

Windham and Lacey, PLLC

Certified Public Accountants

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

219 North Jackson Street
Crystal Springs, MS 39059
(601) 892-4001
(601)892-5978 (fax)

Members:
American Institute of CPAs
Mississippi Society of CPAs

August 20, 2012

To the Board of Supervisors
Madison County, MS
Canton, MS

This letter is intended to inform the Board of Supervisors of Madison County, MS about significant matters related to the conduct of the annual audit of Madison County so that it can appropriately discharge its oversight responsibility, and that we comply with our professional responsibilities to the Board of Supervisors.

In addition to our report on your financial statements, we have provided a report on internal control over financial reporting, concerning significant deficiencies in internal control that we noted during our audit of Madison County. The following summarizes various matters that must be communicated to you under auditing standards generally accepted in the United States of America.

The Auditor's Responsibility Under Generally Accepted Auditing Standards

Our audit of the financial statements of Madison County for the year ended September 30, 2011, was conducted in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error, fraudulent financial reporting, or misappropriation of assets. 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. Accordingly, the audit was designed to obtain reasonable, rather than absolute assurance about the financial statements. We believe that our audit accomplished that objective.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. Management has informed me that they used all the relevant facts available to them at the time to make the best judgments about accounting estimates, and we considered this information in the scope of our audit. Estimates significant to the financial statements include the ability to collect receivable accounts and the useful lives of depreciable assets. The Board of Supervisors may wish to monitor throughout the year the process used to compute and record these accounting estimates.

Audit Adjustments

The attachment to this letter represents a summary of adjustments that were identified as a result of our audit procedures and approved by Wallace Collins, Acting County Comptroller.

Uncorrected Misstatements

We found no uncorrected misstatements which were determined by management to be material, both individually and in the aggregate, to the financial statements taken as a whole.

Accounting Policies and Alternative Treatments

Management has the ultimate responsibility for the appropriateness of the accounting policies used by Madison County. Madison County did not adopt any significant new accounting policies nor have there been any changes in existing significant accounting policies during the current period that should be brought to your attention for approval.

Other Information in Documents Containing Audited Financial Statements

We are not aware of any other documents that contain the audited financial statements. If such documents were to be published, we would have a responsibility to determine that such financial information was not materially inconsistent with the audited statements of Madison County

Disagreements with Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

Consultations with Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Major Issues Discussed with Management Prior to Retention

No major issues were discussed with management prior to our retention to perform the aforementioned audit.

Difficulties Encountered in Performing the Audit

We did not encounter any difficulties in dealing with management relating to the performance of the audit.

Closing

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to Madison County

This report is intended solely for the information and use of the Board of Supervisors, and management and is not intended to be and should not be used by anyone other than the specified parties.

Windham and Lacey, PLLC

MADISON COUNTY, MISSISSIPPI

**Audited Financial Statements and
Special Reports
For the Year Ended September 30, 2011**

MADISON COUNTY

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MADISON COUNTY

FINANCIAL SECTION

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Pearl, MS 39208
(601)939-8676
Fax (601)939-8761

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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, 2011, 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, 2011, 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, 2011, 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 15, 2012, 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 15, 2012

MADISON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

MADISON COUNTY, MISSISSIPPI

Management's Discussion and Analysis
For the Year Ending September 30, 2011

FINANCIAL HIGHLIGHTS

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

Madison County continues to grow both economically and in population. This has allowed the County to maintain a steady growth in tax revenues. The County government tax rate did not change for the 2011 fiscal year, yet remains below the tax millage level of the 2002 fiscal year, reflecting tax millage reductions in the intervening years. This does not include School tax levies.

Total net assets increased \$4,713,650 including a prior period adjustment of \$375,861 from the prior fiscal year. The County's ending cash balance, for all funds, decreased by \$9,180,290 from the prior fiscal year.

The County had \$51,609,358 in total Governmental Funds revenues. Property tax revenues account for \$33,501,932 or 64.9% of total revenues. Intergovernmental revenues that were received amounted to \$5,855,499 or 11% of total revenues.

The County had \$62,034,521 in total Governmental Funds expenses, which represents an increase of 7.91% from the prior fiscal year. Expenses in the amount of \$4,919,291 were offset by grants, outside contributions or debt being issued. General revenues \$41,428,468 were adequate to provide for the remainder of the expenses.

Among major funds, the General Fund had \$26,760,319 in revenues, \$25,081,747 in expenditures and \$459,783 in other financing sources and uses. The General Fund's fund balance increased \$2,124,358 including a prior period adjustment of (\$13,997) over the prior year. The reason for the increase in the General Fund's fund balance was primarily due to an increase in debt issued.

Among major funds, the Countywide Road Maintenance Fund had \$4,536,912 in revenues, \$4,671,049 in expenditures, and \$699,099 in other financing sources and uses. The Countywide Road Maintenance Fund's fund balance increased \$564,962 over the prior year primarily due to revenues outpacing expenditures.

Among major funds, the General County I & S Fund had \$7,730,366 in revenues, \$7,534,280 in expenditures. The General County I & S Fund's fund balance increased \$196,086 due to revenues outpacing debt service.

Among major funds, the Road and Bridge Capital Project Fund had \$212,469 in revenues, \$10,111,809 in expenditures and \$(337,000) in other financing sources and uses. The Road and Bridge Capital Project Fund's fund balance decreased \$10,236,340 over the prior year. The decrease in the Road and Bridge Capital Project Fund was due to capital project expenditures financed by prior year long-term debt proceeds.

MADISON COUNTY, MISSISSIPPI

Management's Discussion and Analysis
For the Year Ending September 30, 2011

Capital assets, net of accumulated depreciation, increased by \$8,071,249 over the prior year. The increase in Capital Assets, net of accumulated depreciation, was primarily due to addition of construction in progress, mobile equipment and capital leases.

Long-term debt decreased by \$5,103,891 during the fiscal year. The County issued other loans in the amount of \$527,678 and \$875,663 in capital leases.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

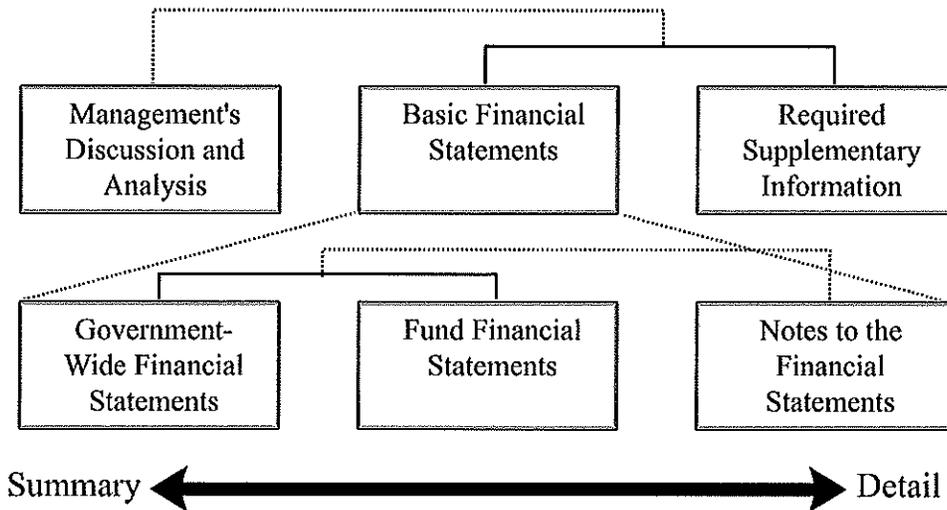


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

MADISON COUNTY, MISSISSIPPI

Management's Discussion and Analysis
For the Year Ending September 30, 2011

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"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital and short and long term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short and long term	All assets and liabilities, both short and long term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services are received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

