

**MADISON COUNTY, MISSISSIPPI**

**Audited Financial Statements and  
Special Reports  
For the Year Ended September 30, 2010**

# MADISON COUNTY

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MADISON COUNTY

FINANCIAL SECTION

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## INDEPENDENT AUDITOR'S REPORT

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, 2010, 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, 2010, 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, 2010, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2011, 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 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 Schedule of Expenditures of Federal Awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Reconciliation of Operating Costs of Solid Waste is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information 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  
June 24, 2011

MADISON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

## MADISON COUNTY, MISSISSIPPI

### Management's Discussion and Analysis For the Year Ending September 30, 2010

#### **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, 2010. 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 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 and is one of the fastest growing counties in Mississippi. The County has a population of 95,203, based on the 2010 census, which is a 27.5% increase since 2000. Madison County has a median household income of over \$55,000 which ranks at the top of Mississippi counties, and is significantly higher than the state average of approximately \$37,000. The local economic base is driven by manufacturing/industrial, medical, retail and agricultural concerns. The County is home to many thriving businesses and continues to grow each year.

#### **FINANCIAL HIGHLIGHTS**

Madison County remains financially stable. The County continues to excel in fiscal management by using sound financial planning, disciplined budgeting and strong 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-wide tax rate was 31.83 mills for the 2010 year compared to 32.38 mills for 2009. The total millage was 35.63 for 2010 and 2009, including solid waste and fire protection.

Total net assets increased \$1,998,549 from the prior fiscal year. The County's ending cash balance, for all funds, decreased by \$9,857,734, from the prior fiscal year.

The County had \$49,990,502 in total Governmental Funds revenues, an increase compared to 2009. Tax revenues account for \$31,727,235 or 63.47% of total revenues. Intergovernmental revenues were received amounted to \$5,057,126 or 10.12% of total revenues.

The County had \$57,488,166 in total Governmental Funds expenses, which represents a decrease 6.82% from the prior fiscal year. Expenses in the amount of \$5,865,696 were offset by grants, outside contributions or debt being issued. General revenues \$40,548,631 were adequate to provide for the remainder of the expenses.

Among major funds, the General Fund had \$25,546,701 in revenues, \$24,007,765 in expenditures and \$155,050 in other financing sources and uses. The General Fund's fund balance increased \$1,693,986 over the prior year. The reason for the increase in the General Fund's fund balance was primarily due a reduction in debt issued and debt service expenditures, as well as a decrease in overall in most expenditures.

Among major funds, the County-Wide Road Maintenance Fund had \$4,248,376 in revenues, \$4,885,551 in expenditures, and \$678,524 in other financing sources and uses. The County-Wide Road Maintenance Fund's fund balance increased \$41,349 over the prior year primarily due to revenues outpacing expenditures.

MADISON COUNTY, MISSISSIPPI

Management's Discussion and Analysis  
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Among major funds, the General County I & S Fund had \$7,418,297 in revenues, \$7,383,772 in expenditures. The General County I & S Fund's fund balance increased \$34,525 due to revenues outpacing debt service.

Among major funds, the Road and Bridge Capital Project Fund had \$4,107 in revenues, \$6,860,314 in expenditures and \$13,641,722 in other financing sources and uses. The Road and Bridge Capital Project Fund's fund balance increased \$6,785,515 over the prior year. The increase in the Road and Bridge Capital Project Fund was due to transfers in of \$13,641,722 from the Reunion Parkway Interchange Capital Projects fund.

Capital assets, net of accumulated depreciation, increased by \$2,099,068 over the prior year. The increase in Capital Assets, net of accumulated depreciation, was primarily due to addition of infrastructure and mobile equipment.

Long-term debt decreased by \$5,773,987 during the fiscal year. The county issued other loans in the amount of \$146,944 and capital leases in the amount of \$661,626.

**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**

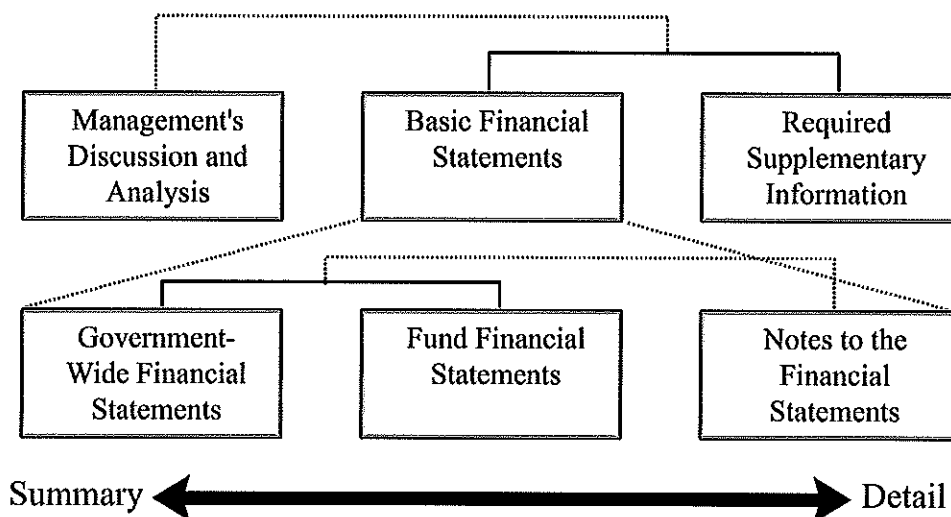


Figure 1 shows how required parts of this annual report are arranged and relate to one another.



MADISON COUNTY, MISSISSIPPI

Management's Discussion and Analysis  
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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, if applicable	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"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in net assets</li> </ul>
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

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**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 not included in our basic financial statements. Component units 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 19-21 of this report.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the County can be divided into two categories: governmental 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 24 and 27, respectively.

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

The basic governmental funds financial statements can be found on pages 22-23 & 25-26 of this report.

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**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 assets and liabilities are presented in a separate Statement of Fiduciary Assets and Liabilities, which can be found on page 28 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 schedule has been provided for the General Fund and each additional major special revenue fund. This required supplementary information can be found on pages 47-49 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 \$26,667,519 as of September 30, 2010.

A large portion of the County's net assets (12.5%) reflects its investment in capital assets (e.g. roads, bridges, land, buildings, improvements other than 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.

Capital projects has the largest percentage of the County's net assets (55.5%), due to debt issued in prior years that is financing infrastructure construction.

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 at September 30, 2010, as compared to September 30, 2009.

	Current Year Governmental Activities	Prior Year Governmental Activities
Current assets	\$ 59,331,882	\$ 66,776,704
Capital assets, net	<u>98,029,729</u>	<u>95,930,661</u>
Total assets	<u>157,361,611</u>	<u>162,707,365</u>
Current liabilities	33,694,736	35,265,053
Long-term debt outstanding	<u>96,999,356</u>	<u>102,773,343</u>
Total liabilities	<u>130,694,092</u>	<u>138,038,396</u>
Net assets:		
Invested in capital assets, net of related debt	3,193,252	5,559,949
Restricted	18,945,141	26,234,192
Unrestricted	<u>4,529,126</u>	<u>(7,125,172)</u>
Total net assets	<u>\$26,667,519</u>	<u>\$24,668,969</u>

MADISON COUNTY, MISSISSIPPI

Management's Discussion and Analysis  
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The following are significant current year transactions that have had an impact on the Statement of Net Assets.

