

MADISON COUNTY, MISSISSIPPI
Audited Financial Statements and
Special Reports
For the Year Ended September 30, 2008

MADISON COUNTY

TABLE OF CONTENTS

	<u>Page</u>
FINANCIAL SECTION.....	1
INDEPENDENT AUDITOR'S REPORT.....	2-3
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	4-16
FINANCIAL STATEMENTS.....	17
Statement of Net Assets.....	18
Statement of Activities.....	19-20
Balance Sheet - Governmental Funds.....	21-22
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets.....	23
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	24-25
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	26
Statement of Fiduciary Assets and Liabilities.....	27
Notes to Financial Statements.....	28-43
REQUIRED SUPPLEMENTARY INFORMATION.....	44
Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) - General Fund.....	45
Road Maintenance Fund.....	46
Notes to the Required Supplementary Information.....	47
SUPPLEMENTAL INFORMATION.....	48
Reconciliation of Operating Costs of Solid Waste.....	49
SPECIAL REPORTS.....	50
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	51-52
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)).....	53-54
Schedule of Purchases Not Made From the Lowest Bidder.....	55
Schedule of Emergency Purchases.....	56
Schedule of Purchases Made Noncompetitively From a Sole Source.....	57
Limited Internal Control and Compliance Review Management Report.....	58
SCHEDULE OF FINDINGS AND RESPONSES.....	59-62

MADISON COUNTY

FINANCIAL SECTION

Windham and Lacey, PLLC

Certified Public Accountants

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

Members:
American Institute of CPAs
Mississippi Society of CPAs

INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL STATEMENTS

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, 2008, which collectively comprise the basic financial statements of the county's primary government as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements do not include financial data for the county's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. The county has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net assets, revenues and expenses of the aggregate discretely presented component units is not reasonably determinable.

In our opinion, because of the omission of the discretely presented component units, as discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of Madison County, Mississippi, as of September 30, 2008, or the changes in financial position thereof for the year then ended.

In addition, 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 of Madison County, Mississippi, as of September 30, 2008, 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 December 15, 2009, on our consideration of Madison County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Madison County, Mississippi's basic financial statements. The accompanying Reconciliation of Operating Costs of Solid Waste is 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
December 15, 2009

MADISON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

MADISON COUNTY, MISSISSIPPI

Management's Discussion and Analysis
For the Year Ending September 30, 2008

INTRODUCTION

This discussion and analysis of Madison County's financial performance provides an overall narrative review of the County's financial activities for the year ended September 30, 2008. The intent of this discussion and analysis is to look at the County's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the County's financial performance.

This discussion and analysis is an element of required supplementary information specified in the "Governmental Accounting Standards Board's (GASB) Statement No. 34 – Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" issued June 1999.

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

MADISON COUNTY, MISSISSIPPI

Management's Discussion and Analysis
For the Year Ending September 30, 2008

FINANCIAL HIGHLIGHTS

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

Madison County continues to grow both economically and in population. This has allowed the County to maintain a steady growth in tax revenues. The County government tax rate is unchanged for the 2008 fiscal year, but increased by 3.33 mills for the 2009 fiscal year, yet remains below the tax millage level of the 2002 fiscal year, reflecting tax millage reductions in the intervening years. This does not include School tax levies.

Total net assets increased \$4,932,854 from the prior fiscal year. The County's ending cash balance, for all funds, increased by \$23,654,722, from the prior fiscal year.

The County had \$85,161,944 in total Governmental Funds revenues. Tax revenues account for \$28,063,832 or 33% of total revenues. Long Term Debt was issued in the amount of \$36,551,383 or 43% of total revenues.

The County had \$61,179,965 in total Governmental Funds expenses, which represents a decrease of less than 1% from the prior fiscal year. Expenses in the amount of \$20,994,788 were offset by grants, outside contributions or debt being issued. General revenues \$40,185,177 were adequate to provide for the remainder of the expenses.

Among major funds, the General Fund had \$22,935,539 in revenues, \$32,450,974 in expenditures and \$7,890,466 in other financing sources and uses. The General Fund's fund balance decreased \$1,624,969 under the prior year. The reason for the decrease in the General Fund's fund balance was primarily due a planned expenditure of accumulated cash for increases in general government and public safety expenditures.

Among major funds, the County Wide Road Maintenance Fund had \$4,581,215 in revenues, \$4,517,088 in expenditures, and 340,000 in other financing sources and uses. The County Wide Road Maintenance Fund's fund balance increased \$404,127 over the prior year primarily due to transfers in and revenues outpacing expenditures.

Among major funds, the Road and Bridge Capital Project Fund had \$752,547 in revenues, \$4,688,979 in expenditures and \$12,625,000 in other financing sources and uses. The Road and Bridge Capital Project Fund's fund balance increased \$8,688,568 over the prior year. The increase in the Road and Bridge Capital Project Fund was due to unexpended long term debt proceeds.

Among major funds, the Reunion Parkway Interchange Fund had \$138,377 in revenues, \$1,394,502 in expenditures and \$17,500,000 in other financing sources and uses. The Reunion Parkway Interchange Fund's fund balance increased \$16,243,875 over the prior year. The increase in the Reunion Parkway Interchange Fund was due to unexpended long term debt proceeds.

MADISON COUNTY, MISSISSIPPI

Management's Discussion and Analysis
For the Year Ending September 30, 2008

Capital assets, net of accumulated depreciation, increased by \$6,702,940 over the prior year. The increase in Capital Assets, net of accumulated depreciation, was primarily due to addition of infrastructure and construction-in-progress.

Long-term debt increased by \$25,237,218 during the fiscal year. The county issued General Obligation Bonds in the amount of \$36,115,000 and capital leases in the amount of \$436,383.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

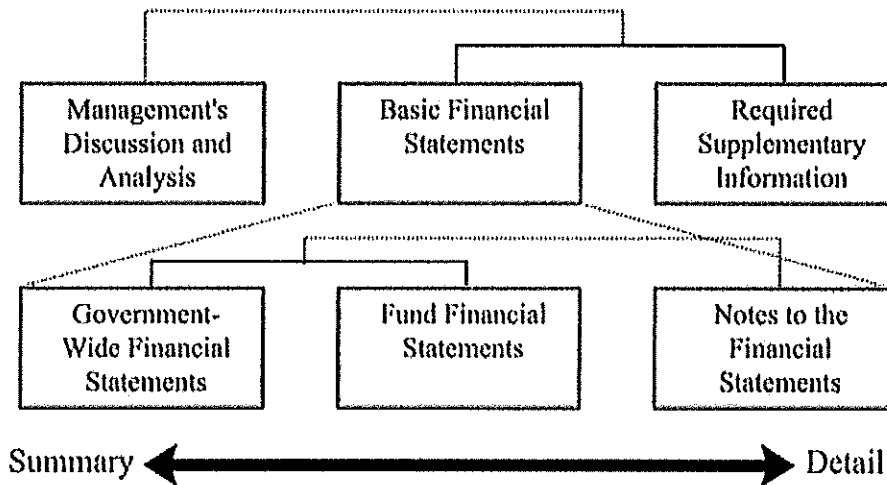


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

MADISON COUNTY, MISSISSIPPI

Management's Discussion and Analysis
For the Year Ending September 30, 2008

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

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

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

MADISON COUNTY, MISSISSIPPI

Management's Discussion and Analysis
For the Year Ending September 30, 2008

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

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

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

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

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

The Government-wide Financial Statements can be found on pages 17 & 18 of this report.