MADISON COUNTY, MISSISSIPPI

Management's Discussion and Analysis
For the Year Ending September 30, 2011

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 18-19 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 22 and 25, 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 20-21 & 23-24 of this report.

MADISON COUNTY, MISSISSIPPI

Management's Discussion and Analysis
For the Year Ending September 30, 2011

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 26 of this report.

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

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

The County adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund. This required supplementary information can be found on pages 45-47 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets – Net assets may serve over time as a useful indicator of government's financial position. In the case of Madison County, assets exceeded liabilities by \$31,381,167 as of September 30, 2011.

A large portion of the County's net assets (52.3%) 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 (14.6%), due to debt issued in the prior year 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, 2011, as compared to September 30, 2010.

	Current Year Governmental Activities	Prior Year Governmental Activities
Current assets	\$ 50,343,044	\$ 59,331,882
Capital assets, net	<u>106,100,978</u>	<u>98,029,729</u>
Total assets	<u>156,444,022</u>	<u>157,361,611</u>
Current liabilities	33,041,237	33,694,736
Long-term debt outstanding	<u>92,021,620</u>	<u>96,999,356</u>
Total liabilities	<u>125,062,857</u>	<u>130,694,092</u>
Net assets:		
Invested in capital assets, net of related debt	16,416,928	3,193,252
Restricted	8,685,867	18,945,141
Unrestricted	<u>6,278,372</u>	<u>4,529,126</u>

Total net assets	<u>\$31,381,167</u>	<u>\$26,667,519</u>
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MADISON COUNTY, MISSISSIPPI

Management's Discussion and Analysis
For the Year Ending September 30, 2011

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 \$1,403,341.
- \$6,507,232 of long-term debt principal was retired.

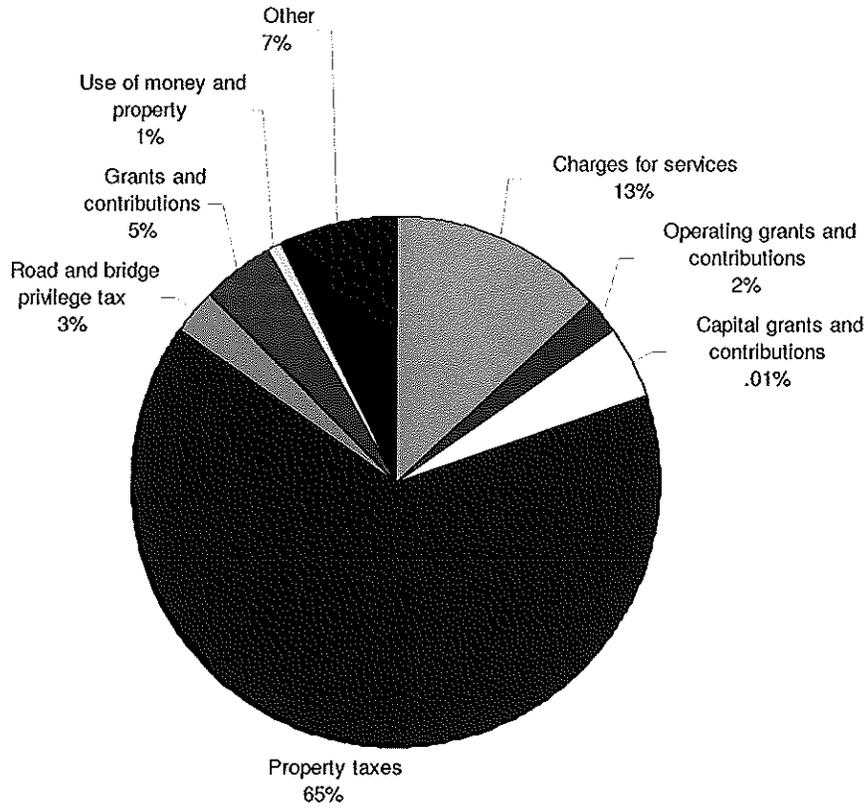
Changes in Net Assets – Madison County's total revenues for the fiscal year ended September 30, 2011 were \$51,659,058. The total cost for all services provided was \$47,321,269. The increase in net assets was \$4,337,789. The following table presents a summary of the changes in net assets for the fiscal year ended September 30, 2011, as compared to the fiscal year ended September 30, 2010.

	Current Year <u>Amount</u>	Prior Year <u>Amount</u>
Revenues:		
Program revenues		
Charges for services	\$ 6,714,640	\$ 6,945,027
Operating grants and contributions	1,242,726	1,019,876
Capital grants and contributions	2,273,224	1,687,731
General revenues		
Property taxes	33,501,932	33,334,251
Road and bridge privilege tax	1,401,575	1,262,289
Grants and contributions	2,341,585	2,349,559
Use of money and property	410,188	1,131,340
Other	<u>3,773,188</u>	<u>2,471,192</u>
Total Revenues	<u>51,659,058</u>	<u>50,201,265</u>
Expenses:		
General government	15,156,919	6,317,406
Public safety	12,634,918	12,389,538
Public works	12,082,185	17,925,721
Health and welfare	950,648	923,872
Culture and recreation	1,526,481	1,382,130
Conservation of natural resources	328,476	358,997
Economic development	819,082	511,177
Other expenses	<u>3,822,560</u>	<u>8,505,975</u>
Total Expenses	<u>47,321,269</u>	<u>48,314,816</u>
Decrease in Net Assets	<u>\$ 4,337,789</u>	<u>\$ 1,886,449</u>