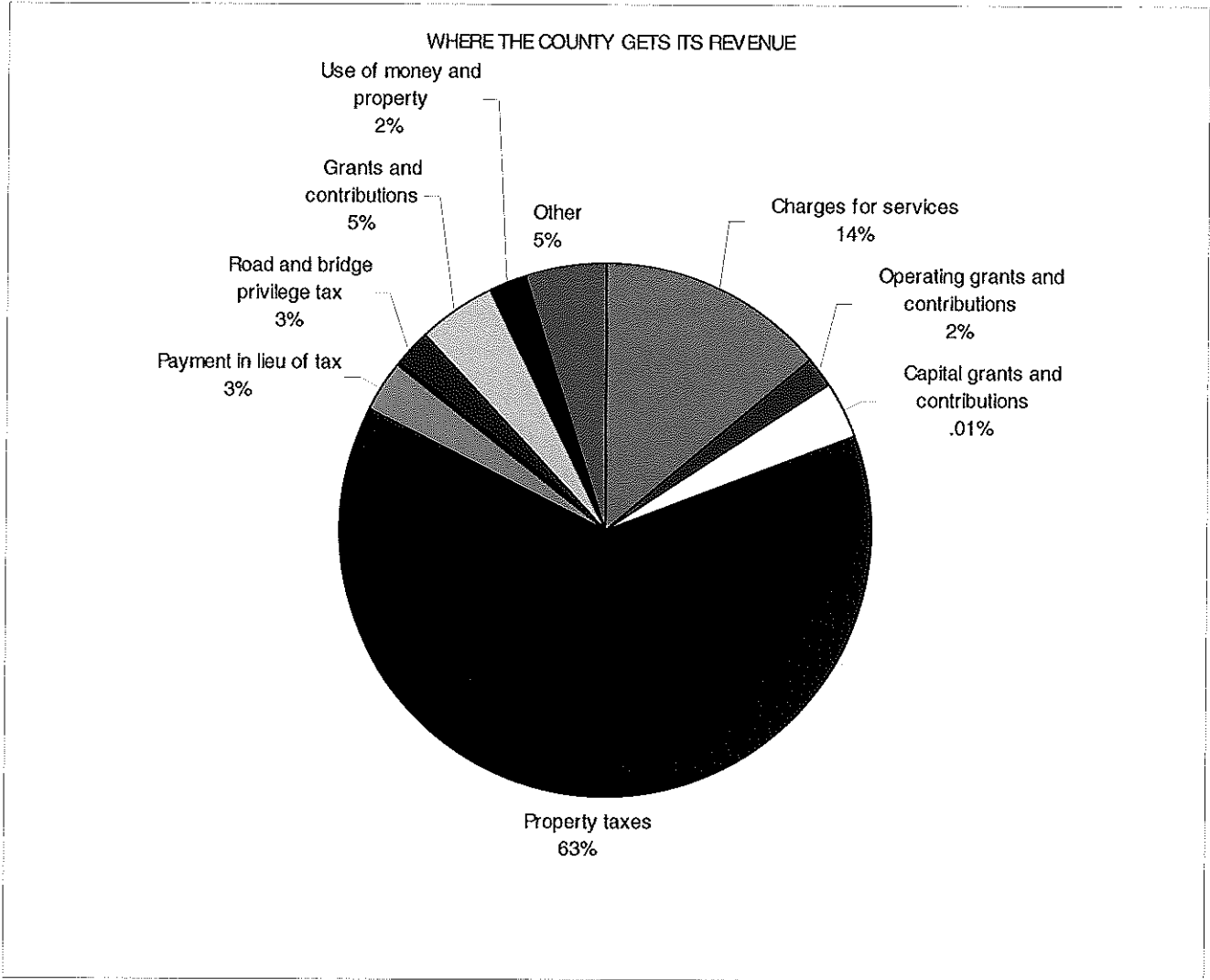
- Long-term debt was issued in the amount of \$808,570.
- \$6,663,391 of long-term debt principal was retired.

**Changes in Net Assets** – Madison County's total revenues for the fiscal year ended September 30, 2010 were \$50,201,265. The total cost for all services provided was \$48,314,816. The increase in net assets was \$1,886,449. The following table presents a summary of the changes in net assets for the fiscal year ended September 30, 2010, as compared to the fiscal year ended September 30, 2009.

	Current Year <u>Amount</u>	Prior Year <u>Amount</u>
<b>Revenues:</b>		
Program revenues		
Charges for services	\$ 6,945,027	\$ 7,076,049
Operating grants and contributions	1,019,876	1,184,750
Capital grants and contributions	1,687,731	1,133,399
General revenues		
Property taxes	34,596,540	33,765,794
Grants and contributions	2,349,559	2,576,265
Use of money and property	1,131,340	1,596,397
Other	<u>2,471,192</u>	<u>1,959,602</u>
Total Revenues	<u>50,201,265</u>	<u>49,292,256</u>
<b>Expenses:</b>		
General government	6,317,406	7,931,441
Public safety	12,389,538	12,379,481
Public works	17,925,721	19,081,654
Health and welfare	923,872	944,761
Culture and recreation	1,382,130	1,433,754
Conservation of natural resources	358,997	358,805
Economic development	511,177	511,707
Other expenses	<u>8,505,975</u>	<u>7,017,089</u>
Total Expenses	<u>48,314,816</u>	<u>49,658,692</u>
Decrease in Net Assets	<u>\$ 1,886,449</u>	<u>\$ (366,436)</u>

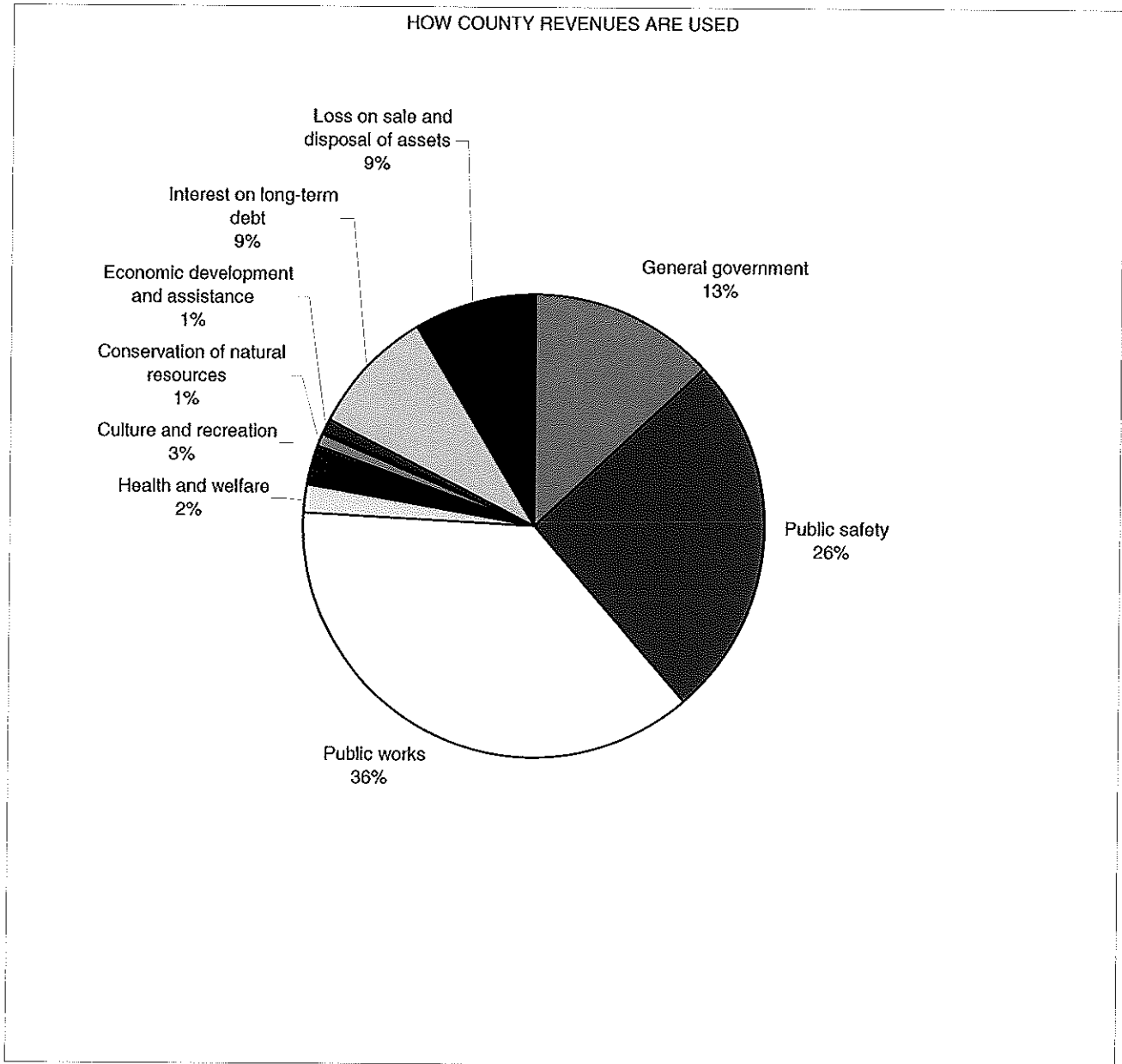
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**Governmental Activities** – The following table presents the cost of seven major functional activities of the County: General Government, Public Safety, Public Works, Health & Welfare, Culture and Recreation, Conservation of Natural Resources and 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	\$6,317,406	\$2,644,020
Public Safety	12,389,538	8,872,317
Public Works	17,925,721	15,612,818
Health & Welfare	923,872	774,748
Culture & Recreation	1,382,130	1,382,130
Conservation of Natural Resources	358,997	358,997
Economic Development	511,177	511,177
Interest on Long-term Debt	4,332,929	4,332,929