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

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

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

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

The basic governmental funds financial statements can be found on pages 21-22 & 24-25 of this report.

MADISON COUNTY, MISSISSIPPI

Management's Discussion and Analysis
For the Year Ending September 30, 2008

Fiduciary funds are used to account for resources held for the benefit of parties outside the County government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accrual basis of accounting is used for fiduciary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The County's fiduciary activities are presented in a separate Statement of Fiduciary Net Assets, which can be found on page 27 of this report.

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

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

The County adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major fund. This required supplementary information can be found on pages 44 - 47 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets – Net assets may serve over time as a useful indicator of government's financial position. In the case of Madison County, assets exceeded liabilities by \$17,199,927 as of September 30, 2008.

The largest portion of the County's net assets (79%) reflects its investment in capital assets (e.g. roads, bridges, land, buildings, mobile equipment, furniture & equipment, leased property under capital lease and construction in progress) less related outstanding debt used to acquire such assets. The county uses these capital assets to provide services to its citizens.

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

The following table presents a summary of the County's net assets for the fiscal year ended September 30, 2008, as compared to the fiscal year ended September 30, 2007.

	Current Year Governmental Activities	Prior Year Governmental Activities
Current assets	\$ 70,002,937	\$ 44,150,408
Capital assets, net	<u>89,553,699</u>	<u>82,850,759</u>
Total assets	<u>159,556,636</u>	<u>127,001,167</u>
Current liabilities	28,051,839	30,460,476
Long-term debt outstanding	<u>114,304,870</u>	<u>84,273,618</u>
Total liabilities	<u>142,356,709</u>	<u>114,734,094</u>
Net assets:		
Invested in capital assets, net of related debt	13,571,961	(2,528,680)
Restricted	3,861,968	10,075,181
Unrestricted	<u>(234,002)</u>	<u>4,720,572</u>
Total net assets	<u>\$17,199,927</u>	<u>\$12,267,073</u>

MADISON COUNTY, MISSISSIPPI

Management's Discussion and Analysis
For the Year Ending September 30, 2008

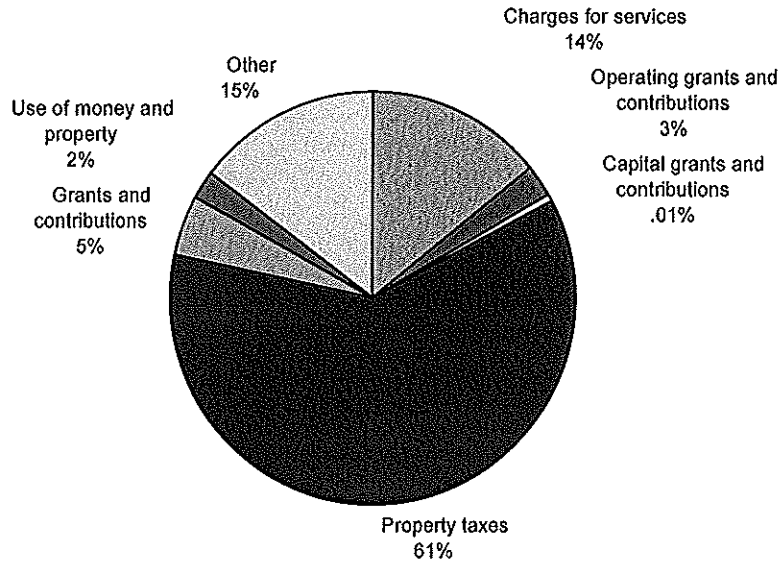
The following are significant current year transactions that have had an impact on the Statement of Net Assets.

- Long-term debt was issued in the amount of \$36,551,383.
- \$11,415,455 of long-term debt principal was retired.

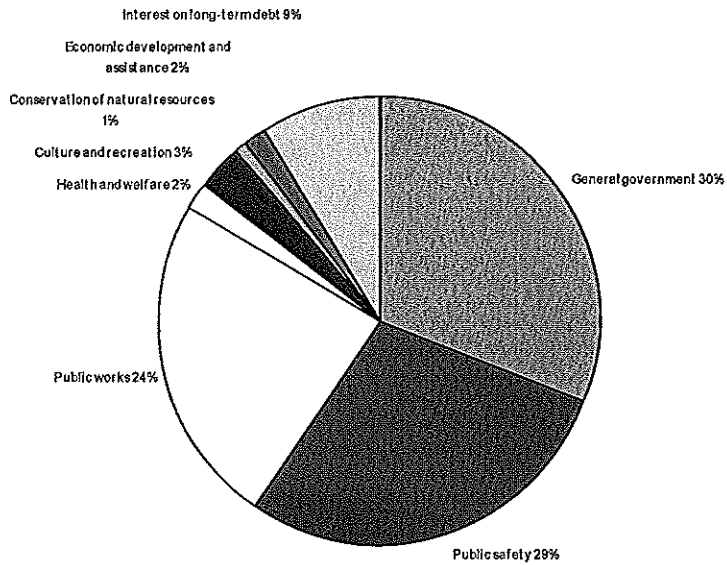
Changes in Net Assets – Madison County's total revenues for the fiscal year ended September 30, 2008 was \$48,554,269. The total cost for all services provided was \$43,241,796. The decrease in net assets was \$5,312,473. The following table presents a summary of the changes in net assets for the fiscal year ended September 30, 2008, as compared to the fiscal year ended September 30, 2007.

	Current Year <u>Amount</u>	Prior Year <u>Amount</u>
Revenues:		
Program revenues		
Charges for services	6,913,402	6,797,108
Operating grants and contributions	1,236,085	1,963,519
Capital grants and contributions	219,605	266,390
General revenues		
Property taxes	29,721,813	27,961,867
Grants and contributions	2,285,357	3,161,275
Use of money and property	1,036,270	1,352,634
Other	<u>7,141,737</u>	<u>3,343,935</u>
Total Revenues	<u>48,554,269</u>	<u>44,846,728</u>
Expenses:		
General government	13,293,447	13,250,316
Public safety	12,420,948	11,028,095
Public works	10,262,958	14,130,517
Health and welfare	863,834	840,386
Culture and recreation	1,467,043	1,487,444
Conservation of natural resources	353,439	339,366
Economic development	705,396	910,693
Other expenses	<u>3,874,731</u>	<u>3,359,809</u>
Total Expenses	<u>43,241,796</u>	<u>45,346,626</u>
Decrease in Net Assets	<u>\$5,312,473</u>	<u>(\$ 499,898)</u>

WHERE THE COUNTY GETS ITS REVENUE



HOW THE COUNTY REVENUES ARE USED



MADISON COUNTY, MISSISSIPPI

Management's Discussion and Analysis
For the Year Ending September 30, 2008

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

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

	<u>Total Costs</u>	<u>Net Costs</u>
General Government	\$13,293,447	\$9,641,885
Public Safety	12,420,948	8,895,660
Public Works	10,262,958	9,418,540
Health & Welfare	863,834	525,952
Culture & Recreation	1,467,043	1,467,043
Conservation of Natural Resources	353,439	353,439
Economic Development	705,396	695,454
Interest on Long-term Debt	3,874,731	3,874,731

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Governmental funds – At the close of the fiscal year, Madison County's governmental funds reported a combined fund balance of \$40,979,695, an increase of \$23,977,600. The primary reason for this increase was growth in property taxes and long-term debt issued.

The General Fund is the principal operating fund of the County. The decrease in the fund balance of the General Fund for the fiscal year was \$1,624,969. This decrease was primarily due to the increase in general government and public safety expenditures.

