

MADISON COUNTY, MISSISSIPPI

**Audited Primary Government Financial Statements
and
Special Reports**

For the Year Ended September 30, 2003

MADISON COUNTY

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MADISON COUNTY

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT ON THE PRIMARY GOVERNMENT BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Members of the Board of Supervisors
Madison County, Mississippi

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Madison County, Mississippi, as of and for the year ended September 30, 2003, which collectively comprise the basic financial statements of the county's primary government 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements referred to above include only the primary government of Madison County, Mississippi, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the county's legal entity. The financial statements do not include financial data for the county's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the county's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Madison County, Mississippi, as of September 30, 2003, and the respective changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information for the primary government of Madison County, Mississippi, as of September 30, 2003, 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.

As described in Note 2, Madison County, Mississippi implemented a new financial reporting model as required by the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments: Omnibus*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*; and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, effective October 1, 2002.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 6, 2004, on our consideration of Madison County, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 6 through 18 and the Budgetary Comparison Schedule and corresponding notes on pages 57 through 62 are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the primary government financial statements that collectively comprise Madison 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 basic 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 in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Windham & Lacey, PLLC

Windham & Lacey, PLLC
September 6, 2004

MADISON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

**MADISON COUNTY, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDING SEPTEMBER 30, 2003**

INTRODUCTION

This discussion and analysis of Madison County's financial performance provides an overall narrative review of the County's financial activities for the year ended September 30, 2003. The intent of this discussion and analysis is to look at the County's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the County's financial performance.

This discussion and analysis is a new element of required supplementary information specified in the "Governmental Accounting Standards Board's (GASB) Statement No. 34 – Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" issued June 1999. Certain comparative information between the current year and the prior year is required to be presented. However, since this is the first year of implementation of the new reporting model contained in GASB Statement No. 34, the Statement permits the omission of prior year data in the year of implementation. The County has elected not to present comparative data.

Madison County is located in central Mississippi along Interstate I-55. The population, according to the 2000 census, is 74,674. The local economic base is driven by Manufacturing/Industrial, Medical, Retail Trade and Agricultural concerns.

FINANCIAL HIGHLIGHTS

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

Madison County continues to grow both economically and in population. This has allowed the County to maintain a steady growth in tax revenues without a tax increase. The County government tax rate has decreased by 4.39 mills over the last 10 years. This does not include School tax levies.

Total net assets decreased \$4,871,492, which represents an 18% decrease from the prior fiscal year. The ending figure for the prior fiscal year was adjusted by \$8,767,848 for accumulated depreciation and for an adjustment of \$1,183,045 for beginning accrued long-term debt interest. The County's ending cash balance, for all funds, decreased by \$245,212, which represents a 3.12% decrease from the prior fiscal year.

The County had \$45,016,295 in total Governmental Funds revenues. Tax revenues account for \$19,556,118 or 54.6% of total revenues. Intergovernmental revenues, in the form of reimbursements, shared revenue or grants, account for \$8,276,021 or 18.38% of total revenues. Long-Term Debt was issued in the amount of \$5,803,637 or 12.89% of total revenues.

The County had \$58,951,327 in total Governmental Funds expenses, which represents an increase of \$390,262 or 0.67% from the prior fiscal year. Expenses in the amount of \$13,790,335 were offset by grants, outside contributions or debt being issued. General revenues and beginning cash of \$46,281,178 were adequate to provide for the remainder of the expenses.

Among major funds, the General Fund had \$20,255,075 in revenues and \$24,691,601 in expenditures. The General Fund's fund balance decreased \$4,436,526 under the prior year. The reason for the decrease in the General Fund's Fund Balance was due to expenses and debt payments relating to the operation and sale of Madison County Medical Center, which was leased to Health Management Associates (HMA) on January 1, 2003, and increases in public safety expenses.

Among major funds, the CDBG Nissan Supplier Project Fund had \$3,204,230 in revenues and \$3,204,230 in expenditures. The CDBG Nissan Supplier Project Fund's fund balance remained unchanged from the prior year.

Among major funds, the County Wide Road Maintenance Fund had \$4,313,633 in revenues and \$4,539,267 in expenditures. The County Wide Road Maintenance Fund's fund balance decreased \$225,634 under the prior year. The decrease in the County Wide Road Maintenance Fund was due to cost overruns in the construction and repair of county roads.

Among major funds, the Industrial Park I & S Fund had \$392,723 in revenues and \$421,524 in expenditures. The Industrial Park I & S Fund's fund balance decreased \$28,801 under the prior year. The decrease in the Industrial Park I & S Fund was due to debt service payments for the fiscal year amounting to more than the related lease payments for the fiscal year.

Capital assets, net of accumulated depreciation, increased by \$2,502,797 over the prior year. Infrastructure (Roads and Bridges) was added during this fiscal year in the amount of \$580,132 net of accumulated depreciation. This adjustment was made to conform to GASB 34.

Long-term debt decreased by \$6,476,660 during the fiscal year, primarily due to early retirement of long-term debt related to the Madison County Medical Center. The county made draws on a Mississippi Development Bank loan in the amount of \$5,803,637.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) Government-wide financial statements, 2) Fund financial statements and 3) Notes to the basic financial statements. Required Supplementary Information is included in addition to the basic financial statements.

Figure 1 – Required Components of the County's Annual Report

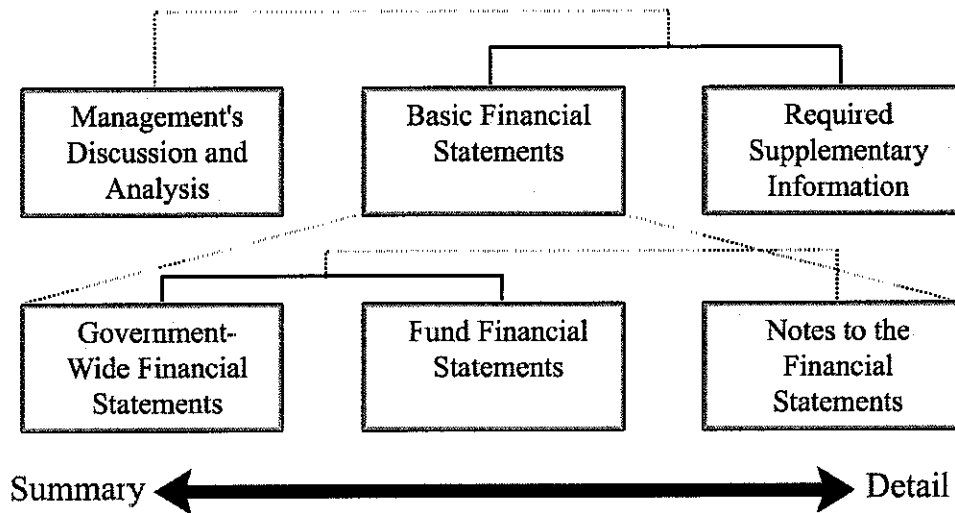


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

Figure 2 summarizes the major features of the County’s financial statements, including the portion of the County’s government they cover and the types of information they contain. The remainder of this section of Management’s Discussion and Analysis explains the structure and content of each of the statements.

Figure 2 – Major Features of the County’s Government-Wide and Fund Financial Statements

	Government-Wide Financial Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire County government (except fiduciary funds) and component units	All activities of the County that are not business-type or fiduciary in nature	Activities of the County that operate similar to private businesses	The County is the trustee or agent for someone else’s resources
Required financial statements	<ul style="list-style-type: none"> ● Statement of net assets ● Statement of activities 	<ul style="list-style-type: none"> ● Balance sheet ● Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> ● Statement of net assets ● Statement of revenues, expenses and changes in net assets ● Statement of cash flows 	<ul style="list-style-type: none"> ● Statement of fiduciary net assets ● Statement of changes in net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital and short and long term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short and long term	All assets and liabilities, both short and long term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services are received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

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

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

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

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

Component units are included in our basic financial statements and consist of legally separate entities for which the County is financially accountable and that have substantially the same board as the County or provide services entirely to the County.

The Government-wide Financial Statements can be found on pages 20 and 21 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The "Governmental Funds Balance Sheet" and the "Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances" both provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 23 and 26, respectively.

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

The basic governmental funds financial statements can be found on pages 22-25 of this report.

Proprietary funds are maintained two ways. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statement. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its self-insured Health Insurance program. Because this service predominantly benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

Fiduciary funds are used to account for resources held for the benefit of parties outside the County government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accrual basis of accounting is used for fiduciary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The County's fiduciary activities are presented in a separate Statement of Fiduciary Net Assets, which can be found on page 30 of this report.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

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

The County adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major fund. This required supplementary information can be found on pages 57-62 of this report.

Madison County is subject to a Single Audit, the scope of which depends on the amount of Federal Grants it receives. Additionally, a schedule of expenditures of federal awards is required by OMB Circular Number A-133.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets – Net assets may serve over time as a useful indicator of government’s financial position. In the case of Madison County, assets exceeded liabilities by \$7,719,386 as of September 30, 2003.

The largest portion of the County’s net assets (49.6%) reflects its investment in capital assets (e.g. roads, bridges, land, buildings, mobile equipment, furniture & equipment, leased property under capital lease and construction in progress) less related outstanding debt used to acquire such assets. The county uses these capital assets to provide services to its citizens.

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

The following table presents a summary of the County’s net assets for the fiscal year ended September 30, 2003.

