





**LAUDERDALE COUNTY, MISSISSIPPI**

**AUDITED FINANCIAL STATEMENTS**

For the Year Ended September 30, 2006

## CONTENTS

|  | Page  |
|--|-------|
| FINANCIAL AUDIT REPORT<br>INDEPENDENT AUDITORS' REPORT ON THE BASIC FINANCIAL STATEMENTS<br>AND SUPPLEMENTAL INFORMATION                       | 1&2   |
| FINANCIAL STATEMENTS   |       |
| Statement of Net Assets  | 3     |
| Statement of Activities  | 4&5   |
| Balance Sheet – Governmental Funds   | 6-8   |
| Statement of Revenues, Expenditures, and Changes in Fund Balances –<br>Governmental Funds  | 9&10  |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund<br>Balances of Governmental Funds to the Statement of Activities | 11    |
| Statement of Net Assets for Proprietary Fund Type – Ambulance Enterprise Fund  | 12    |
| Statement of Revenues, Expenses and Changes in Fund Net Assets –<br>For Proprietary Fund Type – Ambulance Enterprise Fund                      | 13    |
| Statement of Cash Flows – For Proprietary Fund Type – Ambulance Enterprise Fund  | 14&15 |
| Statement of Fiduciary Assets and Liabilities  | 16    |
| Notes to financial statements  | 17-42 |
| SUPPLEMENTAL INFORMATION   |       |
| SCHEDULE 1 – BUDGETARY COMPARISON  |       |
| Budgetary Comparison Schedule for the General Fund   | 43    |
| Budgetary Comparison Schedule for the Road Maintenance Fund  | 44    |
| Notes to the required supplemental information   | 45&46 |
| SCHEDULE 2 – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  | 47    |
| Note to the required supplemental information  | 48    |
| SCHEDULE 3 – RECONCILIATION OF OPERATING COST OF SOLD WASTE  | 49    |

SPECIAL REPORTS

|   |       |
|---|-------|
| 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 | 50&51 |
| INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  | 52&53 |
| INDEPENDENT AUDITORS' REPORT ON CENTRAL PURCHASING SYSTEM, INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES [REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972)]   | 54&55 |
| SCHEDULE OF PURCHASES NOT MADE FROM THE LOWEST BIDDER   | 56    |
| SCHEDULE OF EMERGENCY PURCHASES   | 57    |
| SCHEDULE OF PURCHASES MADE NONCOMPETITELY FROM A SOLE SOURCE  | 58    |
| SCHEDULE OF FINDINGS AND QUESTIONED COSTS   | 59&60 |
| SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  | 61    |

**LAUDERDALE COUNTY, MISSISSIPPI**

**FINANCIAL AUDIT REPORT**

For the Year Ended September 30, 2006



**REA, SHAW, GIFFIN & STUART, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER  
AMERICAN INSTITUTE  
OF  
CERTIFIED PUBLIC  
ACCOUNTANTS

POST OFFICE BOX 2090  
MERIDIAN, MS 39302  
TELEPHONE 601-693-2841  
FAX 601-693-2851

POST OFFICE BOX 562  
WAYNESBORO, MS 39367  
TELEPHONE 601-735-2317  
FAX 601-735-0585

MEMBER  
MISSISSIPPI SOCIETY  
OF  
CERTIFIED PUBLIC  
ACCOUNTANTS

**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, 2006, 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, 2006, 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 31, 2007, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be 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 is 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 31, 2007

LAUDERDALE COUNTY  
FINANCIAL STATEMENTS

LAUDERDALE COUNTY

Exhibit 1

STATEMENT OF NET ASSETS  
September 30, 2006

|   | Primary Government         |                                 |               | Component Units |                   |
|---|----------------------------|---------------------------------|---------------|-----------------|-------------------|
|   | Governmental<br>Activities | Business-<br>type<br>Activities | Total         | Tourism         | Public<br>Library |
| <b>ASSETS</b>                                   |                            |                                 |               |                 |                   |
| Cash  | \$ 20,918,642              | \$ 748,512                      | \$ 21,667,154 | \$ 459,239      | \$ 1,852,931      |
| Property tax receivable                         | 13,767,525                 | -                               | 13,767,525    | -               | -                 |
| Accounts receivable, net                        | -                          | 447,303                         | 447,303       | -               | -                 |
| Fines receivable                                | 450,028                    | -                               | 450,028       | -               | -                 |
| Intergovernmental receivables                   | 885,721                    | -                               | 885,721       | -               | 1,165             |
| Other receivables                               | 5,476                      | -                               | 5,476         | 47,048          | -                 |
| Prepaid items                                   | -                          | 248,258                         | 248,258       | -               | 21,861            |
| Inventories                                     | -                          | 18,887                          | 18,887        | -               | -                 |
| Capital assets, net                             | 54,117,670                 | 644,304                         | 54,761,974    | 8,309           | 69,613            |
| Total assets                                    | \$ 90,145,062              | \$ 2,107,264                    | \$ 92,252,326 | \$ 514,596      | \$ 1,945,570      |
| <b>LIABILITIES</b>                              |                            |                                 |               |                 |                   |
| Claims payable                                  | \$ 1,382,861               | \$ 10,099                       | \$ 1,392,960  | \$ 40,216       | \$ 21,795         |
| Intergovernmental payables                      | 1,259,485                  | -                               | 1,259,485     | -               | -                 |
| Accrued interest payable                        | 221,713                    | -                               | 221,713       | -               | -                 |
| Unearned revenue                                | 13,767,525                 | 1,803                           | 13,769,328    | -               | -                 |
| Other payables                                  | -                          | 120,968                         | 120,968       | 2,575           | 20,246            |
| Long-term liabilities                           |                            |                                 |               |                 |                   |
| Due within one year:                            |                            |                                 |               |                 |                   |
| Capital related debt                            | 2,858,333                  | -                               | 2,858,333     | -               | -                 |
| Non-capital debt                                | 1,326,114                  | -                               | 1,326,114     | -               | -                 |
| Due in more than one year:                      |                            |                                 |               |                 |                   |
| Capital related debt                            | 33,229,306                 | -                               | 33,229,306    | -               | -                 |
| Non-capital debt                                | 13,985,022                 | -                               | 13,985,022    | -               | -                 |
| Total liabilities                               | \$ 68,030,359              | \$ 132,870                      | \$ 68,163,229 | \$ 42,791       | \$ 42,041         |
| <b>NET ASSETS</b>                               |                            |                                 |               |                 |                   |
| Invested in capital assets, net of related debt | \$ 28,332,697              | \$ 644,304                      | \$ 28,977,001 | \$ 8,309        | \$ 69,613         |
| Restricted for:                                 |                            |                                 |               |                 |                   |
| General government                              | 3,748,778                  | -                               | 3,748,778     | -               | -                 |
| Debt service                                    | 612,067                    | -                               | 612,067       | -               | -                 |
| Public safety                                   | 126,923                    | -                               | 126,923       | -               | -                 |
| Culture and recreation                          | 112,990                    | -                               | 112,990       | -               | 208,120           |
| Economic development                            | 351,834                    | -                               | 351,834       | -               | -                 |
| Capital projects                                | 1,097,709                  | -                               | 1,097,709     | -               | -                 |
| Unrestricted (deficit)                          | (12,268,295)               | 1,330,090                       | (10,938,205)  | 463,496         | 1,625,796         |
| Total Net Assets                                | \$ 22,114,703              | \$ 1,974,394                    | \$ 24,089,097 | \$ 471,805      | \$ 1,903,529      |

