges for services	690,901	-	-	1,458,780	2,149,681
Interest income	147,126	2,904	71,302	71,724	293,056
Miscellaneous revenues	322,099	11,897	-	382,434	716,430
Total Revenues	<u>\$ 14,352,519</u>	<u>\$ 4,228,979</u>	<u>\$ 3,330,156</u>	<u>\$ 9,802,448</u>	<u>\$ 31,714,102</u>
EXPENDITURES					
Current:					
General government	\$ 5,800,967	\$ -	\$ -	\$ 334,627	\$ 6,135,594
Public safety	7,143,904	-	-	2,134,510	9,278,414
Public works	-	4,633,829	5,451,282	2,318,515	12,403,626
Health and welfare	993,652	-	-	-	993,652
Culture and recreation	11,362	-	-	257,371	268,733
Conservation of natural resources	129,985	-	-	-	129,985
Economic development and assistance	178,546	-	-	1,472,494	1,651,040
Debt service:					
Principal	287,934	639,899	-	2,960,475	3,888,308
Interest	137,386	59,858	-	1,226,641	1,423,885
Total Expenditures	<u>\$ 14,683,736</u>	<u>\$ 5,333,586</u>	<u>\$ 5,451,282</u>	<u>\$ 10,704,633</u>	<u>\$ 36,173,237</u>
Excess of Expenditures over Revenues	<u>\$ (331,217)</u>	<u>\$ (1,104,607)</u>	<u>\$ (2,121,126)</u>	<u>\$ (902,185)</u>	<u>\$ (4,459,135)</u>

REA, SHAW, GIFFIN & STUART, LLP

LAUDERDALE COUNTY

Exhibit 4

STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS (continued)
 September 30, 2005

OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	\$ -	\$ 133,920	\$ -	\$ -	\$ 133,920
Compensation for loss of capital assets	11,008	-	-	-	11,008
Transfers in	466,662	-	-	250,895	717,557
Transfers out	(599,807)	-	-	(117,750)	(717,557)
Capital leases	110,114	176,562	-	-	286,676
Lease principal payments	-	-	-	183,486	183,486
Total Other Financing Sources and Uses	<u>\$ (12,023)</u>	<u>\$ 310,482</u>	<u>\$ -</u>	<u>\$ 316,631</u>	<u>\$ 615,090</u>
Net Changes in Fund Balances	<u>\$ (343,240)</u>	<u>\$ (794,125)</u>	<u>\$ (2,121,126)</u>	<u>\$ (585,554)</u>	<u>\$ (3,844,045)</u>
Fund Balances - Beginning	<u>\$ 2,197,493</u>	<u>\$ 429,759</u>	<u>\$ 3,524,982</u>	<u>\$ 2,659,866</u>	<u>\$ 8,812,100</u>
Fund Balances - Ending	<u>\$ 1,854,253</u>	<u>\$ (364,366)</u>	<u>\$ 1,403,856</u>	<u>\$ 2,074,312</u>	<u>\$ 4,968,055</u>

REA, SHAW, GIFFIN & STUART, LLP

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**
For the Year Ended September 30, 2005

Net change in fund balances - total governmental funds (Exhibit 4) \$ (3,844,045)

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays (\$5,659,652) exceeded depreciation (\$1,465,843) in the current period, and adjustments of (\$307,672). 3,886,137

In the statement of activities, only gains and losses from the sale of capital assets are reported, whereas in the governmental funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount that proceeds from the sale (\$144,928) exceeded the gain (\$43,024) in the current period. (101,904)

Fines receivable that have accrued at year end but are not available to liquidate liabilities (\$466,394) exceeded the prior period accrual of (\$364,178). 102,216

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments (\$3,888,308) exceeded debt proceeds (\$286,676) 3,601,632

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

Compensated absences	(4,773)	
Accrued interest on bonds	34,212	29,439

Change in net assets of governmental activities (Exhibit 2) \$ 3,673,475

The Notes to Financial Statements are an integral part of this statement.

LAUDERDALE COUNTY

Exhibit 5

STATEMENT OF NET ASSETS
FOR PROPRIETARY FUND TYPE – AMBULANCE ENTERPRISE FUND
September 30, 2005

ASSETS	
Current assets	
Cash and investments	\$ 939,981
Accounts receivable, net	428,115
Inventories	16,771
Prepaid expenses	<u>14,852</u>
Total current assets	<u>\$ 1,399,719</u>
Noncurrent assets	
Capital assets, net	<u>\$ 347,577</u>
Total noncurrent assets	<u>\$ 347,577</u>
Total assets	<u>\$ 1,747,296</u>
LIABILITIES	
Current liabilities	
Claims payable	\$ 50,226
Deferred revenue	2,596
Other payables	45,155
Compensated absences	<u>64,475</u>
Total current liabilities	<u>\$ 162,452</u>
Total liabilities	<u>\$ 162,452</u>
NET ASSETS	
Invested in capital assets	\$ 347,578
Unrestricted	<u>1,237,266</u>
Total net assets	<u>\$ 1,584,844</u>

The Notes to Financial Statements are an integral part of this statement.

**STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS - FOR PROPRIETARY FUND TYPE -
AMBULANCE ENTERPRISE FUND**
For the Year Ended September 30, 2005

OPERATING REVENUES	
Charges for sales and services	<u>\$ 3,755,849</u>
Total operating revenues	<u>\$ 3,755,849</u>
OPERATING EXPENSES	
Personal services	\$ 2,023,103
Contractual services	131,241
Materials and supplies	107,961
Depreciation expense	101,219
Bad debt expense	964,182
Administrative	<u>224,948</u>
Total operating expenses	<u>\$ 3,552,654</u>
Operating income	<u>\$ 203,195</u>
NONOPERATING REVENUES	
County and local support	\$ 91,100
Loss on disposal of fixed assets	-
Interest income	1,102
Membership income	4,468
Other income	<u>241</u>
Net nonoperating revenues	<u>\$ 96,911</u>
Change in net assets	\$ 300,106
Total net assets - beginning	<u>1,284,738</u>
Total net assets - ending	<u>\$ 1,584,844</u>

The Notes to Financial Statements are an integral part of this statement.

