

MADISON COUNTY, MISSISSIPPI

Audited Primary Government Financial Statements  
and  
Special Reports

For the Year Ended September 30, 2004

# 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, 2004, which collectively comprise the county's primary government financial statements as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

We 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, 2004, 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, 2004, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2005, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the 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 and Lacey, PLLC*

Windham & Lacey, PLLC  
June 30, 2005

MADISON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

**MADISON COUNTY, MISSISSIPPI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR YEAR ENDING SEPTEMBER 30, 2004**

***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, 2004. 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 an 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.

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, and will decrease an additional 1.5 mills in the 2006 fiscal year. This does not include School tax levies.

Total net assets decreased \$1,687,154, without GASB 34 adjustments to capital assets. If an analysis is made without the capital assets and long-term debt, the increase in net assets is \$5,408,266, which represents an increase from the prior fiscal year. The County's ending cash balance, for all funds, increased by \$3,906,965, which represents a 39.2% increase from the prior fiscal year.

The County had \$62,339,384 in total Governmental Funds revenues. Tax revenues account for \$20,016,245 or 32.1% of total revenues. Intergovernmental revenues, in the form of reimbursements, shared revenue or grants, account for \$7,295,228 or 11.7% of total revenues. Long-term Debt was issued in the amount of \$24,414,604 or 39.1% of total revenues.

The County had \$60,886,495 in total Governmental Funds expenses, which represents an increase of \$432,180 or .7% from the prior fiscal year. Expenses in the amount of \$31,235,205 were offset by grants, outside contributions or debt being issued. General revenues and beginning cash of \$39,094,277 were adequate to provide for the remainder of the expenses.

Among major funds, the General Fund had \$35,260,970 in revenues and \$34,651,345 in expenditures. The General Fund's fund balance increased \$609,625 over the prior year. The reason for the increase in the General Fund's Fund Balance was due to the collection of a receivable from the Madison County Medical Center and growth in property taxes.

Among major funds, the County Wide Road Maintenance Fund had \$5,716,026 in revenues and \$5,792,147 in expenditures. The County Wide Road Maintenance Fund's fund balance decreased \$76,121 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.

Capital assets, net of accumulated depreciation, increased by \$41,180,492 over the prior year. Infrastructure (Roads and Bridges) was added during this fiscal year in the amount of \$41,528,539 net of accumulated depreciation. This adjustment was made to conform to GASB 34.

Long-term debt increased by \$541,228 during the fiscal year. The county issued General Obligation Refunding Bonds in the amount of \$22,225,000, Capital Leases in the amount of \$924,125, and other debt in the amount of \$1,265,479.

**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**

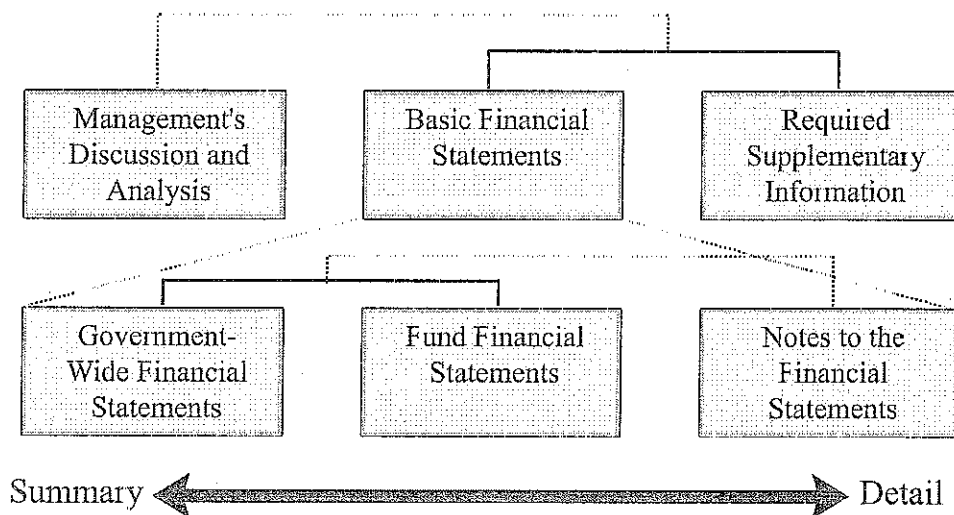


Figure 1 shows how required parts of this annual report are arranged and relate to one another



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
<b>Scope</b>	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
<b>Required financial statements</b>	<ul style="list-style-type: none"> <li>⊙ Statement of net assets</li> <li>⊙ Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>⊙ Balance sheet</li> <li>⊙ Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>⊙ Statement of net assets</li> <li>⊙ Statement of revenues, expenses and changes in net assets</li> <li>⊙ Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>⊙ Statement of fiduciary net assets</li> <li>⊙ Statement of changes in net assets</li> </ul>
<b>Accounting basis and measurement focus</b>	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
<b>Type of asset/liability information</b>	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
<b>Type of inflow/outflow information</b>	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 17-18 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 20 and 22, 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 19 and 21 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

Fund financial statements for the proprietary funds provide the same type of information as the government-wide financial statements, only in more detail Data from the other enterprise funds are combined into a single, aggregated presentation. The County's internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements. The proprietary funds financial statements can be found on pages 23-25 of this report

**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 Assets and Liabilities, which can be found on page 26 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 46-51 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 \$9,172,275 as of September 30, 2004

The largest portion of the County's net assets (40%) 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, 2004, as compared to the fiscal year ended September 30, 2003:

	Current Year Governmental <u>Activities</u>	Prior Year Governmental <u>Activities</u>
Current assets	\$ 36,206,486	\$ 32,332,480
Capital assets, net	<u>73,078,532</u>	<u>31,898,040</u>
Total assets	<u>109,285,018</u>	<u>64,230,520</u>
Current liabilities	25,976,327	27,219,712
Long-term debt outstanding	<u>69,221,405</u>	<u>69,183,745</u>
Total liabilities	<u>95,197,732</u>	<u>96,403,457</u>
Net assets:		
Invested in capital assets, net of related debt	5,013,227	(36,685,733)
Restricted	5,509,010	1,899,812
Unrestricted	<u>3,565,049</u>	<u>2,612,984</u>
Total net assets	<u>\$14,087,286</u>	<u>\$(32,172,937)</u>