**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 \$25,125,995, a decrease of \$5,884,870. The primary reason for this decrease was infrastructure construction that was financed by debt issued in the prior year.

The General Fund is the principal operating fund of the County. The increase in the fund balance of the General Fund for the fiscal year was \$1,693,986. This increase was primarily due to the decrease in other financing sources and uses, general government and public safety expenditures, as compared to the prior year.

**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 special revenue funds is provided in this report as required supplementary information.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets** – As of September 30, 2010, Madison County's total capital assets was \$188,208,059. This includes additions to roads, bridges, and other infrastructure for the 2010 fiscal year; land, buildings, improvements other than buildings, mobile equipment, furniture and equipment, leased property under capital lease and construction in progress. This amount represents an increase from the previous year of \$4,277,286. The majority of this increase was due to new infrastructure and construction-in-progress.

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Management's Discussion and Analysis  
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Depreciation expense for the year ended September 30, 2010 was \$3,057,513. The balance in total net capital assets was \$98,029,729 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, 2009	Additions	Deletions	Adjustments and Reclassifications	Balance Sept. 30, 2010
<u>Non-depreciable capital assets:</u>					
Land	\$ 972,418	151,913	(112,100)	112,100	1,124,331
Construction in progress	12,718,545	8,039,983	(4,432,089)		16,326,439
Total non-depreciable capital assets	<u>13,690,963</u>	<u>8,191,896</u>	<u>(4,544,189)</u>	<u>112,100</u>	<u>17,450,770</u>
<u>Depreciable capital assets:</u>					
Buildings	36,250,594				36,250,594
Improvements other than buildings		36,450			36,450
Mobile equipment	7,892,260	894,284	(547,296)	379,750	8,618,998
Other furniture and fixtures	3,070,384	74,753	(22,622)		3,122,515
Capital leases	4,064,486	661,626	(579,716)	(379,750)	3,766,646
Infrastructure	118,962,086				118,962,086
Total capital assets being depreciated	<u>170,239,810</u>	<u>1,667,113</u>	<u>(1,149,634)</u>	<u>0</u>	<u>170,757,289</u>
Less: Accumulated depreciation for:					
Buildings	7,783,834	715,746			8,499,580
Improvements other than buildings		729			729
Mobile equipment	5,102,960	683,472	(492,564)	170,941	5,464,809
Other furniture and fixtures	2,282,655	195,284	(21,501)		2,456,438
Capital leases	1,725,433	777,200	(365,230)	(170,941)	1,966,462
Infrastructure	71,105,230	685,082			71,790,312
Total accumulated depreciation	<u>88,000,112</u>	<u>3,057,513</u>	<u>(879,295)</u>	<u>0</u>	<u>90,178,330</u>
Total depreciable capital assets, net	<u>82,239,698</u>	<u>(1,390,400)</u>	<u>(270,339)</u>	<u>0</u>	<u>80,578,959</u>
Governmental activities capital assets, net	<u>\$ 95,930,661</u>	<u>6,801,496</u>	<u>(4,814,528)</u>	<u>112,100</u>	<u>98,029,729</u>



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The deletion of the Construction in Progress for Reunion Interchange resulted in Madison County filing a lawsuit against the Mississippi Department of Transportation for breach of contract, which seeks up to \$20,000,000 in damages. The Complaint was filed on June 4, 2010, in Hinds County Circuit Court (Civil Action No. 251-10-432) and remains in its early stages. A trial is scheduled for April 2012.

Land sold for \$112,100, in the current fiscal year that was purchased in 1991 and was never added to capital assets. A prior period adjustment was made to Exhibit 2 and was adjusted in the Capital assets schedule.

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 1,574,548
Public safety	687,697
Public works	788,047
Health and welfare	6,238
Conservation of natural resources	<u>983</u>
 Total governmental activities depreciation expense	 \$ <u><u>3,057,513</u></u>

**Debt Administration** – At September 30, 2010, Madison County had \$96,039,930, in long-term debt outstanding and \$959,426 in compensated absences liabilities, making long-term liabilities \$96,999,356. This includes general obligation bonds, special assessment debt, other debt and obligations under capital leases. Of this debt, \$6,349,222 is due within one year.

In the past year, the County issued \$146,944 in other loans and \$661,626 in Capital Leases for garbage trucks and debt refinancing.

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

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

Long-term Debt.

Debt outstanding as of September 30, 2010, consisted of the following:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Final Maturity Date</u>
<b>General Obligation Bonds:</b>			
G. O. road and bridge bonds (Nissan), Series 2001	5 to 5.75	\$ 2,345,000	June, 2026
G. O. refunding bonds, Series 2004	2.7 to 3.3	2,765,000	May, 2014
G. O. refunding bond project	4 to 6	9,355,000	June, 2024
G. O. refunding road and bridge & refunding bonds, Series 2006	4.125 to 5	13,970,000	May, 2026
G. O. Nissan refunding bonds, Series 2006	Variable	17,445,000	Sept., 2026
G. O. road and bridge bonds, Series 2007	4 to 5	10,805,000	May, 2027

MADISON COUNTY, MISSISSIPPI

Management's Discussion and Analysis  
For the Year Ending September 30, 2010

Purpose	Interest Rates	Amount	Final Maturity Date
G. O. road and bridge bonds, Series 2008	3.5 to 5	30,900,000	March, 2028
Courthouse project refunding bonds	2.5 to 3.25	1,845,000	June, 2014
MS Development Bank special obligation refunding bonds, Series 2009	1.5 to 4.0	<u>2,345,000</u>	May, 2024
Total G. O. Bonds		<u>91,775,000</u>	
Special Assessment Bonds:			
Parkway special assessment refunding bonds, Series 1998	4.35 to 6.0	<u>760,000</u>	June, 2012
Capital Leases:			
AMR video wall display	4.99	21,727	July, 2011
E-911 Phase 2 upgrades	4.4	107,839	October, 2011
20 2008 Crown Victorias	4.19	72,860	April, 2011
9 2007 Mack dump trucks and 5 2007 Mack tractors	3.1	479,596	August, 2012
6 Volvo Garbage trucks	6.1	667,795	Sept., 2013
3 Volvo Motor graders	2.52	505,240	August, 2013
Komatsu excavator	3.14	<u>127,989</u>	October, 2013
Total Capital Leases		<u>1,983,046</u>	
Other Loans:			
South Madison capital improvement loan (CAP)	4.00	41,844	June, 2014
Industrial development capital improvement (CAP)	3.00	318,247	Sept., 2017
Industrial development capital improvement (CAP)	3.00	1,014,849	Dec., 2028
Weisenberger fire station capital improvement (CAP)	2.00	<u>146,944</u>	May, 2021
Total Other Loans		<u>1,521,884</u>	
Total Debt Outstanding		<u>\$ 96,039,930</u>	

***CURRENT AND FUTURE ITEMS OF IMPACT***

Madison County continues to see growth and progress through increases in population as well as commercial development. The County's county-wide ad valorem tax levy was 31.83 mills in 2010 and 32.38 in 2009, one of the lowest tax levy of any of the large counties in Mississippi.