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

Exhibit 2

**LAUDERDALE COUNTY**

**STATEMENT OF ACTIVITIES**  
September 30, 2006

| Functions/Programs                    | Program Revenues     |                      |                                    | Net (Expense) Revenue and Changes in Net Assets |                         |                          |                        |                   |                     |                     |
|---------------------------------------|----------------------|----------------------|------------------------------------|---|-------------------------|--------------------------|------------------------|-------------------|---------------------|---------------------|
|                                       | Expenses             | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions                | Primary Government      |                          |                        | Component Units   |                     |                     |
|                                       |                      |                      |                                    |   | Governmental Activities | Business-type Activities | Total                  | Tourism           | Public Library      |                     |
| <b>Primary government:</b>            |                      |                      |                                    |   |                         |                          |                        |                   |                     |                     |
| <b>Governmental activities:</b>       |                      |                      |                                    |   |                         |                          |                        |                   |                     |                     |
| General government                    | \$ 6,661,378         | \$ 1,845,256         | \$ 3,908,249                       | \$ 564,358                                      | \$ (343,515)            | \$ -                     | \$ (343,515)           | \$ -              | \$ -                | -                   |
| Public safety                         | 9,691,965            | 3,579,801            | 548,232                            | 123,000   | (5,440,932)             | -                        | (5,440,932)            | -                 | -                   | -                   |
| Public works                          | 10,414,765           | 646,805              | 727,150                            | 1,257,501                                       | (7,783,309)             | -                        | (7,783,309)            | -                 | -                   | -                   |
| Health and welfare                    | 1,014,910            | -                    | 159,078                            | -   | (855,832)               | -                        | (855,832)              | -                 | -                   | -                   |
| Culture and recreation                | 351,783              | -                    | 7,880                              | 50,000  | (293,903)               | -                        | (293,903)              | -                 | -                   | -                   |
| Conser. of natural resources          | 107,081              | -                    | 43,938                             | -   | (63,143)                | -                        | (63,143)               | -                 | -                   | -                   |
| Economic development                  | 1,030,660            | -                    | 240,977                            | 3,122,397                                       | 2,332,714               | -                        | 2,332,714              | -                 | -                   | -                   |
| Interest & bond issuance costs        | 1,655,847            | -                    | -                                  | -   | (1,655,847)             | -                        | (1,655,847)            | -                 | -                   | -                   |
| <b>Total Governmental Activities</b>  | <b>\$ 30,928,389</b> | <b>\$ 6,071,862</b>  | <b>\$ 5,635,504</b>                | <b>\$ 5,117,256</b>                             | <b>\$ (14,103,767)</b>  | <b>\$ -</b>              | <b>\$ (14,103,767)</b> | <b>\$ -</b>       | <b>\$ -</b>         | <b>\$ -</b>         |
| <b>Business-type activities:</b>      |                      |                      |                                    |   |                         |                          |                        |                   |                     |                     |
| Metro Ambulance                       | \$ 3,852,019         | \$ 4,182,756         | \$ -                               | \$ -  | \$ -                    | \$ 330,737               | \$ 330,737             | \$ -              | \$ -                | -                   |
| <b>Total Business-type Activities</b> | <b>\$ 3,852,019</b>  | <b>\$ 4,182,756</b>  | <b>\$ -</b>                        | <b>\$ -</b>                                     | <b>\$ -</b>             | <b>\$ 330,737</b>        | <b>\$ 330,737</b>      | <b>\$ -</b>       | <b>\$ -</b>         | <b>\$ -</b>         |
| <b>Total Primary Government</b>       | <b>\$ 34,780,408</b> | <b>\$ 10,254,618</b> | <b>\$ 5,635,504</b>                | <b>\$ 5,117,256</b>                             | <b>\$ (14,103,767)</b>  | <b>\$ 330,737</b>        | <b>\$ (13,773,030)</b> | <b>\$ -</b>       | <b>\$ -</b>         | <b>\$ -</b>         |
| <b>Component Units:</b>               |                      |                      |                                    |   |                         |                          |                        |                   |                     |                     |
| Tourism                               | \$ 493,726           | \$ -                 | \$ 640,296                         | \$ -  | \$ -                    | \$ -                     | \$ -                   | \$ 146,570        | \$ -                | -                   |
| Public Library                        | 1,014,421            | 44,386               | 859,752                            | -   | -                       | -                        | -                      | -                 | (110,283)           | -                   |
| <b>Total Component Units</b>          | <b>\$ 1,508,147</b>  | <b>\$ 44,386</b>     | <b>\$ 1,500,048</b>                | <b>\$ -</b>                                     | <b>\$ -</b>             | <b>\$ -</b>              | <b>\$ -</b>            | <b>\$ 146,570</b> | <b>\$ (110,283)</b> | <b>\$ (110,283)</b> |

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

LAUDERDALE COUNTY

Exhibit 2

STATEMENT OF ACTIVITIES (continued)  
September 30, 2006

|  | Net (Expense) Revenue and Changes in Net Assets |                          |                 |                |
|--|---|--------------------------|-----------------|----------------|
|  | Primary Government                              |                          | Component Units |                |
|  | Governmental Activities                         | Business-type Activities | Tourism         | Public Library |
| General revenues:  |   |                          |                 |                |
| Taxes:   |   |                          |                 |                |
| Property taxes   | \$ 17,712,918                                   | \$ -                     | \$ 17,712,918   | \$ -           |
| Road & bridge privilege taxes                                | 934,422   | -                        | 934,422         | -              |
| Grants and contributions not restricted to specific programs | 1,640,543                                       | 58,654                   | 1,699,197       | 191,153        |
| Unrestricted gifts and donations                             | -   | 4,194                    | 4,194           | -              |
| Unrestricted investment income                               | 698,066   | 2,116                    | 700,182         | 47,764         |
| Miscellaneous  | 1,846,924                                       | -                        | 1,846,924       | -              |
| (Loss) on sale of capital assets                             | (184,903)                                       | (6,151)                  | (191,054)       | -              |
| Total General Revenues                                       | \$ 22,647,970                                   | \$ 58,813                | \$ 22,706,783   | \$ 238,917     |
| Changes in Net Assets  | \$ 8,544,203                                    | \$ 389,550               | \$ 8,933,753    | \$ 128,634     |
| Net Assets - Beginning                                       | \$ 13,570,500                                   | \$ 1,584,844             | \$ 15,155,344   | \$ 1,774,895   |
| Net Assets - Ending  | \$ 22,114,703                                   | \$ 1,974,394             | \$ 24,089,097   | \$ 1,903,529   |

LAUDERDALE COUNTY

Exhibit 3

BALANCE SHEET – GOVERNMENTAL FUNDS  
September 30, 2006

|                               | Major Funds     |                             |                                  |                                     |                                | Total<br>Governmental<br>Funds |
|-------------------------------|-----------------|-----------------------------|----------------------------------|-------------------------------------|--------------------------------|--------------------------------|
|                               | General<br>Fund | Road<br>Maintenance<br>Fund | GO Tax Ind<br>Dev Bonds<br>Tower | GO Tax Ind<br>Dev Bonds<br>Loblolly | Other<br>Governmental<br>Funds |                                |
| <b>ASSETS</b>                 |                 |                             |                                  |                                     |                                |                                |
| Cash                          | \$ 4,245,659    | \$ 7,932                    | \$ 1,513,958                     | \$ 8,795,284                        | \$ 6,355,809                   | \$ 20,918,642                  |
| Property tax receivable       | 6,592,824       | 2,258,653                   | -                                | -                                   | 4,916,048                      | 13,767,525                     |
| Fines receivable              | 450,028         | -                           | -                                | -                                   | -                              | 450,028                        |
| Intergovernmental receivables | 359,330         | 855                         | -                                | -                                   | 525,536                        | 885,721                        |
| Other receivables             | 5,476           | -                           | -                                | -                                   | -                              | 5,476                          |
| Due from other funds          | -               | 114,544                     | -                                | -                                   | 107,681                        | 222,225                        |
| Advances to other funds       | 338,173         | -                           | -                                | -                                   | 266,000                        | 604,173                        |
| Total assets                  | \$ 11,991,490   | \$ 2,381,984                | \$ 1,513,958                     | \$ 8,795,284                        | \$ 12,171,074                  | \$ 36,853,790                  |

**LIABILITIES & FUND BALANCES**

Liabilities:

|                            |              |              |            |           |              |               |
|----------------------------|--------------|--------------|------------|-----------|--------------|---------------|
| Claims payable             | \$ 394,795   | \$ 240,474   | \$ 325,666 | \$ 59,421 | \$ 362,505   | \$ 1,382,861  |
| Intergovernmental payables | 1,244,454    | -            | -          | -         | -            | 1,244,454     |
| Due to other funds         | 237,256      | -            | -          | -         | -            | 237,256       |
| Advances from other funds  | -            | 210,000      | -          | -         | 394,173      | 604,173       |
| Deferred revenue-fines     | 450,028      | -            | -          | -         | -            | 450,028       |
| Unearned revenue           | 6,592,824    | 2,258,653    | -          | -         | -            | 13,767,525    |
| Total liabilities          | \$ 8,919,357 | \$ 2,709,127 | \$ 325,666 | \$ 59,421 | \$ 5,672,726 | \$ 17,686,297 |

LAUDERDALE COUNTY

Exhibit 3

BALANCE SHEET – GOVERNMENTAL FUNDS (continued)  
September 30, 2006

|                                   |    |            |    |           |    |           |    |            |    |            |
|-----------------------------------|----|------------|----|-----------|----|-----------|----|------------|----|------------|
| Reserved for:                     |    |            |    |           |    |           |    |            |    |            |
| Advances                          | \$ | 338,173    | \$ | -         | \$ | -         | \$ | 266,000    | \$ | 604,173    |
| Debt service funds                |    | -          |    | -         |    | -         |    | 688,316    |    | 688,316    |
| Unreserved, reported in:          |    |            |    |           |    |           |    |            |    |            |
| General fund                      |    | 2,733,960  |    | -         |    | -         |    | -          |    | 2,733,960  |
| Special revenue funds             |    | -          |    | (327,143) |    | -         |    | 4,067,812  |    | 3,740,669  |
| Capital project funds             |    | -          |    | -         |    | 1,188,292 |    | 1,476,220  |    | 11,400,375 |
| Total fund balances               | \$ | 3,072,133  | \$ | (327,143) | \$ | 1,188,292 | \$ | 8,735,863  | \$ | 19,167,493 |
| Total liabilities & fund balances | \$ | 11,991,490 | \$ | 2,381,984 | \$ | 1,513,958 | \$ | 12,171,074 | \$ | 36,853,790 |