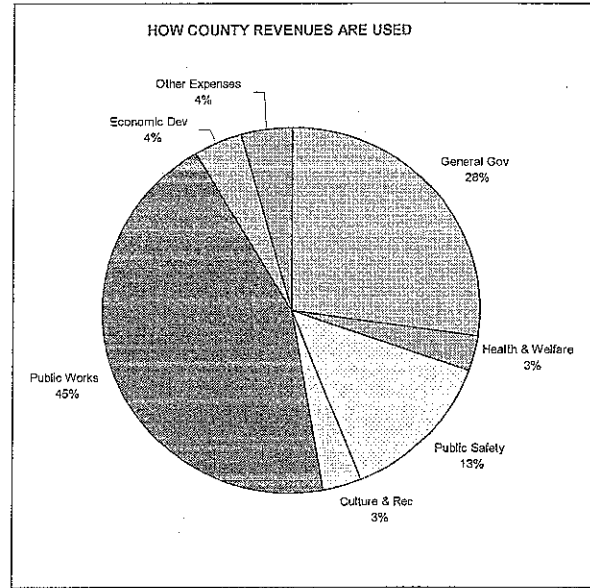
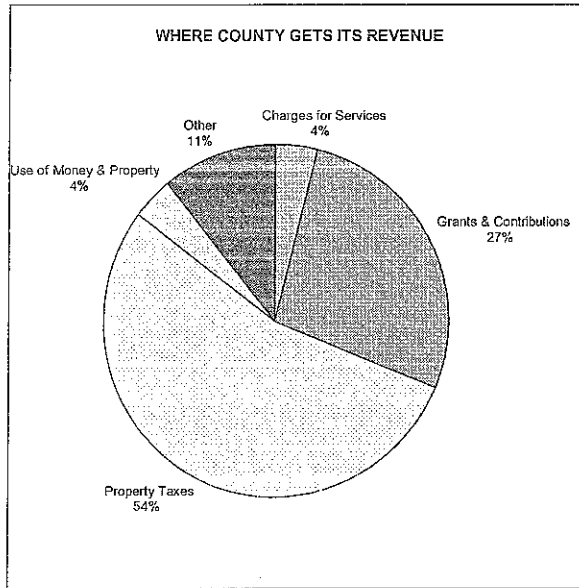
The following are significant current year transactions that have had an impact on the Statement of Net Assets:

- ⊗ Implementation of accounting changes due to GASB 34 allowed for Roads and Bridges to be added in stages. Only Roads and Bridges constructed during the year were added to inventory in the 2003 fiscal year. The remaining Roads and Bridges were added during the 2004 fiscal year, resulting in an additional \$98,977,790 of capital assets being booked for the first time.
- ⊗ Long-term debt was issued in the amount of \$24,414,604.
- ⊗ \$24,842,488 of long-term debt principal was retired.

**Changes in Net Assets** – Madison County's total revenues for the fiscal year ended September 30, 2004, was \$36,719,080. The total cost for all services provided was \$38,406,234. The decrease in net assets was \$1,687,154. The following table presents a summary of the changes in net assets for the fiscal year ended September 30, 2004, as compared to the fiscal year ended September 30, 2003:

	Current Year <u>Amount</u>	Prior Year <u>Amount</u>
Revenues:		
Program revenues		
Charges for services	\$2,217,442	\$3,532,147
Operating grants and contributions	5,905,315	3,197,966
Capital grants and contributions	915,286	4,552,462
General revenues		
Property taxes	20,021,470	19,548,867
Grants and contributions	3,309,248	3,047,492
Special items		2,992,415
Use of money and property	1,453,922	1,319,254
Other	<u>2,896,397</u>	<u>1,850,868</u>
Total Revenues	<u>36,719,080</u>	<u>40,041,471</u>

Expenses:		
General government	10,495,175	8,926,339
Public safety	5,172,362	5,330,642
Public works	16,980,375	14,163,219
Health and welfare	1,158,546	1,820,220
Culture and recreation	1,271,940	1,454,123
Economic development	1,666,249	9,154,816
Other expenses	<u>1,661,587</u>	<u>4,063,604</u>
Total Expenses	<u>38,406,234</u>	<u>44,912,963</u>
Decrease in Net Assets	<u>\$1,687,154</u>	<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.

	<u>Total Costs</u>	<u>Net Costs</u>
General Government	\$10,495,175	\$9,682,760
Public Safety	5,172,362	2,670,444
Public Works	16,980,375	12,834,340
Health & Welfare	1,158,546	627,945
Culture & Recreation	1,271,940	278,350
Economic Development	1,666,249	1,614,249
Other expenses	1,661,587	1,660,103

## *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 \$9,172,275, an increase of \$1,452,889. The primary reason for this increase was the issuance of capital debt for refunding and other purposes.

The General Fund is the principal operating fund of the County. The increase in the fund balance of the General Fund for the fiscal year was \$609,625. This increase was primarily due to the issuance of capital debt and interfund transactions.

## *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, 2004, Madison County's total capital assets was \$142,682,241. This includes additions to roads, bridges, and other infrastructure for the 2004 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 \$100,114,593. The majority of this increase was due to the implementation of GASB 34 requirements to capitalize infrastructure.

Depreciation expense for the year ended September 30, 2004, was \$5,726,017. The balance in total net capital assets was \$73,078,532 at year-end.