	<u>Governmental Activities</u>
Current assets	\$ 32,252,949
Capital assets, net	<u>31,898,040</u>
Total assets	<u>64,150,989</u>
Current liabilities	31,097,387
Long-term debt outstanding	<u>65,226,539</u>
Total liabilities	<u>96,323,926</u>
Net assets:	
Invested in capital assets, net of related debt	(36,685,733)
Restricted	1,899,812
Unrestricted	<u>2,612,984</u>
Total net assets	<u>\$(32,172,937)</u>

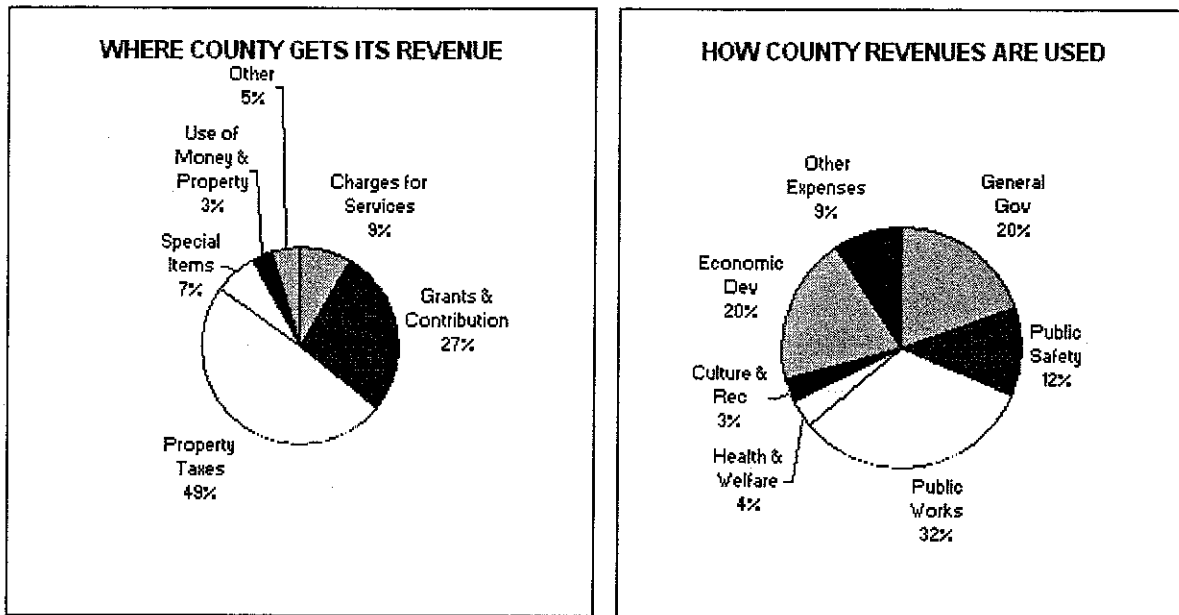
The following are significant current year transactions that have had an impact on the Statement of Net Assets.

- Roads and Bridges constructed in the current year were added to the County’s inventory, due to accounting changes implemented by the “Governmental Accounting Standards Board”. This resulted in an additional \$580,132 of capital assets being booked for the first time in the 2003 fiscal year.

- Infrastructure assets were not added for prior years pursuant to GASB 34, however, related capital debt of \$68,583,773 is included.
- A prior period adjustment was made for accrued interest payable in the amount of \$1,183,045.
- Long-term debt was issued in the amount of \$5,803,637.
- \$12,347,340 of long-term debt principal was retired.

Changes in Net Assets – Madison County’s total revenues for the fiscal year ended September 30, 2003 was \$40,041,501. The total cost for all services provided was \$44,912,993. The decrease in net assets was \$4,871,492. The following table presents a summary of the changes in net assets for the fiscal year ended September 30, 2003:

Revenues:	<u>Amount</u>
Program revenues	
Charges for services	\$ 3,532,147
Operating grants and contributions	3,197,966
Capital grants and contributions	3,922,462
General revenues	
Property taxes	19,548,867
Grants and contributions	3,047,492
Special items	2,992,415
Use of money and property	1,319,254
Other	<u>2,480,898</u>
Total Revenues	<u>40,041,501</u>
 Expenses:	
General government	8,926,339
Public safety	5,330,642
Public works	14,163,249
Health and welfare	1,820,220
Culture and recreation	1,454,123
Economic development	9,154,816
Other expenses	<u>4,063,604</u>
Total Expenses	<u>44,912,993</u>
 Decrease in Net Assets	 <u>\$ 4,871,492</u>



Governmental Activities – The following table presents the cost of six major functional activities of the County: General Government, Public Safety, Public Works, Health & Welfare, Culture and Recreation and Economic Development.

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

	Total Costs	Net Costs
General Government	\$ 8,926,339	\$ 7,467,426
Public Safety	5,330,642	2,267,189
Public Works	14,163,249	8,450,844
Health & Welfare	1,820,220	1,618,788
Culture & Recreation	1,454,123	957,846
Economic Development	9,154,816	8,804,721

FINANCIAL ANALYSIS OF THE COUNTY’S FUNDS

Governmental funds – At the close of the fiscal year, Madison County’s governmental funds reported a combined fund balance of \$7,719,386, a decrease of \$13,935,032. The primary reason for this decrease was the expenditure of restricted investments held for costs related to the Nissan plant, originating from debt issued in prior periods.

The General Fund is the principal operating fund of the County. The decrease in the fund balance of the General Fund for the fiscal year was \$4,436,526. This decrease was primarily due to the satisfaction of a loan receivable through the sale of the Madison County Medical Center.

BUDGETARY HIGHLIGHTS OF MAJOR FUNDS

Over the course of the fiscal year, Madison County periodically revised its annual operating budget. At the end of the fiscal year Madison County amended its budget to reflect actual revenues received and expenditures made.

After the final adjustment, actual revenues and disbursements were approximately equal to the final budget amounts.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – As of September 30, 2003, Madison County's total capital assets was \$42,567,648. This includes additions to roads, bridges, and other infrastructure for the 2003 fiscal year; land, buildings, mobile equipment, furniture and equipment, leased property under capital lease and construction in progress. This amount represents an increase from the previous year of \$4,404,557. The majority of this increase was due to the construction of a new jail and the addition of leased sanitation and road working equipment.

Total accumulated depreciation as of September 30, 2003 was \$10,669,608, including \$1,901,760 of depreciation expense for the year. The balance in total net capital assets was \$31,898,040 at year-end.

Shown below are two tables that show the activity for Capital Assets, Accumulated Depreciation and reconciliation of the beginning Capital Asset balance from the prior year audit report to this fiscal year.

	Balance				Balance
	<u>Oct. 1, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Sept. 30, 2003</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 1,446,489				1,446,489
Construction in progress	1,747,564	3,098,771	(852,783)		3,993,552
Total capital assets, not being depreciated	<u>3,194,053</u>	<u>3,098,771</u>	<u>(852,783)</u>		<u>5,440,041</u>
Capital assets, being depreciated:					
Buildings	23,848,625				23,848,625
Mobile equipment	3,869,134	3,481,397	(25,779)		7,324,752
Other furniture and fixtures	2,206,678	212,649	(30,208)		2,389,119
Capital leases	5,044,601	1,127,895	(3,187,517)		2,984,979
Infrastructure	0	580,132			580,132
Total capital assets being depreciated	<u>34,969,038</u>	<u>5,402,073</u>	<u>(3,243,504)</u>		<u>37,127,607</u>

Less: Accumulated depreciation for:					
Buildings			(717,793)	(5,842,088)	(6,559,881)
Mobile equipment			(785,849)	(2,212,497)	(2,998,346)
Other furniture and fixtures			(77,472)	(226,984)	(304,456)
Capital leases			(320,646)	(486,279)	(806,925)
Infrastructure					0
Total accumulated depreciation		<u>0</u>	<u>0</u>	<u>(1,901,760)</u>	<u>(8,767,848)</u>
Total capital assets, being depreciated, net	<u>34,969,038</u>	<u>5,402,073</u>	<u>(5,145,264)</u>	<u>(8,767,848)</u>	<u>26,457,999</u>
Governmental activities capital assets, net	<u>\$ 38,163,091</u>	<u>8,500,844</u>	<u>(5,998,047)</u>	<u>(8,767,848)</u>	<u>31,898,040</u>

	Beginning Balance	Beginning Accum Deprec	deprec exp fy'03	Plus Additions	Less Deletions	Ending Balance
Governmental activities:						
Capital assets, not being depreciated:						
Land	\$ 1446489					1446489
Construction in progress	1747564			3098771	-852783	3993552
Total capital assets, not being depreciated	<u>3194053</u>			<u>0</u>	<u>3098771</u>	<u>-852783</u>
Capital assets, being depreciated:						
Buildings	23848625	-5842088	-717793			17288744
Mobile equipment	3869134	-2212497	-785849	3481397	-25779	4326406
Other furniture and fixtures	2206678	-226984	-77472	212649	-30208	2084663
Capital leases	5044601	-486279	-320646	1127895	-3187517	2178054
Infrastructure	0			580132	0	580132
Total capital assets being depreciated	<u>34969038</u>	<u>-8767848</u>	<u>-1901760</u>	<u>5402073</u>	<u>-3243504</u>	<u>26457999</u>
	<u>38163091</u>	<u>-8767848</u>	<u>-1901760</u>	<u>8500844</u>	<u>-4096287</u>	<u>31898040</u>

Debt Administration – At September 30, 2003, Madison County had \$69,762,633 in long-term debt outstanding. This includes general obligation bonds, other and obligations under capital lease. Of this debt, \$3,957,206 is due within one year.

In the past year, the County issued \$5,803,637 in Other Loans, Capital Leases, and Mississippi Development Bank drawdowns for jail construction, economic development projects and new sanitation and road working equipment.

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

Shown below is a table showing the balance of long-term debt for this fiscal year. This table breaks down the debt by the type of issue.