LAUDERDALE COUNTY

Exhibit 3.1

**BALANCE SHEET – GOVERNMENTAL FUNDS (Continued)**  
September 30, 2006

(Exhibit 3 continued)

|   |                  |                      |
|---|------------------|----------------------|
| Total governmental fund balances  |                  | \$ 19,167,493        |
| Amounts reported for governmental activities<br>in the statement of net assets (Exhibit 1) are different because:   |                  |                      |
| Capital assets used in governmental activities are not financial<br>resources and therefore are not reported in the funds, net of<br>accumulated depreciation of \$14,310,174 |                  | \$ 54,117,670        |
| Fines receivable are not available to pay for current period expenditures<br>and, therefore, are deferred in the funds.   |                  | \$ 450,028           |
| Liabilities not due and payable in the current period are not reported<br>in the funds:   |                  |                      |
| Long-term liabilities (Note 9)  | \$ (51,398,775)  | \$ -                 |
| Accrued interest on bonds   | <u>(221,713)</u> | <u>(51,620,488)</u>  |
| Net assets of governmental activities   |                  | <u>\$ 22,114,703</u> |

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, 2006

|   | Major Funds          |                             |                                  |                                     |                                |                       |                                | Total<br>Governmental<br>Funds |
|---|----------------------|-----------------------------|----------------------------------|-------------------------------------|--------------------------------|-----------------------|--------------------------------|--------------------------------|
|   | General<br>Fund      | Road<br>Maintenance<br>Fund | Go Tax Ind<br>Dev Bonds<br>Tower | GO Tax Ind<br>Dev Bonds<br>Loblolly | Other<br>Governmental<br>Funds | Governmental<br>Funds | Total<br>Governmental<br>Funds |                                |
| <b>REVENUES</b>                             |                      |                             |                                  |                                     |                                |                       |                                |                                |
| Property taxes                              | \$ 9,439,960         | \$ 2,706,419                | \$ -                             | \$ -                                | \$ 5,566,539                   | \$ -                  | \$ 17,712,918                  |                                |
| Road and bridge privilege taxes             | -                    | 934,422                     | -                                | -                                   | -                              | -                     | 934,422                        |                                |
| Licenses, commissions and other revenue     | 621,751              | 440                         | -                                | -                                   | 40,680                         | -                     | 662,871                        |                                |
| Fines and forfeitures                       | 3,026,673            | 147,893                     | -                                | -                                   | -                              | -                     | 3,174,566                      |                                |
| Intergovernmental revenues                  | 2,471,781            | 824,983                     | 3,000,000                        | -                                   | 6,096,539                      | -                     | 12,393,303                     |                                |
| Charges for services                        | 752,682              | -                           | -                                | -                                   | 1,498,110                      | -                     | 2,250,792                      |                                |
| Interest income                             | 273,701              | 554                         | 151,899                          | 37,468                              | 234,444                        | -                     | 698,066                        |                                |
| Miscellaneous revenues                      | 585,407              | 9,455                       | 831,454                          | -                                   | 348,104                        | -                     | 1,774,420                      |                                |
| <b>Total Revenues</b>                       | <b>\$ 17,171,955</b> | <b>\$ 4,624,166</b>         | <b>\$ 3,983,353</b>              | <b>\$ 37,468</b>                    | <b>\$ 13,784,416</b>           | <b>\$ -</b>           | <b>\$ 39,601,358</b>           |                                |
| <b>EXPENDITURES</b>                         |                      |                             |                                  |                                     |                                |                       |                                |                                |
| Current:                                    |                      |                             |                                  |                                     |                                |                       |                                |                                |
| General government                          | \$ 5,764,135         | \$ -                        | \$ -                             | \$ -                                | \$ 459,381                     | \$ -                  | \$ 6,223,516                   |                                |
| Public safety                               | 8,481,059            | -                           | -                                | -                                   | 1,922,462                      | -                     | 10,403,521                     |                                |
| Public works                                | -                    | 5,110,517                   | -                                | -                                   | 7,263,194                      | -                     | 12,373,711                     |                                |
| Health and welfare                          | 1,009,145            | -                           | -                                | -                                   | -                              | -                     | 1,009,145                      |                                |
| Culture and recreation                      | -                    | -                           | -                                | -                                   | 331,030                        | -                     | 331,030                        |                                |
| Conservation of natural resources           | 105,609              | -                           | -                                | -                                   | -                              | -                     | 105,609                        |                                |
| Economic development and assistance         | 137,110              | -                           | 12,845,061                       | 1,301,605                           | 1,166,676                      | -                     | 15,450,452                     |                                |
| Debt service:                               |                      |                             |                                  |                                     |                                |                       |                                |                                |
| Principal                                   | 316,500              | 1,359,278                   | -                                | -                                   | 2,861,976                      | -                     | 4,537,754                      |                                |
| Interest                                    | 150,528              | 48,910                      | -                                | -                                   | 1,069,903                      | -                     | 1,269,341                      |                                |
| Bond issue costs                            | -                    | -                           | -                                | -                                   | 22,203                         | -                     | 22,203                         |                                |
| <b>Total Expenditures</b>                   | <b>\$ 15,964,086</b> | <b>\$ 6,518,705</b>         | <b>\$ 12,845,061</b>             | <b>\$ 1,301,605</b>                 | <b>\$ 15,096,825</b>           | <b>\$ -</b>           | <b>\$ 51,726,282</b>           |                                |
| <b>Excess of Expenditures over Revenues</b> | <b>\$ 1,207,869</b>  | <b>\$ (1,894,539)</b>       | <b>\$ (8,861,708)</b>            | <b>\$ (1,264,137)</b>               | <b>\$ (1,312,409)</b>          | <b>\$ -</b>           | <b>\$ (12,124,924)</b>         |                                |

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

Exhibit 4

LAUDERDALE COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS (continued)  
September 30, 2006

|   |    |                  |    |                  |    |                   |    |                  |    |                   |
|---|----|------------------|----|------------------|----|-------------------|----|------------------|----|-------------------|
| OTHER FINANCING SOURCES (USES)          |    |                  |    |                  |    |                   |    |                  |    |                   |
| Long-term capital debt issued           | \$ | -                | \$ | 10,050,000       | \$ | 10,000,000        | \$ | 4,015,000        | \$ | 24,065,000        |
| Proceeds from sale of capital assets    |    | 11,895           |    | -                |    | -                 |    | 119,689          |    | 1,018,767         |
| Compensation for loss of capital assets |    | 38,115           |    | -                |    | -                 |    | 20,730           |    | 72,504            |
| Transfers in                            |    | 464,176          |    | -                |    | -                 |    | 335,634          |    | 799,810           |
| Transfers out                           |    | (516,676)        |    | -                |    | -                 |    | (283,134)        |    | (799,810)         |
| Capital leases                          |    | 12,501           |    | 1,030,920        |    | -                 |    | 124,670          |    | 1,168,091         |
|   |    | <u>10,011</u>    |    | <u>1,931,762</u> |    | <u>10,000,000</u> |    | <u>4,332,589</u> |    | <u>26,324,362</u> |
| Total Other Financing Sources and Uses  | \$ | <u>10,011</u>    | \$ | <u>1,931,762</u> | \$ | <u>10,000,000</u> | \$ | <u>4,332,589</u> | \$ | <u>26,324,362</u> |
| Net Changes in Fund Balances            | \$ | <u>1,217,880</u> | \$ | <u>37,223</u>    | \$ | <u>1,188,292</u>  | \$ | <u>8,735,863</u> | \$ | <u>3,020,180</u>  |
| Fund Balances - Beginning               | \$ | <u>1,854,253</u> | \$ | <u>(364,366)</u> | \$ | -                 | \$ | <u>3,478,168</u> | \$ | <u>4,968,055</u>  |
| Fund Balances - Ending                  | \$ | <u>3,072,133</u> | \$ | <u>(327,143)</u> | \$ | <u>1,188,292</u>  | \$ | <u>8,735,863</u> | \$ | <u>19,167,493</u> |

**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, 2006**

Net change in fund balances - total governmental funds (Exhibit 4) \$ 14,199,438

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 (\$18,190,538) exceeded depreciation (\$1,640,628) in the current period, and adjustments of (\$162,965). 16,386,945

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 (\$1,018,767) exceeded the loss (\$184,903) in the current period. (1,203,670)

Fines revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting. (16,366)

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 (\$4,537,754) was less than debt proceeds (\$25,233,091) (20,695,337)

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      | (36,347) |           |
| Accrued interest on bonds | (90,460) | (126,807) |

Change in net assets of governmental activities (Exhibit 2) \$ 8,544,203

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

**STATEMENT OF NET ASSETS**  
**FOR PROPRIETARY FUND TYPE – AMBULANCE ENTERPRISE FUND**  
September 30, 2006

**ASSETS**

|                          |                     |
|--------------------------|---------------------|
| Current assets           |                     |
| Cash                     | \$ 748,512          |
| Accounts receivable, net | 447,303             |
| Inventories              | 18,887              |
| Prepaid expenses         | <u>248,258</u>      |
| Total current assets     | <u>\$ 1,462,960</u> |
| Noncurrent assets        |                     |
| Capital assets, net      | <u>\$ 644,304</u>   |
| Total noncurrent assets  | <u>\$ 644,304</u>   |
| Total assets             | <u>\$ 2,107,264</u> |

**LIABILITIES**

|                           |                   |
|---------------------------|-------------------|
| Current liabilities       |                   |
| Claims payable            | \$ 10,099         |
| Deferred revenue          | 1,803             |
| Other payables            | 68,271            |
| Compensated absences      | <u>52,697</u>     |
| Total current liabilities | <u>\$ 132,870</u> |
| Total liabilities         | <u>\$ 132,870</u> |