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

	Balance Oct. 1, 2003	Additions	Deletions	Adjustments	Balance Sept. 30, 2004
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 1,446,489	21,000	(198,301)	2,134,247	3,403,435
Construction in progress	<u>3,993,552</u>	<u>244,206</u>	<u>(3,363,182)</u>	<u>(874,576)</u>	<u>3,403,435</u>
Total capital assets, not being depreciated	<u>5,440,041</u>	<u>265,206</u>	<u>(3,561,483)</u>	<u>1,259,671</u>	<u>3,403,435</u>
Capital assets, being depreciated:					
Buildings	23,848,625	4,073,182	(758,139)	1,533,482	28,697,150
Mobile equipment	7,324,752	1,186,751	(1,848,417)	(38,723)	6,624,363
Other furniture and fixtures	2,389,119	198,340	(142,415)	(633)	2,444,411
Capital leases	2,984,979	924,135	(1,954,154)		1,954,960
Infrastructure	<u>580,132</u>	<u>98,977,790</u>	<u>98,977,790</u>		<u>99,557,922</u>
Total capital assets being depreciated	<u>37,127,607</u>	<u>105,360,198</u>	<u>(4,703,125)</u>	<u>1,494,126</u>	<u>139,278,806</u>
Less: Accumulated depreciation for:					
Buildings	6,559,881	808,985		417,060	7,785,926
Mobile equipment	2,998,346	873,778	(874,090)		2,998,034
Other furniture and fixtures	304,456	95,789	(256,174)		144,071
Capital leases	806,925	467,129	(47,627)		1,226,427
Infrastructure		<u>3,480,336</u>		<u>53,968,915</u>	<u>57,449,251</u>
Total accumulated depreciation	<u>10,669,608</u>	<u>5,726,017</u>	<u>(1,177,891)</u>	<u>54,385,975</u>	<u>69,603,709</u>
Total capital assets, being depreciated, Net	<u>26,457,999</u>	<u>99,634,181</u>	<u>(3,525,234)</u>	<u>(52,891,849)</u>	<u>69,675,097</u>
Governmental activities capital assets, Net	<u>\$ 31,898,040</u>	<u>99,899,387</u>	<u>(7,086,717)</u>	<u>(51,632,178)</u>	<u>73,078,532</u>

Adjustments are a cumulative effect of implementing GASB 34 and are due to properties that were determined to be owned by the county but not previously added to fixed assets inventory.

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 1,088,810
Public safety	322,547
Public works	4,299,423
Health and welfare	1,430
Conservation of natural resources	3,147
Economic development	<u>10,660</u>
Total governmental activities depreciation expense	<u>\$ 5,726,017</u>

**Debt Administration** – At September 30, 2004, Madison County had \$68,755,862 in long-term debt outstanding. This includes general obligation bonds, limited obligation bonds, special assessment debt, other debt and obligations under capital leases. Of this debt, \$3,725,662 is due within one year.

In the past year, the County issued \$24,414,604 in General Obligation Refunding Bonds, Capital Leases, and Mississippi Development Bank drawdowns to refund existing debt and for road construction and 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
<b>General Obligation Bonds:</b>			
G. O. Refunding bonds (Courthouse), Series 1998	4.4 to 5.5	\$ 4,435,000	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	22,545,000	06-2026
G. O. Refunding bonds	2.7 to 3.3	6,025,000	05-2014
G. O. Refunding bond project	4 to 6	<u>12,000,000</u>	06-2024
Total General Obligation Bonds		<u>\$ 45,835,000</u>	
<b>Limited Obligation Bonds:</b>			
Industrial development, Series 1991	8.8 to 9.5	\$ 1,195,000	03-2016
Industrial development, Series 1992	5.8 to 6.3	170,000	05-2007
Certificates of participation, 1991 issue	6.6 to 6.75	170,000	10-2006
MS Hospital refunding project, Series 2002	Variable	12,000,000	06-2032
Taxable Special Obligation bonds, Series 2003	Variable	<u>4,200,000</u>	12-2023
Total Limited Obligation Bonds		<u>\$ 17,735,000</u>	
<b>Special Assessment Bonds:</b>			
Parkway special assessment refunding bonds, Series 1998	4.35 to 6.0	\$ <u>2,650,000</u>	06-2012
<b>Capital Leases:</b>			
1 2003 Sterling chassis knuckleboom	3.11	\$ 53,560	06-2007
2 Model 580 Super M loader/extendahoes	3.06	103,071	06-2007
3 Case Model 580 Super M loader/extendahoes	3.06	154,607	06-2007
IBM computer upgrade	7.74	1,093	12-2004
IBM computer upgrade	9.38	28,075	06-2005
IBM computer upgrade	7.05	47,041	11-2005
IBM computer upgrade	Variable	268,876	06-2008
12 John Deere Cab 6715 tractors	3.87	475,505	09-2007
8 Alamo cutters, 2 machine mowers, 2 Interstates	3.87	253,101	09-2007
1 Etnyre blacktop shooter, Etnyre chip spreader	3.87	<u>175,884</u>	09-2007
Total Capital Leases		<u>\$ 1,560,813</u>	
<b>Other Loans:</b>			
Capital improvement loan	4	\$ 96,605	09-2013
Industrial development	0	239,596	09-2007
Industrial development	2	478,348	06-2008
\$15 million line of credit - MS Development Bank	Variable	<u>160,500</u>	01-2024
Total Other Loans		<u>\$ 975,049</u>	
Total Debt		<u>\$ 68,755,862</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 were reduced in Madison County, while ad valorem collections continue to increase. This growth has led the way to residential development, 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, 2004

Exhibit 1

	<u>Primary Government</u>
	Governmental
	Activities
<b>ASSETS</b>	
Cash	\$ 11,518,908
Cash with fiscal agent	436
Property tax receivable	17,918,579
Fines receivable, net of allowance for uncollectibles of \$61,634	117,683
Loans receivable	478,349
Capital leases receivable	2,661,159
Intergovernmental receivables	682,970
Other receivables, net	2,702,402
Bond issue cost, net	126,000
Capital assets, net	<u>73,078,532</u>
Total Assets	<u>109,285,018</u>
<b>LIABILITIES</b>	
Claims payable	1,891,198
Intergovernmental payables	1,231,569
Accrued interest payable	767,928
Interfund payable	12,447
Deferred revenue	21,428,963
Other payables	644,222
Long-term liabilities	
Due within one year:	
Capital related debt	3,513,453
Non-capital debt	212,209
Due in more than one year:	
Capital related debt	64,551,852
Non-capital debt	<u>943,891</u>
Total Liabilities	<u>95,197,732</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	5,013,227
Restricted net assets:	
Expendable:	
Public safety	936,669
Public works	845,755
Culture and recreation	1
Economic development	745,030
Capital projects	613
Debt service	2,082,193
Other	898,749
Unrestricted	<u>3,565,049</u>
Total Net Assets	<u>\$ 14,087,286</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, 2004