BUDGETARY HIGHLIGHTS OF MAJOR FUNDS

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

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – As of September 30, 2008, Madison County's total capital assets was \$174,985,220. This includes additions to roads, bridges, and other infrastructure for the 2008 fiscal year; land, buildings, mobile equipment, furniture and equipment, leased property under capital lease and construction in progress. This amount represents an increase from the previous year of \$8,971,243. The majority of this increase was due to new infrastructure and construction-in-progress.

MADISON COUNTY, MISSISSIPPI

Management's Discussion and Analysis
For the Year Ending September 30, 2008

Depreciation expense for the year ended September 30, 2008 was \$2,535,033. The balance in total net capital assets was \$89,553,699 at year-end.

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

	Balance Oct. 1, 2007	Additions	Deletions	Reclassifications	Adjustments	Balance Sept. 30, 2008
Non-depreciable capital assets:						
Land	\$ 822,418					822,418
Construction in progress	14,700,440	7,532,938		(8,456,117)		13,777,261
Total non-depreciable capital assets:	<u>15,522,858</u>	<u>7,532,938</u>	<u>0</u>	<u>(8,456,117)</u>	<u>0</u>	<u>14,599,679</u>
Depreciable capital assets:						
Buildings	29,362,688	181,000			380,558	29,924,246
Mobile equipment	6,904,983	538,593	(308,833)		18,725	7,153,468
Other furniture and fixtures	2,521,145	161,944			59,906	2,742,995
Capital leases	3,019,429	436,383			(29,975)	3,425,837
Infrastructure	108,682,874			8,456,117	4	117,138,995
Total capital assets being depreciated	<u>150,491,119</u>	<u>1,317,920</u>	<u>(308,833)</u>	<u>8,456,117</u>	<u>429,218</u>	<u>160,385,541</u>
Less: Accumulated depreciation for:						
Buildings	6,539,603	587,406			3,806	7,130,815
Mobile equipment	4,193,730	709,640	(218,842)		16,885	4,701,413
Other furniture and fixtures	1,604,948	222,826			22,311	1,850,085
Capital leases	782,258	541,872			(26,975)	1,297,155
Infrastructure	70,042,679	473,289			(63,915)	70,452,053
Total accumulated depreciation	<u>83,163,218</u>	<u>2,535,033</u>	<u>(218,842)</u>	<u>0</u>	<u>(47,888)</u>	<u>85,431,521</u>
Total depreciable capital assets, net	<u>67,327,901</u>	<u>(1,217,113)</u>	<u>(89,991)</u>	<u>8,456,117</u>	<u>477,106</u>	<u>74,954,020</u>
Governmental activities capital assets, net	<u>\$ 82,850,759</u>	<u>6,315,825</u>	<u>(89,991)</u>	<u>0</u>	<u>477,106</u>	<u>89,553,699</u>

Debt Administration -- At September 30, 2008, Madison County had \$114,304,870 in long-term debt outstanding. This includes general obligation bonds, limited obligation bonds, special assessment debt, other debt and obligations under capital leases. Of this debt, \$8,768,930 is due within one year.

In the past year, the County issued \$36,115,000 in General Obligation Bonds and \$436,383 in Capital Leases for road construction and equipment.

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

MADISON COUNTY, MISSISSIPPI

Management's Discussion and Analysis
For the Year Ending September 30, 2008

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

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Final Maturity Date</u>
General Obligation Bonds:			
G. O. road and bridge bonds (Nissan)	5 to 5.75	\$ 3,695,000	June 2026
G. O. refunding bonds	2.7 to 3.3	3,890,000	May 2014
G. O. refunding bond project	4 to 6	10,290,000	June 2024
G. O. refunding road and bridge & refunding bonds, Series 2006	4.125 to 5	15,800,000	May 2026
G. O. Nissan refunding bonds, Series 2006	Variable	17,575,000	Sept. 2026
G. O. road and bridge bonds Series 2007	4 to 5	11,620,000	May 2027
G. O. road and bridge bonds Series 2008	3.5 to 5	33,000,000	March 2028
Courthouse project refunding bonds	2.5 to 3.25	<u>2,690,000</u>	June 2014
Total G. O. Bonds		<u>98,560,000</u>	
Limited Obligation Bonds:			
MS Hospital refunding project, Series 2002	Variable	<u>8,182,695</u>	June 2032
Total Limited Obligation Bonds		<u>8,182,695</u>	
Special Assessment Bonds:			
Parkway special assessment refunding bonds, Series 1998	4.35 to 6.0	<u>1,450,000</u>	June 2012
Capital Leases:			
Emergency 911 equipment	4.21	6,444	Nov. 2009
AMR video wall display	4.99	75,850	July 2011
9 Mack dump trucks	4.89	619,185	Sept. 2009
5 Mack tractor trucks	4.89	297,028	Sept. 2009
E-911 Phase 2 upgrades	4.4	293,933	Oct. 2011
3 Volvo motorgraders	4.94	526,985	April 2010
21 Ford Crown Victorias	4.88	240,709	May 2010
21 2008 Crown Victorias	4.19	<u>378,999</u>	April 2011
Total Capital Leases		<u>2,439,133</u>	
Other Loans:			
Capital improvement loan	4.00	63,025	Sept. 2013
Industrial development	2.00	397,573	June 2008
Line of Credit - MS Development Bank	Variable	<u>2,387,946</u>	Sept. 2013
Total Other Loans		<u>2,848,544</u>	
Total Debt Outstanding		<u>\$ 113,480,372</u>	

MADISON COUNTY, MISSISSIPPI

Management's Discussion and Analysis
For the Year Ending September 30, 2008

CURRENT AND FUTURE ITEMS OF IMPACT

Madison County continues to see growth and progress through the location of Nissan North America in the county as well as strong retail growth, including the Renaissance development. The addition of Nissan and related industries in 2004 took the assessed valuation of Madison County to over the 1 billion dollar level, and the assessed valuation has continued to increase.

Ad valorem tax levy rates were increased in Madison County in 2008, but remain below the ad valorem tax levy rates of 2002, reflecting ad valorem rate reductions in the intervening years. Of the ten largest counties in Mississippi, Madison County has the lowest countywide tax levy. Madison County continues to lead with residential development, new road construction projects and interchanges which will serve to promote further economic growth in the county.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

MADISON COUNTY

FINANCIAL STATEMENTS

MADISON COUNTY
Statement of Net Assets
September 30, 2008

Exhibit 1

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS	
Cash	\$ 44,173,821
Property tax receivable	21,362,685
Fines receivable, net of allowance for uncollectibles of \$400,093	450,822
Capital leases receivable	324,325
Intergovernmental receivables	840,447
Other receivables, net	1,481,229
Bond issue cost, net	1,369,608
Land and construction in progress	14,599,679
Other capital assets, net	74,954,020
Total Assets	<u>159,556,636</u>
LIABILITIES	
Claims payable	1,821,564
Claims and judgments	103,445
Intergovernmental payables	1,535,237
Accrued interest payable	905,256
Deferred revenue	21,422,010
Deferred revenue - special assessments	1,450,000
Premium on bonds, net	208,771
Other payables	605,556
Long-term liabilities:	
Due within one year:	
Capital related debt	6,131,916
Non-capital debt	2,637,014
Due in more than one year:	
Capital related debt	69,849,822
Non-capital debt	35,686,118
Total Liabilities	<u>142,356,709</u>
NET ASSETS	
Invested in capital assets, net of related debt	13,571,961
Restricted net assets:	
Expendable:	
Public safety	403,547
Public works	3,065,985
Culture and recreation	68,111
Capital leases receivable	324,325
Unrestricted	(234,002)
Total Net Assets	<u>\$ 17,199,927</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, 2008