Purpose	Interest Rates	Amount	Final Maturity Date
General Obligation Bonds:			
		\$	
District 1	7.4 to 7.5	15,000	04-2004
District 5	7.4 to 7.5	10,000	04-2004
G. O. refunding, Series 1993A2	4.55 to 4.75	1,035,000	06-2005
G. O. refunding, Series 1993B	4.7 to 6.4	5,655,000	06-2014
G. O. refunding bonds (Courthouse), Series 1998	4.4 to 5.5	4,985,000	06-2014
G. O. refunding bonds (Detention Center), Series 1998	6.2 to 6.7	830,000	10-2005
G. O. road and bridge bonds (Nissan)	5 to 5.75	<u>23,035,000</u>	06-2026
Total G. O. Bonds		\$ <u>35,565,000</u>	
Limited Obligation Bonds:			
Industrial development, Series 1991	8.8 to 9.5	\$ 1,280,000	03-2016
Industrial development, Series 1992	5.8 to 6.3	220,000	05-2007
Certificates of participation, 1991 issue	6.6 to 6.75	245,000	10-2006
MS Hospital refunding project, Series 2002	Variable	<u>12,000,000</u>	06-2032
Total Limited Obligation Bonds		<u>13,745,000</u>	
Special Assessment Bonds:			
Parkway special assessment refunding bonds, Series 1998	4.35 to 6.0	\$ <u>2,915,000</u>	06-2012
Capital Leases:			
1999 fire truck	4.34	\$ 23,273	05-2004
3 2001 Crown Victorias	5.89	7,447	01-2004
3 2001 Chevrolet Camaros	4.86	13,320	04-2004
5 2001 Chevrolet Impalas	4.86	23,383	05-2004
2 Chevrolet Impalas	4.86	9,437	05-2004
22 Ford Crown Victorias	4.86	92,854	05-2004
2 Chevrolet Impalas	4.86	11,527	07-2004
Road reclamation machine	3.89	205,906	08-2007
5 2004 Sterling LT9500 tandem axle trucks	3.69	514,838	08-2007
1 2003 Sterling chassis knuckleboom	3.11	69,903	39,234
2 Model 580 Super M loader/extendahoe	3.06	116,182	06-2007
3 Case Model 580 Super M loader/extendahoe	3.06	174,273	06-2007
IBM computer upgrade	7.74	28,008	12-2004
IBM computer upgrade	9.38	61,984	06-2005
IBM computer upgrade	7.05	84,404	11-2005
IBM computer upgrade	Variable	<u>322,374</u>	06-2008
Total Capital Leases		\$ <u>1,759,113</u>	

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Final Maturity Date</u>
Other Loans:			
Industrial development	5.07	\$ 277,980	06-2005
Capital improvement loan	4	100,526	09-2013
Industrial development	0	319,461	09-2007
Capital improvement loan	4.86	317,852	12-2019
Industrial development	7.65	739,393	12-2018
Flora Industrial Park	6.5	114,240	05-2005
New jail promissory note	Variable	11,025,054	01-2031
Nissan training facility	4.97	1,705,154	12-2006
Industrial development	2	<u>599,972</u>	06-2008
Total Other Loans		\$ <u>15,199,632</u>	
Compensated absences		\$ <u>578,888</u>	
Total Debt		\$ <u>69,762,633</u>	

CURRENT AND FUTURE ITEMS OF IMPACT

Madison County continues to see growth and progress through the location of Nissan North America in the county. The addition of Nissan and related industries in 2004 took the assessed valuation of Madison County to over the 1 billion dollar level.

Ad valorem levy rates continue to remain constant in Madison County, while ad valorem collections continue to increase. This growth has led the way to numerous new road construction projects and interchanges which will serve to promote further economic growth in the county.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the funds it receives. If you have questions about this report or need additional financial information, please contact the Madison County Administrator's office at P.O. Box 608, Canton, Mississippi 39046.

MADISON COUNTY

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

MADISON COUNTY
Statement of Net Assets
September 30, 2003

Exhibit 1

	<u>Primary Government</u>
	Governmental
	<u>Activities</u>
ASSETS	
Cash and investments	\$ 7,611,943
Cash with fiscal agent	1,509,469
Property tax receivable	13,964,050
Fines receivable, net	29,566
Loans receivable	599,972
Capital leases receivable	4,913,196
Intergovernmental receivables	685,518
Other receivables, net	2,939,235
Capital assets, net	<u>31,898,040</u>
Total Assets	<u>64,150,989</u>
LIABILITIES	
Claims payable	573,183
Intergovernmental payables	1,249,894
Accrued interest payable	1,981,871
Deferred revenue	21,821,812
Other payables	1,513,421
Long-term liabilities	
Due within one year:	
Capital related debt	3,847,889
Non-capital debt	109,317
Due in more than one year:	
Capital related debt	64,735,884
Non-capital debt	<u>490,655</u>
Total Liabilities	<u>96,323,926</u>
NET ASSETS	
Invested in capital assets, net of related debt	(36,685,733)
Restricted net assets:	
Expendable:	
Public safety	259,766
Public works	1,056,006
Health and welfare	1,375
Culture and recreation	122,158
Capital projects	9,647,484
Unrestricted	<u>(6,573,993)</u>
Total Net Assets	<u>\$ (32,172,937)</u>

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

Madison County
Statement of Activities
For the Year Ended September 30, 2003

Exhibit 2

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 Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 8,933,404	1,458,913			(7,474,491)
Public safety	5,330,642	2,043,234	1,020,219		(2,267,189)
Public works	14,163,249	30,000	1,434,942	3,617,463	(9,080,844)
Health and welfare	1,820,220		201,432		(1,618,788)
Culture and recreation	1,454,123		191,278	304,999	(957,846)
Conversation of natural resources	355,665				(355,665)
Economic development and assistance	9,154,816		350,095		(8,804,721)
Interest on long-term debt	3,700,874				(3,700,874)
Total Governmental Activities	\$ 44,912,993	3,532,147	3,197,966	3,922,462	(34,260,418)
General revenues:					
Taxes:					
Property taxes					\$ 19,548,867
Grants and contributions not restricted to specific programs					3,047,492
Proceeds of other debt - Federal programs					630,000
Unrestricted investment income					1,319,254
Miscellaneous					1,850,898
Lease principal received					653,327
Lease interest received					312,394
Principal & interest received from Hospital for Loan Payoff					2,026,694
Total General Revenues, Special Item, Extraordinary					
Item and Transfers					29,388,926
Changes in Net Assets					(4,871,492)
Net Assets - Beginning (taken from trans-conv)					(38,076,202)
Cumulative effect of GASB Statement 34 adjustments					10,774,757
Net Assets - Beginning restated					(27,301,445)
Net Assets - Ending					\$ (32,172,937)

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

	Major Funds						Total Governmental Funds
	General Fund	CDBG-Nissan Supplier Project Fund	Road Maintenance Fund	Industrial Park I & S Fund	Other Governmental Funds		
ASSETS							
Cash and investments	\$ 6,117,936	279	295,058	41,062	688,081	7,142,416	
Cash with fiscal agent					1,509,469	1,509,469	
Property tax receivable	7,716,000		1,355,000		4,893,050	13,964,050	
Fines receivable	29,566				0	29,566	
Loans receivable					599,972	599,972	
Capital lease receivable				4,319,858	593,338	4,913,196	
Intergovernmental receivables	646,762				38,756	685,518	
Special assessments receivable-deferred					2,915,000	2,915,000	
Other receivables	24,235				0	24,235	
Due from other funds	1,020		132,942	0	133,769	267,731	
Advances to other funds	39,774				0	39,774	
Total Assets	\$ 14,575,293	279	1,783,000	4,360,920	11,371,435	32,090,927	
LIABILITIES AND FUND BALANCES							
Liabilities:							
Claims payable	\$ 294,847		15,451		81,148	391,446	
Intergovernmental payables	1,181,353				0	1,181,353	
Due to other funds	278,805				0	278,805	
Advances from other funds			32,774		7,000	39,774	
Deferred revenues-special assessments	7,745,566		1,355,000	4,319,858	2,915,000	2,915,000	
Deferred revenue	633,351				5,486,388	18,906,812	
Other payables					25,000	658,351	
Total Liabilities	10,133,922	0	1,403,225	4,319,858	8,514,536	24,371,541	
Fund balances:							
Reserved for:							
Advances	39,774					39,774	
Loans receivable					599,972	599,972	
Unreserved, reported in:							
General fund	4,401,597					4,430,713	
Special revenue funds			379,775		29,116	1,033,882	
Debt service funds				41,062	654,107	395,158	
Capital project funds		279			354,096	1,219,887	
Total Fund Balances	4,441,371	279	379,775	41,062	2,856,899	7,719,386	
Total Liabilities and Fund Balances	\$ 14,575,293	279	1,783,000	4,360,920	11,371,435	32,090,927	

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

MADISON COUNTY

Exhibit 3-1

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2003

	<u>Amount</u>
Total Fund Balance - Governmental Funds (Exhibit 3)	\$ 7,719,386
Amounts reported for governmental services in the Statement of Net Assets (Exhibit 1) are different because:	
Capital assets are used in governmental activities are not financial resources and therefore are not reported in the funds.	31,898,040
Long-term liabilities are not due and payable in the current-period and therefore are not reported in the funds.	
Long-term liabilities	(69,762,633)
Accrued interest on bonds	(1,981,871)
Beginning claims payable adjusted in Self-Insurance Fund	(45,859)
Internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.	
Total Net Assets - Governmental Activities (Exhibit 1)	\$ <u>(32,172,937)</u>