Madison County continues to lead with residential development and new road construction projects which will serve to promote further economic growth in the future. Even though the economy has been in a decline over the past few years nationally as well as statewide, total assessed values in Madison County for 2011 are expected to be in line with the previous year.

MADISON COUNTY, MISSISSIPPI

Management's Discussion and Analysis  
For the Year Ending September 30, 2010

**Madison County Tax Millage Rates for 2009-2011:**

<u>Fiscal Year</u>	<u>General County</u>	<u>Road &amp; Bridge</u>	<u>Debt Service</u>	<u>Other</u>	<u>Total County-wide</u>	<u>Solid Waste</u>	<u>Fire Protection</u>	<u>Total Mills</u>
9/30/2009	15.52	5.56	7.39	3.91	32.38	3.00	0.25	35.63
9/30/2010	16.65	4.85	6.58	3.75	31.83	3.50	0.30	35.63
9/30/2011	17.99	4.36	6.55	3.78	32.68	2.65	0.30	35.63

***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, 2010

Exhibit I

	Primary Government
	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash	\$ 29,281,667
Property tax receivable	26,249,668
Fines receivable, net of allowance for uncollectibles of \$1,181,168	593,956
Capital leases receivable	214,455
Intergovernmental receivables	850,973
Other receivables, net	791,921
Unamortized bond discount	54,970
Bond issue cost, net	1,294,272
Land and construction in progress	17,450,770
Other capital assets, net	80,578,959
Total Assets	<u>157,361,611</u>
<b>LIABILITIES</b>	
Claims payable	1,670,968
Claims and judgments	68,788
Intergovernmental payables	1,380,339
Accrued interest payable	1,432,433
Deferred revenue	26,279,123
Deferred revenue - special assessments	760,000
Premium on bonds, net	184,614
Other payables	1,918,471
Long-term liabilities	
Due within one year:	
Capital related debt	6,265,326
Non-capital debt	83,896
Due in more than one year:	
Capital related debt	88,441,507
Non-capital debt	2,208,627
Total Liabilities	<u>130,694,092</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	3,193,252
Restricted net assets:	
Expendable:	
Public safety	145,587
Public works	2,922,639
Capital projects	14,805,829
Economic development	46,614
Culture and recreation	64,669
Other	959,803
Unrestricted	4,529,126
Total Net Assets	<u>\$ 26,667,519</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, 2010

Exhibit 2

Functions/Programs	Program Revenues			Expenses	Net (Expense) Revenue and Changes in Net Assets	
	Fines, forfeitures and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Primary Government	Governmental Activities
Primary government:						
Governmental activities:						
General government	\$ 3,522,450	150,936	-	6,317,406		(2,644,020)
Public safety	2,802,073	663,034	52,114	12,389,538		(8,872,317)
Public works	620,504	56,782	1,635,617	17,925,721		(15,612,818)
Health and welfare		149,124		923,872		(774,748)
Culture and recreation				1,382,130		(1,382,130)
Conservation of natural resources				358,997		(358,997)
Economic development and assistance				511,177		(511,177)
Interest on long-term debt				4,332,929		(4,332,929)
Total Governmental Activities	6,945,027	1,019,876	1,687,731	44,141,770		(34,489,136)
Business-type activities:						
Total Business-type Activities	-	-	-	-		-
Total Primary Government	\$ 6,945,027	1,019,876	1,687,731	\$ 44,141,770		(34,489,136)

(Continued)

MADISON COUNTY  
Statement of Activities  
For the Year Ended September 30, 2010

(Exhibit 2 Continued)

	Net (Expense) Revenue and Changes in Net Assets
	<u>Primary Government</u>
	<u>Governmental Activities</u>
General revenues:	
Taxes:	
Property taxes	\$ 31,727,235
Payment in lieu of taxes	1,607,016
Road and bridge privilege tax	1,262,289
Grants and contributions not restricted to specific programs	2,349,559
Unrestricted investment income	743,760
Miscellaneous	2,858,772
Gain on sale and disposal of assets	259,043
Total General Revenues	<u>40,807,674</u>
Special Item	
Construction in progress decrease adjustment - Reunion Parkway Interchange	<u>(4,432,089)</u>
Total General Revenues and Special Item	<u>36,375,585</u>
Changes in Net Assets	<u>1,886,449</u>
Net Assets - Beginning	24,668,970
Prior period adjustment	112,100
Net Assets - Beginning, restated	<u>24,781,070</u>
Net Assets - Ending	<u>\$ 26,667,519</u>

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

MADISON COUNTY  
Balance Sheet - Governmental Funds  
September 30, 2010

Exhibit 3

	Major Funds					Total Governmental Funds
	General Fund	Road Maintenance Fund	General County I & S Fund	Road and Bridge Capital Projects Fund	Other Governmental Funds	
<b>ASSETS</b>						
Cash	\$ 9,109,460	295,209	671,418	15,269,069	3,936,511	29,281,667
Property tax receivable	14,127,400	1,906,000	6,317,000		3,899,268	26,249,668
Fines receivable, net of allowance of \$1,181,168	593,956					593,956
Capital lease receivable	214,455					214,455
Intergovernmental receivables	850,973					850,973
Other receivables	31,921				760,000	791,921
Due from other funds		131,706	91,071		67,832	290,609
Advances to other funds	310,400					310,400
Total Assets	\$ 25,238,565	2,332,915	7,079,489	15,269,069	8,663,611	58,583,649
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Claims payable	\$ 687,847	92,638		457,603	432,880	1,670,968
Claims and judgments	68,788					68,788
Intergovernmental payables	1,380,339					1,380,339
Due to other funds	290,609				310,400	290,609
Advances from other funds						310,400
Deferred revenues - special assessments					760,000	760,000
Deferred revenue	14,935,811	1,906,000	6,317,000		3,899,268	27,058,079
Other payables	1,918,471					1,918,471
Total Liabilities	19,281,865	1,998,638	6,317,000	457,603	5,402,548	33,457,654

(Continued)



MADISON COUNTY  
 Balance Sheet - Governmental Funds  
 September 30, 2010

(Exhibit 3 Continued)

	Major Funds					Total Governmental Funds
	General Fund	Road Maintenance Fund	General County I & S Fund	Road and Bridge Capital Projects Fund	Other Governmental Funds	
Fund balances:						
Reserved for:						
Debt service funds			762,489		280,579	1,043,068
Advances	310,400					310,400
Unreserved, reported in:						
General Fund	5,646,300					5,646,300
Special revenue funds		334,277			2,986,118	3,320,395
Capital project funds				14,811,466	(5,634)	14,805,832
Total Fund Balances	<u>5,956,700</u>	<u>334,277</u>	<u>762,489</u>	<u>14,811,466</u>	<u>3,261,063</u>	<u>25,125,995</u>
Total Liabilities and Fund Balances	\$ <u>25,238,565</u>	<u>2,332,915</u>	<u>7,079,489</u>	<u>15,269,069</u>	<u>8,663,611</u>	<u>58,583,649</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, 2010