MADISON COUNTY, MISSISSIPPI

Management's Discussion and Analysis
For the Year Ending September 30, 2011

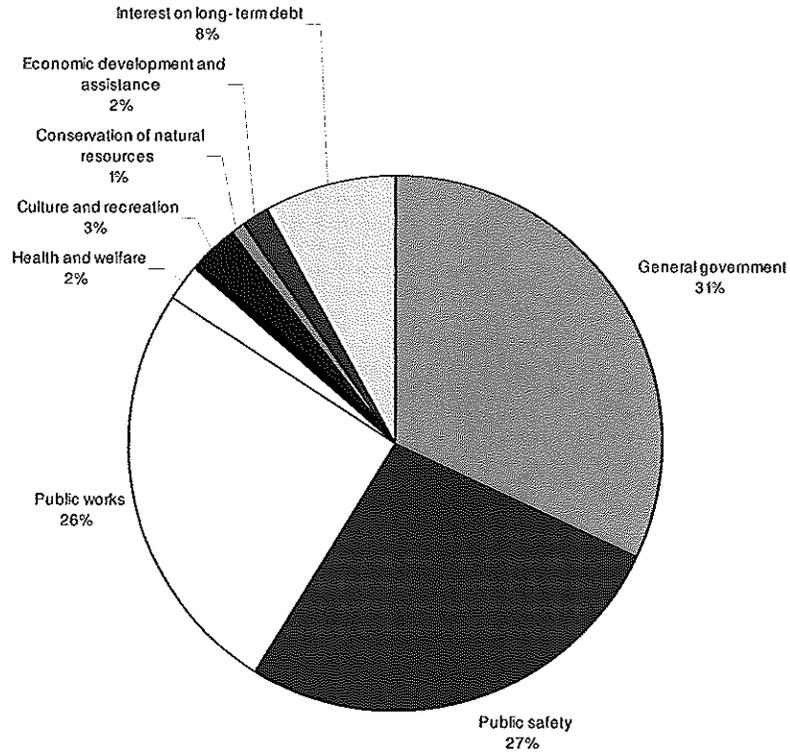
WHERE THE COUNTY GETS ITS REVENUE



MADISON COUNTY, MISSISSIPPI

Management's Discussion and Analysis
For the Year Ending September 30, 2011

HOW COUNTY REVENUES ARE USED



MADISON COUNTY, MISSISSIPPI

Management's Discussion and Analysis
For the Year Ending September 30, 2011

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	\$15,156,919	\$(11,639,085)
Public Safety	12,634,918	(8,376,061)
Public Works	12,082,185	(9,768,510)
Health & Welfare	950,648	(810,424)
Culture & Recreation	1,526,481	(1,526,481)
Conservation of Natural Resources	328,476	(328,476)
Economic Development	819,082	(819,082)
Interest on Long-term Debt	3,822,560	(3,822,560)

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 \$16,542,508, a decrease of \$8,583,487 including a prior period adjustment of (\$13,997). 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 \$2,124,358, including a prior period adjustment of (\$13,997). This decrease was primarily due to the increase in property taxes and new debt issued, and a decrease in debt service expenditures.

BUDGETARY HIGHLIGHTS OF MAJOR FUNDS

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

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – As of September 30, 2011, Madison County's total capital assets was \$196,859,460. This includes additions to roads, bridges, and other infrastructure for the 2011 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 \$8,651,401. The majority of this increase was due to new infrastructure and construction-in-progress.

MADISON COUNTY, MISSISSIPPI

Management's Discussion and Analysis
For the Year Ending September 30, 2011

Depreciation expense for the year ended September 30, 2011 was \$2,927,926. The balance in total net capital assets was \$106,100,978 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, 2010	Additions	Deletions	Reclassifications	Adjustments	Balance Sept. 30, 2011
<u>Non-depreciable capital assets:</u>						
Land	\$ 1,124,331	25,000				1,149,331
Construction in progress	16,326,439	9,089,995		(15,482,051)	273,926	10,208,309
Total non-depreciable capital assets	<u>17,450,770</u>	<u>9,114,995</u>	<u>0</u>	<u>(15,482,051)</u>	<u>273,926</u>	<u>11,357,640</u>
<u>Depreciable capital assets:</u>						
Buildings	36,250,594	97,276		1,313,121	(1)	37,660,990
Improvements other than bldgs.	36,450					36,450
Mobile equipment	8,618,998	775,753	(1,633,756)	415,526	17	8,176,538
Other furniture and fixtures	3,122,515	385,238	(1,237,705)	185,431		2,455,479
Capital leases	3,766,646	875,663		(600,957)	(3)	4,041,349
Infrastructure	118,962,086			14,168,930	(2)	133,131,014
Total capital assets being depreciated	<u>170,757,289</u>	<u>2,133,930</u>	<u>(2,871,461)</u>	<u>15,482,051</u>	<u>11</u>	<u>185,501,820</u>
Less: Accumulated depreciation for:						
Buildings	8,499,580	735,449				9,235,029
Improvements other than bldgs.	729	1,458				2,187
Mobile equipment	5,464,809	811,719	(1,117,425)	130,688		5,289,791
Other furniture and fixtures	2,456,438	244,637	(1,114,428)	107,289		1,693,936
Capital leases	1,966,462	201,625		(237,977)	(115,921)	1,814,189
Infrastructure	71,790,312	933,038				72,723,350
Total accumulated depreciation	<u>90,178,330</u>	<u>2,927,926</u>	<u>(2,231,853)</u>	<u>0</u>	<u>(115,921)</u>	<u>90,758,482</u>
Total depreciable capital assets, net	<u>80,578,959</u>	<u>(793,996)</u>	<u>(639,608)</u>	<u>15,482,051</u>	<u>115,932</u>	<u>94,743,338</u>
Governmental activities capital assets, net	<u>\$ 98,029,729</u>	<u>8,320,999</u>	<u>(639,608)</u>	<u>0</u>	<u>389,858</u>	<u>106,100,978</u>

MADISON COUNTY, MISSISSIPPI

Management's Discussion and Analysis
For the Year Ending September 30, 2011

Debt Administration – At September 30, 2011, Madison County had \$90,936,039 in long-term debt outstanding. This includes general obligation bonds, special assessment debt, other debt and obligations under capital leases. Of this debt, \$6,724,152 is due within one year.

In the past year, the County issued \$527,678 in other loans and \$875,663 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 below its current limit.

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

Long-term Debt.

