

MADISON COUNTY, MISSISSIPPI

Audited Primary Government Financial Statements
and
Special Reports

For the Year Ended September 30, 2006

MADISON COUNTY

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MADISON COUNTY

FINANCIAL SECTION

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Mississippi Society of CPAs

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, 2006, 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 the 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, 2006, 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, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2007, 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

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

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 and Lacey, PLLC
May 25, 2007

MADISON COUNTY

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

MADISON COUNTY
Statement of Net Assets
For the Year Ended September 30, 2006

Exhibit 1

| | Primary Government |
|---|------------------------------------|
| | <u>Governmental Activities</u> |
| ASSETS | |
| Cash | \$ 19,501,394 |
| Cash with fiscal agent | 53,576 |
| Property tax receivable | 16,008,020 |
| Fines receivable, net of allowance for uncollectible of \$343,190 | 320,203 |
| Loans receivable | 227,639 |
| Capital leases receivable | 496,483 |
| Intergovernmental receivables | 799,514 |
| Other receivables, net | 2,111,800 |
| Bond issue cost, net | 570,938 |
| Land and construction in progress | 3,054,913 |
| Other capital assets, net | 70,420,752 |
| Total Assets | <u>113,565,232</u> |
| LIABILITIES | |
| Claims payable | 1,809,976 |
| Claims and judgments payable | 345,551 |
| Intergovernmental payables | 1,400,768 |
| Accrued interest payable | 1,141,072 |
| Deferred revenue | 18,350,199 |
| Other payables | 1,168,892 |
| Long-term liabilities | |
| Due within one year: | |
| Capital related debt | 4,063,086 |
| Non-capital debt | 425,563 |
| Due in more than one year: | |
| Capital related debt | 65,460,377 |
| Non-capital debt | 6,549,655 |
| Total Liabilities | <u>100,715,139</u> |
| NET ASSETS | |
| Invested in capital assets, net of related debt | 3,952,202 |
| Restricted net assets: | |
| Expendable: | |
| Public safety | 1,149,995 |
| Public works | 2,005,926 |
| Health and welfare | 5,260 |
| Culture and recreation | 69,717 |
| Economic development | 206,922 |
| Capital projects | 5,867,418 |
| Unrestricted | (407,347) |
| Total Net Assets | <u>\$ 12,850,093</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, 2006

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 | Capital Grants and Contributions | Primary Governmental Activities | |
| Primary government: | | | | | | |
| Governmental activities: | | | | | | |
| General government | \$ 9,627,480 | 2,273,492 | 29,682 | 689,078 | (6,635,228) | |
| Public safety | 9,826,136 | 2,967,669 | 565,233 | 31,500 | (6,261,734) | |
| Public works | 19,195,565 | 558,217 | 1,406,615 | 1,045,709 | (16,185,024) | |
| Health and welfare | 495,708 | | 100,121 | | (395,587) | |
| Culture and recreation | 1,211,644 | | | | (1,211,644) | |
| Conservation of natural resources | 321,607 | | | | (321,607) | |
| Economic development and assistance | 619,646 | | | 760,524 | 140,878 | |
| Interest on long-term debt | 3,001,892 | | | | (3,001,892) | |
| Total Governmental Activities | 44,299,678 | 5,799,378 | 2,101,651 | 2,526,811 | (33,871,838) | |
| Business-type activities: | | | | | | |
| Total Business-type Activities | \$ - | - | - | - | - | |
| Total Primary Government | \$ 44,299,678 | 5,799,378 | 2,101,651 | 2,526,811 | (33,871,838) | |
| General revenues: | | | | | | |
| Taxes: | | | | | | |
| Property taxes | | | | | \$ 23,137,362 | |
| Road and Bridge privilege taxes | | | | | 1,154,848 | |
| Grants and contributions not restricted to specific programs | | | | | 2,876,613 | |
| Unrestricted investment income | | | | | 953,073 | |
| Payments in lieu of taxes | | | | | 1,838,688 | |
| Miscellaneous | | | | | 2,534,732 | |
| Gain on sale/disposal of capital assets | | | | | 395,950 | |
| Funds received from hospital for loan payoff | | | | | 925,000 | |
| Total General Revenues and Transfers | | | | | 33,816,266 | |
| Changes in Net Assets | | | | | (55,572) | |

MADISON COUNTY
 Statement of Activities
 For the Year Ended September 30, 2006

Net Assets - Beginning
 Change in accounting entity:
 MCEDA - component unit fund balance
 MCEDA - fixed assets
 Leases receivable adjustment
 Net Assets - Beginning restated
 Net Assets - Ending

(Exhibit 2 Continued)

| | |
|--|----------------------|
| | 16,105,972 |
| | (240,044) |
| | (2,919,488) |
| | (40,775) |
| | <u>12,905,665</u> |
| | <u>\$ 12,850,093</u> |

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

MADISON COUNTY

Balance Sheet - Governmental Funds
For the Year Ended September 30, 2006

Exhibit 3

| | Major Funds | | | | | | | | | | Total Governmental Funds | |
|---|-----------------|-----------------------------|-----------------------------|--|---------------------------------|--|--|--------------------------------|--|--|--------------------------------|------------|
| | General Fund | Road Maintenance Fund | Bridge & Culvert Fund | Special Assessment Parkway I & S Fund | General County I & S Fund | Road & Bridge Capital Project Fund | Office Complex Construction Fund | Other Governmental Funds | | | | |
| ASSETS | | | | | | | | | | | | |
| Cash | \$ 8,956,242 | 872,737 | 317,740 | 28,560 | 4,912 | 2,728,397 | 3,484,620 | 3,108,157 | | | | 19,501,395 |
| Cash with fiscal agent | 53,143 | | | | | | | 434 | | | | 53,577 |
| Property tax receivable | 9,171,466 | 1,429,162 | 1,754,851 | | 2,715,537 | | | 936,901 | | | | 16,008,017 |
| Fines receivable | 320,203 | | | | | | | | | | | 320,203 |
| Loans receivable | | | | | | | | | | | | |
| Capital lease receivable | 432,703 | | | | | | | | | | | 432,703 |
| Intergovernmental receivables | 775,885 | 23,628 | | | | | | 227,639 | | | | 227,639 |
| Other receivables | 36,800 | | | 2,075,000 | | | | 63,780 | | | | 496,483 |
| Due from other funds | | 142,085 | 41,034 | | 40,200 | | | | | | | 799,513 |
| Advances to other funds | 15,000 | | | | | | | 41,617 | | | | 2,111,800 |
| Total Assets | \$ 19,761,442 | 2,467,612 | 2,113,625 | 2,103,560 | 2,760,839 | 3,103,397 | 3,484,620 | 4,378,528 | | | | 390,000 |
| | | | | | | | | | | | | 40,173,604 |
| LIABILITIES AND FUND BALANCES | | | | | | | | | | | | |
| Liabilities: | | | | | | | | | | | | |
| Claims payable | \$ 632,887 | 103,884 | 30,991 | | | | | | | | | 1,810,004 |
| Claims and judgments | 345,551 | | | | | 456,964 | 264,247 | 321,031 | | | | 345,551 |
| Intergovernmental payables | 1,400,768 | | | | | | | | | | | 1,400,768 |
| Due to other funds | 264,977 | | | | | | | | | | | 264,977 |
| Advances from other funds | | 375,000 | | | | | | 15,000 | | | | 390,000 |
| Deferred revenues - special assessments | | | | 2,075,000 | | | | | | | | 2,075,000 |
| Deferred revenue | 9,924,372 | 1,429,162 | 1,754,851 | | 2,715,537 | | | 1,002,193 | | | | 16,826,215 |
| Other payables | 1,168,862 | | | | | | | | | | | 1,168,862 |
| Total Liabilities | 13,737,417 | 1,908,046 | 1,785,842 | 2,075,000 | 2,715,537 | 456,964 | 264,247 | 1,338,224 | | | | 24,281,377 |