Exhibit 3-1

	<u>Amount</u>
Total fund balance - governmental funds (Exhibit 3)	\$ 25,125,995
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.	98,029,729
Bond issue costs are amortized over the life of the bonds and, therefore, are not current period expenditures.	1,294,272
Premium on bonds	(184,614)
Discount on bonds	54,970
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	593,956
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	
Long-term liabilities	(96,999,356)
Accrued interest on bonds	(1,432,433)
Capital leases are not available to pay for current year expenditures and, therefore, are deferred in the funds.	<u>185,000</u>
Total net assets - governmental activities (Exhibit 1)	\$ <u><u>26,667,519</u></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, 2010

Exhibit 4

	Major Funds						Total Governmental Funds
	General Fund	Road Maintenance Fund	General County I & S Fund	Road and Bridge Capital Projects Fund	Other Governmental Funds		
<b>REVENUES</b>							
Property taxes	\$ 16,583,925	2,158,214	7,295,492		5,689,604	31,727,235	
Road and bridge privilege taxes		1,262,289				1,262,289	
Licenses, commissions, and other revenues	3,036,883	309	608		512	3,038,312	
Fines and forfeitures	1,141,428				48,698	1,190,126	
Special assessments					387,580	387,580	
Payments in lieu of taxes					1,607,016	1,607,016	
Intergovernmental revenues	1,917,752	751,407	4,005		2,384,002	5,057,166	
Charges for services	1,578,846				1,654,120	3,232,966	
Interest income	715,424	1,000	1,000		17,470	734,894	
Miscellaneous revenues	572,443	75,157	117,192	4,107	984,019	1,752,918	
<b>Total Revenues</b>	<b>25,546,701</b>	<b>4,248,376</b>	<b>7,418,297</b>	<b>4,107</b>	<b>12,773,021</b>	<b>49,990,502</b>	
<b>EXPENDITURES</b>							
Current:							
General government	12,944,217				40,372	12,984,589	
Public safety	9,319,551				2,859,251	12,178,802	
Public works	54,870	4,563,036		6,860,314	6,612,566	18,090,786	
Health and welfare	916,970				1,359,510	916,970	
Culture and recreation	22,620					1,382,130	
Conservation of natural resources	357,699					357,699	
Economic development and assistance	9,600				501,577	511,177	

(Continued)

MADISON COUNTY  
 Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
 For the Year Ended September 30, 2010

	Major Funds					Total Governmental Funds
	General Fund	Road Maintenance Fund	General County I & S Fund	Road and Bridge Capital Projects Fund	Other Governmental Funds	
Debt service:						
Principal	327,986	298,169	4,075,000		1,962,236	6,663,391
Interest	54,252	24,346	3,308,772		1,015,252	4,402,622
Bond issue costs						
Total Expenditures	<u>24,007,765</u>	<u>4,885,551</u>	<u>7,383,772</u>	<u>6,860,314</u>	<u>14,350,764</u>	<u>57,488,166</u>
Excess of Revenues over (under) Expenditures	<u>1,538,936</u>	<u>(637,175)</u>	<u>34,525</u>	<u>(6,856,207)</u>	<u>(1,577,743)</u>	<u>(7,497,664)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Long-term capital debt issued		661,626			146,944	808,570
Proceeds from sale of capital assets	116,540	4,035			492,176	612,751
Compensation for loss of capital assets	15,868	12,863				28,731
Transfers in				13,641,722	140,100	13,781,822
Transfers out	(140,100)				(13,641,722)	(13,781,822)
Lease principal payments	40,000					40,000
Other financing sources	122,742					122,742
Total Other Financing Sources and Uses	<u>155,050</u>	<u>678,524</u>	<u>0</u>	<u>13,641,722</u>	<u>(12,862,502)</u>	<u>1,612,794</u>
Net Changes in Fund Balances	1,693,986	41,349	34,525	6,785,515	(14,440,245)	(5,884,870)
Fund Balances - Beginning	<u>4,262,714</u>	<u>292,928</u>	<u>727,964</u>	<u>8,025,951</u>	<u>17,701,308</u>	<u>31,010,865</u>
Fund Balances - Ending	<u>\$ 5,956,700</u>	<u>334,277</u>	<u>762,489</u>	<u>14,811,466</u>	<u>3,261,063</u>	<u>25,125,995</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, 2010

Net changes in fund balances - total governmental funds (Exhibit 4) \$ (5,884,870)

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 \$9,859,009 were more than depreciation \$3,057,513 in the current period. 6,801,496

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 \$4,173,046 and the proceeds from insurance and the sale of \$641,482 in the current period. (4,814,528)

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. 75,947

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 \$6,663,391 were more than debt proceeds \$808,570. 5,854,821

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	(80,834)
Accrued interest payable	69,689
Bond issuance costs amortized	(103,324)
Unamortized bond discount	(4,029)
Premium on bonds amortized	12,079

In the (Exhibit 2) Statement of Activities, only interest income from payments received on capital leases are reported, whereas in the governmental funds, both principal and interest payments received increase financial resources. Thus, the change in net assets differs from change in fund balances by the principal collections on the capital leases. (40,000)

Rounding 2

Change in net assets of governmental activities (Exhibit 2) \$ 1,886,449

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

MADISON COUNTY  
Statement of Fiduciary Assets and Liabilities  
September 30, 2010

Exhibit 5

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	\$ 719,625
Intergovernmental receivables	<u>2,006,500</u>
Total Assets	<u>\$ 2,726,125</u>
<b>LIABILITIES</b>	
Claims payable and other accrued liabilities	<u>\$ 2,726,125</u>
Total Liabilities	<u>\$ 2,726,125</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, 2010

#### (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's 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, 2010

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 a separate accounting entity. 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 as Other Governmental Funds 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.



## MADISON COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2010

General County I & S Fund - Accounts for monies from specific revenue sources that are restricted for repayment of general obligation debt. Issues paid from this fund include the G. O. road and bridge bonds (Nissan), Series 2001, G. O. refunding bonds, Series 2004, G. O. refunding bond project, G. O. refunding road and bridge & refunding bonds, Series 2006, G. O. road and bridge bonds, Series 2007, G. O. road and bridge bonds, Series 2008, courthouse project refunding bonds, Series 2008, and MS Development Bank special obligation refunding bonds, Series 2009.

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

Additionally, the county reports the following fund types:

#### GOVERNMENTAL FUND TYPES

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

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

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.

MADISON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2010

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.

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.

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.

MADISON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2010

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:

	Capitalization Thresholds	Estimated Useful Life
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.

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."

## MADISON COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2010

#### 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.

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

MADISON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2010

(2) Prior Period Adjustments.

A summary of significant fund equity adjustment is as follows

Exhibit 2 - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
Land bought in 1991 sold this fiscal year was never put on the county's capital assets.	\$ <u>112,100</u>
Total prior period adjustments	\$ <u><u>112,100</u></u>

(3) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2010, was \$30,001,292 and the bank balance was \$30,131,101. 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 Deposit 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, 2010:

A. Advances to/from other funds:

<u>Payable Fund</u>	<u>Receivable Fund</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ <u>310,400</u>
Total		\$ <u><u>310,400</u></u>

Advances were made from the General Fund to the ¼ Mill Fire District Fund for \$308,000 and to the Fire Station Construction Fund for \$2,400 for building construction.

MADISON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2010

B. Due To Other Funds and Due From Other Funds.

<u>Payable Fund</u>	<u>Receivable Fund</u>	<u>Amount</u>
General Fund	Road Maintenance Fund	\$ 131,706
General Fund	General County I & S Fund	91,071
General Fund	Other Governmental Funds	<u>67,832</u>
Total		\$ 290,609

Due to other funds and due from other funds represent the tax collector's receivable at September 30, 2010.