Debt outstanding as of September 30, 2011, 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	\$ 1,610,000	06-2026
G. O. refunding bonds, Series 2004	2.7 to 3.3	2,140,000	05-2014
G. O. refunding bond project	4 to 6	8,860,000	06-2024
G. O. refunding road and bridge & refunding bonds, Series 2006	4.125 to 5	13,005,000	05-2026
G. O. Nissan refunding bonds, Series 2006	Variable	17,375,000	09-2026
G. O. Road and bridge bonds, Series 2007	4 to 5	10,370,000	05-2027
G. O. road and bridge bonds, Series 2008	3.5 to 5	29,775,000	03-2028
Courthouse project refunding bonds	2.5 to 3.25	1,405,000	06-2014
MS Development Bank Special Obligation refunding bonds, Series 2009	1.5 to 4.0	<u>2,205,000</u>	05-2024
Total General Obligation Bonds		<u>86,745,000</u>	
Special Assessment Bonds:			
Parkway special assessment refunding bonds, Series 1998	4.35 to 6.0	<u>385,000</u>	06-2012

MADISON COUNTY, MISSISSIPPI

Management's Discussion and Analysis
For the Year Ending September 30, 2011

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Final Maturity Date</u>
Capital Leases:			
E-911 Phase 2 upgrades	4.40	8,479	10-2011
9-2007 Mack dump trucks and 5-2007 Mack tractors	3.10	222,415	08-2012
3-Volvo motorgraders	2.52	346,480	08-2013
6-Volvo garbage trucks	3.10	452,052	09-2013
Komatsu excavator	3.14	118,866	10-2013
24 new patrol cars	2.98	400,004	12-2013
10 New Holland tractors	2.52	320,147	07-2014
Total Capital Leases		<u>1,868,443</u>	
Other Loans:			
Industrial development capital improvement (CAP)	3.00	279,555	09-2017
Capital improvement loan	4.00	31,368	06-2014
South Madison capital improvement (CAP)	2.00	654,239	05-2021
Industrial development capital improvement (CAP)	3.00	972,434	12-2028
Total Other Loans		<u>1,937,596</u>	
Total Debt Outstanding		<u>\$ 90,936,039</u>	

CURRENT AND FUTURE ITEMS OF IMPACT

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

Ad valorem tax levy rates were increased in Madison County in 2011, but remain below the ad valorem tax levy rates of 2002, reflecting ad valorem rate reductions in the intervening years. Of the ten largest counties in Mississippi, Madison County has the lowest countywide tax levy. Madison County continues to lead with residential development, new road construction projects and interchanges which will serve to promote further economic growth in the county.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

MADISON COUNTY

FINANCIAL STATEMENTS

MADISON COUNTY
Statement of Net Assets
September 30, 2011

Exhibit I

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS	
Cash	\$ 20,101,377
Property tax receivable	26,699,200
Fines receivable, net of allowance for uncollectibles of \$1,119,333	631,573
Capital leases receivable	163,120
Intergovernmental receivables	1,090,602
Other receivables, net	415,282
Unamortized bond discount	50,942
Bond issue cost, net	1,190,948
Land and construction in progress	11,357,640
Other capital assets, net	94,743,338
Total Assets	<u>156,444,022</u>
LIABILITIES	
Claims payable	1,991,461
Claims and judgments	244,008
Intergovernmental payables	1,430,919
Accrued interest payable	1,086,626
Deferred revenue	26,717,320
Deferred revenue - special assessments	385,000
Premium on bonds, net	172,536
Other payables	1,013,367
Long-term liabilities	
Due within one year:	
Capital related debt	6,637,788
Non-capital debt	86,364
Due in more than one year:	
Capital related debt	83,046,262
Non-capital debt	2,251,206
Total Liabilities	<u>125,062,857</u>
NET ASSETS	
Invested in capital assets, net of related debt	16,416,928
Restricted:	
Expendable:	
Public safety	226,983
Public works	1,942,081
Capital projects	4,575,560
Culture and recreation	14,114
Economic development	145,898
Debt service	1,307,711
Nonspendable	473,520
Unrestricted	6,278,372
Total Net Assets	<u>\$ 31,381,167</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, 2011

Exhibit 2

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Fines, forfeitures and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
	Expenses			Primary Government Governmental Activities
Primary government:				
Governmental Activities:				
General government	\$ 15,156,919	3,397,593	120,241	(11,639,085)
Public safety	12,634,918	2,537,236	791,031	(8,376,061)
Public works	12,082,185	779,811	191,230	(9,768,510)
Health and welfare	950,648		140,224	(810,424)
Culture and recreation	1,526,481			(1,526,481)
Conservation of natural resources	328,476			(328,476)
Economic development and assistance	819,082			(819,082)
Interest on long-term debt	3,822,560			(3,822,560)
Total Governmental Activities	47,321,269	6,714,640	1,242,726	(37,090,679)
Business-type Activities:				
Total Business-type Activities	0	0	0	0
Total Primary Government	\$ 47,321,269	6,714,640	1,242,726	(37,090,679)
General revenues:				
Taxes:				
Property taxes				\$ 33,501,932
Road and bridge privilege tax				1,401,575
Grants and contributions not restricted to specific programs				2,341,585
Unrestricted investment income				410,188
Miscellaneous				3,773,186
Total General Revenues				41,428,466
Changes in Net Assets				4,337,787
Net Assets - Beginning, as originally reported				26,667,519
Prior period adjustment				375,861
Net Assets - Beginning, as restated				27,043,380
Net Assets - Ending				\$ 31,381,167

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

MADISON COUNTY
Balance Sheet - Governmental Funds
September 30, 2011

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	
ASSETS						
Cash	\$ 10,149,519	907,726	859,848	5,480,181	2,704,103	20,101,377
Property tax receivable	14,225,000	1,948,000	6,395,000		4,131,200	26,699,200
Fines receivable , net of allowance of \$1,119,333	631,573					631,573
Capital lease receivable	163,120					163,120
Intergovernmental receivables	1,090,602				385,000	1,090,602
Other receivables	30,282				58,215	415,282
Due from other funds		141,980	98,727			298,922
Advances to other funds	310,400					310,400
Total Assets	\$ 26,600,496	2,997,706	7,353,575	5,480,181	7,278,518	49,710,476
LIABILITIES AND FUND BALANCES						
Liabilities:						
Claims payable	\$ 512,529	150,467		905,055	423,408	1,991,459
Claims and judgments	244,008					244,008
Intergovernmental payables	1,430,919					1,430,919
Due to other funds	298,922				310,400	298,922
Advances from other funds						310,400
Deferred revenues - special assessments					385,000	385,000
Deferred revenue	15,019,693	1,948,000	6,395,000		4,131,200	27,493,893
Other payables	1,013,367					1,013,367
Total Liabilities	18,519,438	2,098,467	6,395,000	905,055	5,250,008	33,167,968

MADISON COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2011

(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:						
Nonspendable:						
Capital leases receivable	163,120					163,120
Advances	310,400					310,400
Restricted:						
General government					167,361	167,361
Public safety					777,373	777,373
Public works		899,239			1,271,900	2,171,139
Culture and recreation					16,285	16,285
Economic development					3,069	3,069
Capital projects				4,575,126	434	4,575,560
Debt service	7,607,538		958,575		193,872	1,152,447
Unassigned	8,081,058				(401,784)	7,205,754
Total Fund Balances	<u>26,600,496</u>	<u>899,239</u>	<u>958,575</u>	<u>4,575,126</u>	<u>2,028,510</u>	<u>16,542,508</u>
Total Liabilities and Fund Balances \$	<u>26,600,496</u>	<u>2,997,706</u>	<u>7,353,575</u>	<u>5,480,181</u>	<u>7,278,518</u>	<u>49,710,476</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, 2011