MADISON COUNTY
 Balance Sheet - Governmental Funds
 For the Year Ended September 30, 2006

| | Major Funds | | | | | | | Total Governmental Funds |
|--|-----------------|-----------------------------|-----------------------------|--|---------------------------------|--|--|--------------------------------|
| | General Fund | Road Maintenance Fund | Bridge & Culvert Fund | Special Assessment Parkway I & S Fund | General County I & S Fund | Road & Bridge Capital Project Fund | Office Complex Construction Fund | |
| Fund balances: | | | | | | | | |
| Reserved for: | | | | | | | | |
| Advances | 15,000 | | | 28,560 | 45,183 | 375,000 | | 390,000 |
| Debt service funds | | | | | | | | 109,685 |
| Loans receivable | | | | | | | | 227,639 |
| Per bond agreement | | | | | | | | 434 |
| Unreserved, reported in: | | | | | | | | |
| General fund | 6,009,025 | | | | | | | 6,009,025 |
| Special revenue funds | | 559,566 | 327,783 | | | | | 3,663,464 |
| Capital project funds | | | | | | 2,271,433 | 174 | 5,491,980 |
| Total Fund Balances | 6,024,025 | 559,566 | 327,783 | 28,560 | 45,183 | 2,646,433 | 3,220,373 | 15,892,227 |
| Total Liabilities and Fund Balances \$ | 19,761,442 | 2,467,612 | 2,113,625 | 2,103,560 | 2,760,870 | 3,103,397 | 3,484,620 | 40,173,604 |

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

MADISON COUNTY, MISSISSIPPI
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
 For the Year Ended September 30, 2006

Exhibit 3-1

| | <u>Amount</u> |
|---|----------------------|
| Total fund balance - governmental funds (Exhibit 3) | \$ 15,892,227 |
| 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. | 73,475,665 |
| Bond issue costs are amortized over the life of the bonds and, therefore, are not current period expenditures. | 570,938 |
| Premium on bonds. | (164,188) |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. | 320,203 |
| Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds. | |
| Long-term liabilities | (76,498,681) |
| Accrued interest on bonds | (1,141,072) |
| Capital leases are not available to pay for current year expenditures and, therefore, are deferred in the funds | 395,000 |
| Rounding adjustment. | <u>1</u> |
| Total net assets - governmental activities (Exhibit 1) | \$ <u>12,850,093</u> |

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

MADISON COUNTY
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2006

Exhibit 4

| | Major Funds | | | | | | | Total Governmental Funds |
|---|-----------------|-----------------------------|-------------------------------|--|------------------------------------|--|--------------------------------------|--------------------------------|
| | General Fund | Road Maintenance Fund | Bridge and Culvert Fund | Special Assessment Parkway J & S Fund | General County I & S Fund | Road & Bridge Capital Project Fund | Office Complex Constr. Fund | |
| REVENUES | | | | | | | | |
| Property taxes | \$ 13,573,770 | 2,589,241 | 2,304,944 | | | | | 23,130,433 |
| Road and bridge privilege taxes | | 1,154,848 | | | | | | 1,154,848 |
| Licenses, commissions and other revenue | 2,474,529 | 242 | 177 | | | | 330 | 2,475,468 |
| Fines and forfeitures | 779,013 | | | | | | 146,514 | 925,527 |
| Special assessments | | | | 409,017 | | | | 409,017 |
| Intergovernmental revenues | 3,837,595 | 1,165,930 | 7,950 | | | | | 7,505,075 |
| Charges for services | 1,779,577 | | | | | | | 1,492,308 |
| Interest income | 511,880 | 2,000 | 4,000 | | | | | 535,415 |
| Payments in lieu of taxes | | | | | | | | 1,838,688 |
| Miscellaneous revenues | 708,750 | 397,820 | | | | | | 1,838,688 |
| Total Revenues | 23,665,114 | 5,310,081 | 2,317,071 | 409,017 | | 0 | 9,057,391 | 43,208,179 |
| EXPENDITURES | | | | | | | | |
| Current: | | | | | | | | |
| General government | 13,662,919 | | | | | | | 14,482,948 |
| Public safety | 7,970,989 | | | | | 779,627 | | 10,358,474 |
| Public works | 164,881 | | 2,545,234 | | 4,088,662 | | | 16,588,239 |
| Health and welfare | 493,938 | | | | | | | 493,938 |
| Culture and recreation | 33,337 | | | | | | | 1,211,644 |
| Conservation of natural resources | 352,057 | | | | | | | 352,057 |
| Economic development and assistance | 9,600 | | | | | | | 619,646 |
| Debt service: | | | | | | | | |
| Principal | 13,874,695 | 368,096 | 20,906 | 295,000 | | | | 17,002,580 |
| Interest and fiscal agent fees | 80,175 | 31,755 | 3,819 | 107,542 | | | | 2,788,621 |
| Bond issue costs | 497,829 | | | | | | | 497,829 |
| Total Expenditures | 37,140,420 | 6,359,359 | 2,569,959 | 402,542 | | 779,627 | 10,379,336 | 64,995,976 |
| Excess of Revenues over (under) Expenditures | (13,475,306) | (1,049,278) | (252,888) | 6,475 | | (4,385,762) | (1,321,945) | (21,187,797) |