Exhibit 2

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Fines, Forfeitures and Charges for Services	Operating Grants and Contributions	
Primary government:				
Governmental activities:				
General government	\$ 10,495,175	812,415		(9,682,760)
Public safety	5,172,362	1,375,027	1,126,891	(2,670,444)
Public works	16,980,375	30,000	3,887,733	(12,834,340)
Health and welfare	1,158,546		530,601	(627,945)
Culture and recreation	1,271,940		308,090	(278,350)
Conservation of natural resources	351,149			(349,665)
Economic development and assistance	1,666,249		52,000	(1,614,249)
Interest on long-term debt	1,310,438			(1,310,438)
Total Governmental Activities	\$ 38,406,234	2,217,442	5,905,315	(29,368,191)
General revenues:				
Taxes:				
Property taxes				\$ 20,021,470
Grants and contributions not restricted to specific programs				3,309,248
Unrestricted investment income				1,453,922
Miscellaneous				2,896,397
Total General Revenues, Special Item, Extraordinary Item and Transfers				27,681,037
Changes in Net Assets				(1,687,154)
Net Assets - Beginning (taken from trans-conv)				(32,172,937)
Cumulative effect of GASB Statement 34 adjustments				45,985,707
Prior period adjustments:				
Beginning balance of Self Ins. fund				(79,531)
Prior year fines receivable				29,566
Adjustment to claims payable - Self Ins. Fund				45,860
Prior period adjustment - Capital leases receivable beginning balance				1,965,775
Net Assets - Beginning restated				15,774,440
Net Assets - Ending				\$ 14,087,286

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

MADISON COUNTY  
 Balance Sheet - Governmental Funds  
 September 30, 2004

Exhibit 3

	Major Funds			Total Governmental Funds
	General Fund	Road Maintenance Fund	Other Governmental Funds	
<b>ASSETS</b>				
Cash and investments	\$ 7,521,470	907,702	2,984,068	11,413,240
Cash with fiscal agent			436	436
Property tax receivable	11,189,391	1,544,354	5,184,834	17,918,579
Fines receivable	117,684			117,684
Loans receivable			478,349	478,349
Capital lease receivable			2,661,159	2,661,159
Intergovernmental receivables	682,970			682,970
Special assessments receivable - deferred			2,650,000	2,650,000
Other receivables	51,372			51,372
Due from other funds		128,340	115,065	243,405
Advances to other funds	104,774			104,774
<b>Total Assets</b>	<b>\$ 19,667,661</b>	<b>2,580,396</b>	<b>14,073,911</b>	<b>36,321,968</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Claims payable	\$ 768,611	657,019	170,821	1,596,451
Intergovernmental payables	1,231,569			1,231,569
Due to other funds	254,822			254,822
Advances from other funds		32,774	72,000	104,774
Deferred revenue	11,277,508	1,544,354	10,495,993	23,317,855
Other payables	644,222			644,222
<b>Total Liabilities</b>	<b>14,176,732</b>	<b>2,234,147</b>	<b>10,738,814</b>	<b>27,149,693</b>
<b>Fund balances:</b>				
<b>Reserved for:</b>				
Advances	104,774			104,774
Debt service funds			969,205	969,205
Loans receivable			478,349	478,349
Per bond agreement			436	436
<b>Unreserved, reported in:</b>				
General fund	4,946,222			4,946,222
Special revenue funds		303,654	2,369,458	2,673,112
Capital project funds			177	177
<b>Total Fund Balances</b>	<b>5,050,996</b>	<b>303,654</b>	<b>3,817,625</b>	<b>9,172,275</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 19,227,728</b>	<b>2,537,801</b>	<b>14,556,439</b>	<b>36,321,968</b>

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

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets  
September 30, 2004

	<u>Amount</u>
Total fund balance - governmental funds (Exhibit 3)	\$ 9,172,275
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, net of accumulated depreciation of \$69,675,097.	73,078,532
Bond issue costs are amortized over the life of the bonds and therefore are not current period expenditures.	126,000
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	
Fines receivable	117,684
Other receivables, net	
Long-term liabilities are not due and payable in the current-period and therefore are not reported in the funds.	
Long-term liabilities	(69,221,405)
Accrued interest on bonds	(767,928)
Capital leases are not available to pay for current year expenditures and, therefore, are deferred in the funds.	1,800,775
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.	<u>(218,647)</u>
Total net assets - governmental activities (Exhibit 1)	\$ <u>14,087,286</u>

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

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended September 30, 2004

	Major Funds			Total Governmental Funds
	General Fund	Road Maintenance Fund	Other Governmental Funds	
<b>REVENUES</b>				
Property taxes	\$ 11,457,816	1,813,175	6,745,254	20,016,245
Licenses, commissions and other revenue	2,169,675	1,148,532	47,878	3,366,085
Fines and forfeitures	793,967		60,701	854,668
Intergovernmental revenues	1,816,582	1,119,533	4,359,113	7,295,228
Charges for services	1,375,027		1,410,556	2,785,583
Interest income	103,399		24,394	127,793
Miscellaneous revenues	848,013	661,937	1,512,148	3,022,098
Total Revenues	<u>18,564,479</u>	<u>4,743,177</u>	<u>14,160,044</u>	<u>37,467,700</u>
<b>EXPENDITURES</b>				
Current:				
General government	9,085,962		307,679	9,393,641
Public safety	6,715,922		1,343,684	8,059,606
Public works	58,915	5,446,430	5,929,744	11,435,089
Health and welfare	1,158,546			1,158,546
Culture and recreation	25,811		1,246,129	1,271,940
Conservation of natural resources	346,572			346,572
Economic development and assistance	713,136		447,773	1,160,909
Debt service:				
Principal	15,738,375	318,308	8,785,805	24,842,488
Interest	303,093	27,409	1,873,541	2,204,043
Bond issue costs	456,156		140,000	596,156
Total Expenditures	<u>34,602,488</u>	<u>5,792,147</u>	<u>20,074,355</u>	<u>60,468,990</u>
Excess of Revenues over (under) Expenditures	<u>(16,038,009)</u>	<u>(1,048,970)</u>	<u>(5,914,311)</u>	<u>(23,001,290)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term capital debt issued	12,160,500	924,125	1,104,979	14,189,604
Long-term non-capital debt issued	4,200,000		6,025,000	10,225,000
Compensation for loss of capital assets	16,067			16,067
Transfers in	319,924	48,724	6,857	375,505
Transfers out	(6,857)		(368,648)	(375,505)
Lease principal payments received			30,000	30,000
Funds received from trustee for interest payments			35,508	35,508
Discount on bonds issued	(42,000)			(42,000)
Total Other Financing Sources and Uses	<u>16,647,634</u>	<u>972,849</u>	<u>6,833,696</u>	<u>24,454,179</u>
Net Changes in Fund Balances	609,625	(76,121)	919,385	1,452,889
Fund Balances - Beginning	<u>4,441,371</u>	<u>379,775</u>	<u>2,898,240</u>	<u>7,719,386</u>
Fund Balances - Ending	\$ <u>5,050,996</u>	<u>303,654</u>	<u>3,817,625</u>	<u>9,172,275</u>