Exhibit 3-1

	<u>Amount</u>
Total fund balance - governmental funds (Exhibit 3)	\$ 16,542,508
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.	106,100,978
Bond issue costs are amortized over the life of the bonds and, therefore, are not current period expenditures.	1,190,948
Premium on bonds	(172,536)
Discount on bonds	50,942
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	631,573
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Long-term liabilities	(92,021,620)
Accrued interest on bonds	(1,086,626)
Capital leases are not available to pay for current year expenditures and, therefore, are deferred in the funds.	<u>145,000</u>
Total net assets - governmental activities (Exhibit 1)	\$ <u><u>31,381,167</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, 2011

	Major Funds					Total Governmental Funds
	General Fund	Road Maintenance Fund	General County I & S Fund	Road and Bridge Capital Projects Fund	Other Governmental Funds	
REVENUES						
Property taxes	\$ 18,819,936	2,268,539	7,576,950		4,836,507	33,501,932
Road and bridge privilege taxes	9,250	1,392,325				1,401,575
Licenses, commissions, and other revenues	2,929,200	271	562		453	2,930,486
Fines and forfeitures	1,079,456				11,656	1,091,112
Intergovernmental revenues	1,890,136	846,846	6,078		3,112,439	5,855,499
Charges for services	1,278,035				1,884,818	3,162,853
Interest income	206,026	12,400	31,400	109,400	53,432	412,658
Miscellaneous revenues	548,280	16,531	115,376	103,069	2,469,987	3,253,243
Total Revenues	<u>26,760,319</u>	<u>4,536,912</u>	<u>7,730,366</u>	<u>212,469</u>	<u>12,369,292</u>	<u>51,609,358</u>
EXPENDITURES						
Current:						
General government	13,265,866				24,892	13,290,758
Public safety	10,127,479				4,068,569	14,196,048
Public works	131,706	4,188,077		10,111,809	5,829,128	20,260,720
Health and welfare	989,750					989,750
Culture and recreation	19,633				1,460,246	1,479,879
Conservation of natural resources	322,685					322,685
Economic development and assistance	9,600		172,623		636,860	819,083
Debt service:						
Principal	200,352	453,083	4,225,000		1,628,797	6,507,232
Interest	14,676	29,889	3,136,657		987,144	4,168,366
Bond issue costs						0
Total Expenditures	<u>25,081,747</u>	<u>4,671,049</u>	<u>7,534,280</u>	<u>10,111,809</u>	<u>14,635,636</u>	<u>62,034,521</u>
Excess of Revenues over (under) Expenditures	<u>1,678,572</u>	<u>(134,137)</u>	<u>196,086</u>	<u>(9,899,340)</u>	<u>(2,266,344)</u>	<u>(10,425,163)</u>

MADISON COUNTY
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2011
(Exhibit 4 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	
OTHER FINANCING SOURCES (USES)						
Long-term capital debt issued	527,496	348,167			527,678	1,403,341
Proceeds from sale of capital assets	58,480	32,000			317,264	90,480
Compensation for loss of capital assets	4,588				714,256	321,852
Transfers in	206,475	318,932		(337,000)	(525,407)	1,239,663
Transfers out	(377,256)					(1,239,663)
Lease principal payments	40,000					40,000
Total Other Financing Sources and Uses	459,783	699,099	0	(337,000)	1,033,791	1,855,673
Net Changes in Fund Balances	2,138,355	564,962	196,086	(10,236,340)	(1,232,553)	(8,569,490)
Fund Balances - Beginning, as originally reported	5,956,700	334,277	762,489	14,811,466	3,261,063	25,125,995
Prior period adjustment	(13,997)					(13,997)
Fund Balances - Beginning, as restated	5,942,703	334,277	762,489	14,811,466	3,261,063	25,111,998
Fund Balances - Ending	\$ 8,081,058	899,239	958,575	4,575,126	2,028,510	16,542,508

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, 2011

	<u>Amount</u>
Net changes in fund balances - total governmental funds (Exhibit 4)	\$ (8,569,490)
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 \$11,248,925 were more than depreciation \$2,927,926 in the current period.	8,320,999
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 (\$227,276) and the proceeds from insurance and the sale of \$412,332 in the current period.	(639,608)
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.	37,617
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 \$6,507,232 were more than debt proceeds \$1,403,341.	5,103,891
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	(126,155)
Accrued interest payable	345,807
Bond issue costs amortized	(4,028)
Unamortized bond discount	(103,324)
Premium on bonds amortized	12,078
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	<u>2</u>
Change in net assets of governmental activities (Exhibit 2)	\$ <u><u>4,337,789</u></u>

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

MADISON COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2011

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 533,281
Intergovernmental receivables	<u>2,055,146</u>
 Total Assets	 \$ <u><u>2,588,427</u></u>
 LIABILITIES	
Claims payable and other accrued liabilities	\$ <u>2,588,427</u>
 Total Liabilities	 \$ <u><u>2,588,427</u></u>

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

MADISON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Madison County is a political subdivision of the State of Mississippi. The county is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Madison County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county.

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

- Lake Lorman Utility District
- West Madison Utility District
- Madison County Nursing Home
- Madison County Library System
- Farmhaven Fire District
- South West Madison Fire District
- Lake Lorman Fire District
- West Madison Fire District
- Camden Fire District
- South Madison Fire District
- Madison County Economic Development Authority
- Madison County Citizen Service Agency

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

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

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

MADISON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

The Statement of Net Assets presents the financial condition of the governmental activities of the county at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the county's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues, are presented as general revenues of the county, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the county.

Fund Financial Statements:

Fund financial statements of the county are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into governmental and fiduciary. Major individual Governmental Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

C. Measurement Focus and Basis of Accounting.

The Government-wide and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the county. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

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

The county reports the following major Governmental Funds:

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

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

MADISON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

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. Nissan 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, 2011

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.

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

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2011

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

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

I. Long-term Liabilities.

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

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, 2011

Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on specific purposes for which amounts in those funds can be spent.

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the County classifies governmental fund balances as follows:

Non-spendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. The County currently has \$473,520 reported as a non-spendable fund balance.

Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation. The County has \$8,212,347 reported as restricted fund balances.

Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end. The County has no fund balance reported in this category.

Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by management other than the highest decision making authority of the County. The County has no fund balance reported in this category.

Unassigned - includes positive fund balance with the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The County uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the County would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

K. Property Tax Revenues.

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

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2011

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 collectability criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

L. Intergovernmental Revenues in Governmental Funds.

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

M. Compensated Absences.

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

Changes in Accounting Standards.

For the fiscal year ended September 30, 2011, the county implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement No. 54. As a result amounts previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, assigned or unassigned.

(2) Prior Period Adjustments.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 - Statement of Activities.