**NET ASSETS**

|                            |                     |
|----------------------------|---------------------|
| Invested in capital assets | \$ 644,304          |
| Unrestricted               | <u>1,330,090</u>    |
| Total net assets           | <u>\$ 1,974,394</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, 2006

|                                     |                     |
|-------------------------------------|---------------------|
| <b>OPERATING REVENUES</b>           |                     |
| Charges for sales and services      | <u>\$ 4,182,756</u> |
| <b>Total operating revenues</b>     | <u>\$ 4,182,756</u> |
| <b>OPERATING EXPENSES</b>           |                     |
| Personal services                   | \$ 2,024,770        |
| Contractual services                | 210,457             |
| Materials and supplies              | 113,612             |
| Depreciation expense                | 119,895             |
| Bad debt expense                    | 1,112,570           |
| Administrative                      | <u>270,715</u>      |
| <b>Total operating expenses</b>     | <u>\$ 3,852,019</u> |
| <b>Operating income</b>             | <u>\$ 330,737</u>   |
| <b>NONOPERATING REVENUES</b>        |                     |
| County and local support            | \$ 58,654           |
| Loss on disposal of fixed assets    | (6,151)             |
| Interest income                     | 2,116               |
| Membership income                   | 4,078               |
| Other income                        | <u>116</u>          |
| <b>Net nonoperating revenues</b>    | <u>\$ 58,813</u>    |
| <b>Change in net assets</b>         | \$ 389,550          |
| <b>Total net assets - beginning</b> | <u>1,584,844</u>    |
| <b>Total net assets - ending</b>    | <u>\$ 1,974,394</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, 2006

**CASH FLOWS FROM OPERATING ACTIVITIES**

|   |                          |
|---|--------------------------|
| Cash received from customers                      | \$ 3,063,264             |
| Cash payments to suppliers for goods and services | (1,160,215)              |
| Cash payments to employees for services           | <u>(1,727,044)</u>       |
| <b>Net cash used in operating activities</b>      | <b><u>\$ 176,005</u></b> |

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

|   |                         |
|---|-------------------------|
| Operating grants received                                   | \$ 32,971               |
| Cash received from property taxes                           | 18,354                  |
| Other receipts  | <u>11,522</u>           |
| <b>Net cash provided by noncapital financing activities</b> | <b><u>\$ 62,847</u></b> |

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

|  |                            |
|--|----------------------------|
| Acquisition of capital assets                                    | \$ (432,437)               |
| <b>Net cash used in capital and related financing activities</b> | <b><u>\$ (432,437)</u></b> |

**CASH FLOWS FROM INVESTING ACTIVITIES**

|  |                          |
|--|--------------------------|
| Interest on investment                               | <u>\$ 2,116</u>          |
| <b>Net cash provided by investing activities</b>     | <b><u>\$ 2,116</u></b>   |
| Net increase (decrease) in cash and cash equivalents | \$ (191,469)             |
| Cash and cash equivalents at beginning of year       | <u>939,981</u>           |
| <b>Cash and cash equivalents at end of year</b>      | <b><u>\$ 748,512</u></b> |

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

**STATEMENT OF CASH FLOWS – (continued)**  
**FOR PROPRIETARY FUND TYPE - AMBULANCE ENTERPRISE FUND**  
For the Year Ended September 30, 2006

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

|  |                     |
|--|---------------------|
| Operating income   | <u>\$ 330,737</u>   |
| Adjustments to reconcile operating income to net cash provided<br>by (used in) operating activities: |                     |
| Depreciation   | \$ 119,895          |
| Provision for uncollectible accounts   | 1,103,381           |
| Loss on disposal of equipment  | 6,151               |
| Change in assets and liabilities   |                     |
| Increase in accounts receivables   | (1,119,848)         |
| Increase in prepaid expenses   | (233,406)           |
| Increase in inventory  | (2,117)             |
| Decrease in claims payable   | (40,127)            |
| Increase in other accrued liabilities  | 23,117              |
| Decrease in compensated absences   | <u>(11,778)</u>     |
| Total adjustments  | <u>\$ (154,732)</u> |
| <b>Net cash used in operating activities</b>   | <u>\$ 176,005</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, 2006

|                            | <u>Agency<br/>Funds</u> |
|----------------------------|-------------------------|
| <b>ASSETS</b>              |                         |
| Cash                       | \$ 443,870              |
| Due from other funds       | <u>15,031</u>           |
| Total assets               | <u>\$ 458,901</u>       |
| <b>LIABILITIES</b>         |                         |
| Accrued liabilities        | \$ -                    |
| Intergovernmental payables | <u>458,091</u>          |
| Total liabilities          | <u>\$ 458,091</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, 2006

#### 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, 2006

#### 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 7<sup>th</sup> 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, 2006

#### 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, 2006

#### 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.

G.O. Tax Industrial Development Bond 2006 – Accounts for monies from issuance of bonds for industrial development of Tower Automotive.

G.O. Tax Industrial Development Bonds 2006 – Accounts for monies from issuance of bonds for industrial development of Loblolly Industries.

## LAUDERDALE COUNTY

### NOTES TO FINANCIAL STATEMENTS For the Year Ended September 30, 2006

#### 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 2005 by the Government Finance Officers Association.

LAUDERDALE COUNTY

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2006

**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, 2006

#### 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, 2006

**Note 1. Significant Accounting Policies (continued)**

|                                      | <u>Capitalization<br/>Thresholds</u> | <u>Estimated<br/>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, 2006

**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, 2006

#### 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. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

## LAUDERDALE COUNTY

### NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2006

#### Note 2. Deposits

##### Primary Government

The carrying amount of the county's total deposits with financial institutions at September 30, 2006, was \$22,111,024, and the bank balance was \$23,612,843. 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, 2006, was \$1,852,931, and the bank balance was \$1,850,978. The carrying amount of the Lauderdale County Tourism Commission's total deposits with financial institutions at September 30, 2006, was \$459,239. 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.

##### Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of the failure of a financial institution, the county will not be able to recover deposits or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the county.

Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the county.

**LAUDERDALE COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended September 30, 2006

**Note 3. Interfund Transactions and Balances**

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

Due From/To Other Funds

| Receivable Fund             | Payable Fund |            |
|-----------------------------|--------------|------------|
| Major Funds                 |              |            |
| County Road Maintenance     | General Fund | \$ 114,544 |
| Nonmajor Governmental Funds |              |            |
|                             | General Fund | 107,681    |
| Due from other funds        |              | \$ 222,225 |
| Agency fund                 |              |            |
|                             | General fund | \$ 15,031  |
| Due to other funds          |              | \$ 237,256 |

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 | \$ 338,173 |
| County Bridge               | County Road Maintenance     | 210,000    |
| Nonmajor Governmental Funds |                             |            |
|                             | Nonmajor Governmental Funds | 56,000     |
| Total                       |                             | \$ 604,173 |

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, 2006

**Note 3. Interfund Transactions and Balances (continued)**

Transfers In/Out

| Transfer In                 | Transfer Out                |            |
|-----------------------------|-----------------------------|------------|
| Major Funds                 |                             |            |
| General Fund                | General Fund                | \$ 464,176 |
| Nonmajor Governmental Funds | General Fund                | 52,500     |
| Nonmajor Governmental Funds | Nonmajor Governmental Funds | 283,134    |
| Total                       |                             | \$ 799,810 |

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, 2006 consists of the following:

Governmental Activities

|                                     |            |
|-------------------------------------|------------|
| Emergency Management Funds          | \$ 339,437 |
| Motor Vehicle License Tax           | 338,501    |
| Other intergovernmental Receivables | 207,783    |
| Total Governmental Activities       | \$ 885,721 |