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

MADISON COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2003

	Major Funds						Total Governmental Funds
	General Fund	CDBG-Nissan Supplier Project Fund	Road Maintenance Fund	Industrial Park I & S Fund	Other Governmental Funds		
REVENUES							
Property taxes	\$ 10,509,609		2,307,775	20	6,738,714	19,556,118	
Licenses, commissions and other revenue	1,959,579		1,068,489	2,735	46,683	3,077,486	
Fines and forfeitures	725,654				144,255	869,909	
Intergovernmental revenues	1,323,687	3,097,463	705,464	310,104	2,209,303	7,646,021	
Charges for services	1,171,867				1,369,121	2,540,988	
Interest income	241,829		2,000		94,811	338,640	
Miscellaneous revenues	992,703		102,723		695,259	1,790,685	
Total Revenues	16,924,928	3,097,463	4,186,451	312,859	11,298,146	35,819,847	
EXPENDITURES							
Current:							
General government	7,810,908				378,297	8,189,205	
Public safety	5,495,066				3,848,746	9,343,812	
Public works		3,204,230	3,868,951		14,950,852	22,024,033	
Health and welfare	1,660,891				59,342	1,720,233	
Culture and recreation	29,228				1,421,991	1,451,219	
Conservation of natural resources	376,904					376,904	
Economic development and assistance					596,533	596,533	
Principal	8,527,220		545,574	351,558	2,922,988	12,347,340	
Interest	437,836		18,870	29,965	2,415,377	2,902,048	
Total Expenditures	24,338,053	3,204,230	4,433,395	381,523	26,594,126	58,951,327	
Excess of Revenues over (under) Expenditures	(7,413,125)	(106,767)	(246,944)	(68,664)	(15,295,980)	(23,131,480)	

Exhibit 4 (Continued)

	Major Funds					Total Governmental Funds
	General Fund	CDBG-Nissan Supplier Project Fund	Road Maintenance Fund	Industrial Park I & S Fund	Other Governmental Funds	
OTHER FINANCING SOURCES (USES)						
Long-term capital debt issued	379,544	106,767	120,464		5,154,318	5,761,093
Long-term non-capital debt issued	2,026,694		6,718		630,000	2,026,694
Funds received from hospital for loan payoff	64,510			79,864	478,637	1,502,988
Compensation for loss of capital assets	944,487		(105,872)	(40,001)	(918,479)	(1,502,988)
Transfers in	(438,636)				707,433	707,433
Transfers out						
Lease principal and interest payments	2,976,599	106,767	21,310	39,863	6,051,909	9,196,448
Total Other Financing Sources and Uses	(4,436,526)	0	(225,634)	(28,801)	(9,244,071)	(13,935,032)
Net Changes in Fund Balances	8,877,897	279	605,409	69,863	12,100,970	21,654,418
Fund Balances - Beginning	\$ 4,441,371	279	379,775	41,062	2,856,899	7,719,386
Fund Balances - Ending						

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

MADISON COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2003

	<u>Amount</u>
Net Changes in Fund Balances - Total Governmental Funds (Exhibit 4)	\$ (13,935,032)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays \$5,333,316 exceeded depreciation \$1,901,760 in the current period.	3,431,556
Fine 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.	
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of 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 \$12,347,340 exceeded debt proceeds \$5,761,093.	6,586,247
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:	0
Change in compensated absences	(109,578)
Accrued bond interest payable	(798,826)
Health insurance claims payable	
An internal service fund is used by management to charge the cost of insurance to individual funds. The net revenue (expense) is reported within governmental activities	0
An adjustment (explain if applicable) Adjusted beginning balance of insurance in self-insurance fund	<u>(45,859)</u>
Change in net assets of governmental activities (Exhibit 2)	<u>\$ (4,871,492)</u>

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

MADISON COUNTY
Statement of Net Assets - Proprietary Fund
September 30, 2003

Exhibit 5

	<u>Governmental Activities Internal Service Fund</u>
ASSETS	
Current assets:	
Cash and investments	\$ <u>135,878</u>
Total Assets	<u>135,878</u>
LIABILITIES	
Current liabilities:	
Claims payable	<u>215,409</u>
Total Current Liabilities	<u>215,409</u>
NET ASSETS	
Unrestricted	<u>(79,531)</u>
Total Net Assets	\$ <u><u>0</u></u>

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

MADISON COUNTY
Statement of Revenues, Expenses, and Changes in Fund Net Assets -
Proprietary Fund
For the Year Ended September 30, 2003

Exhibit 6

	<u>Governmental Activities - Internal Service Fund</u>
Operating Revenues	
Premiums	\$ 1,732,434
Refunds/Reinsurance	<u>218,577</u>
Total Operating Revenues	<u>1,951,011</u>
Operating Expenses	
Claims payment	1,646,472
Administrative	74,344
Insurance premiums	<u>309,726</u>
Total Operating Expenses	<u>2,030,542</u>
Operating Income (Loss)	<u>(79,531)</u>
Net Assets - Beginning	<u>0</u>
Net Assets Ending	<u>\$ (79,531)</u>

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

MADISON COUNTY
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2003

Exhibit 7

	Governmental Activities - <u>Internal Service</u> Fund <u>Self-Insurance</u>
Cash Flows From Operating Activities	
Receipts for premiums	\$ 2,033,919
Refunds/reimbursements	162,064
Payments for claims	(1,781,736)
Payments to administrator for services	(74,344)
Payments for insurance premiums	(309,726)
Net Cash Provided (Used) by Operating Activities	<u>30,177</u>
Cash Flows From Noncapital Financing Activities	
Cash received from other funds:	
Net Cash Provided (Used) by Noncapital Financing Activities	<u>0</u>
Net Increase (Decrease) in Cash and Cash Equivalents	30,177
Cash and Cash Equivalents at Beginning of Year	105,701
Cash and Cash Equivalents at End of Year	<u>\$ 135,878</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (79,531)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	459,168
Increase (decrease) in claims and judgments liability	(349,460)
Total Adjustments	<u>109,708</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 30,177</u>

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

MADISON COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2003

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 333,649
Accrued interest receivable	
Intergovernmental receivables	
Due from other funds	12,093
Other receivables	
Total Assets	\$ <u>345,742</u>
LIABILITIES	
Claims payable and other accrued liabilities	276,181
Intergovernmental payables	68,541
Due to other funds	1,020
Total Liabilities	\$ <u>345,742</u>
NET ASSETS	
Held in trust for:	
Individuals, organizations, and other governments	

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

MADISON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2003

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Madison 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 Madison County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county.

Management has chosen to omit from these financial statements the following component units which have significant operational or financial relationships with the county. Accordingly, the financial statements do not include the data of all of the county's component units necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

- Lake Lorman Utility District
- West Madison Utility District
- Madison County Library System
- Farmhaven Fire District
- South Madison Fire District
-

Madison County has executed a trust agreement and other legal documents with Madison County Public Improvement Corporation, a component unit of the county. The trust accounts created by the agreement constitute an inseparable part of the county. Therefore, the assets, liabilities, equity, revenues, expenditures and other financing sources/uses of the trust accounts created by the agreements are included as part of the county's financial statements, thereby eliminating the effects of the lease agreement for financial reporting purposes (See Note 13).

Madison County has also entered into various transactions with Madison County Economic Development Authority (MCEDA), a component unit of the county. The county has issued limited obligation industrial development bonds, the proceeds of which were used by MCEDA to construct various enterprises by executing lease purchase agreements with MCEDA. The lease payments are made by the lessees directly to the county and are approximately equal to the amounts required to pay the annual principal and interest due on the related limited obligation bonds.

MADISON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2003

Madison County has issued general obligation bonds and incurred other indebtedness to acquire various industrial parks and other real estate which are owned by MCEDA. The authority is required by statute to remit to the county 90% of any sales of land acquired using the proceeds of this indebtedness until such indebtedness has been repaid.

The county also provided funding of approximately \$432,675 in the current fiscal year for MCDEA's operations through levying of property taxes and from other sources.

The assets, liabilities, equity, revenues, expenditures and other financing sources/uses related to these transactions are included as part of the county's financial statements because they constitute an inseparable part of 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 primary government financial statements.

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

B. Basis of Presentation.

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

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the county as a whole. The statements include all nonfiduciary activities of the primary government. 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.

MADISON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2003

The Statement of Net Assets presents the financial condition of the governmental 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. 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. Internal service fund balances have been eliminated against the expenses and program revenue. 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 and proprietary. Major individual governmental funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

C. Measurement Focus and Basis of Accounting.

The government-wide 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 revenue 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.

MADISON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2003

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.

CDBG Nissan Supplier Project fund – Accounts for monies from specific revenue sources that are restricted for construction related to the Nissan project.

Countywide road maintenance fund – Accounts for monies from specific revenue sources that are restricted for road maintenance.

Debt service fund – Accounts for resources accumulated and used for the payment of long-term debt principal, interest and related costs of borrowing used for road projects.

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.

MADISON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2003

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

Internal Service Funds - These funds are used to account for those operations that provide services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis. The county's internal service fund reports on self-insurance programs for employee medical benefits.

FIDUCIARY FUND TYPES

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

D. Account Classifications.

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

E. Deposits and Investments.

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

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value.

F. Receivables.

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

MADISON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2003

G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds". Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

H. Capital Assets.

Capital acquisition and construction are reflected as expenditures in governmental fund statements and the related assets are reported as capital assets in the applicable governmental or business-type activities column in the government-wide financial 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. 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.

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

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. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds.

	<u>Capitalization Thresholds</u>	<u>Estimated Useful Life</u>
Land	\$ 0	n/a
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

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

General infrastructure assets acquired after September 30, 1980, and before October 1, 2002, 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.

I. Long-term Liabilities.

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

In the government-wide financial statements and in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

J. Equity Classifications.

Government-wide Financial Statements:

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

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

K. Property Tax Revenues.

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

MADISON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2003

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.

L. Intergovernmental Revenues in Governmental Funds.

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

M. Compensated Absences.

The county has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements and the proprietary fund financial statements. In fund financial statements, governmental funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

Therefore, the county's full liability in the amount of \$578,888 for accumulated unpaid personal leave up to a maximum of 30 days per employee is reported as a liability in the Statement of Net Assets.