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, 2004

Net changes in fund balances - total governmental funds (Exhibit 4) \$ 1,452,889

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 \$6,647,613 exceeded depreciation \$5,726,017 in the current period 921,596

In the statement of activities, only gains and losses from the sale of capital assets are reported, whereas in the governmental funds, proceeds from the sale of capital assets increase financial resources and loss from the sale of capital assets decrease financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the loss of \$4,510,624 and the proceeds from the sale of \$1,170,688 in the current period (5,681,312)

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 88,117

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 \$24,824,488 exceeded debt proceeds \$24,414,604. 409,884

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

- Compensated absences 113,345
- Accrued interest payable 1,213,942
- Bond issue cost amortized in government-wide statements 126,000
- Adjustments to prior year balances (27,499)

In the statement of activities, only interest income from payments received on capital leases are reported, whereas in the governmental funds, both principal and interest payments received increase financial resources. Thus, the change in net assets differs from change in fund balances by the principal collections on the capital leases (165,000)

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. (139,116)

Change in net assets of governmental activities (Exhibit 2) \$ (1,687,154)

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



MADISON COUNTY  
Statement of Net Assets - Proprietary Fund  
September 30, 2004

Exhibit 5

	<u>Governmental Activities - Internal Service Fund Self-Insurance Fund</u>
ASSETS	
Current assets:	
Cash and investments	\$ 105,668
Total Assets	<u>105,668</u>
LIABILITIES	
Current liabilities:	
Claims payable	<u>324,315</u>
Total Current Liabilities	<u>324,315</u>
Total Net Assets	<u>\$ (218,647)</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, 2004

Exhibit 6

	Governmental Activities - Internal Service Fund <u>Self-Insurance Fund</u>
Operating Revenues	
Premiums	\$ 1,739,172
Refunds/reinsurance	79,429
Total Operating Revenues	<u>1,818,601</u>
Operating Expenses	
Claims payment	1,572,790
Administrative	81,230
Insurance premiums	303,697
Total Operating Expenses	<u>1,957,717</u>
Operating Income (Loss)	<u>(139,116)</u>
Change in Net Assets	(139,116)
Net Assets - Beginning	<u>(79,531)</u>
Net Assets Ending	<u>\$ (218,647)</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, 2004

Exhibit 7

	Governmental Activities - <u>Internal Service Fund</u> Self-Insurance <u>Fund</u>
Cash Flows From Operating Activities	
Receipts for premiums	\$ 1,739,172
Refunds/reimbursements	79,429
Payments for claims	(1,463,885)
Payments to administrator for services	(81,230)
Payments for insurance premiums	(303,697)
Net Cash Provided (Used) by Operating Activities	<u>(30,211)</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	(30,211)
Cash and Cash Equivalents at Beginning of Year	<u>135,878</u>
Cash and Cash Equivalents at End of Year	\$ <u><u>105,667</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ <u>(139,116)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
Increase (decrease) in claims and judgments liability	<u>108,905</u>
Total Adjustments	<u>108,905</u>
Net Cash Provided (Used) by Operating Activities	\$ <u><u>(30,211)</u></u>

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

MADISON COUNTY  
Statement of Fiduciary Assets and Liabilities  
September 30, 2004

Exhibit 8

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and investments	\$ 259,157
Due from other funds	<u>12,447</u>
Total Assets	<u>\$ 271,604</u>
<b>LIABILITIES</b>	
Claims payable and other accrued liabilities	\$ 241,338
Intergovernmental payables	29,236
Due to other funds	<u>1,030</u>
Total Liabilities	<u>\$ 271,604</u>
<b>NET ASSETS</b>	
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, 2004

#### (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

##### Blended Component Units

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

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, 2004

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 \$721,840 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
- Tax 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 are generally financed through taxes, intergovernmental revenues and other nonexchange revenues. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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 governmental function is self-financing or draws from the general revenues of the county.

# MADISON COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2004

### Fund Financial Statements:

Fund financial statements of the county are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into governmental, proprietary and fiduciary. Major individual governmental funds 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 Proprietary Fund and Fiduciary Fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenue is 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.

The County's Proprietary Fund applies all applicable Governmental Accounting Standards Board (GASB) pronouncements and only the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

The revenues and expenses of the Proprietary Fund are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services in connection with a Proprietary Fund's primary operations. All other revenues and expenses are reported as nonoperating.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 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 are 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.

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

Self-insurance Internal Service Fund - This fund is used to account for the health insurance activities provided to governmental departments on a cost reimbursement basis.

MADISON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2004

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

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

PROPRIETARY FUND TYPES

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, 2004

#### 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 column in the government-wide financial statement. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to retroactively report major general infrastructure assets by September 30, 2007. Current year general infrastructure assets are required to be reported. General infrastructure assets acquired after September 30, 1980, are reported on the government-wide financial statements. Current year general infrastructure assets are reported on the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets.

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:

MADISON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2004

	<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

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, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Assets. Bond issuance costs are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt

In the fund financial statements, Governmental Fund Types recognize bond issuance costs during the current period. The face amount of the debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures

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, construction 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"

## MADISON COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2004

#### Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is classified as reserved or unreserved.

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.

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 statement. 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 \$465,544 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, 2004

N Prior Period Adjustment.

A summary of significant fund equity adjustments is as follows:

<u>Explanation</u>	
To recognize revenue deferred in error on capital lease receivable	\$1,965,775
To recognize prior year fines receivable not previously reported	\$29,566
Adjustment to Self-insurance fund's beginning claims payable	\$45,860
Beginning balance of Self-insurance fund	\$(79,531)

(2) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2004, was \$11,778,065 and the bank balance was \$12,449,440. 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.

(3) Interfund Transactions and Balances

The following is a summary of interfund balances at September 30, 2004:

A Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Agency Funds	General Fund	\$ 11,417
Road Maintenance Fund	General Fund	128,340
Other Governmental Funds	General Fund	<u>115,065</u>
Total Due From/To Other Funds		<u>\$ 254,822</u>

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.