**LAUDERDALE COUNTY**

**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2006

**Note 5. Capital Assets**

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

**Governmental Activities**

|  | Balance<br>Oct 1, 2005 | Addition             | Deletion              | Adjustments         | Balance<br>Sept 30, 2006 |
|--|------------------------|----------------------|-----------------------|---------------------|--------------------------|
| <u>Non-depreciable capital assets:</u>             |                        |                      |                       |                     |                          |
| Land   | \$ 7,961,273           | \$ 1,672,184         | \$ (128,718)          | \$ 1                | \$ 9,504,740             |
| Construction in progress                           | 5,910,687              | 13,602,997           | -                     | (52,392)            | 19,461,292               |
| <b>Total non-depreciable capital assets</b>        | <b>\$ 13,871,960</b>   | <b>\$ 15,275,181</b> | <b>\$ (128,718)</b>   | <b>\$ (52,391)</b>  | <b>\$ 28,966,032</b>     |
| <u>Depreciable capital assets:</u>                 |                        |                      |                       |                     |                          |
| Infrastructure                                     | \$ 3,277,708           | \$ 384,509           | \$ -                  | \$ 52,387           | \$ 3,714,604             |
| Buildings  | 18,896,980             | -                    | -                     | -                   | 18,896,980               |
| Improvements other than buildings                  | 1,492,045              | -                    | -                     | -                   | 1,492,045                |
| Mobile equipment                                   | 10,043,201             | 624,730              | (906,304)             | 4,099               | 9,765,726                |
| Furniture and equipment                            | 2,001,948              | 750,528              | (267,832)             | (167,059)           | 2,317,585                |
| Property under capital leases                      | 2,936,186              | 1,155,590            | (816,903)             | (1)                 | 3,274,872                |
| <b>Total depreciable capital assets</b>            | <b>\$ 38,648,068</b>   | <b>\$ 2,915,357</b>  | <b>\$ (1,991,039)</b> | <b>\$ (110,574)</b> | <b>\$ 39,461,812</b>     |
| <u>Less accumulated depreciation for:</u>          |                        |                      |                       |                     |                          |
| Infrastructure                                     | \$ 234,799             | \$ 120,700           | \$ -                  | \$ -                | \$ 355,499               |
| Buildings  | 3,380,788              | 375,287              | -                     | -                   | 3,756,075                |
| Improvements other than buildings                  | 446,716                | 49,602               | 1,261                 | -                   | 497,579                  |
| Mobile equipment                                   | 7,482,178              | 551,011              | (796,039)             | -                   | 7,237,150                |
| Furniture and equipment                            | 1,512,842              | 175,720              | (47,788)              | -                   | 1,640,774                |
| Property under capital leases                      | 528,310                | 368,308              | (73,521)              | -                   | 823,097                  |
| <b>Total accumulated depreciation</b>              | <b>\$ 13,585,633</b>   | <b>\$ 1,640,628</b>  | <b>\$ (916,087)</b>   | <b>\$ -</b>         | <b>\$ 14,310,174</b>     |
| <b>Total depreciable capital assets, net</b>       | <b>\$ 25,062,435</b>   | <b>\$ 1,274,729</b>  | <b>\$ (1,074,952)</b> | <b>\$ (110,574)</b> | <b>\$ 25,151,638</b>     |
| <b>Governmental activities capital assets, net</b> | <b>\$ 38,934,395</b>   | <b>\$ 16,549,910</b> | <b>\$ (1,203,670)</b> | <b>\$ (162,965)</b> | <b>\$ 54,117,670</b>     |

\*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, 2006

**Note 5. Capital Assets (continued)**

The adjustments are to remove items under threshold, to balance to county's schedule.

Depreciation expense was charged to the governmental functions as follows:

|  |                         |
|--|-------------------------|
| General government                                     | \$ 442,073              |
| Public safety  | 500,643                 |
| Public works   | 669,619                 |
| Health and welfare                                     | 7,138                   |
| Culture and recreation                                 | 19,603                  |
| Conservation of natural resources                      | <u>1,552</u>            |
| <br>Total governmental activities depreciation expense | <br><u>\$ 1,640,628</u> |

Business-type Activities

|   | Balance<br><u>Oct 1, 2005</u> | Addition          | Deletion           | Adjustments | Balance<br><u>Sept 30, 2006</u> |
|---|-------------------------------|-------------------|--------------------|-------------|---------------------------------|
| <u>Depreciable capital assets:</u>            |                               |                   |                    |             |                                 |
| Leasehold Improvements                        | \$ 39,911                     | \$ -              | \$ -               | \$ -        | \$ 39,911                       |
| Mobile equipment                              | 753,481                       | 147,034           | -                  | -           | 900,515                         |
| Furniture and equipment                       | <u>383,759</u>                | <u>285,403</u>    | <u>(17,623)</u>    | <u>-</u>    | <u>651,539</u>                  |
| Total depreciable capital assets              | <u>\$ 1,177,151</u>           | <u>\$ 432,437</u> | <u>\$ (17,623)</u> | <u>\$ -</u> | <u>\$ 1,591,965</u>             |
| <br><u>Less accumulated depreciation for:</u> |                               |                   |                    |             |                                 |
| Leasehold Improvements                        | \$ 20,493                     | \$ 3,991          | \$ -               | \$ -        | \$ 24,484                       |
| Mobile equipment                              | 524,296                       | 70,603            | -                  | -           | 594,899                         |
| Furniture and equipment                       | <u>284,785</u>                | <u>45,301</u>     | <u>(1,808)</u>     | <u>-</u>    | <u>328,278</u>                  |
| Total accumulated depreciation                | <u>\$ 829,574</u>             | <u>\$ 119,895</u> | <u>\$ (1,808)</u>  | <u>\$ -</u> | <u>\$ 947,661</u>               |
| Total depreciable capital assets, net         | <u>\$ 347,577</u>             | <u>\$ 312,542</u> | <u>\$ (15,815)</u> | <u>\$ -</u> | <u>\$ 644,304</u>               |
| Business-type activities capital assets, net  | <u>\$ 347,577</u>             | <u>\$ 312,542</u> | <u>\$ (15,815)</u> | <u>\$ -</u> | <u>\$ 644,304</u>               |

All depreciation expense was charged to Metro Ambulance.

LAUDERDALE COUNTY

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2006

Note 5. Capital Assets (continued)

Component units – governmental

The Meridian-Lauderdale County Public Library capital assets balances at September 30, 2006, are as follows:

|                               |                  |
|-------------------------------|------------------|
| Mobile equipment              | \$ 16,506        |
| Furniture and equipment       | <u>273,923</u>   |
| Total capital assets          | \$ 290,429       |
| Less accumulated depreciation | <u>(220,816)</u> |
| Capital assets, net           | <u>\$ 69,613</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, 2006, is as follows:

|                               |                 |
|-------------------------------|-----------------|
| Mobile equipment              | \$ 26,934       |
| Furniture and equipment       | <u>22,708</u>   |
| Total capital assets          | \$ 49,642       |
| Less accumulated depreciation | <u>(41,333)</u> |
| Capital assets, net           | <u>\$ 8,309</u> |

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

**LAUDERDALE COUNTY**

**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2006

**Note 5. Capital Assets** (continued)

As of September 30, 2006, the county had the following commitments with respect to unfinished capital projects:

| <u>Description of Commitment</u>                           | <u>Financial<br/>Commitment</u> | <u>Expected Date<br/>of Completion</u> |
|--|---------------------------------|--|
| DECD-38 (30) Lockhart Trailer Court Road                   | \$ 15,311                       | January 2007                           |
| SAP-38 (86) Miller Road Bridge                             | 13,613                          | January 2007                           |
| SAP-38(92) Allen Swamp Road Bridge                         | 26,404                          | January 2007                           |
| STP-454(6) Hurnvan Creek Road                              | 3,977                           | January 2007                           |
| SAP-38(90) 31st Avenue Valley Road                         | 24,806                          | January 2007                           |
| LSBP-38(8) Rob Sims Road Bridge                            | 6,727                           | June 2007                              |
| LSBP-38(12) Box Bridge-Russell Camp and<br>E. Johnson Road | 12,959                          | January 2007                           |
| SAP-38(10)S Reseal Various Roads                           | 100,408                         | January 2007                           |
| SAP-38(93) Gumlog Road                                     | 17,426                          | January 2007                           |
| STP-0038(32)B Centerhill Road                              | 5,373                           | January 2007                           |
| Tower Automotive   | 822,559                         | February 2007                          |
| ER-0456(4)B Centerhill/Lauderdale Road                     | 140,834                         | June 2007                              |

**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 \$750,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2006, to January 1, 2007. 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. Operating Leases**

As Lessor

The county receives income from property it leases under noncancellable operating leases. Total income from such leases was \$-0- for the year ended September 30, 2006. The future minimum lease receivables for these leases are as follows:

| <u>Year Ending September 30</u> | <u>Amount</u>       |
|---------------------------------|---------------------|
| 2007                            | \$ 250,000          |
| 2008                            | 375,000             |
| 2009                            | 375,000             |
| 2010                            | 375,000             |
| 2011                            | 375,000             |
| 2012 - 2016                     | 1,875,000           |
| 2017 - 2021                     | 1,875,000           |
| 2022                            | <u>125,000</u>      |
|                                 | <u>\$ 5,625,000</u> |

For further information see Note 15.