MADISON COUNTY
 Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
 For the Year Ended September 30, 2006

| | Major Funds | | | | | | | Total Governmental Funds | |
|---|-----------------|-----------------------------|----------------------------------|--|------------------------------------|--|--------------------------------------|--------------------------------|--------------------------------|
| | General Fund | Road Maintenance Fund | Bridge and Culvert Fund | Special Assessment Parkway I & S Fund | General County I & S Fund | Road & Bridge Capital Project Fund | Office Complex Constr. Fund | | Other Governmental Funds |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | |
| Long-term capital debt issued | 12,121,858 | 1,277,710 | | | | 7,030,412 | 4,000,000 | 2,630,631 | 27,060,611 |
| Funds received from hospital for loan payoff | 925,000 | | | | | | | | 925,000 |
| Lease principal received | 30,000 | | | | | | | 55,000 | 85,000 |
| Accrued interest on bonds issued | 53,143 | | | | | | | | 53,143 |
| Compensation for loss of capital assets | 66,356 | 13,029 | | | | | | | 79,385 |
| Sale of assets | 364,504 | | | | | | | | 364,504 |
| Premium on bond issue | 172,829 | | | | | | | | 172,829 |
| Transfers in | 966,802 | 360,104 | | | | | | 175,000 | 1,501,906 |
| Transfers out | (175,000) | (150,000) | (94,000) | | | | | (999,147) | (1,501,906) |
| Total Other Financing Sources and Uses | 14,523,492 | 1,500,843 | (94,000) | 0 | (83,759) | 7,030,412 | 4,000,000 | 1,861,484 | 28,740,472 |
| Net Changes in Fund Balances | 1,050,186 | 451,565 | (346,888) | 6,75 | (13,225) | 2,644,650 | 3,220,373 | 539,539 | 7,552,675 |
| Fund Balances - Beginning | 4,973,839 | 108,001 | 674,671 | 22,85 | 58,408 | 1,783 | | 2,740,809 | 8,579,596 |
| Change in accounting entity MCEDA not blended component unit (Note 2) | | | | | | | | (240,044) | (240,044) |
| Fund Balances - Beginning, restated | 4,973,839 | 108,001 | 674,671 | 22,85 | 58,408 | 1,783 | 0 | 2,500,765 | 8,339,552 |
| Fund Balances - Ending | \$ 6,024,025 | 559,566 | 327,783 | 28,60 | 45,183 | 2,646,433 | 3,220,373 | 3,040,304 | 15,892,227 |

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, 2006

| | <u>Amount</u> |
|--|---------------------------|
| Net changes in fund balances - total governmental funds (Exhibit 4) | \$ 7,552,675 |
| 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 \$8,166,438 exceeded depreciation \$5,387,259 in the current period. | 2,779,179 |
| 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 net (gain/loss) of \$395,950 and the proceeds from insurance and the sale of \$680,860 in the current period. | (284,910) |
| 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. | (50,089) |
| 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 \$ 17,002,580 were less than debt proceeds \$27,060,611. | (10,058,031) |
| 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 | 68,870 |
| Accrued interest payable | (266,416) |
| Bond issue cost amortized in government-wide statements | 497,829 |
| Bond issue costs incurred | (38,891) |
| Premium on bonds received | 8,641 |
| Premium on bonds amortized in government-wide statements | (172,829) |
| In the (Exhibit 2) 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. | <u>(85,000)</u> |
| Change in net assets of governmental activities (Exhibit 2) | \$ <u><u>(55,572)</u></u> |

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

MADISON COUNTY
Statement of Fiduciary Assets and Liabilities
For the Year Ended September 30, 2006

Exhibit 5

| | <u>Agency Funds</u> |
|--|------------------------------|
| ASSETS | |
| Cash | \$ <u>966,878</u> |
| Total Assets | \$ <u><u>966,878</u></u> |
| LIABILITIES | |
| Claims payable and other accrued liabilities | \$ <u>966,878</u> |
| Total Liabilities | \$ <u><u>966,878</u></u> |

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, 2006

(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 Nursing Home
- Madison County Library System
- Farmhaven Fire District
- South Madison Fire District
- ~~Madison County Economic Development Authority~~

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. Individual Component Unit Disclosures

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 unit 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

Notes to Financial Statements For the Year Ended September 30, 2006

C. Basis of Presentation

The county's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities and fund financial statements, which provide a detailed level of financial information.

Government-wide Financial Statements:

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

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. Funds are organized into governmental, 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.

D. Measurement Focus and Basis of Accounting

The Government-wide and Fiduciary Fund (excluding agency funds) 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. Agency funds have no measurement focus, but use the accrual basis of accounting.

MADISON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2006

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 - Account for all activities of the general government for which a separate fund has not been established.

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

Bridge and Culvert Fund – Accounts for monies from specific revenue sources that are restricted for bridge and culvert expenditures.

Special Assessment Parkway I & S Fund – Accounts for collection of special assessment revenues and the repayment of debt associated with the special assessment, parkway special assessment refunding bonds, Series 1998.

General County I & S Fund – Accounts for monies from specific revenue sources that are restricted for repayment of general obligation debt. Issues paid from this fund include G. O. refunding bonds (Courthouse), Series 1998, G. O. refunding bonds (Detention Center), Series 1998, G. O. road and bridge bonds (Nissan), and G. O. refunding bonds.

Road and Bridge Capital Projects Fund – Accounts for capital projects funded by a MS Development Bank loan. Projects for the current fiscal year include Reunion Parkway, Gluckstadt 5-Lane, and Calhoun Station capital improvements.

Office Complex Construction Fund – Accounts for monies from a G. O. Bond issue to pay for construction costs of the addition to the Courthouse and County offices.

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2006

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.

FIDUCIARY FUND TYPES

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

E. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association.

F. Deposits and Investments

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

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

G. Receivables.

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

H. Interfund Transactions and Balances

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." 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

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2006

I. 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 governmental activities column in the government-wide financial statements. 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 are used to report capital assets 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 and estimated useful lives:

| | <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 and estimated useful life will correspond with the amounts for the asset classification, as listed above

J. 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

MADISON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2006

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. 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 premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

K. 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."

Fund Financial Statements:

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

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

L. 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.

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2006

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.

M 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.

N 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.