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	\$ 13,293,447	3,399,067	252,495		(9,641,885)
Public safety	12,420,948	2,931,748	593,540		(8,895,660)
Public works	10,262,958	582,587	52,168	209,663	(9,418,540)
Health and welfare	863,834		337,882		(525,952)
Culture and recreation	1,467,043				(1,467,043)
Conservation of natural resources	353,439				(353,439)
Economic development and assistance	705,396			9,942	(695,454)
Interest on long-term debt	3,874,731				(3,874,731)
Total Governmental Activities	43,241,796	6,913,402	1,236,085	219,605	(34,872,704)
Total Primary Government	\$ 43,241,796	6,913,402	1,236,085	219,605	(34,872,704)

MADISON COUNTY
Statement of Activities
For the Year Ended September 30, 2008

Exhibit 2 (Continued)

Net (Expense) Revenue and Changes in Net Assets	
Primary Governmental Activities	
	\$
General revenues:	
Taxes:	
Property taxes	26,837,304
Payment in lieu of taxes	1,648,431
Road and bridge privilege tax	1,236,078
Grants and contributions not restricted to specific programs	2,285,357
Unrestricted investment income	1,096,270
Miscellaneous	2,790,731
MCEDA proceeds to repay debt	3,740,006
Lease principal and interest received	611,000
Total General Revenues and Transfers	<u>40,185,177</u>
Changes in Net Assets	<u>5,312,473</u>
Net Assets - Beginning	12,267,073
Prior period adjustment	<u>(379,619)</u>
Net Assets - Beginning restated	<u>11,887,454</u>
Net Assets - Ending	<u><u>17,199,927</u></u>

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

MADISON COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2008

Exhibit 3

	Major Funds						Total Governmental Funds
	General Fund	Road Maintenance Fund	Road and Bridge Capital Projects Fund	Reunion Parkway Interchange Fund	Other Governmental Funds		
ASSETS							
Cash	\$ 8,664,494	556,567	13,634,524	16,546,257	4,771,979		44,173,821
Property tax receivable	10,277,281	2,163,609			8,921,795		21,362,685
Fines receivable, net of allowance of \$400,093	450,822						450,822
Capital lease receivable	324,325						324,325
Intergovernmental receivables	840,447						840,447
Other receivables	31,229						31,229
Due from other funds		139,540			1,450,000		1,481,229
Total Assets	\$ 20,588,598	2,859,716	13,634,524	16,546,257	15,293,387		68,922,482
LIABILITIES AND FUND BALANCES							
Liabilities:							
Claims payable	\$ 621,298	99,392	397,429	24,609	678,836		1,821,564
Claims and judgments	103,445						103,445
Intergovernmental payables	1,535,237						1,535,237
Due to other funds	289,153						289,153
Deferred revenues -							
Special assessments					1,450,000		1,450,000
Deferred revenue	11,052,428	2,163,609			8,921,795		22,137,832
Other payables	605,556						605,556
Total Liabilities	14,207,117	2,263,001	397,429	24,609	11,050,631		27,942,787

MADISON COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2008

Exhibit 3 (Continued)

	Major Funds						Total Governmental Funds
	General Fund	Road Maintenance Fund	Road and Bridge Capital Project Fund	Reunion Parkway Interchange Fund	Other Governmental Funds		
Fund balances:							
Reserved for:							
Debt service funds					849,055		849,055
Per bond agreement					434		434
Unreserved, reported in:							
General fund	6,381,481						6,381,481
Special revenue funds		596,715					596,715
Capital project funds			13,237,095	16,521,648	3,393,267		3,989,982
Total Fund Balances	<u>6,381,481</u>	<u>596,715</u>	<u>13,237,095</u>	<u>16,521,648</u>	<u>4,242,756</u>		<u>29,758,743</u>
Total Liabilities and Fund Balances	<u>\$ 20,588,598</u>	<u>2,859,716</u>	<u>13,634,524</u>	<u>16,546,257</u>	<u>15,293,387</u>		<u>68,922,482</u>

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

MADISON COUNTY

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2008

Exhibit 3-1

	<u>Amount</u>
Total fund balance - governmental funds (Exhibit 3)	\$ 40,979,695
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.	89,553,699
Bond issue costs are amortized over the life of the bonds and, therefore, are not current period expenditures.	1,369,608
Premium on bonds.	(208,771)
Other long-term assets are not available to pay for current period expenditures and, therefore are deferred in the funds.	450,822
Long-term liabilities are not due and payable in the current-period and therefore, are not reported in the funds.	
Long-term liabilities	(114,304,870)
Accrued interest on bonds	(905,256)
Capital leases are not available to pay for current year expenditures and, therefore, are deferred in the funds.	<u>265,000</u>
Total net assets - governmental activities (Exhibit 1)	<u>\$ 17,199,927</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, 2008

	Major Funds						Total Governmental Funds
	General Fund	Maintenance Fund	Road Fund	Road and Bridge Capital Projects Fund	Reunion Parkway Interchange Fund	Other Governmental Funds	
REVENUES							
Property taxes	\$ 13,851,521	2,349,695				10,626,538	26,827,754
Road and bridge privilege taxes		1,236,078					1,236,078
Licenses, commissions, and other revenues	2,801,950	205				736	2,802,891
Fines and forfeitures	1,296,965					35,116	1,332,081
Special assessments						397,991	397,991
Payments in lieu of taxes						1,648,431	1,648,431
Intergovernmental revenues	1,875,818	832,077				1,032,220	3,740,115
Charges for services	1,747,119					1,547,579	3,294,698
Interest income	790,734		1,000	115,658		4,355	1,027,405
Miscellaneous revenues	571,432	162,160		636,889	22,719	476,467	1,869,667
Total Revenues	22,935,539	4,581,215		752,547	138,377	15,769,433	44,177,111
EXPENDITURES							
Current:							
General government	13,483,411					24,493	13,507,904
Public safety	9,672,827					2,978,020	12,650,847
Public works	11,627					6,032,380	15,964,733
Health and welfare	859,231						859,231
Culture and recreation	126,245					1,340,798	1,467,043
Conservation of natural resources	353,053						353,053
Economic development and assistance						696,350	696,350

MADISON COUNTY

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2008

Exhibit 4 (Continued)