MADISON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2004

B. Advances From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 72,000
General Fund	Road Maintenance Fund	<u>32,774</u>
Total Advances From/To Other Funds		<u>\$ 104,774</u>

Included in Advances are \$65,000, for primarily debt repayments and \$32,774, for advances listed on the FY2002 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>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 319,924
Road maintenance	Other Governmental Funds	48,724
Other Governmental Funds	General	<u>6,857</u>
Total Transfers		<u>\$ 375,505</u>

Amounts listed were transfers for normal operations of the county.

(4) Intergovernmental Receivables

Intergovernmental receivables at September 30, 2004, consisted of the following:

Governmental Activities:

<u>Description</u>	<u>Amount</u>
Legislative tag credit	<u>\$ 682,970</u>

(5) Loans Receivable.

Loans receivable balances at September 30, 2004, 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>\$ 478,349</u>

MADISON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2004

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2004:

	Balance 10/1/2003	Additions	Deletions	Adjustments	Balance 9/30/2004
Land	\$ 1,446,489	21,000	198,301	2,134,247	3,403,435
Construction in progress	<u>3,993,552</u>	<u>244,206</u>	<u>3,363,182</u>	<u>(874,576)</u>	<u>3,403,435</u>
Total not depreciated	<u>5,440,041</u>	<u>265,206</u>	<u>3,561,483</u>	<u>1,259,671</u>	<u>3,403,435</u>
Buildings	23,848,625	4,073,182	758,139	1,533,482	28,697,150
Mobile equipment	7,324,752	1,186,751	1,848,417	(38,723)	6,624,363
Other furniture and fixtures	2,389,119	198,340	142,415	(633)	2,444,411
Capital leases	2,984,979	924,135	1,954,154		1,954,960
Infrastructure	<u>580,132</u>			<u>98,977,790</u>	<u>99,557,922</u>
Total being depreciated	<u>37,127,607</u>	<u>6,382,408</u>	<u>4,703,125</u>	<u>100,471,916</u>	<u>139,278,806</u>
Less: accumulated depreciation for:					
Buildings	6,559,881	808,985		(417,060)	(7,785,926)
Mobile equipment	2,998,346	873,778	874,090		(2,998,034)
Other furniture and fixtures	304,456	95,789	256,174		(144,071)
Capital leases	806,925	467,129	47,627		(1,226,427)
Infrastructure		<u>3,480,336</u>		<u>(53,968,915)</u>	<u>(57,449,251)</u>
Total accumulated depreciation	<u>10,669,608</u>	<u>5,726,017</u>	<u>1,177,891</u>	<u>(54,385,975)</u>	<u>(69,603,709)</u>
Total capital assets, being depreciated, net	<u>26,457,999</u>	<u>656,391</u>	<u>3,525,234</u>	<u>46,085,941</u>	<u>69,675,097</u>
Governmental activities capital assets, net	<u>\$ 31,898,040</u>	<u>921,597</u>	<u>7,086,717</u>	<u>47,345,612</u>	<u>73,078,532</u>

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 1,088,810
Public safety	322,547
Public works	4,299,423
Health and welfare	1,430
Conservation of natural resources	3,147
Economic development	<u>10,660</u>
Total governmental activities depreciation expense	<u>\$ 5,726,017</u>

MADISON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2004

(7) 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 \$400,000 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, 2004, to January 1, 2005. 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.

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.

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, 2004, the amount of these liabilities was \$324,315. 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
2002-2003	\$ 564,869	1,646,472	1,995,932	215,409
2003-2004	\$ 215,409	1,572,790	1,463,884	324,315

MADISON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2004

(8) Capital Leases

As Lessor:

The county leases the following property with varying terms and options as of September 30, 2004:

Classes of Property	Amount
Land and buildings	\$ <u>5,910,193</u>

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2004, are as follows:

Year Ended September 30	Principal	Interest
2005	\$ 210,775	141,971
2006	170,000	127,877
2007	195,000	114,490
2008	135,000	99,648
2009	140,000	88,488
2010-2014	725,000	266,352
2015-2019	<u>225,000</u>	<u>21,557</u>
Total	\$ <u>1,800,775</u>	<u>860,383</u>

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2004:

Classes of Property	Governmental Activities
Mobile equipment	\$ 1,299,575
Other furniture and equipment	<u>655,385</u>
Total	1,954,960
Less: Accumulated depreciation	<u>1,226,427</u>
Leased Property Under Capital Leases	\$ <u>728,533</u>

The following is a schedule by years of the total payments due as of September 30, 2004:

Year Ending September 30	Governmental Activities	
	Principal	Interest
2005	\$ 418,453	41,490
2006	369,490	25,276
2007	<u>503,994</u>	<u>9,747</u>
Total	\$ <u>1,291,937</u>	<u>76,513</u>

An IBM upgrade in the amount of \$337,000 has a variable interest rate and is not included.



MADISON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2004

(9) Long-term Debt

Debt outstanding as of September 30, 2004, consisted of the following:

Purpose	Interest Rates	Amount	Final Maturity Date
<b>General Obligation Bonds:</b>			
G O Refunding bonds (Courthouse), Series 1998	4.4 to 5.5	\$ 4,435,000	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	22,545,000	06-2026
G O Refunding bonds	2.7 to 3.3	6,025,000	05-2014
G O Refunding bond project	4 to 6	<u>12,000,000</u>	06-2024
<b>Total G O Bonds</b>		<b>\$ <u>45,835,000</u></b>	
<b>Limited Obligation Bonds:</b>			
Industrial development, Series 1991	8.8 to 9.5	\$ 1,195,000	03-2016
Industrial development, Series 1992	5.8 to 6.3	170,000	05-2007
Certificates of participation, 1991 issue	6.6 to 6.75	170,000	10-2006
MS Hospital refunding project, Series 2002	Variable	12,000,000	06-2032
Taxable Special Obligation bonds, Series 2003	Variable	<u>4,200,000</u>	12-2023
<b>Total Limited Obligation Bonds</b>		<b>\$ <u>17,735,000</u></b>	
<b>Special Assessment Bonds:</b>			
Parkway special assessment refunding bonds, Series 1998	4.35 to 6.0	<u>\$ 2,650,000</u>	06-2012
<b>Capital Leases:</b>			
1 2003 Sterling chassis knuckleboom	3.11	\$ 53,560	06-2007
2 Model 580 Super M loader/extendahoes	3.06	103,071	06-2007
3 Case Model 580 Super M loader/extendahoes	3.06	154,607	06-2007
IBM computer upgrade	7.74	1,093	12-2004
IBM computer upgrade	9.38	28,075	06-2005
IBM computer upgrade	7.05	47,041	11-2005
IBM computer upgrade	Variable	268,876	06-2008
12 John Deer Cab 6715 tractors	3.87	475,505	09-2007
8 Alamo cutters, 2 machine mowers, 2 Interstates	3.87	253,101	09-2007
1 Etnyre blacktop shooter, Etnyre chip spreader	3.87	<u>175,884</u>	09-2007
<b>Total Capital Leases</b>		<b>\$ <u>1,560,813</u></b>	