(2) Change in Accounting Entity

Madison County Economic Development Authority (MCEDA) is a component unit of the County that was previously reported as a blended component unit because it was considered an inseparable part of the County. GASB-14 requires that similar governing bodies that are substantively the same, and its scope of services benefit exclusively or almost exclusively the primary government, or the County, be reported as blended component units. MCEDA's governing body is not substantively the same as the County's, and its mission is "to assist existing businesses and to attract new investment...", and is not performing services that benefit exclusively or almost exclusively the County. Therefore, MCEDA is not included in the primary government financial statements. Balances have been eliminated for the beginning fund balance in Exhibit 4, and for beginning net assets and capital assets, net, in Exhibit 2.

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2006

(3) Prior Period Adjustment

A summary of significant fund equity adjustment is as follows:

Exhibit 4 – Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds:

| <u>Explanation</u> | <u>Amount</u> |
|---|---------------------------|
| The Self-insurance Fund was accounted for as a clearing fund in Agency Funds in the prior fiscal year, and moved to the General Fund, as required by GASB 34. | \$ <u>589,868</u> |
| Total prior period adjustment - Governmental Funds (Exhibit 4) | \$ <u>589,868</u> |
| Leases receivable was adjusted for a lease that had been paid off in a previous year. | \$ <u>(40,775)</u> |
| Total prior period adjustment - government-wide (Exhibit 2) | \$ <u>(40,775)</u> |

(4) Deposits

The carrying amount of the county's total deposits with financial institutions at September 30, 2006, was \$20,521,848 and the bank balance was \$20,657,542. 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 Corp.

Custodial Credit Risk - Deposits Custodial credit risk is the risk that in the event of the failure of a financial institution, the county will not be able to recover deposits or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the county. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the county.

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2006

(5) Interfund Transactions and Balances.

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

A. Due From/To Other Funds:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|---------------------------|---------------------|-------------------|
| Road Maintenance Fund | General Fund | \$ 142,085 |
| Bridge and Culvert Fund | General Fund | 41,034 |
| General County I & S Fund | General Fund | 40,241 |
| Other Governmental Funds | General Fund | <u>41,617</u> |
| Total | | <u>\$ 264,977</u> |

Amounts listed are the tax revenues collected but not settled until October, 2007. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances From/To Other Funds:

| <u>Advances From</u> | <u>Advances To</u> | <u>Amount</u> |
|----------------------------|--|-------------------|
| Road Maintenance Fund | Road and Bridge Capital Projects Fund | \$ 375,000 |
| Other Governmental Funds | General Fund | <u>15,000</u> |
| Total - Governmental Funds | | <u>\$ 390,000</u> |

Included in Advances are \$735,000, for funds advanced to the Self-insurance Fund for healthcare expenses, \$375,000 for funds advanced to the Road and Bridge Capital Projects Fund for construction projects, and \$15,000, for advances to the Adolescent Offense Program Fund for operating expenses. These are expected to be repaid to the General Fund in the near future.

C. Transfers In/Out:

| <u>Transfers Out</u> | <u>Transfers In</u> | <u>Amount</u> |
|---------------------------|--------------------------|---------------------|
| General Fund | Other Governmental Funds | \$ 175,000 |
| Road Maintenance Fund | General Fund | 150,000 |
| Bridge and Culvert Fund | Road Maintenance Fund | 94,000 |
| General County I & S Fund | General Fund | 83,759 |
| Other Governmental Funds | Road Maintenance Fund | 266,104 |
| Other Governmental Funds | General Fund | <u>733,043</u> |
| Total | | <u>\$ 1,501,906</u> |

Amounts listed were transfers for normal operations of the county. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2006

(6) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2006, consisted of the following:

Governmental Activities:

| <u>Description</u> | <u>Amount</u> |
|------------------------|-------------------|
| Legislative tag credit | \$ <u>799,513</u> |

(7) Loans Receivable.

Loans receivable balances at September 30, 2006, 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 | 03/28/03 | 2% | 06/01/08 | \$ <u>227,639</u> |

(8) Capital Assets

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

| | <u>Balance Oct. 1, 2005</u> | <u>Additions</u> | <u>Deletions</u> | <u>Adjustments</u> | <u>Balance Sept. 30, 2006</u> |
|---|---------------------------------|------------------|------------------|--------------------|-----------------------------------|
| Non-depreciable capital assets: | | | | | |
| Land | \$ 3,274,597 | | 112,728 | (2,903,385) | 258,484 |
| Construction in progress | 4,552,404 | 4,646,798 | 6,402,773 | | 2,796,429 |
| Total non-depreciable capital assets | <u>7,827,001</u> | <u>4,646,798</u> | <u>6,515,501</u> | <u>(2,903,385)</u> | <u>3,054,913</u> |
| Depreciable capital assets: | | | | | |
| Buildings | 28,697,150 | 930,108 | 275,091 | | 29,352,167 |
| Mobile equipment | 6,005,896 | 461,785 | 1,023,147 | | 5,444,534 |
| Other furniture and fixtures | 2,782,419 | 1,594,714 | 91,526 | (80,513) | 4,205,094 |
| Capital leases | 2,728,816 | 1,463,141 | 40,009 | | 4,151,948 |
| Infrastructure | 99,557,922 | 5,472,665 | | | 105,030,587 |
| Total depreciable capital assets | <u>139,772,203</u> | <u>9,922,413</u> | <u>1,429,773</u> | <u>(80,513)</u> | <u>148,184,330</u> |
| Less: Accumulated depreciation for: | | | | | |
| Buildings | 8,535,198 | 758,593 | 220,073 | | 9,073,718 |
| Mobile equipment | 2,624,420 | 425,313 | 953,492 | | 2,096,241 |
| Other furniture and fixtures | 118,774 | 160,163 | 73,220 | (64,410) | 141,307 |
| Capital leases | 1,490,341 | 467,075 | 10,806 | | 1,946,610 |
| Infrastructure | 60,929,587 | 3,576,115 | | | 64,505,702 |
| Total accumulated depreciation | <u>73,698,320</u> | <u>5,387,259</u> | <u>1,257,591</u> | <u>(64,410)</u> | <u>77,763,578</u> |
| Total depreciable capital assets, net | <u>66,073,883</u> | <u>4,535,154</u> | <u>172,182</u> | <u>(16,103)</u> | <u>70,420,752</u> |
| Governmental activities capital assets, net | \$ <u>73,900,884</u> | <u>9,181,952</u> | <u>6,687,683</u> | <u>(2,919,488)</u> | <u>73,475,665</u> |

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2006

Depreciation expense was charged to the following:

| | <u>Amount</u> |
|--|-------------------------|
| Governmental Activities: | |
| General government | \$ 969,694 |
| Public safety | 405,834 |
| Public works | 4,004,388 |
| Health and welfare | 1,430 |
| Conservation of natural resources | 491 |
| Economic development | <u>5,422</u> |
| Total governmental activities depreciation expense | \$ <u>5,387,259</u> |

Commitments with respect to unfinished capital projects at September 30, 2006, consisted of the following:

| <u>Description of Commitment</u> | <u>Remaining Financial Commitment</u> | <u>Expected Date of Completion</u> |
|------------------------------------|---|--|
| Administrative Building | \$ 4,705,552 | November 2007 |
| Reunion Phase II | 2,458,660 | December 2007 |
| Gluckstadt 5-lane | 2,874,786 | August 2007 |

Adjustments to fixed assets represent deletion of Madison County Economic Development Authority's (MCEDA's) fixed assets from the County's. MCEDA was accounted for as a blended component unit in the previous years' audits, but it was determined that it did not meet the requirements for a blended component unit for this fiscal year.