LAUDERDALE COUNTY

Exhibit 7

STATEMENT OF CASH FLOWS -
FOR PROPRIETARY FUND TYPE - AMBULANCE ENTERPRISE FUND
For the Year Ended September 30, 2005

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 2,730,271
Cash payments to suppliers for goods and services	(736,473)
Cash payments to employees for services	<u>(1,707,079)</u>
Net cash used in operating activities	<u>\$ 286,719</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Operating grants received	\$ 57,425
Cash received from property taxes	22,056
Other receipts	<u>16,047</u>
Net cash provided by noncapital financing activities	<u>\$ 95,528</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of capital assets	<u>\$ (44,347)</u>
Net cash used in capital and related financing activities	<u>\$ (44,347)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on investment	<u>\$ 1,102</u>
Net cash provided by investing activities	<u>\$ 1,102</u>
Net increase in cash and cash equivalents	\$ 339,002
Cash and cash equivalents at beginning of year	<u>600,979</u>
Cash and cash equivalents at end of year	<u>\$ 939,981</u>

The Notes to Financial Statements are an integral part of this statement.

**RECONCILIATION OF OPERATING INCOME TO NET CASH
USED IN OPERATING ACTIVITIES**

Operating income	<u>\$ 203,195</u>
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:	
Depreciation	\$ 101,219
Provision for uncollectible accounts	950,021
Change in assets and liabilities	
Increase in accounts receivables	(1,025,578)
Increase in prepaid expenses	24,899
Increase in inventory	2,026
Increase in claims payable	38,718
Decrease in other accrued liabilities	(13,403)
Increase in compensated absences	<u>5,622</u>
Total adjustments	<u>\$ 83,524</u>
Net cash used in operating activities	<u>\$ 286,719</u>

The Notes to Financial Statements are an integral part of this statement.

LAUDERDALE COUNTY

Exhibit 8

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

September 30, 2005

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 573,227
Due from other funds	<u>12,425</u>
Total assets	<u>\$ 585,652</u>
LIABILITIES	
Accrued liabilities	\$ -
Intergovernmental payables	<u>585,652</u>
Total liabilities	<u>\$ 585,652</u>

The Notes to Financial Statements are an integral part of this statement.

LAUDERDALE COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2005

Note 1. Significant Accounting Policies

A. Financial Reporting Entity

Lauderdale County is a political subdivision of the State of Mississippi. The county is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Lauderdale County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county.

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

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

B. Individual Component Unit Disclosures

Blended Components Units

Certain component units, although legally separate from the primary government are nevertheless so intertwined with the primary government that they are, in substance, the same as the primary government. Therefore these component units are reported as if they are part of the primary government. The following component unit's balances and transactions are blended with the balances and transactions of the primary government.

- Section 41-59-61 of the Mississippi Code of 1972 created The Lauderdale County Emergency Medical Service District (Metro Ambulance) which provides emergency medical and patient transporting service in the Lauderdale County area. The county Board of Supervisors serve as the board for Metro Ambulance. Metro ambulance is reported as an Enterprise fund in the counties financial statements.

LAUDERDALE COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2005

Note 1. Significant Accounting Policies (continued)

Discretely Presented Component Units

The component units column in the financial statements includes the financial data of the following component units of the county. They are reported in a separate column to emphasize that they are legally separate from the county.

- The Meridian-Lauderdale County Public Library was formed under Section 39-3-1, Miss. Code Ann. (1972), and is a legally separate entity. The library was originally organized by the City of Meridian. Effective October 1, 1994, the library became a county library rather than a municipal library. At that time the county Board of Supervisors began appointing board members as the city appointed members' terms expired. Complete financial statements for the Meridian-Lauderdale County Public Library can be obtained from 2517 7th Street, Meridian, MS 39301.
- The Lauderdale County Tourism Commission was authorized under House Bill 1751. The county appoints three of the seven board members. A majority of the Commission's funding is supplied by the county, and the Commission's budget must be approved by the county. Complete financial statements for the Lauderdale County Tourism Commission can be obtained from P.O. Box 5313, Meridian, MS 39302.

C. Basis of Presentation

The county's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities and fund financial statements, which provide a detailed level of financial information.

Government-wide Financial Statements

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

LAUDERDALE COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2005

Note 1. Significant Accounting Policies (continued)

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

Fund Financial Statements

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

D. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the county. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied.

LAUDERDALE COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2005

Note 1. Significant Accounting Policies (continued)

The county's enterprise funds and business-type activities apply all applicable Governmental Accounting Standards Board (GASB) pronouncements and only the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

The revenues and expenses of proprietary funds are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services in connections with a proprietary fund's primary operations. All other revenues and expenses are reported as nonoperating.

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

The county reports the following major governmental funds:

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

Road Maintenance Fund -- Accounts for monies from specific revenue sources that are restricted for road maintenance.

GO Road and Bridge Bonds Series 2005 – Accounts for monies from issuance of bonds restricted for roads and bridges.

LAUDERDALE COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2005

Note 1. Significant Accounting Policies (continued)

Additionally, the county reports the following fund types:

Governmental Fund Types

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

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

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

Proprietary Fund Types

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

Fiduciary Fund Types

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

E. Account Classifications

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2001 by the Government Finance Officers Association and the *Mississippi County Financial Accounting Manual* as revised in 2002 by the Office of the State Auditor.

LAUDERDALE COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2005

Note 1. Significant Accounting Policies (continued)

F. Deposits and Investments

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

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

G. Receivables

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

H. Interfund Transactions and Balances

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

I. Inventories and Prepaid Items

Inventories in the Proprietary Funds are valued at cost, which approximates market, using the first-in/first-out method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items, such as prepaid insurance, are not reported for governmental fund types since the costs of such items are accounted for as expenditures in the period of acquisition.

LAUDERDALE COUNTY

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2005

Note 1. Significant Accounting Policies (continued)

J. Restricted Assets

Proprietary Fund and component unit assets required to be held and/or used as specified in bond indentures, bond resolutions, trustee agreements, board resolutions and donor specifications have been reported as restricted assets. When both restricted and nonrestricted assets are available for use, the policy is to use restricted assets first.