MADISON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2004

Purpose	Interest Rates	Amount	Final Maturity Date
Other Loans:			
Capital improvement loan	4	\$ 96,605	09-2013
Industrial development	0	239,596	09-2007
Industrial development	2	478,348	06-2008
\$15 million line of credit - MS Development Bank	Variable	<u>160,500</u>	01-2024
Total Other Loans		\$ <u>975,049</u>	
Total Debt		\$ <u>68,755,862</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:

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2005	\$ 2,595,000	2,173,638
2006	2,445,000	2,080,541
2007	1,845,000	1,957,171
2008	1,925,000	1,876,664
2009	2,015,000	1,791,574
2010-2014	12,065,000	7,443,675
2015-2019	8,445,000	4,985,310
2020-2024	11,070,000	2,666,019
2025-2030	<u>3,430,000</u>	<u>272,738</u>
Total	\$ <u>45,835,000</u>	<u>25,247,328</u>

MADISON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2004

Limited obligation bonds:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 220,000	132,165
2006	230,000	115,845
2007	160,000	98,795
2008	100,000	86,015
2009	100,000	76,915
2010-2014	500,000	246,425
2015-2019	<u>225,000</u>	<u>32,190</u>
Total	\$ <u>1,535,000</u>	<u>788,350</u>

Special assessment bonds:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 280,000	118,443
2006	295,000	105,645
2007	305,000	92,069
2008	320,000	77,770
2009	335,000	62,538
2010-2025	<u>1,115,000</u>	<u>84,208</u>
Total	\$ <u>2,650,000</u>	<u>540,673</u>

Other loans:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 88,131	3,713
2006	88,468	3,376
2007	88,818	3,026
2008	9,322	2,661
2009	9,698	2,281
2010-2014	<u>51,764</u>	<u>5,147</u>
Total	\$ <u>336,201</u>	<u>20,204</u>

MADISON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2004

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, 2004, the amount of outstanding debt was equal to 6.5% 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, 2003. The principal balance outstanding on the refunding issue at September 30, 2004, is \$2,650,000.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2004:

	Beginning Balance	Additions	Reductions	Adjustments	Ending Balance	Due Within One Year
Governmental activities:						
Compensated absences	\$ 578,888		(113,344)		465,544	
General obligation bonds	35,565,000	18,025,000	(1,870,000)	(5,885,000)	45,835,000	2,595,000
Limited obligation bonds	13,745,000	4,200,000	(210,000)		17,735,000	220,000
Special assessment bonds	2,915,000		(265,000)		2,650,000	280,000
Capital leases	1,759,113	924,125	(1,122,425)		1,560,813	418,453
Other Loans	15,199,632	1,265,479	(15,490,063)		975,048	212,209
Governmental activity long-term liabilities	<u>\$ 69,762,633</u>	<u>24,414,604</u>	<u>(19,070,832)</u>	<u>(5,885,000)</u>	<u>69,221,405</u>	<u>3,725,662</u>

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 \$4,200,000 Taxable Special Obligation Bonds, Series 2003, the \$337,000 IBM upgrade lease, the \$15 million line of credit from MS Development Bank, and the \$12,000,000 Mississippi Hospital refunding project, Series 2002, can not be determined because these loans have variable rates of interest.

MADISON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2004

(10) Deficits in Balance of Individual Funds.

The following funds reported deficits in fund balances at September 30, 2004:

<u>Fund</u>	<u>Deficit Amount</u>
Parkway East	\$ 9,504
Adolescent offense	28,179

(11) Contingencies.

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

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

(12) 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, 2004, was \$170,000 (See Note 9). 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, 2004, was \$395,000. This amount has been recorded as lease payments receivable and a corresponding amount is shown as deferred revenue-leasing transactions at September 30, 2004.

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.

## MADISON COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2004

#### (13) 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 \$674,397 for maintenance and support of the college in fiscal year 2004.

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 2004.

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 \$9,600 for maintenance and support of the district in fiscal year 2004.

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 \$165,000 for maintenance and support of the agency in fiscal year 2004.

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 2004.

#### (14) 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, 2004, 2003 and 2002 were \$876,883, \$800,895 and \$721,717 respectively, equal to the required contributions for each year.

MADISON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2004

(15) Subsequent Events

Subsequent to September 30, 2004, Madison County issued the following debt obligation:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
10-15-04	.0386	\$ 794,070	Capital leases	Tax levy

MADISON COUNTY

REQUIRED SUPPLEMENTARY INFORMATION



MADISON COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 General Fund  
 For the Year Ended September 30, 2004

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 10,845,300	11,467,012	11,461,410	(5,602)
Licenses, commissions and other revenue	1,630,000	2,132,378	2,164,737	32,359
Fines and forfeitures	653,000	740,641	740,641	
Intergovernmental revenues	2,169,000	2,269,122	2,557,484	288,362
Charges for services	1,250,000	1,375,027	1,375,027	
Interest income	25,000	101,340	101,340	
Miscellaneous revenues	285,000	919,483	1,065,972	146,489
Total Revenues	<u>16,857,300</u>	<u>19,005,003</u>	<u>19,466,611</u>	<u>461,608</u>
<b>EXPENDITURES</b>				
Current:				
General government	8,040,859	8,829,755	8,807,813	21,942
Public safety	6,397,269	6,561,081	6,561,081	
Public works		450,483	58,915	391,568
Health and welfare	966,196	949,124	911,624	37,500
Culture and recreation	12,000	26,351	26,351	
Education	539,000	575,126	575,126	
Conservation of natural resources	342,966	340,892	350,492	(9,600)
Economic development and assistance	9,600	9,600		9,600
Debt service:				
Principal and interest	<u>1,095,700</u>	<u>1,032,782</u>	<u>1,097,044</u>	<u>(64,262)</u>
Total Expenditures	<u>17,403,590</u>	<u>18,775,194</u>	<u>18,388,446</u>	<u>386,748</u>
Excess of Revenues over (under) Expenditures	<u>(546,290)</u>	<u>229,809</u>	<u>1,078,165</u>	<u>848,356</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds of long-term debt			2,225	2,225
Sale of capital assets	1,000	161,831	16,067	(145,764)
Transfers in	1,176,300	415,617	415,617	
Transfers out	866,300	106,857	144,357	37,500
Collection of loan - MCMC		358,440		(358,440)
Total Other Financing Sources and Uses	<u>2,043,600</u>	<u>1,042,745</u>	<u>578,266</u>	<u>(464,479)</u>
Net Change in Fund Balances	1,497,310	1,272,554	1,656,431	383,877
Fund Balances - Beginning	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 1,497,310</u>	<u>1,272,554</u>	<u>1,656,431</u>	<u>383,877</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, 2004

