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MADISON COUNTY, MISSISSIPPI
Audited Financial Statements and
Special Reports
For the Year Ended September 30, 2007

MADISON COUNTY

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MADISON COUNTY

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL STATEMENTS

Members of the Board of Supervisors
Madison County, Mississippi

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Madison County, Mississippi, as of and for the year ended September 30, 2007, 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, 2007, 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, 2007, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Madison County, Mississippi's basic financial statements. The accompanying Reconciliation of Operating Costs of Solid Waste is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Windham and Lacey, PLLC

Windham and Lacey, PLLC
December 15, 2008

MADISON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

MADISON COUNTY, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS FOR YEAR ENDING SEPTEMBER 30, 2007

INTRODUCTION

This discussion and analysis of Madison County's financial performance provides an overall narrative review of the County's financial activities for the year ended September 30, 2007. The intent of this discussion and analysis is to look at the County's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the County's financial performance.

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

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

FINANCIAL HIGHLIGHTS

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

Madison County continues to grow both economically and in population. This has allowed the County to maintain a steady growth in tax revenues. The County government tax rate is unchanged for the 2007 fiscal year, but increased by 3.33 mills for the 2009 fiscal year, yet remains below the tax millage level of the 2002 fiscal year, reflecting tax millage reductions in the intervening years. This does not include School tax levies.

Total net assets decreased \$583,020 from the prior fiscal year. The County's ending cash balance, for all funds, increased by \$1,712,254, from the prior fiscal year.

The County had \$61,240,462 in total Governmental Funds revenues. Tax revenues account for \$25,906,450 or 43% of total revenues. Intergovernmental revenues, in the form of reimbursements, shared revenue or grants, account for \$5,387,485 or 9% of total revenues. Long Term Debt was issued in the amount of \$16,454,055 or 27% of total revenues.

The County had \$61,240,462 in total Governmental Funds expenses, which represents a decrease of \$3,155,514 or 5% from the prior fiscal year. Expenses in the amount of \$19,407,009 were offset by grants, outside contributions or debt being issued. General revenues \$42,616,819 were adequate to provide for the remainder of the expenses.

Among major funds, the General Fund had \$24,060,298 in revenues and \$23,302,180 in expenditures. The General Fund's fund balance increased \$1,704,931 over the prior year. The reason for the increase in the General Fund's fund balance was primarily due to a reduction in debt service and bond issuance costs.

Among major funds, the County Wide Road Maintenance Fund had \$4,132,496 in revenues and \$5,295,093 in expenditures. The County Wide Road Maintenance Fund's fund balance decreased \$403,220 under the prior year. The decrease in the County Wide Road Maintenance Fund was due to planned expenditure of accumulated cash for construction and repair of county roads.

Among major funds, the General County I&S Fund had \$3,869,112 in revenues and \$3,740,061 in expenditures. The General County I&S Fund's fund balance increased \$129,051 over the prior year. The increase in the General County I&S Fund was due to a net adjustment in tax millage and growth in property tax collections.

Among major funds, the Road and Bridge Capital Project Fund had \$12,945,673 in revenues and \$11,043,579 in expenditures. The Road and Bridge Capital Project Fund's fund balance increased \$1,902,094 over the prior year. The increase in the Road and Bridge Capital Project Fund was due to unexpended long term debt proceeds.

Capital assets, net of accumulated depreciation, increased by \$9,375,094 over the prior year. The increase in Capital Assets, net of accumulated depreciation, was primarily due to addition of infrastructure and construction-in-progress.

Long-term debt increased by \$12,368,301 during the fiscal year. The county issued General Obligation Bonds in the amount of \$12,000,000, and capital leases, and other debt in the amount of \$4,454,055.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

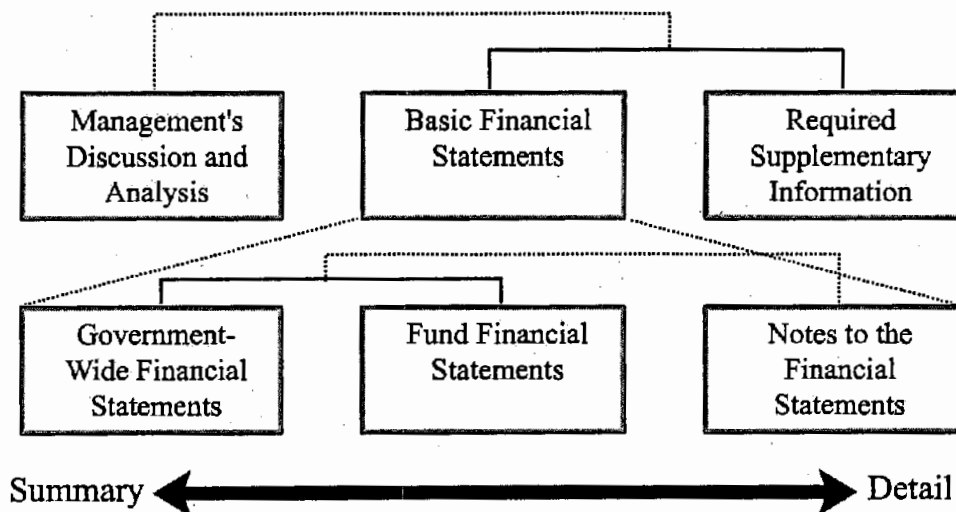


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

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

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

	Government-Wide Financial Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
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

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

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

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

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

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

The Government-wide Financial Statements can be found on pages 19, 20 & 21 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The "Governmental Funds Balance Sheet" and the "Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances" both provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 24 and 27-28, respectively.