K. Capital Assets

Capital acquisition and construction are reflected as expenditures in governmental fund statements and the related assets are reported as capital assets in the applicable governmental or business-type activities column in the government-wide financial statement. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets costs, other than infrastructure, have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets. General infrastructure assets acquired after October 1, 2002, are reported in the basic financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets.

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

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

LAUDERDALE COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2005

Note 1. Significant Accounting Policies (continued)

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

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

General infrastructure assets acquired after September 30, 1980, are not reported on the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 1, 2002.

L. Long-term Liabilities

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

In the government-wide financial statements and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the 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. Issuances costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

LAUDERDALE COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2005

Note 1. Significant Accounting Policies (continued)

M. Equity Classifications

Government-wide Financial Statements

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

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

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

Unrestricted net assets – All other net assets not meeting the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Financial Statements

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

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

N. Property Tax Revenues

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the county. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

LAUDERDALE COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2005

Note 1. Significant Accounting Policies (continued)

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

O. Intergovernmental Revenues in Governmental Funds

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditures is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

P. Compensated Absences

The county has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements and the proprietary fund financial statements. Therefore, the county's full liability in the amount of \$384,789 for accumulated unpaid personal leave up to a maximum of 20 days per employee payable from the Governmental Funds is reported as a liability in the Statement of Net Assets. In the Proprietary Funds, the compensated absences are reported as a liability of the fund in the amount of \$64,475, which represents an amount up to a maximum of 20 days per employee.

LAUDERDALE COUNTY

NOTES TO FINANCIAL STATEMENTS For the Year Ended September 30, 2005

Note 2. Deposits and Primary Government

Primary Government

The carrying amount of the county's total deposits with financial institutions at September 30, 2005, was \$9,745,138, and the bank balance was \$10,874,358. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

Component Units – Governmental

The carrying amount of the Meridian-Lauderdale County Public Library's total deposits with financial institutions at September 30, 2005, was \$1,673,700, and the bank balance was \$1,683,735. The collateral for public entities' deposits in financial institutions is now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, collateralization of the entity's funds is monitored by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

The carrying amount of the Lauderdale County Tourism Commission's total deposits with financial institutions at September 30, 2005, was \$275,309. The commission's financial statements do not disclose the amount of the total bank balance at September 30, 2005, federally insured or collateralized with securities held by the commission or its agent in the commission's name and the amount collateralized with securities held by the pledging financial institution's trust department or agent in the commission's name as required by the *Governmental Accounting and Financial Reporting Standards*.

LAUDERDALE COUNTY

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2005

Note 3. Interfund Transactions and Balances

The following is a summary of interfund balances at September 30, 2005:

Due From/To Other Funds

Receivable Fund	Payable Fund	
Major Funds		
County Road Maintenance	General Fund	\$ 116,793
Nonmajor Governmental Funds	General Fund	130,606
Due from other funds		\$ 247,399
Agency fund	General fund	\$ 12,425
Due to other funds		\$ 259,824

The amounts payable to the county road maintenance fund, the nonmajor governmental funds, and agency fund from the general fund represent distribution of tax collector funds, which are expected to be repaid within one year.

Advances From/To Other Funds

Receivable Fund	Payable Fund	
Major Funds		
General Fund	Nonmajor Governmental Funds	\$ 250,000
Nonmajor Governmental Funds	Nonmajor Governmental Funds	56,000
Total		\$ 306,000

The principal purpose of the advances is to provide funds for debt service or operating expenditures. All advances are expected to be repaid within one year from the date of the financial statements.

LAUDERDALE COUNTY

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2005

Note 3. Interfund Transactions and Balances (continued)

Transfers In/Out

Transfer In	Transfer Out	
Major Funds		
General Fund	General Fund	\$ 466,662
Nonmajor Governmental Funds	Nonmajor Governmental Funds	117,750
Nonmajor Governmental Funds	General Fund	133,145
Total		\$ 717,557

The principal purpose of interfund transfers was to provide funds for grant matches, to provide funds for capital outlay, and to transfer funds collected on special levy reappraisal and approved by the State Tax Commission.

Note 4. Intergovernmental Receivables

Intergovernmental receivables at September 30, 2005 consists of the following:

Governmental Activities

Emergency Management Funds	\$ 54,335
Motor Vehicle License Tax	366,797
Other intergovernmental Receivables	138,004
Total Governmental Activities	\$ 559,136

LAUDERDALE COUNTY

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2005

Note 5. Capital Assets

The following is a summary of capital assets activity for the year ended September 30, 2005:

Governmental Activities

	Balance Oct 1, 2004	Addition	Deletion	* Adjustments	Balance Sept 30, 2005
<u>Non-depreciable capital assets:</u>					
Land	\$ 7,845,025	\$ 116,250	\$ -	\$ (2)	\$ 7,961,273
Construction in progress	2,702,144	3,258,854	-	(50,311)	5,910,687
Total non-depreciable capital assets	<u>\$ 10,547,169</u>	<u>\$ 3,375,104</u>	<u>\$ -</u>	<u>\$ (50,313)</u>	<u>\$ 13,871,960</u>
<u>Depreciable capital assets:</u>					
Infrastructure	\$ 2,629,236	\$ 598,169	\$ -	\$ 50,303	\$ 3,277,708
Buildings	18,896,980	50,019	-	(50,019)	18,896,980
Improvements other than buildings	1,460,542	31,503	-	-	1,492,045
Mobile equipment	8,799,865	695,608	(437,462)	985,190	10,043,201
Furniture and equipment	1,633,173	622,573	(219,590)	(34,208)	2,001,948
Property under capital leases	3,769,844	286,676	(155,922)	(964,412)	2,936,186
Total depreciable capital assets	<u>\$ 37,189,640</u>	<u>\$ 2,284,548</u>	<u>\$(812,974)</u>	<u>\$ (13,146)</u>	<u>\$ 38,648,068</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	\$ 129,368	\$ 105,399	\$ -	\$ 32	\$ 234,799
Buildings	3,005,346	375,287	-	155	3,380,788
Improvements other than buildings	397,183	48,341	-	1,192	446,716
Mobile equipment	6,591,636	552,513	(371,024)	709,053	7,482,178
Furniture and equipment	1,420,329	120,000	(27,516)	29	1,512,842
Property under capital leases	1,042,785	264,303	(70,165)	(708,613)	528,310
Total accumulated depreciation	<u>\$ 12,586,647</u>	<u>\$ 1,465,843</u>	<u>\$(468,705)</u>	<u>\$ 1,848</u>	<u>\$ 13,585,633</u>
Total depreciable capital assets, net	<u>\$ 24,602,993</u>	<u>\$ 818,705</u>	<u>\$(344,269)</u>	<u>\$ (14,994)</u>	<u>\$ 25,062,435</u>
Governmental activities capital assets, net	<u>\$ 35,150,162</u>	<u>\$ 4,193,809</u>	<u>\$(344,269)</u>	<u>\$ (65,307)</u>	<u>\$ 38,934,395</u>

*The adjustments are to remove items under threshold, to balance to County's schedule, and to reclassify assets moved between categories.