	Major Funds					Total Governmental Funds
	General Fund	Road Maintenance Fund	Road and Bridge Capital Project Fund	Reunion Parkway Interchange Fund	Other Governmental Funds	
Debt service:						
Principal	7,317,075	171,600				11,415,455
Interest	541,342	49,382				3,720,325
Bond issue costs	86,163			458,861		545,024
Total Expenditures	<u>32,450,974</u>	<u>4,517,088</u>	<u>4,688,979</u>	<u>1,394,502</u>	<u>18,128,422</u>	<u>61,179,965</u>
Excess of Revenues over (under) Expenditures	<u>(9,515,435)</u>	<u>64,127</u>	<u>(3,936,432)</u>	<u>(1,256,125)</u>	<u>(2,358,989)</u>	<u>(17,002,854)</u>
OTHER FINANCING SOURCES (USES)						
Long-term capital debt issued	3,551,383		13,000,000	17,500,000		36,551,383
Funds received from hospital for loan payoff	611,000					611,000
Funds received from MCEDA for debt retirement	3,740,005					3,740,005
Compensation for loss of capital assets	29,262					29,262
Discount on bond issue	(4,379)					(4,379)
Transfers in		417,000			166,988	583,988
Transfers out	(89,988)	(77,000)	(375,000)		(42,000)	(583,988)
Lease principal payments	53,183					53,183
Total Other Financing Sources and Uses	<u>7,890,466</u>	<u>340,000</u>	<u>12,625,000</u>	<u>17,500,000</u>	<u>2,624,988</u>	<u>40,980,454</u>
Net Changes in Fund Balances	<u>(1,624,969)</u>	<u>404,127</u>	<u>8,688,568</u>	<u>16,243,875</u>	<u>265,999</u>	<u>23,977,600</u>
Fund Balances - Beginning	7,757,410	156,346	4,548,527	277,773	5,106,270	17,846,326
Prior period adjustment	249,040	36,242			(1,129,513)	(844,231)
Fund Balances - Beginning, restated	<u>8,006,450</u>	<u>192,588</u>	<u>4,548,527</u>	<u>277,773</u>	<u>3,976,757</u>	<u>17,002,095</u>
Fund Balances - Ending	<u>\$ 6,381,481</u>	<u>596,715</u>	<u>13,237,095</u>	<u>16,521,648</u>	<u>4,242,756</u>	<u>40,979,695</u>

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

MADISON COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2008

Net changes in fund balances - total governmental funds (Exhibit 4) \$ 23,977,600

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 \$8,850,858 exceeded depreciation \$2,535,033 in the current period. 6,315,825

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 \$79,991 and the proceeds from insurance and the sale of \$ 10,000 in the current period. (89,991)

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. 56,620

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 \$ 11,415,455 were less than debt proceeds \$36,551,383. (25,135,928)

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	(88,797)
Accrued interest payable	(154,407)
Bond issue cost amortized in government-wide statements	549,403
Bond issue costs incurred	(94,931)
Premium on bonds received	12,078

In the (Ex 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. (35,000)

Rounding 1

Change in net assets of governmental activities (Exhibit 2) \$ 5,312,473

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

MADISON COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2008

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 447,528
Total Assets	\$ <u>447,528</u>
LIABILITIES	
Claims payable and other accrued liabilities	\$ <u>447,528</u>
Total Liabilities	\$ <u>447,528</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, 2008

(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 West Madison Fire District
- Lake Lorman Fire District
- West Madison Fire District
- Camden Fire District
- South Madison Fire District
- Madison County Economic Development Authority
- Madison County Citizen Service Agency

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

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

B. Basis of Presentation.

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

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the county as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues.

MADISON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2008

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.

C. Measurement Focus and Basis of Accounting.

The Government-wide and Fiduciary Funds (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 revenues are recognized when the provider government recognizes the liability to the county. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year-end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The county reports the following major Governmental Funds:

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

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

Road and Bridge Capital Projects- Accounts for monies from a G. O. bond issue to pay for various road and bridge projects.

Reunion Parkway Interchange Fund -- Accounts for monies from a G. O. bond issue to pay for the Reunion Parkway Interchange.

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2008

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

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

FIDUCIARY FUND TYPES

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

D. Account Classifications.

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

E. Deposits and Investments.

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

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

F. Receivables.

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

G. Interfund Transactions and Balances.

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

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2008

H. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the 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 require 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.

I. Long-term Liabilities.

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

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2008

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.

J. Equity Classifications.

Government-wide Financial Statements:

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

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvement 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 and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net assets - All other net assets not meeting the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

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

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

K. Property Tax Revenues.

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

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, 2008

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

L. Intergovernmental Revenues in Governmental Funds.

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

M. Compensated Absences.

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

(2) Prior Period Adjustments.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
Capital assets were adjusted for errors to beginning balances.	\$ 477,106
G. O. refunding bonds (Courthouse), Series 1998, were overstated at the beginning of the year and beginning capital leases and other loans were understated.	(12,492)
Current liabilities for the beginning of the year were overstated.	338,423
Cash with a fiscal agent for the beginning of the year should have been reported as payment to bond refunding escrow agent last year.	(1,299,137)
Funds previously omitted for component unit disclosure were re-evaluated and included in the financial statements.	116,483
Rounding.	<u>(2)</u>
Total prior period adjustments	<u>\$ (379,619)</u>

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2008

Exhibit 4 - Statement of Revenues, Expenditures and Changes in Fund Balances.

<u>Explanation</u>	<u>Amount</u>
Current liabilities for the beginning of the year were overstated.	\$ 338,423
Cash with a fiscal agent for the beginning of the year should have been reported as payment to bond refunding escrow agent last year.	(1,299,137)
Funds previously omitted for component unit disclosure were re-evaluated and included in the financial statements.	<u>116,483</u>
Total prior period adjustments	<u>\$ (844,231)</u>

(3) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2008, was \$44,621,349 and the bank balance was \$45,247,219. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

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.

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2008:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Road Maintenance Fund	General Fund	\$ 139,540
Other Governmental Funds	General Fund	<u>149,613</u>
Total		<u>\$ 289,153</u>

Amounts listed are the tax revenues collected but not settled until October, 2008. All interfund balances are expected to be repaid within one year from the date of the financial statements.

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2008

B. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 89,988
Other Governmental Funds	Road Maintenance Fund	77,000
Road Maintenance Fund	Road and Bridge Capital Projects	375,000
Road Maintenance Fund	Other Governmental Funds	42,000
Total		\$ 583,988

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

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2008, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tax credit	\$ 796,549
Other revenues	43,898
Total	\$ 840,447

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2008:

Governmental activities:

	Balance Oct. 1, 2007	Additions	Deletions	Reclassifications	Adjustments	Balance Sept. 30, 2008
Non-depreciable capital assets:						
Land	\$ 822,418					822,418
Construction in progress	14,700,440	7,532,938		(8,456,117)		13,777,261
Total non-depreciable capital assets	<u>15,522,858</u>	<u>7,532,938</u>	<u>0</u>	<u>(8,456,117)</u>	<u>0</u>	<u>14,599,679</u>
Depreciable capital assets:						
Buildings	29,362,688	181,000			380,558	29,924,246
Mobile equipment	6,904,983	538,593	(308,833)		18,725	7,153,468
Other furniture and fixtures	2,521,145	161,944		197,475	59,906	2,940,470
Capital leases	3,019,429	436,383		(197,475)	(29,975)	3,228,362
Infrastructure	108,682,874			8,456,117	4	117,138,995
Total capital assets being depreciated	<u>150,491,119</u>	<u>1,317,920</u>	<u>(308,833)</u>	<u>8,456,117</u>	<u>429,218</u>	<u>160,385,541</u>
Less: Accumulated depreciation for:						
Buildings	6,539,603	587,406			3,806	7,130,815
Mobile equipment	4,193,730	709,640	(218,842)		16,885	4,701,413
Other furniture and fixtures	1,604,948	222,826		177,727	22,311	2,027,812
Capital leases	782,258	541,872		(177,727)	(26,975)	1,119,428
Infrastructure	70,042,679	473,289			(63,915)	70,452,053
Total accumulated depreciation	<u>83,163,218</u>	<u>2,535,033</u>	<u>(218,842)</u>	<u>0</u>	<u>(47,888)</u>	<u>85,431,521</u>
Total depreciable capital assets, net	<u>67,327,901</u>	<u>(1,217,113)</u>	<u>(89,991)</u>	<u>8,456,117</u>	<u>477,106</u>	<u>74,954,020</u>
Governmental activities capital assets, net	<u>\$ 82,850,759</u>	<u>6,315,825</u>	<u>(89,991)</u>	<u>0</u>	<u>477,106</u>	<u>89,553,699</u>

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2008

Adjustments were made to capital assets to correct errors, mostly for assets purchased in a prior year and recorded in the current year.