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 1,841,000	1,907,183	1,907,183	
Road and bridge privilege	936,000	1,058,918	1,058,918	
License, commission & other revenue	300	206	206	
Intergovernmental revenues	694,000	1,119,533	1,119,533	
Interest income	2,000			
Miscellaneous revenues	57,000	86,271	86,271	
Total Revenues	<u>3,530,300</u>	<u>4,172,111</u>	<u>4,172,111</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
Public works	3,546,160	4,216,081	4,216,081	
Total Expenditures	<u>3,546,160</u>	<u>4,216,081</u>	<u>4,216,081</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(15,860)</u>	<u>(43,970)</u>	<u>(43,970)</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in		48,724	48,724	
Compensation for loss of capital assets		606,191	606,191	
Total Other Financing Sources and Uses	<u>0</u>	<u>654,915</u>	<u>654,915</u>	<u>0</u>
Net Change in Fund Balances	(15,860)	610,945	610,945	0
Fund Balances – Beginning	<u>0</u>	<u>0</u>	<u>295,060</u>	<u>0</u>
Fund Balances – Ending	<u>\$ (15,860)</u>	<u>610,945</u>	<u>906,005</u>	<u>0</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, 2004

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
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>
<b>EXPENDITURES</b>				
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 Balances	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, 2004

#### 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.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

#### 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).

MADISON COUNTY

Notes to the Required Supplementary Information  
For the Year Ended September 30, 2004

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major Special Revenue Fund:

	<u>Governmental Fund Types</u>	
	<u>General Fund</u>	<u>Road Maintenance Fund</u>
Net Change in Fund Balance – Budget (Cash Basis)	\$ 1,656,431	610,945
Increase (Decrease)		
Net adjustments for revenue accruals	(902,132)	528,471
Net adjustments for expenditure accruals	(16,214,042)	(1,576,066)
Other financing sources (uses)	<u>16,069,368</u>	<u>360,529</u>
GAAP Basis	<u>\$ 609,625</u>	<u>(76,121)</u>

MADISON COUNTY

SUPPLEMENTAL INFORMATION

MADISON COUNTY  
 Schedule of Expenditures of Federal Awards  
 September 30, 2004

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
<b>MAJOR FEDERAL AWARDS</b>			
U.S. Department of Housing and Urban Development/ Passed-through Mississippi Development Authority			
Community development block grant/state's program	14 228	1119-02-045-LN-01	\$ 7,722
Community development block grant/state's program	14 228	1118-01-045-PF-01	272,684
Community development block grant/state's program	14 228	1118-01-045-ED-01	71,892
Community development block grant/state's program	14 228	1118-01-045-ED-01	<u>148,688</u>
Total Expenditures of Major Federal Awards			<u>500,986</u>
<b>OTHER FEDERAL AWARDS</b>			
U.S. Department of Transportation - Federal Highway Administration/Passed-through the Mississippi Department of Transportation			
Highway Planning and Construction	20 205	N/A	<u>16,620</u>
U.S. Department of Health and Human Services/Passed-through the Mississippi Department of Human Services			
Temporary assistance for needy families	93 558	641WL41	139,090
Temporary assistance for needy families	93 558	641W141	<u>45,000</u>
Total U S Department of Health and Human Services			<u>184,090</u>
Total Expenditures of Other Federal Awards			<u>200,710</u>
Total Expenditures of Federal Awards			<u>\$ 701,696</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting

MADISON COUNTY  
 Reconciliation of Operating Costs of Solid Waste  
 For the Year Ended September 30, 2004

Operating Expenditures, Cash Basis:

Salaries	\$ 528,981
Gasoline and petroleum products	39,468
Repair parts	3,087
Telephone & utilities	25,725
Clothing	4,373
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>\$ 230,900</u>



MADISON COUNTY

SPECIAL REPORTS

# Windham and Lacey, PLLC

*Certified Public Accountants*

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2708 Old Brandon Road  
Pearl, MS 39208  
(601)939-8676  
(601)939-8761 (fax)

Members:  
American Institute of CPAs  
Mississippi Society of CPAs

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

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 of Madison County, Mississippi, as of and for the year ended September 30, 2004, which collectively comprise Madison County's basic financial statements, and have issued our report thereon dated June 30, 2005. 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

#### 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 an opinion 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 caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Windham and Lacey, PLLC*

Windham and Lacey, PLLC  
June 30, 2005

# 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, 2004. 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 its major federal program for the year ended September 30, 2004.

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. However, this report is a matter of public record and its distribution is not limited.

*Windham and Lacey, PLLC*  
Windham & Lacey, PLLC  
June 30, 2005

# Windham and Lacey, PLLC

## *Certified Public Accountants*

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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, 2004. 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. However, this report is a matter of public record and its distribution is not limited.

*Windham and Lacey, PLLC*

Windham & Lacey, PLLC  
June 30, 2005

MADISON COUNTY  
Schedule of Purchases Not Made From the Lowest Bidder  
For the Year Ended September 30, 2004

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, 2004

Schedule 2

Our test results did not identify any emergency purchases.

MADISON COUNTY  
Schedule of Purchases Made Noncompetitively From a Sole Source  
For the Year Ended September 30, 2004

Schedule 3

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

MADISON COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MADISON COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2004

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?	No
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?	Yes
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, 2004

Section 2: Financial Statement Findings

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

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