LAUDERDALE COUNTY

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2005

Note 5. Capital Assets (continued)

The adjustments are to remove items under threshold, to balance to county's schedule, and to account for prior period adjustment.

Depreciation expense was charged to the governmental functions as follows:

General government	\$ 442,803
Public safety	404,337
Public works	599,496
Health and welfare	7,138
Culture and recreation	10,517
Conservation of natural resources	1,552
Total governmental activities depreciation expense	<u>\$ 1,465,843</u>

Business-type Activities

	Balance Oct 1, 2004	Addition	Deletion	* Adjustments	Balance Sept 30, 2005
<u>Depreciable capital assets:</u>					
Leasehold Improvements	\$ 39,911	\$ -	\$ -	\$ -	\$ 39,911
Mobile equipment	753,481	-	-	-	753,481
Furniture and equipment	342,252	44,347	(2,840)	-	383,759
Total depreciable capital assets	<u>\$ 1,135,644</u>	<u>\$ 44,347</u>	<u>\$ (2,840)</u>	<u>\$ -</u>	<u>\$ 1,177,151</u>
<u>Less accumulated depreciation for:</u>					
Leasehold Improvements	\$ 16,502	\$ 3,991	\$ -	\$ -	\$ 20,493
Mobile equipment	465,526	58,770	-	-	524,296
Furniture and equipment	249,167	38,458	(2,840)	-	284,785
Total accumulated depreciation	<u>\$ 731,195</u>	<u>\$ 101,219</u>	<u>\$ (2,840)</u>	<u>\$ -</u>	<u>\$ 829,574</u>
Total depreciable capital assets, net	<u>\$ 404,449</u>	<u>\$ (56,872)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 347,577</u>
Business-type activities capital assets, net	<u>\$ 404,449</u>	<u>\$ (56,872)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 347,577</u>

All depreciation expense was charged to Metro Ambulance.

LAUDERDALE COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2005

Note 5. Capital Assets (continued)

Component units – governmental

The Meridian-Lauderdale County Public Library capital assets balances at September 30, 2005, are as follows:

Buildings and improvements	\$ 655,157
Mobile equipment	268,650
Furniture and equipment	<u>16,506</u>
 Total capital assets	 \$ 940,313
 Less accumulated depreciation	 <u>(841,237)</u>
 Capital assets, net	 <u>\$ 99,076</u>

The library's financial statements do not disclose the changes in capital assets as required by the *Governmental Accounting and Financial Reporting Standards*.

The Lauderdale County Tourism Commission capital assets balance at September 30, 2005, is as follows:

Capital Assets, net of accumulated depreciation	<u>\$ 9,135</u>
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The Tourism's financial statements do not disclose the changes in capital assets as required by the *Governmental Accounting and Financial Reporting Standards*.

As of September 30, 2005, the county had the following commitments with respect to unfinished capital projects:

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
DECD-38 (30) Lockhart Trailer Court Road	\$ 97,337.95	January 2007
SAP-38 (86) Miller Road Bridge	230,322.75	January 2007
SAP-38 (92) Allen Swamp Road Bridge	26,598.88	September 2006
STP-454 (6) Hurnvan Creek Road	4,878.04	June 2006
SAP-38 (90) 31st Avenue Valley Road	24,805.64	June 2006
LSBP-38(8) Rob Sims Road Bridge	103,916.26	June 2007
LSBP-38(12) Box Bridge-Russell Camp and E. Johnson Road	191,378.48	January 2007
SAP-38(10)S Reseal Various Roads	479,315.23	January 2007
SAP-38(93) Gumlog Road	6,727.58	January 2007
SAP-39(1)M Hwy. 45/NE Industrial Park Road	13,947.99	January 2007
STP-0038(32)B Centerhill Road	127,434.99	January 2007

LAUDERDALE COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2005

Note 6. Claims and Judgments

Risk Financing

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$500,000 for law enforcement personnel and \$350,000 for all other employees for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2005, to January 1, 2006. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

Note 7. Capital Leases

As Lessee

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2005:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 2,936,186
Less: Accumulated depreciation	<u>528,310</u>
Leased Property under Capital Leases	<u>\$ 2,407,876</u>

LAUDERDALE COUNTY

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2005

Note 7. Capital Leases (continued)

The following is a schedule by years of the total payments due as of September 30, 2005:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 584,501	\$ 50,589
2007	602,102	32,890
2008	582,391	15,079
2009	149,432	2,906
2010	38,372	499
2011-2015	-	-
Total	\$ 1,956,798	\$ 101,963

Note 8. Long-term Debt

Debt outstanding as of September 30, 2005, consists of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
Governmental Activities:			
A. General Obligation Bonds:			
Lauderdale County school building	\$ 350,000	7.75	11/05
Refunding bonds - Series 1993 & 2003	2,725,000	1.2 - 3.0	12/09
Refunding bonds - Series 2003	3,255,000	4.375 - 6.25	03/12
Recreation construction - Series 1999	1,870,000	3.9 - 5.25	03/14
Refunding bonds - Series 1999	5,370,000	3.7 - 4.65	10/14
Road and bridge - Series 2000	2,765,000	5.3 - 7.0	06/15
Industrial park - Series 2000	3,335,000	6.5 - 9.25	10/15
Road and bridge - Series 2004	3,540,000	2.75 - 3.5	4/16
Total General Obligation Bonds	\$ 23,210,000		
B. Special Obligation Bonds:			
Special Obligation Bonds	\$ 3,805,000	3.0 - 4.0	7/19