C. Transfers In/Out:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 140,100
Other Governmental Funds	Road and Bridge Capital Projects	<u>13,641,722</u>
Total		\$ <u>13,781,822</u>

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, 2010, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tax credit	\$ 556,914
Charges for services - housing prisoners	<u>294,059</u>
Total	\$ <u>850,973</u>

MADISON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2010

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2010:

Governmental activities:

	Balance Oct. 1, 2009	Additions	Deletions	Adjustments and Reclassifications	Balance Sept. 30, 2010
<u>Non-depreciable capital assets:</u>					
Land	\$ 972,418	151,913	(112,100)	112,100	1,124,331
Construction in progress	12,718,545	8,039,983	(4,432,089)		16,326,439
Total non-depreciable capital assets:	<u>13,690,963</u>	<u>8,191,896</u>	<u>(4,544,189)</u>	<u>112,100</u>	<u>17,450,770</u>
<u>Depreciable capital assets:</u>					
Buildings	36,250,594				36,250,594
Improvements other than buildings		36,450			36,450
Mobile equipment	7,892,260	894,284	(547,296)	379,750	8,618,998
Other furniture and fixtures	3,070,384	74,753	(22,622)		3,122,515
Capital leases	4,064,486	661,626	(579,716)	(379,750)	3,766,646
Infrastructure	118,962,086				118,962,086
Total capital assets being depreciated	<u>170,239,810</u>	<u>1,667,113</u>	<u>(1,149,634)</u>	<u>0</u>	<u>170,757,289</u>
Less: Accumulated depreciation for:					
Buildings	7,783,834	715,746			8,499,580
Improvements other than buildings		729			729
Mobile equipment	5,102,960	683,472	(492,564)	170,941	5,464,809
Other furniture and fixtures	2,282,655	195,284	(21,501)		2,456,438
Capital leases	1,725,433	777,200	(365,230)	(170,941)	1,966,462
Infrastructure	71,105,230	685,082			71,790,312
Total accumulated depreciation	<u>88,000,112</u>	<u>3,057,513</u>	<u>(879,295)</u>	<u>0</u>	<u>90,178,330</u>
Total depreciable capital assets, net	<u>82,239,698</u>	<u>(1,390,400)</u>	<u>(270,339)</u>	<u>0</u>	<u>80,578,959</u>
Governmental activities capital assets, net	<u>\$ 95,930,661</u>	<u>6,801,496</u>	<u>(4,814,528)</u>	<u>112,100</u>	<u>98,029,729</u>

The county adjusted capital assets Construction In Progress (CIP) due to a decision by the Board to discontinue construction of the Reunion Interchange due to conflicts with the State Department of Transportation. Expenditures consisted mainly of professional services that will not be utilized and cannot be used for any other project. The Board has no intention at this time to build the interchange.

The deletion of the Construction in Progress for Reunion Interchange resulted in Madison County filing a lawsuit against the Mississippi Department of Transportation for breach of contract, which seeks up to \$20,000,000 in damages. The Complaint was filed on June 4, 2010, in Hinds County Circuit Court (Civil Action No. 251-10-432) and remains in its early stages. A trial is scheduled for April, 2012.

MADISON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2010

Land sold for \$112,100 in the current fiscal year that was purchased in 1991, was never added to capital assets. A prior period adjustment was made to Exhibit 2 and was adjusted in the capital assets schedule.

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 1,574,548
Public safety	687,697
Public works	788,047
Health and welfare	6,238
Conservation of natural resources	<u>983</u>
 Total governmental activities depreciation expense	 \$ <u><u>3,057,513</u></u>

Commitments with respect to unfinished capital projects at September 30, 2010, consisted of the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
Adam Wiesenberger Fire Station	\$ 312,184	2011
Yandell Road Design Engineering	1,377,750	2011
Calhoun Station Phase II	3,525,785	2012
Calhoun Station Phase III	4,704,122	2012
Sowell Road (I-55 to Highway 51)	917,735	2011
Other Projects	<u>907,631</u>	2011
 Total	 \$ <u><u>11,745,207</u></u>	

(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 \$1,000,000 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, 2010, to January 1, 2011. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.



MADISON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2010

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.

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, 2010, the amount of these liabilities was \$68,788. 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>
2008 – 2009	\$ 103,445	2,212,473	2,145,417	170,501
2009 – 2010	\$ 170,501	2,445,560	2,547,273	68,788

(8) Capital Leases.

As Lessor:

The county leases the following property with varying terms and options as of September 30, 2010:

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

The future minimum lease receivables of \$214,455 and the present value of the net minimum lease receivables as of September 30, 2010, are as follows:

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 40,000	11,335
2012	45,000	8,895
2013	50,000	6,150
2014	50,000	3,075
Total	\$ 185,000	29,455

MADISON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2010

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2010:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 3,231,819
Furniture and equipment	<u>534,827</u>
Total	3,766,646
Less: Accumulated depreciation	<u>1,966,462</u>
Leased Property Under Capital Leases	<u>\$ 1,800,184</u>

The following is a schedule by years of the total payments due as of September 30, 2010:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2011	\$ 849,405	50,741
2012	641,556	25,839
2013	392,346	9,297
2014	<u>99,739</u>	<u>261</u>
Total	<u>\$ 1,983,046</u>	<u>86,138</u>

(9) Long-term Debt.

Debt outstanding as of September 30, 2010, 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), Series 2001	5 to 5.75	\$ 2,345,000	June, 2026
G. O. refunding bonds, Series 2004	2.7 to 3.3	2,765,000	May, 2014
G. O. refunding bond project	4 to 6	9,355,000	June, 2024
G. O. refunding road and bridge & refunding bonds, Series 2006	4.125 to 5	13,970,000	May, 2026
G. O. Nissan refunding bonds, Series 2006	Variable	17,445,000	Sept., 2026
G. O. road and bridge bonds, Series 2007	4 to 5	10,805,000	May, 2027
G. O. road and bridge bonds, Series 2008	3.5 to 5	30,900,000	March, 2028
Courthouse project refunding bonds	2.5 to 3.25	1,845,000	June, 2014
MS Development Bank Special Obligation refunding bonds, Series 2009	1.5 to 4.0	<u>2,345,000</u>	May, 2024
Total General Obligation Bonds		<u>91,775,000</u>	

MADISON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2010

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Final Maturity Date</u>
<b>Special Assessment Bonds:</b>			
Parkway special assessment refunding bonds, Series 1998	4.35 to 6.0	<u>760,000</u>	June, 2012
<b>Capital Leases:</b>			
AMR video wall display	4.99	21,727	July, 2011
E-911 Phase 2 upgrades	4.4	107,839	Oct., 2011
20 2008 Crown Victorias	4.19	72,860	April, 2011
9 2007 Mack dump trucks and 5 2007 Mack tractors	3.1	479,596	August, 2012
6 Volvo garbage trucks	3.1	667,795	Sept., 2013
3 Volvo motor graders	2.52	505,240	August, 2013
Komatsu excavator	3.14	<u>127,989</u>	Oct., 2013
Total Capital Leases		<u>1,983,046</u>	
<b>Other Loans:</b>			
South Madison capital improvement loan(CAP)	4.00	41,844	June, 2014
Industrial development capital improvement (CAP)	3.00	318,247	Sept., 2017
Industrial development capital improvement (CAP)	3.00	1,014,849	Dec., 2028
Weisenberger Fire Station capital improvement (CAP)	2.00	<u>146,944</u>	May, 2021
Total Other Loans		<u>1,521,884</u>	
Total Debt Outstanding		<u>\$ 96,039,930</u>	

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

Governmental Activities:

<u>Year Ending September 30</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2011	\$ 5,030,000	3,992,828
2012	5,250,000	3,768,082
2013	5,495,000	3,531,727
2014	5,465,000	3,279,956
2015	4,310,000	3,051,693
2016-2020	24,650,000	12,066,523
2021-2025	29,940,000	5,983,447
2026-2029	<u>11,635,000</u>	<u>610,837</u>
Total	<u>\$ 91,775,000</u>	<u>36,285,093</u>

MADISON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2010

Year Ending September 30	Special Assessment Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2011	\$ 375,000	28,438	94,817	45,466
2012	385,000	9,625	111,251	40,144
2013			114,615	36,789
2014			115,270	33,331
2015			109,316	30,109
2016-2020			437,905	107,837
2021-2025			315,151	57,375
2026-2029			223,559	11,355
Total	\$ 760,000	38,063	1,521,884	362,406

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, 2010, the amount of outstanding debt was equal to 7.76% 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, 2010, is \$760,000.