**Note 8. Capital Leases**

As Lessee

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2006:

| <u>Classes of Property</u>           | <u>Governmental<br/>Activities</u> |
|--------------------------------------|------------------------------------|
| Mobile equipment                     | \$ 3,164,758                       |
| Furniture and equipment              | 110,114                            |
| Less: Accumulated depreciation       | <u>(823,097)</u>                   |
| Leased Property under Capital Leases | <u>\$ 2,451,775</u>                |

**LAUDERDALE COUNTY**

**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2006

**Note 8. Capital Leases (continued)**

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

| <u>Year Ending September 30</u> | <u>Governmental Activities</u> |                  |
|---------------------------------|--------------------------------|------------------|
|                                 | <u>Principal</u>               | <u>Interest</u>  |
| 2007                            | \$ 661,128                     | \$ 44,844        |
| 2008                            | 643,841                        | 24,608           |
| 2009                            | 213,406                        | 9,911            |
| 2010                            | 104,975                        | 4,876            |
| 2011                            | <u>72,125</u>                  | <u>1,562</u>     |
| Total                           | <u>\$ 1,695,475</u>            | <u>\$ 85,801</u> |

**Note 9. Long-term Debt**

Debt outstanding as of September 30, 2006, consists of the following:

| <u>Description and Purpose</u>             | <u>Amount Outstanding</u> | <u>Interest Rate</u> | <u>Final Maturity Date</u> |
|--|---------------------------|----------------------|----------------------------|
| <b>Governmental Activities:</b>            |                           |                      |                            |
| <b>A. General Obligation Bonds:</b>        |                           |                      |                            |
| Refunding bonds - Series 1993 & 2003       | \$ 2,205,000              | 1.2 - 3.0            | 12/09                      |
| Refunding bonds - Series 2003              | 2,830,000                 | 4.375 - 6.25         | 3/12                       |
| Recreation construction - Series 1999      | 1,700,000                 | 3.9 - 5.25           | 3/14                       |
| Refunding bonds - Series 1999              | 4,865,000                 | 3.7 - 4.65           | 10/14                      |
| Road and bridge - Series 2000              | 2,570,000                 | 5.3 - 7.0            | 6/15                       |
| Industrial park - Series 2000              | 3,105,000                 | 6.5 - 9.25           | 10/15                      |
| Road and bridge - Series 2004              | 3,270,000                 | 2.75 - 3.5           | 4/16                       |
| Industrial Development bonds - Series 2006 | 10,050,000                | 5.3 - 5.75           | 2/22                       |
| Industrial Development bonds - Series 2006 | <u>10,000,000</u>         | 7.0 - 7.25           | 7/22                       |
| Total General Obligation Bonds             | <u>\$ 40,595,000</u>      |                      |                            |

**LAUDERDALE COUNTY**

**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2006

**Note 9. Long-term Debt** (continued)

| <u>Description and Purpose</u>   | <u>Amount<br/>Outstanding</u> | <u>Interest<br/>Rate</u> | <u>Final<br/>Maturity<br/>Date</u> |
|--|-------------------------------|--------------------------|------------------------------------|
| <b>B. Special Obligation Bonds:</b>  |                               |                          |                                    |
| Special Obligation Bonds   | \$ 3,605,000                  | 3.0 - 4.0                | 7/19                               |
| Hurricane Katrina  | <u>3,165,000</u>              | 4.25                     | 11/22                              |
|  | <u>\$ 6,770,000</u>           |                          |                                    |
| <b>C. Capital Leases:</b>  |                               |                          |                                    |
| Garbage truck  | \$ 60,195                     | 3.04                     | 9/08                               |
| Caterpillar tractor  | 28,374                        | 3.48                     | 1/08                               |
| Equipment and tractors   | 624,832                       | 2.90                     | 10/08                              |
| Excavator and 3 Ingersolls   | 54,637                        | 2.85                     | 2/08                               |
| E911 equipment   | 19,709                        | 0.00                     | 4/09                               |
| John Deere excavator   | 44,049                        | 3.01                     | 1/09                               |
| 2 motorgraders   | 164,016                       | 3.01                     | 1/09                               |
| 5 tractors and 2 mowers  | 164,034                       | 2.91                     | 2/09                               |
| IBM 5 Series Model   | 77,181                        | 3.29                     | 2/10                               |
| Caterpillar motorgrader  | 135,270                       | 3.5                      | 6/10                               |
| John Deere excavator   | 115,053                       | 4.06                     | 3/11                               |
| Holland tractor  | 83,455                        | 4.08                     | 6/11                               |
| Caterpillar excavator  | <u>124,670</u>                | 3.98                     | 9/11                               |
| Total Capital Leases   | <u>\$ 1,695,475</u>           |                          |                                    |
| <b>D. Other Loans:</b>   |                               |                          |                                    |
| Mississippi Development Authority<br>loan for drainage - south industrial park | \$ 684,164                    | 3.0                      | 4/16                               |
| Bellsouth  | 172,000                       | 2.25                     | 9/08                               |
| Land   | 211,000                       | 3.93                     | 5/08                               |
| Reappraisal  | <u>850,000</u>                | 4.25                     | 8/07                               |
| Total Other Loans  | <u>\$ 1,917,164</u>           |                          |                                    |

**LAUDERDALE COUNTY**

**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2006

**Note 9. Long-term Debt** (continued)

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

| <u>Year Ending September 30</u> | <u>Bonds</u>         |                      |
|---------------------------------|----------------------|----------------------|
|                                 | <u>Principal</u>     | <u>Interest</u>      |
| 2007                            | \$ 3,115,000         | \$ 2,483,987         |
| 2008                            | 3,425,000            | 2,265,981            |
| 2009                            | 3,570,000            | 2,044,334            |
| 2010                            | 3,740,000            | 1,879,634            |
| 2011                            | 3,320,000            | 1,720,115            |
| 2012-2016                       | 14,665,000           | 6,183,253            |
| 2017-2021                       | 7,735,000            | 3,376,408            |
| 2022-2026                       | <u>7,795,000</u>     | <u>1,275,682</u>     |
| Total                           | <u>\$ 47,365,000</u> | <u>\$ 21,229,394</u> |

| <u>Year Ending September 30</u> | <u>Other Loans</u>  |                   |
|---------------------------------|---------------------|-------------------|
|                                 | <u>Principal</u>    | <u>Interest</u>   |
| 2007                            | \$ 408,319          | \$ 68,469         |
| 2008                            | 421,877             | 53,684            |
| 2009                            | 236,774             | 38,389            |
| 2010                            | 246,026             | 29,137            |
| 2011                            | 255,849             | 19,312            |
| 2012-2016                       | <u>348,319</u>      | <u>24,484</u>     |
| Total                           | <u>\$ 1,917,164</u> | <u>\$ 233,475</u> |

## LAUDERDALE COUNTY

### NOTES TO FINANCIAL STATEMENTS For the Year Ended September 30, 2006

#### Note 9. Long-term Debt (continued)

##### 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, 2006, the amount of outstanding debt was equal to 10.2% 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 through December 1, 2007 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 \$66,500 and \$58,747, respectively for the year ended September 30, 2006. Payments are made from the revenues generated by tax increment financing.

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 \$29,750 and interest of \$28,428 was paid for the year ended September 30, 2006.

**LAUDERDALE COUNTY**

**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2006

**Note 9. Long-term Debt (continued)**

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

| Governmental Activities: |                      |                      |                       | Balance              | Amount due          |
|--------------------------|----------------------|----------------------|-----------------------|----------------------|---------------------|
|                          | Balance              | Additions            | Reductions            | Sept 30, 2006        | within one          |
|                          | Oct 1, 2005          |                      |                       |                      | year                |
| Compensated absences     | \$ 384,789           | \$ 36,347            | \$ -                  | \$ 421,136           | **                  |
| General obligation bonds | 27,015,000           | 23,215,000           | (2,865,000)           | 47,365,000           | 3,115,000           |
| Limited obligation bonds | -                    | -                    | -                     | -                    | -                   |
| Capital leases           | 1,956,798            | 1,155,590            | (1,416,913)           | 1,695,475            | 661,128             |
| Other loans              | 1,310,504            | 862,501              | (255,841)             | 1,917,164            | 408,319             |
| <b>Total</b>             | <b>\$ 30,667,091</b> | <b>\$ 25,269,438</b> | <b>\$ (4,537,754)</b> | <b>\$ 51,398,775</b> | <b>\$ 4,184,447</b> |

  

| Business-type Activities: |             |           |            | Balance       | Amount due |
|---------------------------|-------------|-----------|------------|---------------|------------|
|                           | Balance     | Additions | Reductions | Sept 30, 2006 | within one |
|                           | Oct 1, 2005 |           |            |               | year       |
| Compensated absences      | \$ 64,475   | \$ -      | \$ 11,778  | \$ 52,697     | **         |

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

**Note 10. Deficit Fund Balances of Individual Funds**

The following fund reported a deficit in fund balance at September 30, 2006:

| <u>Special Revenue Funds</u>  | <u>Deficit Amount</u> |
|-------------------------------|-----------------------|
| Triad Grant - Senior Citizens | \$ (1,359)            |
| Local Law Enforcement         | (48,441)              |
| Drug task force               | (130,666)             |
| Homeland Security             | (86,573)              |
| Step Minigrant                | (2,832)               |
| E-911                         | (12,083)              |
| Garbage and solid waste       | (444,571)             |
| Road Maintenance Fund         | (327,143)             |

## LAUDERDALE COUNTY

### NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2006

#### Note 11. 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 12. 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 2006. Complete financial statements for the East Mississippi Business development Corporation can be obtained from P. O. Box 790, Meridian, MS 39302.

#### Note 13. 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 2006.

## LAUDERDALE COUNTY

### NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2006

#### Note 13. Jointly Governed Organizations (continued)

East Central 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 \$65,114 for support of the district in fiscal year 2006.

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 \$203,035 for maintenance and support of the college in fiscal year 2006.

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 \$105,200 for support of the agency in fiscal year 2006.

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 2006.

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 \$9,000 for the district's support in fiscal year 2006.

## LAUDERDALE COUNTY

### NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2006

#### Note 14. 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 rate at September 30, 2006 was 11.3% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2006, 2005, and 2004 were \$1,115,036, \$1,016,455, and \$894,089, respectively, equal to the required contributions for each year.

#### Note 15. Subsequent Events

On December 2, 2005, Lauderdale County entered into a lease agreement with Tower Automotive for a term of 15 years. The lease contained language that included an "option to purchase" by Tower Automotive after 15 years.