LAUDERDALE COUNTY

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2005

Note 8. Long-term Debt (continued)

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
C. Capital Leases:			
Garbage truck	\$ 88,949	3.04	09/08
Caterpillar tractor	48,807	3.48	01/08
Equipment and tractors	911,449	2.90	10/08
Excavator and 3 Ingersolls	91,900	2.85	02/08
E911 equipment	27,591	0.00	4/09
John Deere excavator	62,002	3.01	1/09
2 motorgraders	230,862	3.01	1/09
5 tractors and 2 mowers	228,611	2.91	2/09
IBM 5 Series Model	98,180	3.29	2/10
Caterpillar motorgrader	<u>168,447</u>	3.5	6/10
Total Capital Leases	<u>\$ 1,956,798</u>		
D. Other Loans:			
Mississippi Development Authority loan for drainage - south industrial park	\$ 745,504	3.0	04/16
Bellsouth	255,000	2.25	09/08
Land	<u>310,000</u>	3.93	05/08
Total Other Loans	<u>\$ 1,310,504</u>		

Annual debt service requirements to maturity for the following debt reported in the Statement of Net Assets are as follows:

<u>Year Ending September 30</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 2,865,000	\$ 1,126,209
2007	2,615,000	1,014,073
2008	2,730,000	910,663
2009	2,840,000	798,498
2010	2,960,000	678,435
2011-2015	11,290,000	1,762,455
2016-2020	<u>1,715,000</u>	<u>148,220</u>
Total	<u>\$ 27,015,000</u>	<u>\$ 6,438,553</u>

LAUDERDALE COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2005

Note 8. Long-term Debt (continued)

<u>Year Ending September 30</u>	<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 243,340	\$ 40,139
2007	252,205	32,290
2008	259,128	24,140
2009	67,109	15,761
2010	69,150	13,720
2011-2015	378,606	35,740
2016-2020	40,966	360
Total	<u>\$ 1,310,504</u>	<u>\$ 162,150</u>

Legal Debt Margin

The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2005, the amount of outstanding debt was equal to 6.2% of the latest property assessments.

Commitments

On August 5, 1996, the Lauderdale County Board of Supervisors entered into an agreement with the City of Meridian to provide annual payments of up to \$162,000 per year for eight years for aid of the Bonita Lakes Mall construction project. The agreement specifies that the City of Meridian must meet certain conditions regarding the conducting of business and employment of personnel in order to receive the maximum payment per year. These amounts are paid annually from the revenues generated by tax increment financing.

On October 5, 1999, the Lauderdale County Board of Supervisors entered into an agreement with the City of Meridian relating to the financing for the construction of the Wal-Mart Super Center. The County's share of this obligation is \$770,000, which is equivalent to 35% of the total debt. Payments began October 1, 2002, with principal and interest amounting to \$61,250 and \$64,260, respectively for the year ended September 30, 2005. Payments are made from the revenues generated by tax increment financing.

LAUDERDALE COUNTY

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2005

Note 8. Long-term Debt (continued)

Commitments (continued)

On December 4, 2000, Lauderdale County entered into an agreement with the City of Meridian to service 35% (or \$385,000) of the total debt of the Lowe's construction project. This debt will be serviced by revenues generated by tax increment financing. Principal of \$28,000 and interest of \$31,028 was paid for the year ended September 30, 2005.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2005:

Governmental Activities:	Balance Oct 1, 2004	Additions	Reductions	Balance Sept 30, 2005	Amount due within one year
Compensated absences	\$ 380,016	\$ 4,773	\$ -	\$ 384,789	**
General obligation bonds	29,760,000	-	(2,745,000)	27,015,000	2,865,000
Limited obligation bonds	183,486	-	(183,486)	-	-
Capital leases	2,392,415	286,676	(722,293)	1,956,798	584,501
Other loans	<u>1,548,033</u>	<u>-</u>	<u>(237,529)</u>	<u>1,310,504</u>	<u>243,340</u>
Total	<u>\$ 34,263,950</u>	<u>\$ 291,449</u>	<u>\$ (3,888,308)</u>	<u>\$ 30,667,091</u>	<u>\$ 3,692,841</u>
Business-type Activities:	Balance Oct 1, 2004	Additions	Reductions	Balance Sept 30, 2005	Amount due within one year
Compensated absences	\$ 58,853	\$ 5,622	\$ -	\$ 64,475	**

** Due to immateriality, the current portion of Compensated absences has not been estimated.

Note 9. Deficit Fund Balances of Individual Funds

The following fund reported a deficit in fund balance at September 30, 2005:

	<u>Deficit Amount</u>
Road Maintenance Fund	<u>\$ (364,366)</u>

LAUDERDALE COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2005

Note 10. Contingencies

Federal Grants

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

Litigation

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

Note 11. Joint Venture

The county participates in the following joint venture:

Lauderdale County is a participant with the City of Meridian in a joint venture, authorized by Section 57-31-1, Miss. Code Ann. (1972), to operate the East Mississippi Business Development Corporation. The joint venture was created to encourage, foster and facilitate economic development in the county. The board is made up of citizens and corporate members, who are not appointed by the county or the city. The county's appropriation to the joint venture was \$282,600 in fiscal year 2005. Complete financial statements for the East Mississippi Business development Corporation can be obtained from P. O. Box 790, Meridian, MS 39302.

Note 12. Jointly Governed Organizations

The county participates in the following jointly governed organizations:

Central Mississippi Emergency Medical Services District operates in a district composed of the Counties of Attala, Clarke, Copiah, Holmes, Lauderdale, Leake, Madison, Neshoba, Rankin, Scott, Smith, Warren and Yazoo. The Lauderdale County Board of Supervisors appoints two of the 26 members of the board. The county provided no financial support in fiscal year 2005.

LAUDERDALE COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2005

Note 12. Jointly Governed Organizations (continued)

East Mississippi Planning and Development District operates in a district composed of the Counties of Clarke, Jasper, Kemper, Lauderdale, Leake, Neshoba, Newton, Scott and Smith. The Lauderdale County Board of Supervisors appoints one of the 15 members of the board of directors. The county contributes a small percentage of the district's total revenue. The county appropriated \$73,923 for support of the district in fiscal year 2005.