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 1,286,802
Public safety	543,462
Public works	693,310
Health and welfare	1,430
Conservation of natural resources	983
Economic development	<u>9,046</u>
 Total governmental activities depreciation expense	 <u>\$ 2,535,033</u>

An Emergency 911 Upgrade was added to the County's capital assets in September, 2006, but the debt of \$457,572 was incurred in October, 2006. The debt included maintenance contract costs not capitalized.

Commitments with respect to unfinished capital projects at September 30, 2008, consisted of the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
New Administration/Chancery Building	\$ 345,990	June 2009
Kearney Park	17,268	October 2008
Gluckstadt Road West to Catlett Road	5,372,994	March 2010

(7) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$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, 2008, to January 1, 2009. 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, 2008

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 plans to minimize this potential loss:

The county has purchased coinsurance which functions on one 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, 2008, the amount of these liabilities was \$103,445. An analysis of claims activities is presented below:

	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance At Fiscal Year End</u>
2006 – 2007	\$ 345,551	2,366,604	2,347,490	364,665
2007 – 2008	\$ 364,665	1,796,489	2,057,709	103,445

(8) Capital Leases.

As Lessor:

The county leases the following property with varying terms and options as of September 30, 2008:

<u>Class of Property</u>	<u>Amount</u>
Land and buildings	\$ 600,000
Total	\$ 600,000

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2008, are as follows:

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 40,000	16,135
2010	40,000	13,735
2011	40,000	11,335
2012	45,000	8,895
2013	50,000	6,150
2014	50,000	3,075
Total	\$ 265,000	59,325

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2008

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2008:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 2,693,535
Furniture and equipment	<u>534,827</u>
Total	3,228,362
Less: Accumulated depreciation	<u>1,119,428</u>
Leased Property Under Capital Leases	<u>\$ 2,108,934</u>

The following is a schedule by years of the total payments due as of September 30, 2008:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 1,347,218	86,164
2010	873,155	25,024
2011	210,281	3,211
2012	<u>8,479</u>	<u>31</u>
Total	<u>\$ 2,439,133</u>	<u>114,430</u>

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

(9) Long-term Debt.

Debt outstanding as of September 30, 2008, consisted of the following:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Final Maturity Date</u>
General Obligation Bonds:			
G. O. road and bridge bonds (Nissan)	5 to 5.75	\$ 3,695,000	June 2026
G. O. refunding bonds	2.7 to 3.3	3,890,000	May 2014
G. O. refunding bond project	4 to 6	10,290,000	June 2024
G. O. refunding road and bridge & refunding bonds, Series 2006	4.125 to 5	15,800,000	May 2026
G. O. Nissan refunding bonds, Series 2006	Variable	17,575,000	Sept. 2026
G. O. road and bridge bonds, Series 2007	4 to 5	11,620,000	May 2027
G. O. road and bridge bonds, Series 2008	3.5 to 5	33,000,000	March 2028
Courthouse project refunding bonds	2.5 to 3.25	<u>2,690,000</u>	June 2014
Total G. O. Bonds		<u>98,560,000</u>	

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2008

Purpose	Interest Rates	Amount	Final Maturity Date
Limited Obligation Bonds:			
MS Hospital refunding project, Series 2002	Variable	8,182,695	June 2032
Total Limited Obligation Bonds		<u>8,182,695</u>	
Special Assessment Bonds:			
Parkway special assessment refunding bonds, Series 1998	4.35 to 6.0	<u>1,450,000</u>	June 2012
Capital Leases:			
Emergency 911 equipment	4.21	6,444	Nov. 2009
AMR video wall display	4.99	75,850	July 2011
9 Mack dump trucks	4.89	619,185	Sept. 2009
5 Mack tractor trucks	4.89	297,028	Sept. 2009
E-911 Phase 2 upgrades	4.4	293,933	Oct. 2011
3 Volvo motorgraders	4.94	526,985	April 2010
21 Ford Crown Victorias	4.88	240,709	May 2010
21 2008 Crown Victorias	4.19	<u>378,999</u>	April 2011
Total Capital Leases		<u>2,439,133</u>	
Other Loans:			
Capital improvement loan	4.00	63,025	Sept. 2013
Industrial development	2.00	397,573	June 2008
Line of Credit - MS Development Bank	Variable	<u>2,387,946</u>	Sept. 2013
Total Other Loans		<u>2,848,544</u>	
Total Debt Outstanding		<u>\$ 113,480,372</u>	

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
2009	\$ 4,440,000	5,058,928	210,000	263,670
2010	4,690,000	4,131,382	225,000	256,723
2011	4,890,000	3,921,040	240,000	249,289
2012	5,105,000	3,698,394	255,000	241,368
2013	5,350,000	3,464,577	270,000	232,960
2014-2018	23,105,000	13,954,527	1,645,000	1,018,113
2019-2023	27,400,000	8,418,560	2,250,000	709,351
2024-2028	23,580,000	2,181,618	3,080,000	286,484
2029			<u>7,695</u>	<u>182</u>
Total	<u>\$ 98,560,000</u>	<u>44,829,026</u>	<u>8,182,695</u>	<u>3,258,140</u>

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2008

Year Ending September 30,	Special Assessment Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2008	\$ 335,000	62,538	2,436,713	58,988
2009	355,000	46,145	50,350	12,091
2010	375,000	28,438	51,986	10,455
2011	385,000	9,625	53,666	8,764
2012			55,421	7,020
2013-2017			200,408	12,002
Total	\$ <u>1,450,000</u>	<u>146,746</u>	<u>2,848,544</u>	<u>109,320</u>

Legal Debt Margin - The amount of debt, excluding specific exempted debt that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the 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, 2008, the amount of outstanding debt was equal to 8.42% 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, 2008, is \$1,450,000.

Advance Refunding - On April 1, 2008, the county issued \$3,115,000 in general obligation refunding bonds with an average interest rate of 2.8% to advance refund \$2,960,000 of the following outstanding bond issue:

Issue	Average Interest Rate	Outstanding Amount Refunded
G. O. Refunding Bonds (Courthouse), Series 1998	3.85%	\$ <u>2,960,000</u>

The net proceeds of \$3,024,458 (after payment of \$86,163 in underwriting fees and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, those bonds are considered to be defeased, and the liability for those bonds has been removed from the Statement of Net Assets.

The county advance refunded the above bonds to reduce its total debt service payments over the 7 years of the bond issue by almost \$114,117 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$3,128.

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2008

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2008:

	Beginning Balance	Additions	Reductions	Adjustments	Ending Balance	Due Within One Year
Governmental activities:						
Compensated absences	\$ 735,701	88,797			824,498	
General obligation bonds	72,305,000	36,115,000	9,880,000	20,000	98,560,000	4,440,000
Limited obligation bonds	8,492,695		310,000		8,182,695	210,000
Special assessment bonds	1,770,000		320,000		1,450,000	335,000
Capital leases	2,640,834	436,383	630,592	(7,492)	2,439,133	1,347,218
Other loans	3,123,422		274,863	(16)	2,848,544	2,436,712
Governmental activity Long-term liabilities	\$ <u>89,067,652</u>	<u>36,640,180</u>	<u>11,415,455</u>	<u>12,492</u>	<u>114,304,870</u>	<u>8,768,930</u>

(10) Deficit Fund Balances of Individual Funds.