Construction for this project was not completed until January 2007; therefore, rental payments were not received by the county until February 1, 2007. Subsequent to the terms agreed upon in the original lease in December, 2005, Tower Automotive requested an "Amended Lease" be executed that deleted the "option to purchase" language and replaced this language with a "right of first refusal to purchase" if the county elected to sale the property.

On May 21, 2007, the County agreed to the terms of the "Amended Agreement" and executed said document. By accepting these terms, the County has an operating lease arrangement with Tower Automotive and not a capital lease agreement.

**SUPPLEMENTAL INFORMATION**

**LAUDERDALE COUNTY**

**BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND**

For the Year Ended September 30, 2006

|  | Budgeted Amounts     |                       | Actual<br>Non-GAAP<br>Budgetary Basis | Variances<br>Favorable (Unfavorable) |                    |
|--|----------------------|-----------------------|---------------------------------------|--------------------------------------|--------------------|
|  | Original             | Final                 |                                       | Original<br>to Final                 | Final<br>to Actual |
|  | <b>REVENUES</b>      |                       |                                       |                                      |                    |
| Property taxes                                       | \$ 9,519,195         | \$ 9,441,259          | \$ 9,441,259                          | \$ (77,936)                          | \$ -               |
| Licenses, commissions and other revenue              | 509,649              | 541,889               | 541,889                               | 32,240                               | -                  |
| Fines and forfeitures                                | 1,768,158            | 1,216,208             | 1,216,208                             | (551,950)                            | -                  |
| Intergovernmental revenues                           | 1,545,103            | 1,812,387             | 1,812,387                             | 267,284                              | -                  |
| Charges for services                                 | 732,494              | 691,596               | 691,596                               | (40,898)                             | -                  |
| Interest income                                      | 105,357              | 275,246               | 275,246                               | 169,889                              | -                  |
| Miscellaneous revenues                               | 567,727              | 791,504               | 791,504                               | 223,777                              | -                  |
| Total Revenues                                       | <u>\$ 14,747,683</u> | <u>\$ 14,770,089</u>  | <u>\$ 14,770,089</u>                  | <u>\$ 22,406</u>                     | <u>\$ -</u>        |
| <b>EXPENDITURES</b>                                  |                      |                       |                                       |                                      |                    |
| <b>Current</b>                                       |                      |                       |                                       |                                      |                    |
| General government                                   | \$ 5,747,578         | \$ 5,315,580          | \$ 5,315,580                          | \$ (431,998)                         | \$ -               |
| Public safety  | 6,727,326            | 8,780,531             | 8,780,531                             | 2,053,205                            | -                  |
| Health and welfare                                   | 1,051,125            | 1,001,618             | 1,001,618                             | (49,507)                             | -                  |
| Culture and recreation                               | 5,383                | -                     | -                                     | (5,383)                              | -                  |
| Conservation of natural resources                    | 124,472              | 106,872               | 106,872                               | (17,600)                             | -                  |
| Economic development and assistance                  | 139,647              | 137,110               | 137,110                               | (2,537)                              | -                  |
| <b>Debt service</b>                                  |                      |                       |                                       |                                      |                    |
| Principal  | 342,985              | 316,500               | 316,500                               | (26,485)                             | -                  |
| Interest   | -                    | 150,528               | 150,528                               | 150,528                              | -                  |
| Total Expenditures                                   | <u>\$ 14,138,516</u> | <u>\$ 15,808,739</u>  | <u>\$ 15,808,739</u>                  | <u>\$ 1,670,223</u>                  | <u>\$ -</u>        |
| Excess (Deficiency) of Revenues<br>Over Expenditures | <u>\$ 609,167</u>    | <u>\$ (1,038,650)</u> | <u>\$ (1,038,650)</u>                 | <u>\$ (1,647,817)</u>                | <u>\$ -</u>        |
| <b>OTHER FINANCING SOURCES (USES)</b>                |                      |                       |                                       |                                      |                    |
| Proceeds from sales of capital assets                | \$ 1,000             | \$ 11,895             | \$ 11,895                             | \$ 10,895                            | \$ -               |
| Compensation for loss of capital assets              | 214,200              | 38,115                | 38,115                                | (176,085)                            | -                  |
| Transfers in   | 1,061,006            | 2,236,627             | 2,236,627                             | 1,175,621                            | -                  |
| Transfers out  | (627,517)            | (516,676)             | (516,676)                             | 110,841                              | -                  |
| Other Financing Sources (Uses)                       | <u>\$ 648,689</u>    | <u>\$ 1,769,961</u>   | <u>\$ 1,769,961</u>                   | <u>\$ 1,121,272</u>                  | <u>\$ -</u>        |
| Net Change in Fund Balances                          | <u>\$ 1,257,856</u>  | <u>\$ 731,311</u>     | <u>\$ 731,311</u>                     | <u>\$ (526,545)</u>                  | <u>\$ -</u>        |
| Fund Balance - Beginning                             | <u>\$ 2,508,985</u>  | <u>\$ 2,480,715</u>   | <u>\$ 2,480,715</u>                   | <u>\$ (28,270)</u>                   | <u>\$ -</u>        |
| Fund Balance - Ending                                | <u>\$ 3,766,841</u>  | <u>\$ 3,212,026</u>   | <u>\$ 3,212,026</u>                   | <u>\$ (554,815)</u>                  | <u>\$ -</u>        |

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, 2006

|  | Budgeted Amounts    |                     | Actual<br>Non-GAAP<br>Budgetary Basis | Variances<br>Favorable (Unfavorable) |                    |
|--|---------------------|---------------------|---------------------------------------|--------------------------------------|--------------------|
|  | Original            | Final               |                                       | Original<br>to Final                 | Final<br>to Actual |
|  | <b>REVENUES</b>     |                     |                                       |                                      |                    |
| Property taxes   | \$ 2,184,145        | \$ 2,699,906        | \$ 2,699,906                          | \$ 515,761                           | \$ -               |
| Licenses, commissions and other revenue                      | 921,511             | 943,624             | 943,624                               | 22,113                               | -                  |
| Fines and forfeitures  | 44,993              | 147,893             | 147,893                               | 102,900                              | -                  |
| Intergovernmental revenues                                   | 986,950             | 828,505             | 828,505                               | (158,445)                            | -                  |
| Interest income  | 3,682               | 554                 | 554                                   | (3,128)                              | -                  |
| Miscellaneous revenues                                       | 5,339               | 6,062               | 6,062                                 | 723                                  | -                  |
| <b>Total Revenues</b>  | <b>\$ 4,146,620</b> | <b>\$ 4,626,544</b> | <b>\$ 4,626,544</b>                   | <b>\$ 479,924</b>                    | <b>\$ -</b>        |
| <b>EXPENDITURES</b>  |                     |                     |                                       |                                      |                    |
| Current  |                     |                     |                                       |                                      |                    |
| Public works   | \$ 4,388,636        | \$ 4,242,775        | \$ 4,242,775                          | \$ (145,861)                         | \$ -               |
| Debt service   |                     |                     |                                       |                                      |                    |
| Principal  | -                   | 542,375             | 542,375                               | 542,375                              | -                  |
| Interest   | -                   | 48,910              | 48,910                                | 48,910                               | -                  |
| <b>Total Expenditures</b>                                    | <b>\$ 4,388,636</b> | <b>\$ 4,834,060</b> | <b>\$ 4,834,060</b>                   | <b>\$ 445,424</b>                    | <b>\$ -</b>        |
| <b>Excess (Deficiency) of Revenues<br/>Over Expenditures</b> | <b>\$ (242,016)</b> | <b>\$ (207,516)</b> | <b>\$ (207,516)</b>                   | <b>\$ 34,500</b>                     | <b>\$ -</b>        |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                     |                     |                                       |                                      |                    |
| Proceeds from sales of capital assets                        | \$ -                | \$ 70,280           | \$ 70,280                             | \$ 70,280                            | \$ -               |
| Compensation for loss of capital assets                      | -                   | 13,659              | 13,659                                | 13,659                               | -                  |
| <b>Other Financing Sources (Uses)</b>                        | <b>\$ -</b>         | <b>\$ 83,939</b>    | <b>\$ 83,939</b>                      | <b>\$ 83,939</b>                     | <b>\$ -</b>        |
| <b>Net Change in Fund Balances</b>                           | <b>\$ (242,016)</b> | <b>\$ (123,577)</b> | <b>\$ (123,577)</b>                   | <b>\$ 118,439</b>                    | <b>\$ -</b>        |
| <b>Fund Balance - Beginning</b>                              | <b>\$ (89,413)</b>  | <b>\$ (453,686)</b> | <b>\$ (453,686)</b>                   | <b>\$ (364,273)</b>                  | <b>\$ -</b>        |
| <b>Fund Balance - Ending</b>                                 | <b>\$ (331,429)</b> | <b>\$ (577,263)</b> | <b>\$ (577,263)</b>                   | <b>\$ (245,834)</b>                  | <b>\$ -</b>        |

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, 2006

#### 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>   |
| Budget (Cash Basis)                      | \$ 731,311                     | \$ (123,577)       |
| Increase (Decrease)                      |                                |                    |
| Net adjustments for revenue accruals     | 77,558                         | 1,845,445          |
| Net adjustments for expenditure accruals | <u>409,011</u>                 | <u>(1,684,645)</u> |
| GAAP Basis                               | <u>\$ 1,217,880</u>            | <u>\$ 37,223</u>   |