East Mississippi Community College operates in a district composed of the Counties of Clay, Kemper, Lauderdale, Lowndes, Noxubee and Oktibbeha. The Lauderdale County Board of Supervisors appoints two of the 12 members of the college board of trustees. The county appropriated \$195,718 for maintenance and support of the college in fiscal year 2005.

The Multi-County Community Service Agency operates in a district composed of the Counties of Clarke, Jasper, Kemper, Lauderdale, Newton and Wayne. The agency was created to administer programs conducted by community action agencies, limited purpose agencies and related programs authorized by federal law. The Lauderdale County Board of Supervisors appoints three of the 24 members of the board of directors. Most of the funding is derived from federal funds. The county appropriated \$90,200 for support of the agency in fiscal year 2005.

Region Ten Mental Health-Mental Retardation Commission operates in a district composed of the Counties of Clarke, Jasper, Kemper, Lauderdale, Leake, Neshoba, Newton, Scott and Smith. The Lauderdale County Board of Supervisors appoints one of the nine members of the board of commissioners. The county appropriated \$152,283 for support of the commission in fiscal year 2005.

Mid-Mississippi Development District operates in a district composed of the Counties of Clarke, Jasper, Lauderdale, Newton, Scott and Smith. The district was created to encourage, foster and facilitate economic development in member counties. The district's board of trustees is composed of 30 members, five each from the six-member counties. The county appropriated \$80,000 for the district's support in fiscal year 2005.

LAUDERDALE COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2005

Note 13. Defined Benefit Pension Plan

Plan Description

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

Funding Policy

PERS members are required to contribute 7.25% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2005, 2004, and 2003 were \$1,016,455, \$894,089, and \$868,836, respectively, equal to the required contributions for each year.

SUPPLEMENTAL INFORMATION

LAUDERDALE COUNTY

BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
For the Year Ended September 30, 2005

	Budgeted Amounts		Actual	Variances	
	Original	Final		Non-GAAP Budgetary Basis	Favorable (Unfavorable)
			Original to Final		Final to Actual
REVENUES					
Property taxes	\$ 8,701,728	\$ 9,025,723	\$ 9,025,723	\$ 323,995	\$ -
Licenses, commissions and other revenue	519,759	532,598	532,598	12,839	-
Fines and forfeitures	930,270	1,426,467	1,426,467	496,197	-
Intergovernmental revenues	1,612,961	1,677,031	1,677,031	64,070	-
Charges for services	867,885	622,393	622,393	(245,492)	-
Interest income	34,850	138,272	138,272	103,422	-
Miscellaneous revenues	1,049,760	689,085	689,085	(360,675)	-
Total Revenues	\$ 13,717,213	\$ 14,111,569	\$ 14,111,569	\$ 394,356	\$ -
EXPENDITURES					
Current					
General government	\$ 5,823,374	\$ 5,829,724	\$ 5,726,308	\$ 6,350	\$ (103,416)
Public safety	6,725,048	7,222,658	7,222,658	497,610	-
Health and welfare	1,083,841	1,008,588	1,008,588	(75,253)	-
Culture and recreation	5,383	-	-	(5,383)	-
Conservation of natural resources	135,854	132,482	132,482	(3,372)	-
Economic development and assistance	183,684	178,546	178,546	(5,138)	-
Debt service					
Principal	195,000	195,000	287,934	-	92,934
Interest	126,319	126,904	137,386	585	10,482
Total Expenditures	\$ 14,278,503	\$ 14,693,902	\$ 14,693,902	\$ 415,399	\$ -
Excess (Deficiency) of Revenues Over Expenditures	\$ (561,290)	\$ (582,333)	\$ (582,333)	\$ (21,043)	\$ -
OTHER FINANCING SOURCES (USES)					
Proceeds from sales of capital assets	\$ 5,957	\$ 1,096	\$ 1,096	\$ (4,861)	\$ -
Compensation for loss of capital assets	1,000	50,274	50,274	49,274	-
Transfers in	453,093	1,184,277	1,184,277	731,184	-
Transfers out	(204,240)	(1,094,258)	(1,094,258)	(890,018)	-
Other Financing Sources (Uses)	\$ 255,810	\$ 141,389	\$ 141,389	\$ (114,421)	\$ -
Net Change in Fund Balances	\$ (305,480)	\$ (440,944)	\$ (440,944)	\$ (135,464)	\$ -
Fund Balance - Beginning	\$ 2,814,465	\$ 2,921,659	\$ 2,921,659	\$ -	\$ -
Fund Balance - Ending	\$ 2,508,985	\$ 2,480,715	\$ 2,480,715	\$ (135,464)	\$ -

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

LAUDERDALE COUNTY

BUDGETARY COMPARISON SCHEDULE FOR THE ROAD MAINTENANCE FUND

For the Year Ended September 30, 2005

	Budgeted Amounts		Actual	Variances	
	Original	Final	Non-GAAP Budgetary Basis	Favorable (Unfavorable)	
				Original to Final	Final to Actual
REVENUES					
Property taxes	\$ 2,193,368	\$ 2,191,000	\$ 2,191,000	\$ (2,368)	\$ -
Licenses, commissions and other revenue	878,783	907,038	907,038	28,255	-
Fines and forfeitures	88,703	33,530	33,530	(55,173)	-
Intergovernmental revenues	1,099,977	1,029,779	1,029,779	(70,198)	-
Interest income	3,920	2,904	2,904	(1,016)	-
Miscellaneous revenues	4,487	7,187	7,187	2,700	-
Total Revenues	\$ 4,269,238	\$ 4,171,438	\$ 4,171,438	\$ (97,800)	\$ -
EXPENDITURES					
Current					
Public works	\$ 4,569,238	\$ 5,166,021	\$ 5,166,021	\$ 596,783	\$ -
Total Expenditures	\$ 4,569,238	\$ 5,166,021	\$ 5,166,021	\$ 596,783	\$ -
Excess (Deficiency) of Revenues Over Expenditures					
	\$ (300,000)	\$ (994,583)	\$ (994,583)	\$ (694,583)	\$ -
OTHER FINANCING SOURCES (USES)					
Proceeds from sales of capital assets	\$ -	\$ 134,216	\$ 134,216	\$ 134,216	\$ -
Transfers in	-	42,825	42,825	42,825	-
Other Financing Sources (Uses)	\$ -	\$ 177,041	\$ 177,041	\$ 177,041	\$ -
Net Change in Fund Balances					
	\$ (300,000)	\$ (817,542)	\$ (817,542)	\$ (517,542)	\$ -
Fund Balance - Beginning					
	\$ 210,587	\$ 363,856	\$ 363,856	\$ -	\$ -
Fund Balance - Ending					
	\$ (89,413)	\$ (453,686)	\$ (453,686)	\$ (517,542)	\$ -