(9) Claims and Judgments.

Risk Financing

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$750,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2006, to January 1, 2007. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

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 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 Nursing Home and the Madison County Human Resource Agency.

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2006

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 \$60,000.

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, 2006, the amount of these liabilities was \$345,551. 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 |
|-----------|--|---|-------------------|----------------------------------|
| 2004-2005 | \$ 324,315 | 1,906,614 | 1,901,458 | 329,471 |
| 2005-2006 | \$ 329,471 | 1,968,752 | 1,952,672 | 345,551 |

(10) Capital Leases

As Lessor:

The county leases the following property with varying terms and options as of September 30, 2006:

| Classes of Property | Amount |
|---------------------|--------------|
| Land and buildings | \$ 1,200,000 |

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2006, are as follows:

| Year Ended September 30 | Principal | Interest |
|-------------------------|------------|----------|
| 2007 | \$ 95,000 | 23,975 |
| 2008 | 35,000 | 18,183 |
| 2009 | 40,000 | 16,135 |
| 2010 | 40,000 | 13,735 |
| 2011 | 40,000 | 11,335 |
| 2012-2014 | 145,000 | 18,120 |
| Total | \$ 395,000 | 101,483 |

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2006

As Lessee:

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

| <u>Classes of Property</u> | <u>Governmental Activities</u> |
|--------------------------------------|------------------------------------|
| Mobile equipment | \$ 2,698,766 |
| Other furniture and equipment | 1,453,182 |
| Total | 4,151,948 |
| Less: Accumulated depreciation | 1,946,610 |
| Leased Property Under Capital Leases | <u>\$ 2,205,338</u> |

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

| <u>Year Ending September 30</u> | <u>Governmental Activities</u> | |
|---------------------------------|--------------------------------|-----------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2007 | \$ 1,094,723 | 97,711 |
| 2008 | 368,631 | 61,849 |
| 2009 | 947,760 | 40,943 |
| 2010 | 27,735 | 1,840 |
| 2011 | 21,727 | 454 |
| Total | <u>\$ 2,460,576</u> | <u>202,797</u> |

(11) Long-term Debt.

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

| <u>Purpose</u> | <u>Interest Rates</u> | <u>Amount</u> | <u>Final Maturity Date</u> |
|--|---------------------------|----------------------|------------------------------------|
| General Obligation Bonds: | | | |
| G. O. refunding bonds (Courthouse), Series 1998 | 4.4 to 5.5 | \$ 3,290,000 | June-14 |
| G. O. road and bridge bonds (Nissan) | 5 to 5.75 | 21,475,000 | June-26 |
| G. O. MCEDA refunding bonds, Series 2003 | Variable | 4,010,000 | Dec.-23 |
| G. O. refunding bonds | 2.7 to 3.3 | 4,865,000 | May-14 |
| G. O. refunding bond project | 4 to 6 | 11,165,000 | June-24 |
| G. O. refunding road and bridge & refunding bonds, Series 2006 | 4.125 to 5 | 17,500,000 | May-2026 |
| Total General Obligation Bonds | | <u>\$ 62,305,000</u> | |

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2006

| Purpose | Interest Rates | Amount | Final Maturity Date |
|---|----------------|----------------------|---------------------|
| Limited Obligation Bonds: | | | |
| Industrial development, Series 1992 | 5.8 to 6.3 | \$ 60,000 | May-07 |
| MS Hospital refunding project, Series 2002 | Variable | <u>8,675,000</u> | June-32 |
| Total Limited Obligation Bonds | | \$ <u>8,735,000</u> | |
| Special Assessment Bonds: | | | |
| Parkway special assessment refunding bonds, Series 1998 | 4.35 to 6.0 | \$ <u>2,075,000</u> | June-12 |
| Capital Leases: | | | |
| 1 2003 Sterling chassis knuckleboom | 3.11 | \$ 14,640 | June-07 |
| 2 Model 580 Super M loader/extendahoes | 3.06 | 75,616 | June-07 |
| 3 Case Model 580 Super M loader/extendahoes | 3.06 | 113,424 | June-07 |
| IBM computer upgrade | 5.82 | 156,750 | June-08 |
| 12 John Deer Cab 6715 tractors | 3.87 | 155,257 | Sept.-07 |
| 8 Alamo cutters, 2 machine mowers, 2 Interstates | 3.87 | 82,640 | Sept -07 |
| 1 Etnyre blacktop shooter, Etnyre chip spreader | 3.87 | 60,907 | Sept -07 |
| 40 Crown Victorias | 3.85 | 297,391 | Oct -08 |
| Emergency 911 equipment | 4.21 | 147,869 | Nov.-09 |
| AMR video wall display | 4.99 | 124,843 | July-11 |
| 9 Mack dump trucks | 4.89 | 837,649 | Sept.-09 |
| 5Mack tractor trucks | 4.89 | <u>413,590</u> | Sept.-09 |
| Total Capital Leases | | \$ <u>2,460,576</u> | |
| Other Loans: | | | |
| Capital improvement loan | 4.00 | \$ 80,520 | Sept.-2013 |
| Industrial development | 0.00 | 79,868 | Sept-2007 |
| Industrial development | 2.00 | <u>227,686</u> | June-2008 |
| Total Other Loans | | \$ <u>388,074</u> | |
| Total Debt | | \$ <u>75,963,650</u> | |