**LAUDERDALE COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended September 30, 2006

| Federal Grantor/<br>Pass-through Grantor<br>Program Title  | Federal<br>CFDA<br>Number | Agency or<br>Pass-through<br>Number | Federal<br>Expenditures |
|--|---------------------------|-------------------------------------|-------------------------|
| <b>MAJOR FEDERAL AWARD</b>   |                           |                                     |                         |
| U.S. Department of Homeland Security / Passed through<br>the Mississippi Emergency Management Agency<br>FEMA Hurricane Katrina   | 97.036                    | FEMA-1604-DR-MS                     | \$ 3,608,479            |
| Election Assistance Commission<br>Help America Vote Act  | 90.401                    |                                     | <u>414,694</u>          |
| <b>TOTAL MAJOR FEDERAL AWARD</b>   |                           |                                     | <b>\$ 4,023,173</b>     |
| <b>OTHER FEDERAL AWARDS</b>  |                           |                                     |                         |
| U.S. Department of Housing and Urban Development<br>HUD Site Development   | 14.248                    | B-03-SP-MS-048                      | <u>\$ 103,677</u>       |
| U.S. Department of Housing and Urban Development<br>Passed through the Mississippi Department of Economic<br>and Community Development<br>CDBG First Time Homebuyers   | 14.228                    | MO4-SG-280-942                      | <u>\$ 122,397</u>       |
| U.S. Department of Justice - Office of Justice Programs<br>Passed through the City of Meridian<br>Multijurisdictional Drug Task Force  | 16.579                    | 2004-DB-BX-0026                     | \$ 197,443              |
| JAG Grant  | 16.738                    | 2006-F1332-MS-DJ                    | 28,858                  |
| Bulletproof Vest Partnership Grant   | 16.607                    | 2004-AP-BX-0270                     | 9,759                   |
| Law Enforcement Officer Training   | 16.UN                     | N/A                                 | <u>3,000</u>            |
| Total U.S. Department of Justice   |                           |                                     | <u>\$ 239,060</u>       |
| Federal Emergency Management Agency<br>Passed through the Mississippi Emergency Management<br>Agency / Passed through the Office of Highway Safety -<br>State of Mississippi<br>Alcohol / Drug Countermeasures | 20.601                    | 06-TA-138-1                         | <u>\$ 79,351</u>        |
| Federal Emergency Mangement Agency<br>Department of Homeland Security / Passed through the<br>Mississippi Emergency Management Agency<br>Bridge Replacement  | 97.036                    | N/A                                 | \$ 90,543               |
| Hazard Mitigation Grant  | 97.029                    | HMGP-DR 1443-0005 MS                | 287,930                 |
| Emergency Management Reimbursement   | 97.036                    | N/A                                 | <u>33,972</u>           |
| Total Federal Emergency Management Agency  |                           |                                     | <u>\$ 412,445</u>       |
| National Highway Traffic Safety Administration<br>Occupant Protection Grant  | 20.602                    | N/A                                 | <u>\$ 9,787</u>         |
| <b>TOTAL OTHER FEDERAL AWARDS</b>  |                           |                                     | <b>\$ 966,717</b>       |
| <b>TOTAL FEDERAL AWARDS</b>  |                           |                                     | <b>\$ 4,989,890</b>     |

**LAUDERDALE COUNTY**

**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Year Ended September 30, 2006

**Note 1. Significant Accounting Policies**

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

**Note 2. Help America Vote Act**

Help America Vote Act requirements payments (CFDA #90.401) of the federal expenditures presented in the schedule, federal awards totaling \$414,694 represent non-cash awards for computerized voting machines during the fiscal year ended September 30, 2006.

LAUDERDALE COUNTY

RECONCILIATION OF OPERATING COSTS OF SOLID WASTE

For the Year Ended September 30, 2006

|   |                     |
|---|---------------------|
| OPERATING EXPENDITURES, CASH BASIS            |                     |
| Salaries                                      | \$ 596,491          |
| Expendable commodities                        |                     |
| Gasoline and petroleum products               | 157,724             |
| Repair parts                                  | 70,411              |
| Supplies                                      | 45,523              |
| Contractual disposal services                 | 696,927             |
| Insurance on equipment                        | <u>23,999</u>       |
| Solid Waste Cash Basis Operating Expenditures | \$ 1,591,075        |
| FULL COST EXPENSES                            |                     |
| Indirect administrative costs                 | \$ 18,215           |
| Depreciation on equipment                     | 55,331              |
| Interest                                      | <u>2,306</u>        |
| Solid Waste Full Cost Operating Expenses      | <u>\$ 1,666,927</u> |

**LAUDERDALE COUNTY  
SPECIAL REPORTS**



**REA, SHAW, GIFFIN & STUART, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER  
AMERICAN INSTITUTE  
OF  
CERTIFIED PUBLIC  
ACCOUNTANTS

POST OFFICE BOX 2090  
MERIDIAN, MS 39302  
TELEPHONE 601-693-2841  
FAX 601-693-2851

POST OFFICE BOX 562  
WAYNESBORO, MS 39367  
TELEPHONE 601-735-2317  
FAX 601-735-0585

MEMBER  
MISSISSIPPI SOCIETY  
OF  
CERTIFIED PUBLIC  
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, 2006 and have issued our report thereon dated May 31, 2007. 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 considered Lauderdale County, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the primary government financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Lauderdale County, Mississippi's ability to initiate, record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 06-1.

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

### **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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit; and, accordingly, we do not express such an opinion. The results of our tests 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 Limited Internal Control and Compliance Review Management Report dated May 31, 2007.

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 31, 2007



REA, SHAW, GIFFIN & STUART, LLP  
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER  
AMERICAN INSTITUTE  
OF  
CERTIFIED PUBLIC  
ACCOUNTANTS

POST OFFICE BOX 2090  
MERIDIAN, MS 39302  
TELEPHONE 601-693-2841  
FAX 601-693-2851

POST OFFICE BOX 562  
WAYNESBORO, MS 39367  
TELEPHONE 601-735-2317  
FAX 601-735-0585

MEMBER  
MISSISSIPPI SOCIETY  
OF  
CERTIFIED PUBLIC  
ACCOUNTANTS

**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, 2006. 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, 2006.

## 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 31, 2007



REA, SHAW, GIFFIN & STUART, LLP  
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER  
AMERICAN INSTITUTE  
OF  
CERTIFIED PUBLIC  
ACCOUNTANTS

POST OFFICE BOX 2090  
MERIDIAN, MS 39302  
TELEPHONE 601-693-2841  
FAX 601-693-2851

POST OFFICE BOX 562  
WAYNESBORO, MS 39367  
TELEPHONE 601-735-2317  
FAX 601-735-0585

MEMBER  
MISSISSIPPI SOCIETY  
OF  
CERTIFIED PUBLIC  
ACCOUNTANTS

**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, 2006. Our study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures as we considered necessary in the circumstances.

The Board of Supervisors of 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 31, 2007

**SCHEDULE OF PURCHASES NOT MADE FROM THE LOWEST BIDDER**

For the Year Ended September 30, 2006

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

**SCHEDULE OF EMERGENCY PURCHASES**  
 For the Year Ended September 30, 2006

The following purchases were emergency purchases.

| <u>Description</u>        | <u>Purchase Date</u> | <u>Cost</u> | <u>Vendor</u> | <u>Reason for<br/>Emergency Purchase</u> |
|---------------------------|----------------------|-------------|---------------|--|
| Toshiba - E-Studio copier | 09/05/06             | \$ 12,501   | Purvis        | Immediate need                           |

**SCHEDULE OF PURCHASES MADE NONCOMPETITELY FROM A SOLE SOURCE**  
 For the Year Ended September 30, 2006

| <u>Description</u>        | <u>Purchase Date</u> | <u>Cost</u>  | <u>Vendor</u>            |
|---------------------------|----------------------|--------------|--------------------------|
| 60 Tazers                 | 05/01/06             | \$ 61,954.68 | Tazers International     |
| Software by Cops for Cops | 9/2/2006             | 4,340.00     | L.E.A. Data Technologies |

**LAUDERDALE COUNTY  
SCHEDULE OF FINDINGS**

LAUDERDALE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended September 30, 2006

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?  | Yes         |
| 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. FEMA Hurricane Katrina  | 97.036      |
| b. Help America Vote Act   | 90.401      |
| c. Hazard Mitigation Grant   | 97.029      |
| d. CDBG First Time Homebuyers  | 14.228      |

**LAUDERDALE COUNTY**

**Schedule of Findings and Questioned Costs (continued)**  
For the Year Ended September 30, 2006

**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**

**Finding 06-1:**

During the audit it was noted that the County did not have adequate documentation on a cash reserve account related to the FEMA bond issue.

**Recommendation:**

The County should take the necessary steps to insure proper documentation is obtained.

**Response:**

The documentation in question was being held by the trustee for this bond issue, and was provided at the request of the auditors. Adequate documentation will be obtained and kept on file by the County Administrator if the county issues this type of debt in the future.

**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, 2006

There were no prior year audit findings.