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

LAUDERDALE COUNTY

**BUDGETARY COMPARISON SCHEDULE FOR THE
G.O. ROAD AND BRIDGE BONDS SERIES 2005**

For the Year Ended September 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variances	
	<u>Original</u>	<u>Final</u>	Non-GAAP Budgetary Basis	Favorable (Unfavorable)	
				Original to Final	Final to Actual
REVENUES					
Interest income	\$ 10,000	\$ 71,257	\$ 71,257	\$ 61,257	\$ -
Total Revenues	<u>\$ 10,000</u>	<u>\$ 71,257</u>	<u>\$ 71,257</u>	<u>\$ 61,257</u>	<u>\$ -</u>
EXPENDITURES					
Current					
Public works	\$ 1,240,000	\$ 1,211,081	\$ 1,211,081	\$ (28,919)	\$ -
Total Expenditures	<u>\$ 1,240,000</u>	<u>\$ 1,211,081</u>	<u>\$ 1,211,081</u>	<u>\$ (28,919)</u>	<u>\$ -</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (1,230,000)</u>	<u>\$ (1,139,824)</u>	<u>\$ (1,139,824)</u>	<u>\$ 90,176</u>	<u>\$ -</u>
Net Change in Fund Balances	<u>\$ (1,230,000)</u>	<u>\$ (1,139,824)</u>	<u>\$ (1,139,824)</u>	<u>\$ 90,176</u>	<u>\$ -</u>
Fund Balance - Beginning	\$ -	\$ 3,635,373	\$ 3,635,373	\$ -	\$ -
Fund Balance - Ending	<u>\$ (1,230,000)</u>	<u>\$ 2,495,549</u>	<u>\$ 2,495,549</u>	<u>\$ 90,176</u>	<u>\$ -</u>

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

LAUDERDALE COUNTY

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended September 30, 2005

Note 1. Budgetary Information

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

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

Note 2. Basis of Presentation

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

Note 3. Budget/GAAP Reconciliation

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

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

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

Note 3. Budget/GAAP Reconciliation (continued)

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major special revenue fund:

	<u>Governmental Fund Types</u>		
	<u>General Fund</u>	<u>Road Fund</u>	<u>G/O Road & Bridge Bonds Series 2005</u>
Budget (Cash Basis)	\$ (440,944)	\$ (817,542)	\$ (1,139,824)
Increase (Decrease)			
Net adjustments for revenue accruals	87,542	190,983	3,258,899
Net adjustments for expenditure accruals	<u>10,162</u>	<u>(167,566)</u>	<u>(4,240,201)</u>
GAAP Basis	<u>\$ (343,240)</u>	<u>\$ (794,125)</u>	<u>\$ (2,121,126)</u>

LAUDERDALE COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2005

Federal Grantor/ Pass-through Grantor Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
MAJOR FEDERAL AWARD			
U.S. Department of Housing and Urban Development HUD Site Development	14.248	B-03-SP-MS-048	\$ 307,629
TOTAL MAJOR FEDERAL AWARD			\$ 307,629
OTHER FEDERAL AWARDS			
U.S. Department of Housing and Urban Development Passed through the Mississippi Department of Economic and Community Development CDBG First Time Homebuyers	14.228	MO4-SG-280-942	\$ 134,900
U.S. Department of Justice - Office of Justice Programs Passed through the City of Meridian Multijurisdictional Drug Task Force	16.579	2002-DB-BX-0028	\$ 206,483
SCAAP Grant	16.606	2004-AP-BX-0270	2,580
Law Enforcement Officer Training	N/A	N/A	15,636
Total U.S. Department of Justice			<u>\$ 224,699</u>
Federal Emergency Management Agency Passed through the Mississippi Emergency Management Agency/Passed through the Office of Highway Safety - State of Mississippi Alcohol/Drug Countermeasures	20.601	2001-NH-TS-A410	\$ 78,498
Federal Emergency Management Agency Department of Homeland Security/Passed through the Mississippi Emergency Management Agency FEMA Hurricane Ivan	97.036	FEMA-1550-DR-MS	\$ 90,839
FEMA Hurricane Katrina	97.036	FEMA-1604-DR-MS	54,335
Flood Mitigation Assistance	97.036	FEMA-1459-DR-MS	83,620
Emergency Management Reimbursement	97.036	N/A	173,921
Total Federal Emergency Management Agency			<u>\$ 402,715</u>
TOTAL OTHER FEDERAL AWARDS			\$ 840,812
TOTAL FEDERAL AWARDS			<u>\$ 1,148,441</u>

LAUDERDALE COUNTY

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2005

Note 1. Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting.