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

(2) Changes in Accounting Principles and Restatement of Fund Balance.

For the fiscal year ended September 30, 2003, the county implemented Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments: Omnibus*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*; and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

GASB Statement No. 34, as amended by Statement No. 37, creates new basic financial statements for reporting on the county's financial activities. The financial statements now include government-wide financial statements prepared on the accrual basis of accounting and fund financial statements prepared on the modified accrual basis of accounting, which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total on the fund financial statements as other governmental funds. Fund reclassifications and adjustments to the fund equities reported in the prior year financial statements were required as a result of the conversion to GASB Statement No. 34.

GASB Statement No. 38 requires certain note disclosures with the implementation of GASB Statement No. 34.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

The provisions of these new statements have been incorporated into the financial statements and the accompanying notes. The following table summarizes the reclassifications and adjustments to the fund equity amounts reported in the prior year financial statements:

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

	Sept. 30, 2002 As Previously Reported	Fund and Account Group Reclassifications	Prior Period Adjustments	Sept. 30, 2002 As Restated
Governmental Funds and Governmental Activities				
Major Funds:				
General Funds	9,077,984	(200,087)		8,877,897
Road Maintenance Fund		605,409		605,409
CDBG Nissan Supplier Fund		279		279
Industrial Park I & S Fund		69,863		69,863
Other Governmental Funds		10,979,315		10,979,315
Special Revenue	13,050,430	(13,050,430)		-
Debt Service	130,196	991,459		1,121,655
Capital Projects	(604,192)	604,192		-
Total Governmental Funds	<u>21,654,418</u>	<u>-</u>	<u>-</u>	<u>21,654,418</u>
Governmental Activities:				
Fines receivable				-
Capital assets, net		38,163,091		38,163,091
Long-term liabilities		(76,239,293)		(76,239,293)
Accrued interest payable				-
Internal service				-
Total Governmental Funds and Governmental Activities	<u>21,654,418</u>	<u>(38,076,202)</u>	<u>-</u>	<u>(38,076,202)</u>
Business-type Activities				
Internal service fund				-
Account Groups				
General Fixed Assets	38,163,091	(38,163,091)		-
General Long-term Debt	(76,239,293)	76,239,293		-
Total Account Groups	<u>(38,076,202)</u>	<u>38,076,202</u>	<u>-</u>	<u>-</u>

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

(3) Deposits and Investments.

Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2003, was \$7,945,592 and the bank balance was \$10,786,368. 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.

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2003:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Major Funds:		
General Fund	Agency Funds	\$ 1,020
Agency Funds	General Fund	12,093
Road Maintenance Fund	General Fund	132,942
Nonmajor Governmental Funds:		
Other Governmental Funds	General Fund	<u>133,769</u>
Total Due from/to other funds		<u>\$ 279,824</u>

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

Amounts listed are the tax revenues collected but not settled until October, 2003. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances from/to Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Major Funds:		
General Fund	Non-Major Governmental Funds	\$ 7,000
General Fund	Road Maintenance Fund	<u>32,774</u>
Total Advances from/to Other Funds		<u>\$ 39,774</u>

Amounts listed were advances listed on the prior audit report that were not repaid, due to changes in administrations and oversight. These are expected to be repaid in the near future.

C. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Major Funds:		
General Fund	Road Maintenance	\$ 26,008
General Fund	Non-Major Governmental Funds	918,479
Industrial Park I & S	Road Maintenance	79,864
Non-major Governmental Funds	Industrial Park I & S	40,001
Non-major Governmental Funds	General Fund	<u>438,636</u>
Total Transfers		<u>\$ 1,502,988</u>

Amounts listed were transfers for normal operations of the county.

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2003 consisted of the following:

Governmental Activities:

<u>Description</u>	<u>Amount</u>
Legislative tag credit	\$ 646,762
State Aid road	<u>38,756</u>
Total Governmental Activities	<u>\$ 685,518</u>

(6) Loans Receivable.

Loans receivable balances at September 30, 2003, are as follows:

<u>Description</u>	<u>Date of Loan</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance Payable</u>
IMS Autrans	3/28/03	2%	6/1/08	\$ <u>599,972</u>

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2003:

Governmental activities:

	<u>Balance Oct. 1, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Balance Sept. 30, 2003</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 1,446,489				1,446,489
Construction in progress	<u>1,747,564</u>	<u>3,098,771</u>	<u>(852,783)</u>		<u>3,993,552</u>
Total capital assets, not being depreciated	<u>3,194,053</u>	<u>3,098,771</u>	<u>(852,783)</u>		<u>5,440,041</u>

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

Capital assets, being depreciated:				
Buildings	23,848,625			23,848,625
Mobile equipment	3,869,134	3,481,397	(25,779)	7,324,752
Other furniture and fixtures	2,206,678	212,649	(30,208)	2,389,119
Capital leases	5,044,601	1,127,895	(3,187,517)	2,984,979
Infrastructure	0	580,132		580,132
Total capital assets being depreciated	<u>34,969,038</u>	<u>5,402,073</u>	<u>(3,243,504)</u>	<u>37,127,607</u>
Less: Accumulated depreciation for:				
Buildings			(717,793)	(5,842,088)
Mobile equipment			(785,849)	(2,212,497)
Other furniture and fixtures			(77,472)	(226,984)
Capital leases			(320,646)	(486,279)
Infrastructure				0
Total accumulated depreciation	<u>0</u>	<u>0</u>	<u>(1,901,760)</u>	<u>(8,767,848)</u>
Total capital assets, being depreciated, net	<u>34,969,038</u>	<u>5,402,073</u>	<u>(5,145,264)</u>	<u>(8,767,848)</u>
Governmental activities capital assets, net	<u>\$ 38,163,091</u>	<u>8,500,844</u>	<u>(5,998,047)</u>	<u>(8,767,848)</u>

Adjustments are a cumulative effect of implementing GASB 34.

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 919,671
Public safety	277,234
Public works	694,886
Health and welfare	7,065
Culture and recreation	<u>2,904</u>
Total governmental activities depreciation expense	<u>\$ 1,901,760</u>

As of September 30, 2003, the county had the following commitments with respect to unfinished capital projects:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
New jail - phase II	\$ 244,206	January 2004

MADISON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2003

(8) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$500,000 for law enforcement personnel and \$350,000 for all other employees for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2003, to January 1, 2004. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

The county finances its exposure to risk of loss relating to employee health and accident coverage. Beginning in 1997 and pursuant to Section 25-15-101, Miss. Code Ann. (1972), the county established a risk management fund (included as an Internal Service Fund) to account for and finance its uninsured risk of loss. The Madison County Board of Supervisors has extended coverage to the employees of the Madison County Human Resource Agency and the Madison County Medical Center.

Under the plan, amounts payable to the risk management fund are based on actuarial estimates. Each participating public entity, including Madison County, pays the premium on a single coverage policy for its respective employees. Employees desiring additional and/or dependent coverage pay the additional premium through a payroll deduction. Premium payments to the risk management fund are determined on an actuarial basis. The county has a minimum uninsured risk retention for all participating entities, including Madison County, to the extent that actual claims submitted exceed the predetermined premium. The county has implemented the following plan to minimize this potential loss:

The county has purchased coinsurance which functions on specific loss coverage. This coverage is purchased from an outside commercial carrier. For the current fiscal year, the specific coverage begins when an individual participant's claim exceeds \$50,000.

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). At September 30, 2003, the amount of these liabilities was \$215,409. An analysis of claims activities is presented below:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2001-2002	\$ 91,616	2,081,061	1,607,808	564,869
2002-2003	\$ 564,869	1,646,472	1,995,932	215,409

(9) Capital Leases.

As Lessor:

The county leases the following property with varying terms and options as of September 30, 2003:

<u>Classes of Property</u>	<u>Amount</u>
Land and buildings	\$ <u>9,410,293</u>

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2003, are as follows:

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ 457,665	236,039
2005	434,780	209,452
2006	448,103	183,544
2007	1,105,393	137,175
2008	135,000	99,648
2009-2013	715,000	325,800
2014-2018	<u>375,000</u>	<u>50,598</u>
Total	<u>\$ 3,670,941</u>	<u>1,242,256</u>

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2003:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 2,220,044
Other furniture and equipment	<u>764,935</u>
Total	2,984,979
Less: Accumulated depreciation	<u>806,925</u>
Leased Property Under Capital Leases	\$ <u><u>2,178,054</u></u>

The following is a schedule by years of the total payments due as of September 30, 2003:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2004	\$ 499,700	48,259
2005	306,662	29,382
2006	248,428	17,713
2007	<u>381,951</u>	<u>7,192</u>
Total	\$ <u><u>1,436,741</u></u>	<u><u>102,546</u></u>

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

(10) Long-term Debt.