<u>Explanation</u>	<u>Amount</u>
When reclassifying equipment from capital leases to other furniture and fixtures, the useful life was corrected causing an adjustment to the prior period.	\$ 115,938
Construction in progress was recorded on the cash basis for Sept. 30, 2010, and not adjusted for accruals. This adjustment to the prior period corrects the error.	273,920
This adjustment corrected a prior year accrual that was not reversed.	<u>(13,997)</u>
Total prior period adjustments	<u>\$ 375,861</u>

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2011

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

<u>Explanation</u>	<u>Amount</u>
General Fund - An adjustment corrected a prior year accrual that was not reversed.	\$ <u>(13,997)</u>
Total prior period adjustments	\$ <u>(13,997)</u>

(3) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2011, was \$20,634,658 and the bank balance was \$22,141,376. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

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

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2011:

A. Due To/From Other Funds:

<u>Payable Fund</u>	<u>Receivable Fund</u>	<u>Amount</u>
General Fund	Road Maintenance Fund	\$ 141,980
General Fund	General County I & S Fund	98,727
General Fund	Other Governmental Funds	<u>58,215</u>
Total		\$ <u>298,922</u>

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

B. 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>310,400</u>

Prior year 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, 2011

C. Transfers In/Out:

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.

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 377,256
Other Governmental Funds	Road Maintenance	318,932
Road and Bridge Capital Project	Other Governmental Funds	337,000
Other Governmental Funds	General Fund	<u>206,475</u>
Total		\$ <u>1,239,663</u>

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2011, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tax credit	\$ 809,031
Charges for services - housing prisoners	<u>281,571</u>
Total	\$ <u>1,090,602</u>

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2011:

	Balance Oct. 1, 2010	Additions	Deletions	Reclassifications	Adjustments	Balance Sept. 30, 2011
<u>Non-depreciable capital assets:</u>						
Land	\$ 1,124,331	25,000				1,149,331
Construction in progress	<u>16,326,439</u>	<u>9,089,995</u>		(15,482,051)	273,926	<u>10,208,309</u>
Total non-depreciable capital assets:	<u>17,450,770</u>	<u>9,114,995</u>	<u>0</u>	<u>(15,482,051)</u>	<u>273,926</u>	<u>11,357,640</u>
<u>Depreciable capital assets:</u>						
Buildings	36,250,594	97,276		1,313,121	(1)	37,660,990
Improvements other than bldgs.	36,450					36,450
Mobile equipment	8,618,998	775,753	(1,633,756)	415,526	17	8,176,538
Other furniture and fixtures	3,122,515	385,238	(1,237,705)	185,431		2,455,479
Capital leases	3,766,646	875,663		(600,957)	(3)	4,041,349
Infrastructure	<u>118,962,086</u>			<u>14,168,930</u>	<u>(2)</u>	<u>133,131,014</u>
Total capital assets being depreciated	<u>170,757,289</u>	<u>2,133,930</u>	<u>(2,871,461)</u>	<u>15,482,051</u>	<u>11</u>	<u>185,501,820</u>

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2011

	Balance Oct. 1, 2010	Additions	Deletions	Reclassifications	Adjustments	Balance Sept. 30, 2011
Less: Accumulated depreciation for:						
Buildings	8,499,580	735,449				9,235,029
Improvements other than bldgs.	729	1,458				2,187
Mobile equipment	5,464,809	811,719	(1,117,425)	130,688		5,289,791
Other furniture and fixtures	2,456,438	244,637	(1,114,428)	107,289		1,693,936
Capital leases	1,966,462	201,625		(237,977)	(115,921)	1,814,189
Infrastructure	71,790,312	933,038				72,723,350
Total accumulated depreciation	<u>90,178,330</u>	<u>2,927,926</u>	<u>(2,231,853)</u>	<u>0</u>	<u>(115,921)</u>	<u>90,758,482</u>
Total depreciable capital assets, net	<u>80,578,959</u>	<u>(793,996)</u>	<u>(639,608)</u>	<u>15,482,051</u>	<u>115,932</u>	<u>94,743,338</u>
Governmental activities capital assets, net	<u>\$ 98,029,729</u>	<u>8,320,999</u>	<u>(639,608)</u>	<u>0</u>	<u>389,858</u>	<u>106,100,978</u>

An adjustment was made to capital leases accumulated depreciation due to a change in the useful life from five years as a capital lease to seven years as an other furniture and fixtures, an error correction. Also, \$273,920 was adjusted to prior period adjustments for prior year accruals added to the financial statements but not to capital assets. Other adjustments are due to rounding.

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 1,844,736
Public safety	654,096
Public works	417,065
Health and welfare	6,238
Conservation of natural resources	5,791
Total governmental activities depreciation expense	<u>\$ 2,927,926</u>

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
Farmhaven Fire Station	\$ 31,683	2012
Calhoun Station II	2,045,725	2012
Calhoun Station III	1,613,210	2012
Moss Road Reconstruction	614,382	2012
	<u>\$ 4,305,000</u>	

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2011

(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, 2011, to January 1, 2012. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

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

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 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, 2011, the amount of these liabilities was \$244,008. An analysis of claims activities is presented below:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance At Fiscal Year End
2009 – 2010	\$ 170,501	2,445,560	2,547,273	68,788
2010 – 2011	\$ 68,788	2,636,244	2,461,024	244,008

MADISON COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2011

(8) Capital Leases.

As Lessor:

The county leases the following property with varying terms and options as of September 30, 2011:

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

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2011, are as follows:

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 45,000	8,895
2013	50,000	6,150
2014	<u>50,000</u>	<u>3,075</u>
Total	\$ <u>145,000</u>	<u>18,120</u>

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2011:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 3,691,953
Furniture and equipment	<u>349,396</u>
Total	4,041,349
Less: Accumulated depreciation	<u>1,814,189</u>
Leased Property Under Capital Leases	\$ <u>2,227,160</u>

The following is a schedule by years of the total payments due as of September 30, 2011:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 929,894	42,148
2013	703,509	17,432
2014	<u>235,040</u>	<u>1,431</u>
Total	\$ <u>1,868,443</u>	<u>61,011</u>

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2011

(9) Long-term Debt.