LAUDERDALE COUNTY

RECONCILIATION OF OPERATING COSTS OF SOLID WASTE

For the Year Ended September 30, 2005

OPERATING EXPENDITURES, CASH BASIS

Salaries	\$ 686,163
Expendable commodities	
Gasoline and petroleum products	122,818
Repair parts	36,453
Supplies	52,744
Contractual disposal services	656,709
Insurance on equipment	<u>27,747</u>
Solid Waste Cash Basis Operating Expenditures	\$ 1,582,634

FULL COST EXPENSES

Indirect administrative costs	\$ 23,548
Depreciation on equipment	<u>67,631</u>
Solid Waste Full Cost Operating Expenses	<u>\$ 1,673,813</u>

**LAUDERDALE COUNTY
SPECIAL REPORTS**



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ACCOUNTANTS

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

TO THE MEMBERS OF THE BOARD OF SUPERVISORS
LAUDERDALE COUNTY, MISSISSIPPI

We have audited the primary government financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Lauderdale County, Mississippi as of and for the year ended September 30, 2005 and have issued our report thereon dated May 12, 2006. We also audited the financial statements of the Ambulance Enterprise Fund, which represent 100% of the assets and revenues of the enterprise fund column. We did not audit the financial statements of the Meridian-Lauderdale County Public Library and the Lauderdale County Tourism Commission, component units, which represent 100% of the assets and revenues of the governmental component units column. Those 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 aforementioned enterprise fund and component units, is based solely 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 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 and other auditors considered Lauderdale County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting based on our audit and the reports of other auditors would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lauderdale County, Mississippi's primary government financial statements are free of material misstatement, we and other auditors 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 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 and the reports of other auditors disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of Lauderdale County, Mississippi in our Independent Auditors' Report on Compliance with State Laws and Regulations dated May 12, 2006.

This report is intended solely for the information and use of 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. However, this report is a matter of public record and its distribution is not limited.

Rea, Shaw, Giffin & Stuart

REA, SHAW, GIFFIN & STUART, LLP

Meridian, Mississippi
May 12, 2006



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

TO THE MEMBERS OF THE BOARD OF SUPERVISORS
LAUDERDALE COUNTY, MISSISSIPPI

Compliance

We have audited the compliance of Lauderdale County, Mississippi 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 the major federal programs for the year ended September 30, 2005. Lauderdale County, Mississippi's major federal programs are identified in the summary of auditors' 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 the major federal programs is the responsibility of Lauderdale County, Mississippi's management. Our responsibility is to express an opinion on Lauderdale County, Mississippi'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 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, Mississippi'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, Mississippi's compliance with those requirements.

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

Internal Control Over Compliance

The management of Lauderdale County, Mississippi 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, Mississippi'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 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 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 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.

This report is intended solely for the information and use of 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. However, this report is a matter of public record and its distribution is not limited.

Rea, Shaw, Giffin & Stuart

REA, SHAW, GIFFIN & STUART, LLP

Meridian, Mississippi
May 12, 2006



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

TO THE MEMBERS OF THE BOARD OF SUPERVISORS
LAUDERDALE COUNTY, MISSISSIPPI

We have made a study and evaluation of the central purchasing system and inventory control system of Lauderdale County, Mississippi, as of and for the year ended September 30, 2005. Our study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures as we considered necessary in the circumstances.

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

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

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

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

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

Rea, Shaw, Giffin & Stuart

REA, SHAW, GIFFIN & STUART, LLP

Meridian, Mississippi
May 12, 2006

SCHEDULE OF PURCHASES NOT MADE FROM THE LOWEST BIDDER
For the Year Ended September 30, 2005

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

SCHEDULE OF EMERGENCY PURCHASES
 For the Year Ended September 30, 2005

The following purchases were emergency purchases.

<u>Description</u>	<u>Purchase Date</u>	<u>Cost</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
Stihl saw	09/06/05	\$ 413.95	Wilson's Saw	Hurricane Katrina
Limb saw	09/06/05	539.95	Wilson's Saw	Hurricane Katrina
Compressor for jail	09/13/05	38,261.49	Air Unlimited	Hurricane Katrina

SCHEDULE OF PURCHASES MADE NONCOMPETITELY FROM A SOLE SOURCE
For the Year Ended September 30, 2005

There were no purchases from a sole source.

**LAUDERDALE COUNTY
SCHEDULE OF FINDINGS**

LAUDERDALE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended September 30, 2005

SECTION I: SUMMARY OF AUDITORS' RESULTS

Financial Statements:

- | | |
|---|-------------|
| 1. Type of auditor's report issued on the general purpose financial statements: | Unqualified |
| 2. Material noncompliance relating to the general purpose financial statements? | No |
| 3. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | No |
| b. Reportable condition(s) identified that are not considered to material weaknesses? | No |

Federal Awards

- | | |
|--|-------------|
| 4. Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 5. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Reportable condition(s) identified that are not considered to be material weaknesses? | No |
| 6. Any audit finding(s) reported as required by Section __.510(a) of Circular A-133? | No |
| 7. Federal programs identified as major programs: | |
| a. Housing and Urban Development | 14.248 |

LAUDERDALE COUNTY

Schedule of Findings and Questioned Costs (continued)
For the Year Ended September 30, 2005

SECTION I SUMMARY OF AUDITORS' RESULTS (continued)

Federal Awards (continued):

- | | |
|---|-----------|
| 8. The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. Auditee qualified as a low-risk auditee? | Yes |
| 10. Prior fiscal audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? | No |

SECTION II FINANCIAL STATEMENT FINDINGS

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

SECTION III FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

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

LAUDERDALE COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

LAUDERDALE COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended September 30, 2005

There were no prior year audit findings.



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LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

MEMBERS OF THE BOARD OF SUPERVISORS LAUDERDALE COUNTY, MISSISSIPPI

In planning and performing our audit of the financial statements of Lauderdale County, Mississippi for the year ended September 30, 2005, we considered Lauderdale County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Lauderdale County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated May 12, 2006, on the financial statements of Lauderdale County, Mississippi.

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

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

Board of Supervisors

1. Finding:

The Mississippi County Financial Accounting Manual, pages E-41 to E-44, requires the county to prepare Road and Bridge improvement reports. Lauderdale County is not preparing the required reports, on a timely basis.

Recommendation:

The county should prepare the required reports as prescribed by the Mississippi County Financial Accounting Manual.

Response:

The required reports are now being prepared on a timely basis.

2. Finding:

Section 19-13-42, Miss Code Ann. (1972), requires sufficient money in the fund to pay all warrants drawn upon that fund. At September 30, 2005 the Road Maintenance Fund had a negative cash balance of \$78,491.

Recommendation:

The county should maintain sufficient cash in all funds to cover warrants drawn upon that fund.

Response:

We incurred drastic increases in the cost supplies and materials such as asphalt, gasoline, diesel, and tires during this fiscal year. These increased expenditures caused the negative cash balance to occur in our Road Maintenance Fund. We will strive to maintain a positive cash balance in this fund.

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

Meridian, Mississippi
May 12, 2006