Prior Year Defeasance of Debt - In prior years, the county defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the county's financial statements. On September 30, 2010, \$17,390,000 of bonds outstanding were considered defeased.

MADISON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2010

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2010:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Compensated absences	\$ 878,592	80,834		959,426	
General obligation bonds	96,610,000		4,835,000	91,775,000	5,030,000
Special assessment bonds	1,115,000		355,000	760,000	375,000
Capital leases	2,701,909	661,626	1,380,489	1,983,046	849,405
Other Loans	<u>1,467,842</u>	<u>146,944</u>	<u>92,902</u>	<u>1,521,884</u>	<u>94,817</u>
Governmental activity long-term liabilities	<u>\$ 102,773,343</u>	<u>889,404</u>	<u>6,663,391</u>	<u>96,999,356</u>	<u>6,349,222</u>

(10) Deficit Fund Balances of Individual Funds.

<u>Fund</u>	<u>Deficit Amount</u>
Planning & Zoning Fund	\$ (5,583)
¼ Mill Fire District Fund	(434,830)
Camden Fire District Fund	(429)
Adolescent Offense Program Fund	(4,281)
Fire Station Construction Fund	(6,071)

Except for the ¼ Mill Fire District Fund, these deficit fund balances are due to adjustments and/or eliminations necessary for the preparation of modified accrual financial statements. The ¼ Mill Fire District Fund had a \$307,153 deficit fund balance before adjustments and/or eliminations. No other material deficit fund balances existed for these funds before the adjusting entries were made.

(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.

Hospital Revenue Bond Contingencies - The county issues revenue bonds to provide funds for constructing and improving capital facilities of the Madison County Nursing Home. Revenue bonds are reported as a liability of the hospital because such debt is payable primarily from the hospital's pledged revenues. However, the county remains contingently liable for the retirement of these bonds because the full faith, credit and taxing power of the county is secondarily pledged in case of default by the hospital. The principal amount of hospital revenue bonds outstanding at September 30, 2010 is \$7,747,695.

## MADISON COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2010

Interlocal Cooperation Agreement between Madison County, MS and the City of Ridgeland, MS Regarding the Funding of Lake Harbour Road - The county entered into an agreement with the City of Ridgeland, MS, to fund \$1,904,020 of the estimated total cost of \$16,378,425 for improvements and construction of Lake Harbour Drive. The agreement will be valid for 10 years beginning March 1, 2010, payable upon substantial completion of the project, and it may be terminated on 60 days notice by the governing authorities of either entity.

(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 principal amount due at September 30, 2010, was \$185,000, with interest to be earned of \$29,455, for a total capital lease receivable of \$214,455. This amount has been recorded as lease payments receivable and a corresponding amount is included in deferred revenue for governmental funds, and the unearned interest portion only is included in deferred revenue for the government-wide statement, at September 30, 2010.

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 are included as part of the county's financial statements, thereby eliminating the effects of the lease 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 \$2,265,397 for maintenance and support of the college in fiscal year 2010.

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 2010.

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 2010.

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 2010.

MADISON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2010

(14) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 9% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2010 was 12% 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, 2010, 2009 and 2008 were \$1,708,068, \$1,626,774 and \$1,503,442, respectively, equal to the required contributions for each year.

(15) Subsequent Events.

Events that occur after the statement of net assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net assets date require disclosure in the accompanying notes. Management of Madison County evaluated the activity of the county through June 24, 2011, and determined that the following subsequent events have occurred that require disclosure in the notes to the financial statements:

Subsequent to September 30, 2010, Madison County issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
12/27/2010	2.98%	\$ 527,496	Lease purchase	Ad valorem tax
5/11/2011	2%	674,622	CAP loan	Ad valorem tax
		<u>\$ 1,202,118</u>		

(16) Special Item.

Special Items are significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence and should be reported on the operating statement. Discontinuation of construction of the Reunion Interchange meets the criteria for a Special Item.

The county adjusted capital assets Construction In Progress (CIP) due to a decision by the Board to discontinue construction of the Reunion Interchange, which it does not plan to pursue in the future. Expenditures consisted mainly of professional services that will not be utilized and cannot be used for any other project.

The deletion of the Construction in Progress for Reunion Interchange resulted in Madison County filing a lawsuit against the Mississippi Department of Transportation for breach of contract, which seeks up to \$20,000,000 in damages. The Complaint was filed on June 4, 2010, in Hinds County Circuit Court (Civil Action No. 251-10-432) and remains in its early stages. A trial is scheduled for April, 2012.

MADISON COUNTY

REQUIRED SUPPLEMENTARY INFORMATION



MADISON COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 General Fund  
 For the Year Ended September 30, 2010

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 15,279,044	16,578,112	16,578,853	741
Licenses, commissions and other revenue	1,953,400	3,033,565	3,032,824	(741)
Fines and forfeitures	1,235,000	1,138,870	1,138,870	
Intergovernmental revenues	2,718,000	3,134,926	3,134,927	1
Charges for services	1,456,000	1,645,950	1,592,215	(53,735)
Interest income	450,000	671,613	671,613	
Miscellaneous revenues	436,000	696,390	663,982	(32,408)
Total Revenues	<u>23,527,444</u>	<u>26,899,426</u>	<u>26,813,284</u>	<u>(86,142)</u>
<b>EXPENDITURES</b>				
Current:				
General government	12,128,105	12,528,534	12,528,500	34
Public safety	9,560,502	9,464,665	9,209,169	255,496
Health and welfare	837,676	864,298	895,583	(31,285)
Culture and recreation	27,400	21,817	21,817	
Education	600,000	860,248	860,248	
Conservation of natural resources	362,000	349,002	349,002	
Economic development and assistance	9,600	9,600	9,600	
Debt service:				
Principal	41,790	35,285	246,566	(211,281)
Interest			12,930	(12,930)
Other Cost		347,303	347,303	
Total Expenditures	<u>23,567,073</u>	<u>24,480,752</u>	<u>24,480,718</u>	<u>34</u>
Excess of Revenues over (under) Expenditures	<u>(39,629)</u>	<u>2,418,674</u>	<u>2,332,566</u>	<u>(86,108)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in		73,739	73,739	
Transfers out		(73,739)	(213,839)	(140,100)
Other financing sources			186,143	186,143
Total Other Financing Sources and Uses	<u>0</u>	<u>0</u>	<u>46,043</u>	<u>46,043</u>
Net Change in Fund Balance	(39,629)	2,418,674	2,378,609	(40,065)
Fund Balances - Beginning			4,134,893	4,134,893
Fund Balances - Ending	<u>\$ (39,629)</u>	<u>2,418,674</u>	<u>6,513,502</u>	<u>4,094,828</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, 2010

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 2,107,400	2,166,793	2,166,793	
Road & bridge privilege	1,200,000	1,264,756	1,264,756	
Licenses, commission & other revenue	200	309	309	
Intergovernmental revenues	805,000	751,407	751,407	
Interest income	1,000	1,000	1,000	
Miscellaneous revenues	25,500	75,157	75,157	
Total Revenues	<u>4,139,100</u>	<u>4,259,422</u>	<u>4,259,422</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
Public works	3,663,268	3,855,917	3,855,918	(1)
Debt service	289,050	322,516	322,516	
Total Expenditures	<u>3,952,318</u>	<u>4,178,433</u>	<u>4,178,434</u>	<u>(1)</u>
Excess of Revenues over (under) Expenditures	<u>186,782</u>	<u>80,989</u>	<u>80,988</u>	<u>(1)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from loss of capital assets		4,035	4,035	
Insurance settlements	12,000	12,863	12,863	
Total Other Financing Sources and Uses	<u>12,000</u>	<u>16,898</u>	<u>16,898</u>	<u>0</u>
Net Change in Fund Balance	198,782	97,887	97,886	(1)
Fund Balances - Beginning	<u>0</u>	<u>0</u>	<u>197,323</u>	<u>197,323</u>
Fund Balances - Ending	<u>\$ 198,782</u>	<u>97,887</u>	<u>295,209</u>	<u>197,322</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, 2010