Debt outstanding as of September 30, 2011, consisted of the following:

Purpose	Interest Rates	Amount	Final Maturity Date
General Obligation Bonds:			
G. O. road and bridge bonds (Nissan), Series 2001	5 to 5.75	\$ 1,610,000	06-2026
G. O. refunding bonds, Series 2004	2.7 to 3.3	2,140,000	05-2014
G. O. refunding bond project	4 to 6	8,860,000	06-2024
G. O. refunding road and bridge & refunding bonds, Series 2006	4.125 to 5	13,005,000	05-2026
G. O. Nissan refunding bonds, Series 2006	Variable	17,375,000	09-2026
G. O. road and bridge bonds, Series 2007	4 to 5	10,370,000	05-2027
G. O. road and bridge bonds, Series 2008	3.5 to 5	29,775,000	03-2028
Courthouse project refunding bonds	2.5 to 3.25	1,405,000	06-2014
MS Development Bank Special Obligation refunding bonds, Series 2009	1.5 to 4.0	<u>2,205,000</u>	05-2024
Total General Obligation Bonds		<u>86,745,000</u>	
Special Assessment Bonds:			
Parkway special assessment refunding bonds, Series 1998	4.35 to 6.0	<u>385,000</u>	06-2012
Capital Leases:			
24-new patrol cars	2.98	400,004	12-2013
E-911 Phase 2 upgrades	4.4	8,479	10-2011
10-New Holland tractors	2.52	320,147	07-2014
9-2007 Mack dump trucks and 5-2007 Mack tractors	3.1	222,415	08-2012
6-Volvo garbage trucks	3.1	452,052	09-2013
3-Volvo motorgraders	2.52	346,480	08-2013
Komatsu excavator	3.14	<u>118,866</u>	10-2013
Total Capital Leases		<u>1,868,443</u>	
Other Loans:			
Capital improvement loan	4.00	31,368	06-2014
Industrial development capital improvement (CAP)	3.00	279,555	09-2017
Industrial development capital improvement (CAP)	3.00	972,434	12-2028
South Madison capital improvement (CAP)	2.00	<u>654,239</u>	05-2021
Total Other Loans		<u>1,937,596</u>	
Total Debt Outstanding		<u>\$ 90,936,039</u>	

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2011

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>
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	4,495,000	2,848,800
2017-2021	25,810,000	10,940,416
2022-2026	30,215,000	4,664,522
2027-2028	5,705,000	207,069
Total	<u>\$ 86,745,000</u>	<u>32,292,265</u>

<u>Year Ending September 30</u>	<u>Special Assessment Bonds</u>		<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 385,000	9,625	159,258	49,858
2013			163,589	45,534
2014			165,261	41,085
2015			160,285	36,853
2016			164,486	32,648
2017-2021			654,277	108,443
2022-2026			313,362	48,043
2027-2029			157,078	5,557
Total	<u>\$ 385,000</u>	<u>9,625</u>	<u>1,937,596</u>	<u>368,021</u>

Legal Debt Margin - The amount of debt, excluding specific exempted debt that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2011, the amount of outstanding debt was equal to 6.34% 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 advance 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, 2011, is \$385,000.

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2011

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, 2011, \$16,970,000 of bonds outstanding were considered defeased.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2011:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences	\$ 959,426	126,155		1,085,581	
General obligation bonds	91,775,000		5,030,000	86,745,000	5,250,000
Special assessment bonds	760,000		375,000	385,000	385,000
Capital leases	1,983,046	875,663	990,266	1,868,443	929,894
Other Loans	1,521,884	527,678	111,966	1,937,596	159,258
Governmental activity long-term liabilities	<u>\$ 96,999,356</u>	<u>1,529,496</u>	<u>6,507,232</u>	<u>92,021,620</u>	<u>6,724,152</u>

(10) Deficit Fund Balances of Individual Funds.

Fund	Deficit Amount
Self Insurance Fund	\$ (43,656)
ARRA/EECBG Jail Grant Fund	(1,207)
¼ Mill Fire District Fund	(161,003)
Camden Fire District Fund	(876)
Economic Development Fund	(70,578)
Adolescent Offense Program	(6,599)
Administrative Office of Court	(23,347)
Fire Station Construction Fund	(138,171)

Deficit fund balances for the Self Insurance Fund, ¼ Mill Fire District Fund, and the Economic Development Fund are due to adjustments and/or eliminations necessary for the preparation of modified accrual financial statements.

(11) Contingencies.

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

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

MADISON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

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, 2011 is \$7,410,000.

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.

Parkway East Public Improvement District - The county entered into a limited agreement with the Parkway East Public Improvement District, pursuant to the "Public Improvement District Act", codified as Section 19-31-1 et seq., of the Mississippi Code of 1972, as amended. The purpose of the agreement was to construct a parkway financed by a bond issue to be repaid by special assessments to landowners along the parkway. The agreement provides that, in the event Parkway East fails, for any reason, to levy and/or collect a sufficient amount of special assessments from the owners of land within Parkway East to satisfy any debt service payment, the County shall pay the outstanding amount required to satisfy the deficient debt service payment. In the event of a sale of a parcel of land for taxes upon which a special assessment was levied but not collected, the County's reimbursement, plus interest, would come from the tax sale. Parkway East contractually agreed to reimburse the County no later than two years after the deficiency payment was made. The agreement indicates that breach of the agreement by Parkway East relieves the County of additional liability for payment of the bonds. In April, 2012, the Board was notified that the District could not meet its obligation to pay the May 1, 2012 debt service, and the County paid \$374,021 on October 24, 2011 and \$464,377 on April 25, 2012.

Parkway South Public Improvement District - The county has the same agreement with Parkway South Public Improvement District as it has with the Parkway East Improvement District. On May 11, 2012, the County paid \$258,328 due to deficient debt service that Parkway South Improvement District could not pay.

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

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

The trust agreements authorized the corporation to issue debt for the construction of various public facilities which were leased to the county. Ownership of the projects transferred to the county upon complete retirement of the debt. In connection with the 1994 project, the county acquired certain property which has been subleased to the City of Madison (the City). Under the terms of the agreement, the City is required to make lease payments to the county for 20 years. The lease payments have been calculated to amortize the \$600,000 purchase price over 20 years at an average annual interest rate of 5.84%. The City has a right to purchase the leased property upon the expiration of the lease term, or upon such earlier date as may be agreed upon, at a price not to exceed the unpaid principal balance at that time. The amount due at September 30, 2011, was \$145,000. This amount has been recorded as lease payments receivable and a corresponding amount is shown as deferred revenue-leasing transactions at September 30, 2011.

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.

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2011

(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 \$2,300,359 for maintenance and support of the college in fiscal year 2011.

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 2011.

Central Mississippi Planning and Development District operates in a district composed of the counties of Copiah, Hinds, Madison, Rankin, Simpson, Warren and Yazoo. The Madison County Board of Supervisors appoints three of the 33 members of the board of directors. The county appropriated \$8,896 for maintenance and support of the district in fiscal year 2011.

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 2011.

(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, 2011 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, 2011, 2010 and 2009 were \$1,732,548, \$1,708,068 and \$1,626,774, respectively, equal to the required contributions for each year.

(15) Subsequent Events.