Fund	Deficit Amount
Self insurance fund	\$ 436,412
Emergency 911 fund	3,697
Garbage and solid waste fund	419,422
1/4 mill fire district fund	4,915
Sheriff's federal drug seizure fund	220
Adolescent Offense Program	89,256
Canteen fund	18,857
MS Dev. Bank G/O Nissan Project	150,683

(11) Contingencies.

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

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

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2008

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

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

The trust agreements authorized the corporation to issue 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, 2008, was \$265,000. This amount has been recorded as lease payments receivable and a corresponding amount is shown as deferred revenue-leasing transactions at September 30, 2008.

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 agreements for financial reporting purposes.

(13) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Holmes Community College operates in a district composed of the Counties of Attala, Carroll, Choctaw, Grenada, Holmes, Madison, Montgomery, Webster and Yazoo. The Madison County Board of Supervisors appoints two of the 22 members of the college board of trustees. The county appropriated \$1,554,462 for maintenance and support of the college in fiscal year 2008.

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 2008.

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 2008.

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 2008.

(14) Defined Benefit Pension Plan.

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

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2008

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, 2008 was 11.85% 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, 2008, 2007 and 2006 were \$1,503,442, \$1,354,646 and \$1,167,913, respectively, equal to the required contributions for each year.

(15) Subsequent Events.

Subsequent to September 30, 2008, 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>
08/29/2009	3.1%	\$ 769,800	Lease purchase	Ad valorem tax
06/24/2009	3.0% to 4.8%	8,000,000	Limited obligation bonds	Ad valorem tax
09/14/2009	3.1%	876,961	Lease purchase	Ad valorem tax
09/28/2009	2.0/5	775,000	CAP loan	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, 2008

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 12,728,835	13,833,621	13,833,621	
Licenses, commissions and other revenue	2,449,950	2,771,375	2,771,375	
Fines and forfeitures	885,000	1,223,145	1,223,145	
Intergovernmental revenues	3,105,000	3,432,858	3,432,858	
Charges for services	1,800,000	1,747,119	1,747,119	
Interest income	816,000	779,147	786,311	7,164
Miscellaneous revenues	793,000	708,532	708,532	
Total Revenues	<u>22,577,785</u>	<u>24,495,797</u>	<u>24,502,961</u>	<u>7,164</u>
EXPENDITURES				
Current:				
General government	13,489,110	13,706,067	13,648,690	57,377
Public safety	8,718,214	9,129,908	8,914,633	215,275
Health and welfare	768,139	930,026	930,026	
Culture and recreation	33,200	1,337,519	125,190	1,212,329
Education	800,000		1,212,329	(1,212,329)
Conservation of natural resources	344,464	341,001	379,467	(38,466)
Economic development and assistance	9,600	28,833	28,833	
Debt service:				
Principal	160,350	129,078	379,160	(250,082)
Interest	157,900	101,225	123,794	(22,569)
Total Expenditures	<u>24,480,977</u>	<u>25,703,657</u>	<u>25,742,122</u>	<u>(38,465)</u>
Excess of Revenues over (under) Expenditures	<u>(1,903,192)</u>	<u>(1,207,860)</u>	<u>(1,239,161)</u>	<u>(31,301)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	300,000			
Transfers in	1,500,000	930,000	930,000	
Transfers out	(1,035,000)	(1,004,988)	(1,004,988)	
Other financing uses	(320,925)	(335,425)	(335,425)	
Total Other Financing Sources and Uses	<u>444,075</u>	<u>(410,413)</u>	<u>(410,413)</u>	<u>0</u>
Net Change in Fund Balance	(1,459,117)	(1,618,273)	(1,649,574)	(31,301)
Fund Balances - Beginning	<u>8,558,236</u>	<u>0</u>	<u>7,757,409</u>	<u>7,757,409</u>
Fund Balances - Ending	<u>\$ 7,099,119</u>	<u>(1,618,273)</u>	<u>6,107,835</u>	<u>7,726,108</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, 2008

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 2,251,939	3,569,674	2,344,148	1,225,526
Road & bridge privilege	1,100,000		1,225,526	(1,225,526)
License, commission & other revenue	300	205	205	
Intergovernmental revenues	820,000	832,077	832,077	
Interest income	2,000	1,000	1,000	
Miscellaneous revenues	30,000	162,160	162,160	
Total Revenues	<u>4,204,239</u>	<u>4,565,116</u>	<u>4,565,116</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	<u>4,707,381</u>	<u>4,545,322</u>	<u>4,545,322</u>	
Total Expenditures	<u>4,707,381</u>	<u>4,545,322</u>	<u>4,545,322</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(503,142)</u>	<u>19,794</u>	<u>19,794</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	12,000			
Transfers In		42,000	42,000	
Transfers out		(77,000)	(77,000)	
Total Other Financing Sources and Uses	<u>12,000</u>	<u>(35,000)</u>	<u>(35,000)</u>	<u>0</u>
Net Change in Fund Balance	(491,142)	(15,206)	(15,206)	0
Fund Balances - Beginning	<u>0</u>	<u>0</u>	<u>156,345</u>	<u>156,345</u>
Fund Balances - Ending	<u>\$ (491,142)</u>	<u>(15,206)</u>	<u>141,139</u>	<u>156,345</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, 2008

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
	<u> </u>	<u> </u>
Budget (Cash Basis)	\$ (1,649,574)	(15,206)
Increase (Decrease)		
Net adjustments for revenue accruals	(1,567,422)	16,099
Net adjustments for expenditure accruals	(6,708,852)	28,234
Other financing sources (uses)	<u>8,300,879</u>	<u>375,000</u>
GAAP Basis	<u>\$ (1,624,969)</u>	<u>404,127</u>

MADISON COUNTY

SUPPLEMENTAL INFORMATION

MADISON COUNTY
Reconciliation of Operating Costs of Solid Waste
For the Year Ended September 30, 2008

Operating Expenditures, Cash Basis:

Contract hauling	\$	1,724,921
Landfill charges		253,962
Rent		2,400
Other contractual services		20,702
Miscellaneous		<u>1,121</u>

Solid Waste Cash Basis Operating Expenditures 2,003,106

Full Cost Expenses:

Indirect administrative costs		29,376
Depreciation on equipment		<u>13,370</u>

Solid Waste Full Cost Operating Expenses \$ 2,045,852

MADISON COUNTY

SPECIAL REPORTS

Windham and Lacey, PLLC

Certified Public Accountants

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

Members:
American Institute of CPAs
Mississippi Society of CPAs

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

Members of the Board of Supervisors
Madison County, Mississippi

We have audited the 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, 2008, which collectively comprise the county's basic financial statements and have issued our report thereon dated December 15, 2009. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the county's primary government unless the county also issues financial statements for the reporting entity that include the financial data for its 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the county's financial statements that is more than inconsequential will not be prevented or detected by the county's internal control. We consider the deficiencies described in the accompanying Schedule of Findings as 08-1, 08-2, 08-3, 08-4, 08-5 and 08-6 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the county's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 08-1 to be a material weakness.

Compliance and Other Matters

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

Madison County's response to the finding identified in our audit is described in the accompanying Schedule of Findings. We did not audit Madison County's responses and, accordingly we express no opinion on it.