Debt outstanding as of September 30, 2003, consisted of the following:

Purpose	Interest Rates	Amount	Final Maturity Date
General Obligation Bonds:			
		\$	
District 1	7.4 to 7.5	15,000	04-2004
District 5	7.4 to 7.5	10,000	04-2004
G. O. refunding, Series 1993A2	4.55 to 4.75	1,035,000	06-2005
G. O. refunding, Series 1993B	4.7 to 6.4	5,655,000	06-2014
G. O. refunding bonds (Courthouse), Series 1998	4.4 to 5.5	4,985,000	06-2014
G. O. refunding bonds (Detention Center), Series 1998	6.2 to 6.7	830,000	10-2005
G. O. road and bridge bonds (Nissan)	5 to 5.75	<u>23,035,000</u>	06-2026
Total G. O. Bonds		\$ <u>35,565,000</u>	
Limited Obligation Bonds:			
Industrial development, Series 1991	8.8 to 9.5	\$ 1,280,000	03-2016
Industrial development, Series 1992	5.8 to 6.3	220,000	05-2007
Certificates of participation, 1991 issue	6.6 to 6.75	245,000	10-2006
MS Hospital refunding project, Series 2002	Variable	<u>12,000,000</u>	06-2032
Total Limited Obligation Bonds		<u>13,745,000</u>	
Special Assessment Bonds:			
Parkway special assessment refunding bonds, Series 1998	4.35 to 6.0	\$ <u>2,915,000</u> *	06-2012
Capital Leases:			
1999 fire truck	4.34	\$ 23,273	05-2004
3 2001 Crown Victorias	5.89	7,447	01-2004
3 2001 Chevrolet Camaros	4.86	13,320	04-2004
5 2001 Chevrolet Impalas	4.86	23,383	05-2004
2 Chevrolet Impalas	4.86	9,437	05-2004
22 Ford Crown Victorias	4.86	92,854	05-2004
2 Chevrolet Impalas	4.86	11,527	07-2004
Road reclamation machine	3.89	205,906	08-2007
5 2004 Sterling I T9500 tandem axle trucks	3.69	514,838	08-2007
1 2003 Sterling chassis knuckleboom	3.11	69,903	39,234
2 Model 580 Super M loader/extendahoe	3.06	116,182	06-2007
3 Case Model 580 Super M loader/extendahoe	3.06	174,273	06-2007
IBM computer upgrade	7.74	28,008	12-2004
IBM computer upgrade	9.38	61,984	06-2005
IBM computer upgrade	7.05	84,404	11-2005
IBM computer upgrade	Variable	<u>322,374</u>	06-2008
Total Capital Leases		\$ <u>1,759,113</u>	

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Final Maturity Date</u>
Other Loans:			
Industrial development <i>CCIC Ref</i>	5.07	\$ 277,980	06-2005
Capital improvement loan <i>South Mad. St</i>	4	100,526	09-2013
Industrial development <i>Org Sound Stage</i>	0	319,461	09-2007
Capital improvement loan <i>Exp Sound Stage</i>	4.86	317,852	12-2019
Industrial development <i>CMC - Marine</i>	7.65	739,393	12-2018
Flora Industrial Park	6.5	114,240	05-2005
New jail promissory note	Variable	11,025,054	01-2031
Nissan training facility	4.97	1,705,154	12-2006
Industrial development <i>UMS</i>	2	<u>599,972</u>	06-2008
Total Other Loans		\$ <u>15,199,632</u>	
Total Debt		\$ <u>69,183,745</u>	

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

Governmental Activities:

General obligation bonds:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2004	\$ 2,255,000	1,847,265
2005	2,395,000	1,725,178
2006	1,515,000	1,601,343
2007	1,335,000	1,524,963
2008	1,405,000	1,455,575
2009-2013	8,630,000	6,057,660
2014-2018	6,405,000	3,884,005
2019-2023	6,625,000	2,389,148
2024-2029	<u>5,000,000</u>	<u>535,238</u>
Total	\$ <u>35,565,000</u>	<u>21,020,375</u>

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

Limited obligation bonds:

Year Ending September 30,	Principal	Interest
2004	\$ 210,000	\$ 147,734
2005	220,000	132,165
2006	405,000	115,845
2007	345,000	98,795
2008	300,000	86,015
2009-2013	1,700,000	76,915
2014-2018	1,970,000	67,790
2019-2023	395,000	58,590
Total	\$ 5,545,000	\$ 783,849

Special assessment bonds:

Year Ending September 30,	Principal	Interest
2004	\$ 265,000	\$ 130,365
2005	280,000	118,443
2006	295,000	105,645
2007	305,000	92,069
2008	320,000	77,770
2009-2014	1,450,000	146,746
Total	\$ 2,915,000	\$ 671,038

Other loans:

Year Ending September 30,	Principal	Interest
2004	\$ 727,507	\$ 167,689
2005	851,364	116,403
2006	634,145	85,722
2007	1,272,616	46,549
2008	248,991	17,496
2009-2013	147,868	58,173
2014-2019	152,666	26,191
Total	\$ 4,035,157	\$ 518,223

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

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 then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2003, the amount of outstanding debt was equal to 5.1% of the latest property assessments.

- * Special assessment debt of \$4,680,000 was issued on April 1, 1992, to construct a boulevard under the provisions of Senate Bill 3036, Laws of 1989. Refunding bonds of \$4,030,000 were issued on March 1, 1998, to pay off the original issue early. The bonds are secured by the full faith and credit of Madison County. A "Special Assessment Tax" was levied against all of the benefited property owners. The county will levy annually this special assessment tax upon all taxable property in the benefited area of the south Madison County Parkway adequate and sufficient to provide for the payment of the principal and interest on the bonds as the same fall due over a period of 14 years. The original bonds are considered defeased at September 30, 2002. The principal balance outstanding on the refunding issue at September 30, 2003, is \$2,915,000.

Prior Year Defeasance of Debt - In prior years, the county defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the county's financial statements.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2003:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Compensated absences	\$ 469,301	109,587		578,888	
General obligation bonds	37,730,000		(2,165,000)	35,565,000	2,255,000
Limited obligation bonds	13,945,000		(200,000)	13,745,000	210,000
Special assessment bonds	3,170,000		2,915,000	265,000	
Capital leases	1,654,578	1,279,989	(1,175,454)	1,759,113	499,699
Other loans	19,270,414	4,523,648	(8,594,430)	15,199,632	727,507
 Governmental activity long-term liabilities	 \$ 76,239,293	 5,913,224	 (12,389,884)	 69,762,633	 3,957,206

MADISON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2003

The annual debt service requirements for the \$739,393 industrial development loan can not be determined because of the allocation of principal and interest is based on the date the payment is received and a correct amortization could not be obtained. Also, the annual debt service requirements for the \$11,025,054 new jail promissory note, the \$337,000 IBM upgrade lease, and the \$12,000,000 Mississippi Hospital refunding project, Series 2002, because these loans have variable rates of interest.

(11) Deficits in Balance of Individual Funds.

The following funds reported deficits in fund balances at September 30, 2003:

<u>Fund</u>	<u>Deficit Amount</u>
Special Revenue Funds:	
Canton Tin Top project	\$ 7,000
Solid waste	588,639
Adolescent offense	1,529
Debt Service Funds:	
Special assessment parkway I & S	67,110
Industrial park I & S	15,408
\$13 million building fund I & S	98,883
\$13 million capital project	604,193

(12) Contingencies.

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

MADISON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2003

(13) Trust Agreement Related to Lease of Property from Madison County Public Improvement Corporation.

Madison County executed trust agreements and other legal documents by and between the county, Madison County Public Improvement Corporation (the Corporation) and financial institutions (the Trustees).

The trust agreements authorized the corporation to issue certificates of participation (a form of debt financing classified as limited obligation bonds) to be used to provide financing for the construction of various public facilities which are being leased to the county. The leases represent capital leases under which ownership of the projects will transfer to the county upon complete retirement of the certificates of participation. The county is obligated to make lease payments to the trustees in an amount equal to the debt service requirements for the certificates of participation. The amount of debt outstanding at September 30, 2003, was \$245,000 (See Note 10). The lease rental payments by the county will be used by the trustees to pay the principal and interest payments due on the certificates of participation.

In connection with the 1994 project, the county acquired certain property which has been subleased to the City of Madison (the City). Under the terms of the agreement, the City is required to make lease payments to the county for 20 years. The lease payments have been calculated to amortize the \$600,000 purchase price over 20 years at an average annual interest rate of 5.84%. The City has a right to purchase the leased property upon the expiration of the lease term, or upon such earlier date as may be agreed upon, at a price not to exceed the unpaid principal balance at that time. The amount due at September 30, 2003, was \$425,000. This amount has been recorded as lease payments receivable and a corresponding amount is shown as deferred revenue-leasing transactions at September 30, 2003.

The trust accounts created by these agreements constitute an inseparable part of the county. Therefore, the assets, liabilities, equity, revenues, expenditures and other financing sources/uses of the trust accounts created by these trust agreements are included as part of the county's financial statements, thereby eliminating the effects of the lease agreements for financial reporting purposes.

(14) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Holmes Community College operates in a district composed of the Counties of Attala, Carroll, Choctaw, Grenada, Holmes, Madison, Montgomery, Webster and Yazoo. The Madison County Board of Supervisors appoints two of the 22 members of the college board of trustees. The county appropriated \$488,000 for maintenance and support of the college in fiscal year 2003.

MADISON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2003

Region 8 Mental Health - Mental Retardation Commission operates in a district composed of the Counties of Copiah, Madison, Rankin and Simpson. The Madison County Board of Supervisors appoints one of the four members of the board of commissioners. The county appropriated \$109,800 for maintenance and support of the center in fiscal year 2003.

Central Mississippi Planning and Development District operates in a district composed of the counties of Copiah, Hinds, Madison, Rankin, Simpson, Warren and Yazoo. The Madison County Board of Supervisors appoints three of the 33 members of the board of directors. The county appropriated \$8,896 for maintenance and support of the district in fiscal year 2003.

The Madison County Human Resource Agency was organized under Section 17-15-1, Miss. Code Ann. (1972), to administer programs conducted by community action agencies, limited purpose agencies and related programs authorized by law. The Madison County Board of Supervisors appoints three of the 15 board members. The county appropriated \$223,600 for maintenance and support of the agency in fiscal year 2003.

The Madison County Wastewater Authority was organized under House Bill Number 1640 Local and Private Laws of the State of Mississippi, 2001, for the acquisition, construction and operation of user-funded wastewater systems, in order to prevent and control the pollution of the waters in the county. The Madison County Board of Supervisors appoints one of the nine members of the board of directors. The county made no appropriation to the Authority in fiscal year 2003.