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 supplementary 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:

	<u>Governmental Fund Types</u>	
	<u>General Fund</u>	<u>Road Maintenance Fund</u>
Budget (Cash Basis)	\$ 2,378,609	97,886
Increase (Decrease)		
Net adjustments for revenue accruals	(1,266,583)	(11,045)
Net adjustments for expenditure accruals	472,953	(707,118)
Other financing sources (uses)	<u>109,007</u>	<u>661,626</u>
GAAP Basis	<u>\$ 1,693,986</u>	<u>41,349</u>

MADISON COUNTY

SUPPLEMENTAL INFORMATION

MADISON COUNTY  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2010

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Grant Identification Number	Agency or Pass-through Number	Federal Expenditures
U. S. Department of Justice Juvenile Accountability Block Grants	16.523			\$ <u>12,422</u>
U. S. Department of Transportation - Federal Highway Administration/Passed-through the Mississippi Department of Transportation/ARRA Highway planning and construction (Federal-Aid Highway Program)	20.205		STP-6988-00-LPA 105783-701000	<u>282,174</u>
U. S. Department of Health and Human Services/ Passed-through the Mississippi Department of Health/ Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283			38,050
U. S. Department of Health and Human Services/ Passed-through the Mississippi Department of Human Services Temporary Assistance for Needy Families	93.558		641WL91-641WL01	<u>162,002</u>
Total U. S. Department of Health and Human Services				<u>200,052</u>
U. S. Department of Homeland Security/ Passed-through the Mississippi Emergency Management Agency Emergency Management Performance Grants Homeland security grant program	97.042 97.067			41,466 <u>78,475</u>
Total U. S. Department of Homeland Security				<u>119,941</u>
Total Expenditures of Federal Awards				\$ <u><u>614,589</u></u>

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A-Significant Accounting Policies

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

MADISON COUNTY  
Reconciliation of Operating Costs of Solid Waste  
For the Year Ended September 30, 2010

Operating Expenditures, Cash Basis:

Payroll, taxes and benefits	\$ 623,981
Contract hauling	174,579
Landfill charges	121,907
Rent	7,507
Maintenance and repairs	180,984
Fuel, oil, lubricants	29,202
Advertising	6,000
Debt service	233,397
Miscellaneous	<u>6,649</u>

Solid Waste Cash Basis Operating Expenditures 1,384,206

Full Cost Expenses:

Indirect administrative costs	30,072
Depreciation on equipment	<u>85,616</u>

Solid Waste Full Cost Operating Expenses \$ 1,499,894

MADISON COUNTY

SPECIAL REPORTS

# Windham and Lacey, PLLC

*Certified Public Accountants*

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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 *GOVERNMENT AUDITING STANDARDS*

Members of the Board of Supervisors  
Madison County, Mississippi

We have audited the basic 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, 2010, which collectively comprise the county's basic financial statements and have issued our report thereon dated June 24, 2011. 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 internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 10-1 and 10-2 to be material weaknesses.



## Compliance and Other Matters

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

Madison County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Madison County's responses and, accordingly we express no opinion on them.

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

*Windham and Lacey, PLLC*

Windham and Lacey, PLLC

June 24, 2011

# Windham and Lacey, PLLC

*Certified Public Accountants*

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133

Members of the Board of Supervisors  
Madison County, Mississippi

### Compliance

We have audited the compliance of Madison County, Mississippi, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2010. Madison County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Madison County, Mississippi's management. Our responsibility is to express an opinion on Madison County, Mississippi's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Madison County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Madison County, Mississippi's compliance with those requirements.

In our opinion, Madison County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010.

### Internal Control Over Compliance

The management of Madison County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Madison County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

A deficiency in internal control over compliance 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 and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

*Windham and Lacey, PLLC*

Windham and Lacey, PLLC  
June 24, 2011

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

Members of the Board of Supervisors  
Madison County, Mississippi

We have examined Madison County, Mississippi's (the County) compliance with 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), and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972), during the year ended September 30, 2010. The Board of Supervisors of Madison County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. 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 current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

In our opinion, Madison County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2010.

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 examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

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  
June 24, 2011

MADISON COUNTY  
Schedule of Purchases Not Made From the Lowest Bidder  
For the Year Ended September 30, 2010

Schedule 1

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

MADISON COUNTY  
Schedule of Emergency Purchases  
For the Year Ended September 30, 2010

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
9/14/2010	Bottled water	\$ 6,720	Mountain Pure Water	Water system failure
9/17/2010	Bottled water	\$ 4,500	Mountain Pure Water	Water system failure

MADISON COUNTY  
Schedule of Purchases Made Noncompetitively From a Sole Source  
For the Year Ended September 30, 2010

Schedule 3

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
1/20/2010	Jail software upgrade	\$ 106,175	DCS
3/1/2010	Card reader software and system equipment	\$ 13,471	ITC Systems

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## 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, 2010, 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 June 24, 2011, 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, the Board of Supervisors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Windham and Lacey, PLLC*

Windham and Lacey, PLLC  
June 24, 2011



MADISON COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MADISON COUNTY  
 Schedule of Findings and Questioned Costs  
 For the Year Ended September 30, 2010

**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   |
|    | General County I & S Fund  | Unqualified   |
|    | Road and Bridge Capital Project 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? | None Reported |
| 3. | Noncompliance material to the financial statements?                                    | No            |

***Federal Awards:***

- |     |  |               |
|-----|--|---------------|
| 4.  | Internal control over major programs:  |               |
|     | a. Material weakness identified?   | No            |
|     | b. Significant deficiency identified that is not considered to be a material weakness?   | None Reported |
| 5.  | Type of auditor's report issued on compliance for major programs:  | Unqualified   |
| 6.  | Any audit findings disclosed that are required to be reported in accordance with Section __.510 (a) of OMB Circular A-133?   | No            |
| 7.  | Federal programs identified as major programs:   |               |
|     | a. U. S. Department of Transportation/Passed-through the Mississippi Department of Transportation/Highway Planning and Construction ARRA - CFDA # 20.205   |               |
|     | b. U. S. Department of Homeland Security/Passed-through the Mississippi Emergency Management Agency/Emergency Management Performance Grants - CFDA # 97.042  |               |
| 8.  | The dollar threshold used to distinguish between type A and type B programs:   | \$300,000     |
| 9.  | Auditee qualified as low-risk auditee?   | No            |
| 10. | Prior fiscal year audit findings and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315 (b) of OMB Circular A-133? | No            |

MADISON COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2010

Section 2: Financial Statement Findings

Board of Supervisors.

Significant Deficiency - Material Weakness

10-1. 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.

Circuit Clerk.

Significant Deficiency - Material Weakness

10-2. Finding

The Circuit Clerk's reconciled bank balances did not agree with the criminal and civil journals' balances, for some 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, investigate and identify differences, and settle unidentified funds to the county.

Circuit Clerk's Response

The Circuit Clerk has computerized bank reconciliations for the current criminal, civil and fee accounts. These accounts reconcile each month.

The District Attorney's office has provided the resources of their Victim's Assistance Coordinator to help identify victims to whom restitution payments should be made. If I cannot identify the victims, I will settle the restitution amounts on the old criminal accounts to Madison County. I am awaiting orders from the court before settlement of old civil accounts.

MADISON COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2010

Section 3: Federal Award Findings and Questioned Costs

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