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

Windham and Lacey, PLLC

Windham and Lacey, PLLC
December 15, 2009

Windham and Lacey, PLLC

Certified Public Accountants

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

Members:
American Institute of CPAs
Mississippi Society of CPAs

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, 2008. 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.

The results of our audit procedures disclosed one instance of noncompliance with the aforementioned code sections. The instance of noncompliance was considered in forming our opinion on compliance. Our finding and recommendation and your response are disclosed below:

Inventory Control Clerk.

Finding

Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to maintain an inventory system. Our test of capital assets disclosed one instance of equipment recorded improperly, for the wrong amount. Improper reporting could lead to material misstatement of capital assets.

Recommendation

We recommend capital assets transactions be reviewed to assure proper recording.

Inventory Control Clerk's Response

Madison County has instituted a review process to ensure that capital assets are accurately recorded in the financial statements.

In our opinion, except for the noncompliance referred to in the preceding paragraph, 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
December 15, 2009

MADISON COUNTY
 Schedule of Purchases Not Made From the Lowest Bidder
 For the Year Ended September 30, 2008

Schedule 1

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Reason for Accepting Other Than the Lowest Bid</u>
01/15/2008	Aerial Photography	\$ 176,385	GeoGraphix, Inc.	Failure to comply with bid and poor prior performance.
02/19/2008	Vehicle	31,535	Gray Daniels	Low bid did not meet specs.
05/19/2009	Vehicle	34,448	Harreld Chevrolet	Local preference law.

MADISON COUNTY
 Schedule of Emergency Purchases
 For the Year Ended September 30, 2008

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
10/16/2007	Bottled water	\$ 1,500	Brown Bottling	Residents of West Madison Water District were without water for five days due to loss of water system pressure.
10/16/2007	Bottled water	268	Wal-Mart	Bottled water distributed by Emergency Management.
10/16/2008	Bottled water	239	Ramey's	Prisoner safety.
08/4/2008	Fire alarm	28,851	Simplex Grinnell	State contract emergency/ stockpile fuel vendor preparation for Hurricane Gustav.
08/29/2008	Gasoline	76,400	Specialty Fuel Service	

MADISON COUNTY
Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2008

Schedule 3

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
05/19/2008	Tax Assessor's Office software	\$ 16,600	Delta Computer

Windham and Lacey, PLLC

Certified Public Accountants

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

Members:
American Institute of CPAs
Mississippi Society of CPAs

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

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, 2008, we considered Madison County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions 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 December 15, 2009, 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.

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

Windham and Lacey, PLLC

Windham and Lacey, PLLC
December 15, 2009

MADISON COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

MADISON COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2008

Section 1: Summary of Auditor's Results

Financial Statements:

1.	Type of auditor's report issued on the financial statements:	
	Governmental Activities	Unqualified
	General Fund	Unqualified
	Road Maintenance Fund	Unqualified
	Road and Bridge Capital Project Fund	Unqualified
	Reunion Parkway Interchange Fund	Unqualified
	Aggregate remaining fund information	Unqualified
	Aggregate discretely presented component units	Adverse
2.	Internal control over financial reporting:	
a.	Material weakness identified?	Yes
b.	Significant deficiency identified that is not considered to be a material weakness?	Yes
3.	Noncompliance material to the financial statements?	No

Section 2: Financial Statement Findings

Board of Supervisors

Significant Deficiency – Material Weakness

08-1. Finding

Accounting principles generally accepted in the United States of America require the financial data for the county's component units to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. As reported in the prior year audit report, the financial statements do not include the financial data for the county's legally separate component units. The failure to properly follow generally accepted accounting principles resulted in an adverse opinion on the discretely presented component units.

Recommendation

The Board of Supervisors should provide the financial data for its discretely presented component units for inclusion in the county's financial statements.

Board of Supervisors' Response

Madison County made a conscious decision to exclude the discrete presentation of the county's component units in its financial statements because the cost and effort of this reporting requirement outweigh the benefit to Madison County. We intend to review this GAAP reporting requirement annually to determine if the benefit to Madison County gives rise to presenting component units in the financial statements.

MADISON COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2008

Significant Deficiency

08-2. Finding

An effective system of internal control includes a separation of duties related to receipting, recording, and reconciling in the accounting department. One employee in the accounting department was allowed to write receipts, make deposits and record transactions. Failure to properly segregate these duties could result in loss or misappropriation of public funds.

Recommendation

We recommend separating the functions of writing receipts, making deposits and recording transactions.

Board of Supervisors' Response

Madison County has taken steps to segregate the receipting, recording and reconciling functions. The accounting department has also enacted internal controls to mitigate the inherent risk associated with these functions.

Sheriff

Significant Deficiency

08-3. Finding

Internal accounting controls in the Sheriff's Office could be strengthened by proper segregation of duties related to receipting of funds, preparation of deposits, recording of transactions and reconciliations of collections to accounting records. There is currently no reconciliation procedure in place to account for monies collected in the detention center. Internal controls over financial functions can be strengthened by preparation of reports that are reconciled to deposits on a daily and monthly basis. Reports should be available daily for comparison of receipts to deposits and monthly for comparison of deposits to bank reconciliations which agree with general ledger totals. Someone other than the person preparing the deposits should compare and reconcile deposits with recorded collections. Failure to properly reconcile cash accounts could result in loss or misappropriation of public funds.

Recommendation

We recommend generation of daily reports of receipts be available for reconciling to deposits, and monthly reports be available for comparison to bank reconciliations and general ledger totals, and that reconciliations be prepared by someone other than those receipting monies or preparing and making deposits.

Sheriff's Response

Computer programs are being drawn up at this time for receipting of monies collected for release bonds by detention officers at the end of each shift. Also, each shift end will generate a report that includes the numbered bond receipt, dollar amount of the posted bond, inmate name for whom the bond is being posted, date, name and signature of detention officer taking the bond and whether the transaction is cash or money order.

A monthly report will be prepared by the detention center and given to the civil process clerk for journal comparison. In addition, the civil process clerk will maintain a separate journal for jail receipts and civil process receipts.

MADISON COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2008

Significant Deficiency

08-4. Finding

Daily deposits are not being made by the Sheriff's Department. Timely deposits should be made of monies collected. Failure to make timely deposits could result in loss or misappropriation of public funds.

Recommendation

We recommend the Sheriff's Office make deposits of collections daily.

Sheriff's Response

The Sheriff's administrative assistant will, on a daily basis, count and deposit monies collected for the posting of bonds by the detention center. A second designee will be delegated by the jail administrator to be present when the administrative assistant is counting monies.

Circuit Clerk

Significant Deficiency

08-5. Finding

An effective system of internal control includes a separation of duties, including segregating duties related to receipting and disbursing of funds, recording transactions, and reconciling functions. These functions were not separated in the Circuit Clerk's Office. Failure to properly segregate these duties could result in loss or misappropriation of public funds.

Recommendation

Accounting functions involving receipting and disbursing of funds, recording transactions and reconciling accounts should be performed by separate individuals.

Circuit Clerk's Response

The Circuit Clerk has separated the functions as described among staff performing accounting duties.

Significant Deficiency

08-6. Finding

The Circuit Clerk's criminal and civil journals were not reconciled to the criminal and civil bank accounts. Failure to properly reconcile accounts could result in loss or misappropriation of public funds.

Recommendation

The Circuit Clerk should properly reconcile all accounts to the bank statements monthly.

Circuit Clerk's Response

The bank reconciliations have not been prepared due to a lack of personnel. The Circuit Clerk is in the process of hiring an individual who can perform these duties.