(15) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2003, 2002 and 2001 were \$800,895, \$721,717 and \$696,344, respectively, equal to the required contributions for each year.

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

(16) Subsequent Events

Subsequent to September 30, 2003, Madison County issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
12-1-03	Variable	\$ 4,200,000	G.O. refunding bonds	MCEDA
5-1-04	Variable	6,025,000	G.O. refunding bonds	Tax levy
6-26-04	Variable	12,000,000	G.O. refunding bonds \$12 m jail	Tax levy
8-25-04	.3225	488,319	Road equipment notes	Tax levy
8-25-04	.3225	259,922	Road equipment notes	Tax levy

(17) Other Information.

As a result of revenue shortfalls, the State Tax Commission had to withhold 7.97% of the March 2003 homestead exemption reimbursement from local governments. The amount withheld from Madison County during the 2002-2003 fiscal year was \$55,290.

MADISON COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

MADISON COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2003

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 9,882,000	10,509,176	10,493,232	(15,944)
Road and bridge privilege taxes		7,238	7,238	
Licenses, commissions and other revenue	1,418,000	1,899,887	1,899,887	
Fines and forfeitures	418,000	663,932	663,932	
Intergovernmental revenues	2,825,150	10,600,859	10,600,859	
Charges for services	139,000	1,171,867	1,171,867	
Interest income	56,000	148,116	148,116	
Miscellaneous revenues	392,000	1,068,423	1,068,423	
Total Revenues	<u>15,130,150</u>	<u>26,069,498</u>	<u>26,053,555</u>	<u>(15,944)</u>
EXPENDITURES				
Current:				
General government	6,846,882	10,194,129	10,193,904	225
Public safety	6,039,275	6,015,186	6,014,488	698
Public works		109,000	109,000	
Health and welfare	773,880	4,993,222	4,993,222	
Culture and recreation	21,000	27,916	27,916	
Education	490,000	538,506	538,506	
Conservation of natural resources	350,016	364,858	364,858	
Economic development and assistance	343,162	9,600	9,600	
Debt service:				
Principal and interest	7,897,664	6,398,273	6,398,273	
Total Expenditures	<u>22,761,879</u>	<u>28,650,690</u>	<u>28,649,767</u>	<u>923</u>
Excess of Revenues over (under) Expenditures	<u>(7,631,729)</u>	<u>(2,581,192)</u>	<u>(2,596,212)</u>	<u>(15,021)</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	1,725,000			
Transfers in	1,321,000	2,836,062	2,836,062	
Transfers out	(100,000)			
Collection of loan - MCMC	4,200,000			
Other financing uses	(857,000)		(179,844)	(179,844)
Total Other Financing Sources and Uses	<u>6,289,000</u>	<u>2,836,062</u>	<u>2,656,218</u>	<u>(179,844)</u>
Net Change in Fund Balance	(1,342,729)	254,870	60,005	(194,865)
Fund Balances - Beginning			4,648,534	
Fund Balances - Ending	\$ <u>(1,342,729)</u>	<u>254,870</u>	<u>4,708,539</u>	<u>(194,865)</u>

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

MADISON COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Road Maintenance Fund
 For the Year Ended September 30, 2003

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 3,051,400	3,311,127	3,311,127	
Licenses, commissions and other revenue		161	161	(0)
Intergovernmental revenues	710,825	704,320	704,320	0
Interest income	2,000	2,000	2,000	
Miscellaneous revenues	56,000	170,914	170,914	
Total Revenues	<u>3,820,225</u>	<u>4,188,522</u>	<u>4,188,522</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	<u>3,957,683</u>	<u>4,761,277</u>	<u>4,757,777</u>	<u>3,500</u>
Total Expenditures	<u>3,957,683</u>	<u>4,761,277</u>	<u>4,757,777</u>	<u>3,500</u>
Excess of Revenues over (under) Expenditures	<u>(137,458)</u>	<u>(572,755)</u>	<u>(569,255)</u>	<u>3,500</u>
OTHER FINANCING SOURCES (USES)				
Compensation for loss of capital assets	<u>12,500</u>	<u>6,718</u>	<u>6,718</u>	
Total Other Financing Sources and Uses	<u>12,500</u>	<u>6,718</u>	<u>6,718</u>	<u>0</u>
Net Change in Fund Balance	(124,958)	(566,037)	(562,537)	3,500
Fund Balances - Beginning			<u>857,597</u>	
Fund Balances - Ending	<u>\$ (124,958)</u>	<u>(566,037)</u>	<u>295,060</u>	<u>3,500</u>

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

MADISON COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 CDBG Nissan Supplier Project Fund
 For the Year Ended September 30, 2003

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental revenues	\$ 3,908,186	3,854,251	3,854,251	
Total Revenues	<u>3,908,186</u>	<u>3,854,251</u>	<u>3,854,251</u>	<u>0</u>
EXPENDITURES				
Current:				
Economic development and assistance	3,908,186	3,854,251	3,854,251	
Total Expenditures	<u>3,908,186</u>	<u>3,854,251</u>	<u>3,854,251</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	0	0	0	0
Fund Balances - Beginning	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</u>

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

MADISON COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2003

Notes to the Required Supplementary Information

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

For the year ended September 30, 2003, the county implemented GASB Statement No. 41 - *Budgetary Comparison Schedules - Perspective Differences*, which amends Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The statement clarifies the budgetary presentation requirements. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

MADISON COUNTY
Notes to the Required Supplementary Information
For the Year Ended September 30, 2003

C. Budget/GAAP Reconciliation.

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

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

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

	Major Funds		
	General Fund	CDBG-Nissan Supplier Project Fund	Road Maintenance Fund
Net Change in Fund Balance - Budget (Cash Basis)	60,005	-	(562,538)
Increase (Decrease)			
Net adjustments for revenue accruals	(9,128,627)	(756,788)	(2,070)
Net adjustments for expenditure accruals	4,311,714	650,021	324,382
Other financing sourced(uses)	320,382	106,767	14,592
GAAP Basis	<u>(4,436,526)</u>	<u>-</u>	<u>(225,634)</u>

MADISON COUNTY

SUPPLEMENTAL INFORMATION

MADISON COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2003

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
MAJOR FEDERAL AWARDS			
U.S. Department of Housing and Urban Development/Passed-through the Mississippi Development Authority			
Community development block grants/state's program	14.228	1119-02-045-LN-01	\$ 638,975
Community development block grants/state's program	14.228	1118-01-045-PF-01	10,500
Community development block grants/state's program	14.228	1118-01-045-ED-01	2,702,067
Community development block grants/state's programs	14.228	1113-96-045-ED-01	<u>395,396</u>
Total Expenditures of Major Federal Awards			<u>3,746,938</u>
OTHER FEDERAL AWARDS			
U.S. Department of Transportation – Federal Highway Administration/Passed-through the Mississippi Department of Transportation			
Highway planning and construction	20.205	N/A	<u>2,860</u>
U.S. Department of Health and Human Services/ Passed-through the Mississippi Department of Human Services			
Temporary assistance for needy families	93.558	641WL21	<u>191,098</u>
Total Expenditures of Other Federal Awards			<u>193,958</u>
Total Expenditures of Federal Awards			<u>\$ 3,940,896</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

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

Note B – Community Development Block Grant

The value of federal awards expended in the form of loans made to IMS Autrans, LLC, as of September 30, 2003, is \$630,000.

MADISON COUNTY
 Reconciliation of Operating Costs of Solid Waste
 For the Year Ended September 30, 2003

Operating Expenditures, Cash Basis:

Salaries	\$	528,981
Gasoline and petroleum products		39,468
Repair parts		3,087
Telephone & utilities		25,725
Clothing		4,373
Tires		
Maintenance		6,228
Insurance and fidelity bond		9,011
Landfill charges		343,118
Other contractual services		16,158
Miscellaneous		1,720
Consultant fees		<u>6,800</u>
Solid Waste Cash Basis Operating Expenditures		<u>984,669</u>
Full Cost Expenses:		
Indirect administrative costs		94,756
Depreciation on equipment		129,625
Interest on solid waste		4,159
Other accrued expenses		<u>2,360</u>
Solid Waste Full Cost Operating Expenses	\$	<u><u>230,900</u></u>

MADISON COUNTY

SPECIAL REPORTS

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

Members of the Board of Supervisors
Madison County, Mississippi

We have audited the primary government financial statements of the governmental activities, each major fund and the aggregate remaining fund information Madison County, Mississippi, as of and for the year ended September 30, 2003, and have issued our report thereon dated September 6, 2004. The auditor's report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the county's component units. 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.

Compliance

As part of obtaining reasonable assurance about whether Madison County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which we have reported to the management of Madison County, Mississippi, in the Independent Auditor's Report on Compliance with State Laws and Regulations dated September 6, 2004, included within this document.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Madison County, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the primary government financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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.

Windham and Lacey, PLLC

Windham and Lacey, PLLC
September 6, 2004

Windham and Lacey, PLLC

Certified Public Accountants

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

Members of the Board of Supervisors
Madison County, Mississippi

Compliance

We have audited the compliance of Madison 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 its major federal program for the year ended September 30, 2003. Madison County, Mississippi's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Madison County, Mississippi's management. Our responsibility is to express an opinion on Madison 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 Madison 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 Madison County, Mississippi's compliance with those requirements.

In our opinion, Madison County, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2003.

Internal Control Over Compliance

The management of Madison 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 Madison 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.

Windham and Lacey, PLLC

Windham & Lacey, PLLC
September 6, 2004

Windham and Lacey, PLLC

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

Members of the Board of Supervisors
Madison County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Madison County, Mississippi, as of and for the year ended September 30, 2003. 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 Madison 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 Madison 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, Madison 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 Madison County, Mississippi, and is not intended to be and should not be relied upon for any other purpose.