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2006

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

Governmental Activities:

| Year Ending September 30, | General Obligation Bonds | | Limited Obligation Bonds | |
|---------------------------|--------------------------|-------------------|--------------------------|------------------|
| | Principal | Interest | Principal | Interest |
| 2007 | \$ 2,715,600 | 3,074,438 | 280,984 | 322,759 |
| 2008 | 2,987,395 | 2,794,563 | 200,978 | 338,985 |
| 2009 | 3,120,437 | 2,662,506 | 209,166 | 330,797 |
| 2010 | 3,318,807 | 2,521,762 | 217,688 | 322,275 |
| 2011 | 3,462,517 | 2,371,860 | 226,557 | 313,406 |
| 2012-2016 | 16,126,191 | 9,417,809 | 1,278,996 | 1,420,822 |
| 2017-2021 | 14,883,801 | 6,060,670 | 1,561,649 | 1,138,166 |
| 2022-2026 | 15,690,252 | 2,257,960 | 1,906,767 | 793,048 |
| 2027-2031 | | | 2,328,157 | 371,658 |
| 2032 | | | 524,058 | 15,906 |
| Total | \$ 62,305,000 | 31,161,568 | 8,735,000 | 5,367,822 |

| Year Ending September 30, | Special Assessments Bonds | | Other Loans | |
|---------------------------|---------------------------|----------------|----------------|---------------|
| | Principal | Interest | Principal | Interest |
| 2007 | \$ 305,000 | 92,069 | 217,960 | 6,658 |
| 2008 | 320,000 | 77,770 | 107,868 | 3,681 |
| 2009 | 335,000 | 62,538 | 9,698 | 2,281 |
| 2010 | 355,000 | 46,145 | 10,093 | 1,886 |
| 2011 | 375,000 | 28,438 | 10,505 | 1,475 |
| 2012 | 385,000 | 9,625 | 31,950 | 1,785 |
| Total | \$ 2,075,000 | 316,585 | 388,074 | 17,766 |

The annual debt service requirements for the \$4,200,000 taxable special obligation bonds, Series 2003 and the \$12,000,000 Mississippi Hospital refunding project, Series 2002, have variable rates of interest. These interest rates are determined by a Remarketing Agent, based on his/her opinions of the market value of these bonds, not to exceed the maximum of 13% per annum for the \$4,200,000 taxable special obligation bonds, Series 2003, and 11% per annum for the \$12,000,000 Mississippi Hospital refunding project, Series 2002.

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2006

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, 2006, the amount of outstanding debt was equal to 6.4% 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, 2006, is \$2,075,000.

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

| | Beginning | | | Ending | Due Within |
|---|-------------------|-------------------|-------------------|-------------------|------------------|
| | Balance | Additions | Reductions | Balance | One Year |
| <u>Governmental activities:</u> | | | | | |
| Compensated absences | \$ 603,901 | | 68,870 | 535,031 | |
| General obligation bonds | 47,015,000 | 17,500,000 | 2,210,000 | 62,305,000 | 2,875,000 |
| Limited obligation bonds | 9,805,000 | | 1,070,000 | 8,735,000 | 60,000 |
| Special assessment bonds | 2,370,000 | | 295,000 | 2,075,000 | 305,000 |
| Capital leases | 1,861,243 | 1,408,341 | 809,008 | 2,460,576 | 1,030,689 |
| Other Loans | 4,854,376 | 8,152,270 | 12,618,572 | 388,074 | 217,960 |
| | <u>66,509,520</u> | <u>27,060,611</u> | <u>17,071,450</u> | <u>76,498,681</u> | <u>4,488,649</u> |
| Governmental activity long-term liabilities | \$ 66,509,520 | 27,060,611 | 17,071,450 | 76,498,681 | 4,488,649 |

(12) Contingencies.

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

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

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

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

MADISON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2006

The trust agreements authorized the corporation to issue debt for the construction of various public facilities which were leased to the county. Ownership of the projects transferred to the county upon complete retirement of the debt. 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, 2006, was \$335,000. This amount has been recorded as lease payments receivable and a corresponding amount is shown as deferred revenue-leasing transactions at September 30, 2006.

The trust accounts created by this 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 trust agreement are included as part of the county's financial statements, thereby eliminating the effects of the lease agreements for financial reporting purposes.

(14) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

~~Holmes Community College operates in a district composed of the Counties of Attala, Carroll, Choctaw, Grenada, Holmes, Madison, Montgomery, Webster and Yazoo. The Madison County Board of Supervisors appoints two of the 22 members of the college board of trustees. The county appropriated \$957,012 for maintenance and support of the college in fiscal year 2006.~~

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 \$110,000 for maintenance and support of the center in fiscal year 2006.

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 2006.

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 no funds for maintenance and support of the agency in fiscal year 2006.

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 2006.

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2006

(15) Defined Benefit Pension Plan.

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

Funding Policy PERS members are required to contribute 7.25% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2006 was 11.30% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2006, 2005 and 2004 were \$1,167,913, \$986,768, and \$876,883 respectively, equal to the required contributions for each year.

(16) Subsequent Events.

Subsequent to September 30, 2006, Madison County issued the following debt obligations:

| <u>Issue Date</u> | <u>Interest Rate</u> | | <u>Issue Amount</u> | <u>Type of Financing</u> | <u>Source of Financing</u> |
|-------------------|----------------------|----|---------------------|--------------------------|----------------------------|
| 10/19/2006 | 4.40% | \$ | 457,572 | Lease purchase | Ad valorem tax |
| 3/26/2007 | 4.94% | | 559,740 | Lease purchase | Ad valorem tax |
| 5/21/2007 | 4.88% | | 419,692 | Lease purchase | Ad valorem tax |