Subsequent to September 30, 2011, Madison County issued the following debt obligation:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
11/07/2011	1.8432%	\$ 458,230	Lease purchase	Ad valorem tax

MADISON COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

MADISON COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2011

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 17,541,006	18,780,924	18,781,751	827
Licenses, commissions and other revenue	2,207,015	2,994,156	2,944,058	(50,098)
Fines and forfeitures	1,080,000	1,081,661	1,081,661	
Intergovernmental revenues	3,256,850	3,083,303	3,132,574	49,271
Charges for services	1,415,000	1,305,265	1,290,523	(14,742)
Interest income	465,000	196,867	196,867	
Miscellaneous revenues	458,000	532,169	546,910	14,741
Total Revenues	<u>26,422,871</u>	<u>27,974,345</u>	<u>27,974,344</u>	<u>(1)</u>
EXPENDITURES				
Current:				
General government	13,630,833	13,904,223	13,864,177	40,046
Public safety	10,204,945	9,605,141	9,249,852	355,289
Health and welfare	843,761	827,636	853,706	(26,070)
Culture and recreation	20,400	20,636	20,636	
Education	500,000	899,096	899,096	
Conservation of natural resources	343,800	334,410	334,410	
Economic development and assistance	12,100	9,600	9,600	
Debt service:				
Principal	38,800	26,071	203,811	(177,740)
Interest		4,000	15,733	(11,733)
Other cost	350,000	364,530	347,303	17,227
Total Expenditures	<u>25,944,639</u>	<u>25,995,343</u>	<u>25,798,324</u>	<u>197,019</u>
Excess of Revenues over (under) Expenditures	<u>478,232</u>	<u>1,979,002</u>	<u>2,176,020</u>	<u>197,018</u>
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued			527,496	527,496
Transfers in	285,000	815,213	818,871	3,658
Transfers out		(784,055)	(965,964)	(181,909)
Other financing sources	54,000	114,403	114,403	
Total Other Financing Sources and Uses	<u>339,000</u>	<u>145,561</u>	<u>494,806</u>	<u>349,245</u>
Net Change in Fund Balance	817,232	2,124,563	2,670,826	546,263
Fund Balances - Beginning			6,513,502	6,513,502
Fund Balances - Ending	<u>\$ 817,232</u>	<u>2,124,563</u>	<u>9,184,328</u>	<u>7,059,765</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, 2011

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 2,286,000	2,367,789	2,367,789	0
Road & bridge privilege	1,150,000	1,282,802	1,282,802	0
Licenses, commission & other revenue	300	271	271	0
Intergovernmental revenues	715,000	846,846	846,846	0
Interest income	1,000	12,400	12,400	0
Miscellaneous revenues	23,500	16,531	16,531	0
Total Revenues	<u>4,175,800</u>	<u>4,526,639</u>	<u>4,526,639</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	3,591,870	3,782,080	3,782,081	(1)
Debt service	500,400	482,973	482,973	
Total Expenditures	<u>4,092,270</u>	<u>4,265,053</u>	<u>4,265,054</u>	<u>(1)</u>
Excess of Revenues over (under) Expenditures	<u>83,530</u>	<u>261,586</u>	<u>261,585</u>	<u>(1)</u>
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued			348,167	348,167
Proceeds from loss of capital assets		32,000	32,000	
Transfers In		318,932	318,000	(932)
Total Other Financing Sources and Uses	<u>0</u>	<u>350,932</u>	<u>698,167</u>	<u>347,235</u>
Net Change in Fund Balance	83,530	612,518	959,752	347,234
Fund Balances - Beginning			295,209	295,209
Fund Balances - Ending	<u>\$ 83,530</u>	<u>612,518</u>	<u>1,254,961</u>	<u>642,443</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, 2011

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)	\$ 2,670,826	959,752
Increase (Decrease)		
Net adjustments for revenue accruals	(1,214,025)	10,274
Net adjustments for expenditure accruals	716,577	(405,996)
Other financing sources (uses)	<u>(35,023)</u>	<u>932</u>
GAAP Basis	<u>\$ 2,138,355</u>	<u>564,962</u>

MADISON COUNTY

SUPPLEMENTAL INFORMATION

MADISON COUNTY
 Schedule of Expenditures of Federal Awards
 For the Year Ended September 30, 2011

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/ Passed-through the Mississippi Department of Public Safety/ Juvenile Accountability Block Grants	16.523			\$ <u>12,715</u>
U. S. Department of Energy/Passed-through the Mississippi Development Authority - Energy Division/ Energy Efficiency and Conversation Block Grant Program/ARRA	81.128	DE- SC0003024		<u>380,100</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>478</u>
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>155,302</u>
U. S. Department of Homeland Security/ Passed-through the Mississippi Emergency Management Agency/ Emergency Management Performance Grants	97.042			56,955
Hazard Mitigation Grant	97.039			<u>122,550</u>
Total U. S. Department of Homeland Security				<u>179,505</u>
Total Expenditures of Federal Awards				\$ <u><u>728,100</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, 2011

Operating Expenditures, Cash Basis:

Salaries	\$	633,768
Recycling		136,197
Landfill charges		198,518
Other contractual services		23,276
Other consumable supplies		251,093
Debt services		<u>233,397</u>

Solid Waste Cash Basis Operating Expenditures 1,476,249

Full Cost Expenses:

Indirect administrative costs		26,911
Depreciation on equipment		<u>89,500</u>

Solid Waste Full Cost Operating Expenses \$ 1,592,660

MADISON COUNTY

SPECIAL REPORTS

Windham and Lacey, PLLC

Certified Public Accountants

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

Members:
American Institute of CPAs
Mississippi Society of CPAs

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE
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, 2011, which collectively comprise the county's basic financial statements and have issued our report thereon dated June 15, 2012. 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

Management of the county is responsible for establishing and maintaining effective 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 certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 11-1 and 11-2 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 15, 2012

Windham and Lacey, PLLC

Certified Public Accountants

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

Members:
American Institute of CPAs
Mississippi Society of CPAs

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, 2011. Madison County, Mississippi's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program 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, 2011.

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 15, 2012

Windham and Lacey, PLLC

Certified Public Accountants

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

Members:
American Institute of CPAs
Mississippi Society of CPAs

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

Members of the Board of Supervisors
Madison County, Mississippi

We have examined Madison County, Mississippi's 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, 2011. 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, 2011.

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 15, 2012

MADISON COUNTY
 Schedule of Purchases Not Made From the Lowest Bidder
 For the Year Ended September 30, 2011

Schedule 1

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Other than the Lowest Bid</u>
04/13/2011	Three 140 KW portable generators	\$ 129,000	Taylor Power	Three lowest bids did not meet required specifications

MADISON COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2011

Schedule 2

Our test results did not identify any emergency purchases.

Windham and Lacey, PLLC

Certified Public Accountants

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

Members:
American Institute of CPAs
Mississippi Society of CPAs

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Madison County, Mississippi

In planning and performing our audit of the financial statements of Madison County, Mississippi for the year ended September 30, 2011, 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 15, 2012, 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 15, 2012

MADISON COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MADISON COUNTY
 Schedule of Findings and Questioned Costs
 For the Year Ended September 30, 2011

Section I: 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: | |
| | U. S. Department of Energy/Passed-through the Mississippi Development Authority - Energy Division/Energy Efficiency And Conservation Block Grant Program/ARRA CFDA #81.128 | |
| 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, 2011

Section 2: Financial Statement Findings

Board of Supervisors.

Significant Deficiency - Material Weakness

11-1. 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

11-2. 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, 2011

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.