Windham and Lacey, PLLC

Windham & Lacey, PLLC

September 6, 2004

MADISON COUNTY
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2003

Schedule 1

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

MADISON COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2003

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
04-01-03	Mosquito sprayer	\$ 6,500	Adapco, Inc.	Mosquito control – West Nile threat declared emergency by Governor.

MADISON COUNTY
Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2003

Schedule 3

Our test results did not identify any purchases made noncompetitively from a sole source.

Windham and Lacey, PLLC

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Members of the Board of Supervisors
Madison 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 Madison County, Mississippi, as of and for the year ended September 30, 2003, and have issued our report thereon dated September 6, 2004. The auditor's report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the county's component units. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the procedures prescribed by the Office of the State Auditor, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures and our audit of the primary government financial statements disclosed no instances of noncompliance with state laws and regulations.

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.

The results of our procedures and our audit of the primary government financial statements disclosed certain immaterial instances of noncompliance with state laws and regulations. Our findings and recommendations and your responses are disclosed as follows:

Board of Supervisors.

03-1. Finding

Section 27-39-305, Miss. Code Ann. (1972), allows the Board of Supervisors to levy taxes for the maintenance and/or construction of roads and bridges. A portion of the proceeds of the road and bridge maintenance levy was used to pay for contractual accounting services.

Recommendation

The Board of Supervisors should only expend the proceeds of the road and bridge maintenance levy for maintenance and/or construction of roads and bridges as specified by law.

Response

This finding relates to the previous administration, and the current Board of Supervisors has rectified the problem. The Board now employs a full-time CPA as Comptroller, an assistant, who also is a CPA, and a bookkeeper. This team handles all the county accounting within its own budget from the general county fund. The current administration will expend road and bridge maintenance levy only as specified by law.

03-2. Finding

The Board of Supervisors created the Parkway East Public Improvement District during the fiscal year, and spent funds that were not in accordance with legislation enacted to create such a district.

Recommendation

The board should carefully examine legislation in which such districts are created, and spend public funds as directed by enabling legislation.

Response

This issue relates to the previous administration. The current Board of Supervisors discontinued expending public funds on the Parkway East Public Improvement District upon entering office. The current Board also encouraged the development of a new Parkway East PID, and firmly demanded reimbursement of all public funds which were expended on the Parkway East Public Improvement District. The current Board will expend public funds only as directed by enabling legislation.

Chancery Clerk

03-1. Finding

Section 25-7-9, Miss. Code Ann. (1972), requires the county to pay \$20 each for the Chancery Clerk and one deputy for attending each board meeting. Based on attendance recorded in the board minutes, the Chancery Clerk was overpaid \$860 for attending board meetings.

Recommendation

The Chancery Clerk and the Board of Supervisors should monitor charges submitted and receive/pay only the statutory amounts.

03-2. Finding

Section 27-105-343, Miss. Code Ann. (1972), allows the board to pay the Chancery Clerk no more than \$1,000 per year for performance of the duties as county treasurer. The Chancery Clerk was paid \$1,344, or \$344 more than allowed by statute.

Recommendation

The Chancery Clerk and the Board of Supervisors should monitor charges submitted and receive/pay only the statutory amounts.

03-3. Finding

The board overpaid the Chancery Clerk \$1,810 due to mathematical errors on billings for services rendered to the Chancery Court.

Recommendation

The Chancery Clerk and the Board of Supervisors should monitor charges submitted and receive/pay only the statutory amounts.

03-4. Finding

Section 27-35-123, Miss. Code Ann. (1972), requires the Clerk of the Board of Supervisors to prepare and file copies of the tax rolls, which shall be preserved in the office of the clerk. There were no 2003 Land or Personal Rolls on file in the Chancery Clerk's office.

Recommendation

The Chancery Clerk shall prepare and file copies of the ad valorem tax rolls as required by statute.

03-5. Finding

Section 27-35-519, Miss. Code Ann. (1972), requires the Chancery Clerk send payment for rail tax collections to the municipalities for railroad miles that lie within their city limits.

Recommendation

Rail tax payments should be made to municipalities, as determined by the State Tax Commission, for the railroad miles within its corporation limits.

03-6. Finding

Section 25-1-47, Miss. Code Ann. (1972), authorizes the Board of Supervisors to provide legal counsel for the defense of any civil or criminal legal action of an officer or employee of a county. The Chancery Clerk paid for legal defense and settlement from his fee account improperly.

Recommendation

The Chancery Clerk should only make proper expenditures of fees.

03-7. Finding

Section 9-1-43, Miss. Code Ann. (1972) requires the Chancery Clerk to maintain a cash journal for cash receipts. Section 9-1-43 also requires the Chancery Clerk to deposit any fees received in excess of \$83,160 into the county general fund on or before April 15 for the preceding calendar year, and requires the State Auditor to promulgate uniform accounting methods for all sources of income of the Chancery Clerk. The State Auditor has prescribed the Chancery Clerk Fee Account Cash Journal to accomplish these objectives. The Chancery Clerk's Fee Account Cash Journal does not agree with the Annual Financial Report.

Recommendation

The Chancery Clerk should maintain a Fee Account Cash Journal, which should reconcile to the bank account, and totals of the Journal should tie to the Annual Financial Report.

Response by current Chancery Clerk Arthur Johnston to the above findings

The findings referenced above relate solely and exclusively to the prior Chancery Clerk and/or the prior Board of Supervisors. They pertain to a time period during which I did not hold office and to accounts and funds for which I had no responsibility. I had nothing whatsoever to do with the facts and circumstances which culminated in these findings.

Windham and Lacey, PLLC
Windham & Lacey, PLLC
September 6, 2004

MADISON COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MADISON COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2003

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|-------------------------------------------------------------------------------------|-------------|
| 1. | Type of auditor's report issued on the primary government financial statements: | Unqualified |
| 2. | Material noncompliance relating to the primary government financial statements? | No |
| 3. | Internal control over financial reporting: | |
| a. | Material weaknesses identified? | No |
| b. | Reportable conditions identified that are not considered to be 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 weaknesses identified? | No |
| b. | Reportable conditions identified that are not considered to be material weaknesses? | Yes |
| 6. | Any audit findings reported as required by Section ____ 510(a) of Circular A-133? | No |
| 7. | Federal programs identified as major programs:

Community Development Block Grants/State's Program,
CFDA #14.228 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10. | Prior fiscal year audit findings 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 |

MADISON COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2003

Section 2: Financial Statement Findings

Board of Supervisors

03-1. Finding

The county had multiple adjustments to fixed assets that the former auditor requested, due to errors in the inventory of fixed assets. We noted a lack of internal accounting controls over fixed assets during our review that, if in place, should detect and correct errors and mistakes in fixed assets.

Recommendation

Internal accounting controls over fixed assets should be reviewed and proper controls should be put in place to detect and correct errors in fixed assets.

Response

The new administration has instituted proper internal procedures to control, detect and correct errors which may occur in regards to managing fixed assets. The current Board of Supervisors has initiated a formal review process of fixed assets with the Inventory Control Clerk, Purchasing Clerk, and Receiving Clerk involved.

Chancery Clerk

03-1. Finding

During our audit, we noted the following weaknesses:

- a. Reconciliation of the Chancery Clerk's land redemption and mineral stamps accounts were not performed on a monthly basis
- b. Deposits to the Chancery Clerk's land redemption and fee accounts were not made in a timely manner.

Recommendation

The Chancery Clerk should ensure that receipts are deposited in the land redemption and mineral stamps accounts in a timely fashion, and that those accounts are reconciled monthly.

MADISON COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2003

Response by current Chancery Clerk Arthur Johnston to the above findings

The findings referenced above relate solely and exclusively to the prior Chancery Clerk and/or the prior Board of Supervisors. They pertain to a time period during which I did not hold office and to accounts and funds for which I had no responsibility. I had nothing whatsoever to do with the facts and circumstances which culminated in these findings.

Tax Collector

03-1. Finding

The *Mississippi County Financial Accounting Manual* requires all financial activity to be recorded in the Tax Collector's Journal. The Tax Collector's Journal at September 30, 20003 did not agree with supporting documentation or with settlements of funds for the period. Also, the "Distribution of Tax Collector Funds" report, due by October 31 each year, was not presented to the board.

Recommendation

The Tax Collector should maintain cash journals that reconcile to the bank accounts, and prepare and submit all reports as prescribed in the *Mississippi County Financial Accounting Manual*.

Response

The bank balance at the end September, according to the auditors was 1,031,290.19. The auditors stated that this was not enough to cover the September settlement of 1,560,434.43. However they did not take into consideration the legislative credit check for September which was posted on Oct.15, 2003 for \$646,742.46, as part of the money to be settled. Also not included was the CD purchased on Oct. 14, 2003 in the amount of \$1,646,762.46 plus interest of \$157.91, which was a portion of September money. All of the above should have been included in the auditor's cash balance. The over and short issue concerning the service charge, on the collector's account from Dec. 2002-Dec.2003 will be refunded by Bankplus as an oversight on their part.

MADISON COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2003

03-2. Finding

The Tax Collector's office lacked a separation of duties needed for proper internal accounting controls.

Recommendation

The Tax Collector's office should segregate the duties of the office to insure proper internal accounting controls.

Circuit Clerk

03-1. Finding

The Circuit Clerk's Criminal and Civil Journals were not reconciled to the criminal and civil bank accounts.

Recommendation

The Circuit Clerk should maintain cash journals that reconcile to the bank accounts as prescribed in the *Mississippi County Financial Accounting Manual*.

Response

I understand and will comply. I will establish a new checking account for the civil and criminal bank accounts, and begin the reconciliation from 2005 forward. I'll then continue the reconciliation of the old accounts, and when proper, I will settle the unidentified accounts to Madison Co.

Section 3: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to federal awards.