MADISON COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

MADISON COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2006

| | Original Budget | Final Budget | Actual (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|---|--------------------|-------------------|--------------------------------|---|
| REVENUES | | | | |
| Property taxes | \$ 15,396,331 | 13,647,819 | 13,647,819 | |
| Road and bridge privilege taxes | 7,000 | | | |
| Licenses, commissions and other revenue | 2,276,650 | 2,482,982 | 2,482,982 | |
| Fines and forfeitures | 805,000 | 751,577 | 751,577 | |
| Intergovernmental revenues | 2,492,190 | 4,054,042 | 4,054,042 | |
| Charges for services | 1,250,000 | 1,779,577 | 1,779,577 | |
| Interest income | 211,000 | 462,829 | 462,829 | |
| Miscellaneous revenues | 833,000 | 796,633 | 744,770 | (51,863) |
| Total Revenues | <u>23,271,171</u> | <u>23,975,459</u> | <u>23,923,596</u> | <u>(51,863)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 10,848,515 | 14,592,866 | 13,085,782 | 1,507,084 |
| Public safety | 7,901,889 | 7,772,119 | 7,772,119 | |
| Public works | 4,000,000 | 164,881 | 164,881 | |
| Health and welfare | 732,013 | 611,992 | 611,992 | |
| Culture and recreation | 21,200 | 36,380 | 36,380 | |
| Education | 2,250,000 | 795,528 | 795,528 | |
| Conservation of natural resources | 336,698 | 342,866 | 342,866 | |
| Economic development and assistance | 9,600 | 9,600 | 9,600 | |
| Capital projects | 217,000 | | | |
| Debt service: | | | | |
| Principal | 1,206,595 | 260,059 | 260,059 | |
| Interest | | 200,998 | 200,998 | |
| Total Expenditures | <u>27,523,510</u> | <u>24,787,179</u> | <u>23,280,095</u> | <u>(1,507,084)</u> |
| Excess of Revenues over (under) Expenditures | <u>(4,252,339)</u> | <u>(811,720)</u> | <u>643,501</u> | <u>(1,455,221)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Long-term capital debt issued | 3,000,000 | | | |
| Proceeds from sale of capital assets | 275,000 | 65,750 | 65,750 | |
| Compensation for loss of capital assets | | 250,562 | 316,918 | 66,356 |
| Transfers in | 1,418,000 | 1,350,084 | 1,350,084 | |
| Transfers out | (1,055,000) | (175,000) | (1,682,084) | (1,507,084) |
| Lease principal payments | | (546,004) | (546,003) | (1) |
| Total Other Financing Sources and Uses | <u>3,638,000</u> | <u>945,392</u> | <u>(495,335)</u> | <u>(1,440,727)</u> |
| Net Change in Fund Balance | (614,339) | 133,672 | 148,166 | 14,494 |
| Fund Balances – Beginning | <u>1,025,000</u> | | <u>1,911,637</u> | <u>1,911,637</u> |
| Fund Balances – Ending | \$ <u>410,661</u> | <u>133,672</u> | <u>2,059,803</u> | <u>1,926,131</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, 2006

| | Original Budget | Final Budget | Actual (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|---|--------------------|------------------|--------------------------------|---|
| REVENUES | | | | |
| Property taxes | \$ 2,545,719 | 2,592,486 | 2,592,486 | |
| Road and bridge privilege taxes | 1,000,000 | 1,166,492 | 1,166,492 | |
| Licenses, commissions and other revenue | 300 | 238 | 238 | |
| Intergovernmental revenues | 795,300 | 1,142,302 | 1,142,302 | |
| Interest income | 2,000 | 2,000 | 2,000 | |
| Miscellaneous revenues | 75,000 | 39,185 | 46,345 | 7,160 |
| Total Revenues | <u>4,418,319</u> | <u>4,942,703</u> | <u>4,949,863</u> | <u>7,160</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public works | 4,050,173 | 4,872,020 | 4,832,866 | 39,154 |
| Debt service: | | | | |
| Principal | 342,000 | 342,000 | 368,096 | (26,096) |
| Interest | 22,000 | 22,000 | 31,155 | (9,155) |
| Total Expenditures | <u>4,414,173</u> | <u>5,236,020</u> | <u>5,232,117</u> | <u>3,303</u> |
| Excess of Revenues over (under) Expenditures | <u>4,146</u> | <u>(293,317)</u> | <u>(282,854)</u> | <u>10,463</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from sale of capital assets | | 364,504 | 364,504 | |
| Transfers in | | 360,104 | 360,104 | |
| Transfers out | | (150,000) | (150,000) | |
| Total Other Financing Sources and Uses | <u>0</u> | <u>574,608</u> | <u>574,608</u> | <u>0</u> |
| Net Change in Fund Balance | 4,146 | 281,291 | 291,754 | 10,463 |
| Fund Balances – Beginning | | | 108,001 | 108,001 |
| Fund Balances – Ending | <u>\$ 4,146</u> | <u>281,291</u> | <u>399,755</u> | <u>118,464</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)
 Bridge and Culvert Fund
 For the Year Ended September 30, 2006

| | Original Budget | Final Budget | Actual (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|---|--------------------|---------------------|--------------------------------|---|
| REVENUES | | | | |
| Property taxes | \$ 2,283,830 | 2,318,297 | 2,318,297 | |
| Licenses, commissions and other revenue | 200 | 175 | 175 | |
| Intergovernmental revenues | 6,800 | 7,950 | 7,950 | |
| Interest income | 4,000 | 4,000 | 4,000 | |
| Total Revenues | <u>2,294,830</u> | <u>2,330,422</u> | <u>2,330,422</u> | <u>0</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public works | 2,888,308 | 2,595,453 | 2,595,453 | |
| Total Expenditures | <u>2,888,308</u> | <u>2,595,453</u> | <u>2,595,453</u> | <u>0</u> |
| Excess of Revenues over (under) Expenditures | <u>(593,478)</u> | <u>(265,031)</u> | <u>(265,031)</u> | <u>0</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | | (94,000) | (94,000) | |
| Total Other Financing Sources and Uses | 0 | (94,000) | (94,000) | 0 |
| Net Change in Fund Balance | (593,478) | (359,031) | (359,031) | 0 |
| Fund Balances – Beginning | 600,000 | | 674,671 | 674,671 |
| Fund Balances – Ending | <u>\$ 6,522</u> | <u>(359,031)</u> | <u>315,640</u> | <u>674,671</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, 2006

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).

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

| | General Fund | Road Maintenance Fund | Bridge and Culvert Fund |
|--|-----------------|-----------------------------|-------------------------------|
| Budget (Cash Basis) | \$ 148,166 | 291,754 | (359,031) |
| Increase (Decrease) | | | |
| Net adjustments for revenue accruals | 106,022 | 360,218 | (13,351) |
| Net adjustments for expenditure accruals | (13,860,325) | (1,126,642) | 25,494 |
| Other financing sources (uses) | 14,656,323 | 926,235 | |
| GAAP Basis | \$ 1,050,186 | 451,565 | (346,888) |

MADISON COUNTY

SUPPLEMENTAL INFORMATION

Madison County
 Schedule of Expenditures of Federal Awards
 September 30 2006

| Federal Grantor/Pass-through Grantor/ Program Title | Federal CFDA Number | Grant Identification Number | Agency or Pass-through Number | Federal Expenditures |
|---|---------------------------|-----------------------------------|-------------------------------------|-------------------------|
| MAJOR FEDERAL PROGRAM | | | | |
| U S Department of Homeland Security Disaster Grants-Public Assistance | 97 036 | FEMA-1604-DR-MS | 089-99089-00 | 629 643 |
| Federal Election Commission - Election Assistance Commission/Mississippi Secretary of State/Help America Vote Act Voting Machines | 90 401 | N/A | N/A | 508 234 |
| Total Major Program | | | | \$ 1,137,877 |
| NON-MAJOR PROGRAMS | | | | |
| U S Department of Housing and Urban Development/Passed-through Mississippi Development Authority Community Development Block Grant/State's program | 14 228 | 1120-030-045-EM-01 | 1120-030-045-EM-01 | \$ 3 000 |
| U S Department of Housing and Urban Development/Passed-through Mississippi Development Authority Community Development Block Grant/State's program | 14 228 | 1121-040-45-ED-01 | 1121-040-45-ED-01 | 191 687 |
| U.S. Department of Housing and Urban Development/Passed-through Mississippi Development Authority Community Development Block Grant/State's program | 14 228 | 1122-050-45-ED-01 | 1122-050-45-ED-01 | 297 194 |
| U S Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority/ Home Investment Partnership Program | 14 239 | M05-SG-280-AD-916 | M05-SG-280-AD-916 | 105 000 |
| U S Department of Homeland Security/Mississippi Emergency Management Agency/Domestic Assistance to Firefighters Grant | 97 044 | EMW-2005-FG-16436 | | 70 929 |
| Total Non-Major Programs | | | | \$ 667,810 |
| Total Expenditures of Federal Awards | | | | \$ 1,805,687 |

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

Note B - Help America Vote Act (CFDA # 90 401)

Of the federal expenditures presented in the schedule federal awards totaling \$508 234 represent non-cash awards from computerized voting machines during the fiscal year ended September 30 2006

MADISON COUNTY
Reconciliation of Operating Costs of Solid Waste
For the Year Ended September 30, 2006

Operating Expenditures, Cash Basis:

| | | |
|----------------------------|----|--------------|
| Contract hauling | \$ | 1,396,675 |
| Landfill charges | | 368,434 |
| Other contractual services | | 600 |
| Miscellaneous | | <u>8,543</u> |

Solid Waste Cash Basis Operating Expenditures 1,774,252

Full Cost Expenses:

| | | |
|-------------------------------|--|---------------|
| Indirect administrative costs | | 33,739 |
| Depreciation on equipment | | <u>13,371</u> |

Solid Waste Full Cost Operating Expenses \$ 47,110

MADISON COUNTY

SPECIAL REPORTS

Windham and Lacey, PLLC

Certified Public Accountants

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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, 2006, which collectively comprise the county's basic primary government financial statements and have issued our report thereon dated May 25, 2007. 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 opinions 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 reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the primary government financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. 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 primary government 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
May 25, 2007

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 each of its major federal programs for the year ended September 30, 2006. Madison County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of 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, *Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Madison County, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Madison County, Mississippi's compliance with those requirements.

In our opinion, Madison County, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2006.

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 reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

May 25, 2007

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

The Board of Supervisors of 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 and Lacey, PLLC
May 25, 2007

MADISON COUNTY
 Schedule of Purchases Not Made From the Lowest Bidder
 For the Year Ended September 30, 2006

Schedule 1

| <u>Date</u> | <u>Item Purchased</u> | <u>Bid Accepted</u> | <u>Vendor</u> | <u>Reason For Accepting Other than Lowest Bid</u> |
|-------------|---|---------------------|--------------------------|---|
| 1/17/2006 | 9 Mack dump trucks and 5 Mack tractor trucks | \$ 1,277,710 | Tri-State Truck Sales | Low bidder did not meet bid specifications and bidding requirements due to failure to include a guaranteed buyback as part of the bid. |

MADISON COUNTY
 Schedule of Emergency Purchases
 For the Year Ended September 30, 2006

Schedule 2

| <u>Date</u> | <u>Item Purchased</u> | <u>Amount Paid</u> | <u>Vendor</u> | <u>Reason for Emergency Purchase</u> |
|-------------|---|--------------------|-----------------------------|--|
| 10/10/2005 | Data recovery from damaged server hard drive | \$ 5,560 | Data Recovery Services | Main server hard drive failed |
| 7/9/2006 | Electrical repair to traffic light on heavily traveled road | 250 | Lewis Electric Company | After hours repair. |
| 7/21/2006 | Purchase of two mosquito foggers | 17,400 | Mississippi Chemical Supply | Emergency replacement of two broken foggers due to threat of West Nile virus |

MADISON COUNTY
 Schedule of Purchases Made Noncompetitively From a Sole Source
 For the Year Ended September 30, 2006

Schedule 3

| <u>Date</u> | <u>Item Purchased</u> | <u>Amount Paid</u> | <u>Vendor</u> |
|-------------|---|--------------------|----------------------|
| 11/8/2005 | Court reporting equipment | \$ 4,374 | Stenograph, LLC |
| 5/20/2006 | Mapping software | 5,050 | Tri-State Consulting |
| 7/29/2006 | Various Secretary of State-mandated election equipment and supplies | 47,691 | Diebold |

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LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT I

Members of the Board of Supervisors
Madison County, Mississippi

In planning and performing our audit of the financial statements of Madison County, Mississippi for the year ended September 30, 2006, we considered Madison County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Madison County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated May 25, 2007, on the financial statements of Madison County, Mississippi.

Although no findings came to our attention as a result of these review procedures and compliance tests, these procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of the internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

Windham and Lacey, PLLC

Windham and Lacey, PLLC
May 25, 2007

MADISON COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MADISON COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2006

Section 1: Summary of Auditor's Results

Financial Statements:

- | | |
|--|---------------|
| 1. Type of auditor's report issued on the primary government financial statements: | Unqualified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Reportable condition identified that is not considered to be a material weakness? | None reported |
| 3. Noncompliance material to the primary government financial statements? | No |

Federal Awards:

- | | |
|---|---------------|
| 4. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Reportable condition identified that is not considered to be a material weakness? | None reported |
| 5. Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 6. Any audit finding reported as required by Section ____ .510(a) of Circular A-133? | No |
| 7. Federal programs identified as major programs: | |
| a. U.S. Department of Homeland Security Disaster Grants - Public Assistance CFDA # 97.036 | |
| b. Federal Election Commission - Election Assistance Commission/Mississippi Secretary of State/Help America Vote Act Voting Machines CFDA # 90.401 | |
| 8. The dollar threshold used to distinguish between type A and B programs: | \$300,000 |
| 9. Auditee qualified as a low-risk auditee? | No |

MADISON COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2006

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

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.