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

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

Fiduciary funds are used to account for resources held for the benefit of parties outside the County government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accrual basis of accounting is used for fiduciary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The County's fiduciary activities are presented in a separate Statement of Fiduciary Net Assets, which can be found on page 22 of this report.

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

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

The County adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional special revenue major fund. This required supplementary information can be found on pages 47 - 50 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 \$12,267,073 as of September 30, 2007.

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

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

The following table presents a summary of the County's net assets for the fiscal year ended September 30, 2007, as compared to the fiscal year ended September 30, 2006.

	Current Year Governmental <u>Activities</u>	Prior Year Governmental <u>Activities</u>
Current assets	\$ 44,150,408	\$ 40,089,567
Capital assets, net	<u>82,850,759</u>	<u>73,475,665</u>
Total assets	<u>127,001,167</u>	<u>113,565,232</u>
Current liabilities	30,460,476	28,705,107
Long-term debt outstanding	<u>84,273,618</u>	<u>72,010,032</u>
Total liabilities	<u>114,734,094</u>	<u>100,715,139</u>
Net assets:		
Invested in capital assets, net of related debt	(2,528,680)	3,952,202
Restricted	10,075,181	9,305,238
Unrestricted	<u>4,720,572</u>	<u>(407,347)</u>
Total net assets	<u>\$12,267,073</u>	<u>\$12,850,093</u>

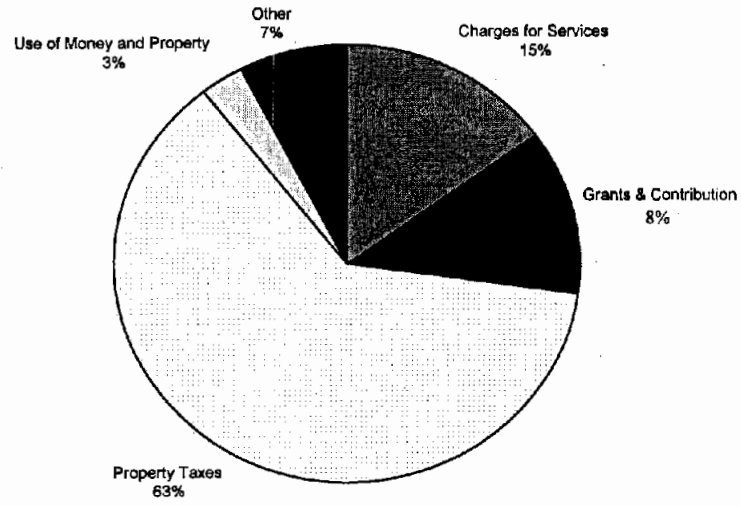
The following are significant current year transactions that have had an impact on the Statement of Net Assets.

- Long-term debt was issued in the amount of \$16,454,055.
- \$5,310,754 of long-term debt principal was retired.

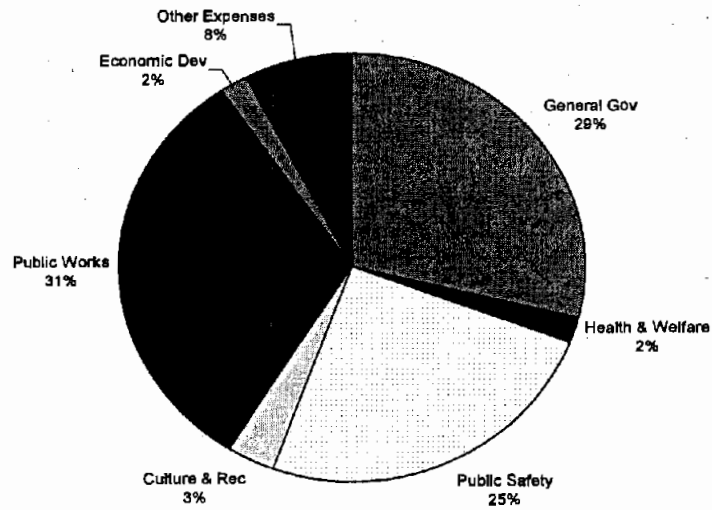
Changes in Net Assets – Madison County's total revenues for the fiscal year ended September 30, 2007 was \$44,846,728. The total cost for all services provided was \$45,346,626. The decrease in net assets was \$499,898. The following table presents a summary of the changes in net assets for the fiscal year ended September 30, 2007, as compared to the fiscal year ended September 30, 2006.

	Current Year <u>Amount</u>	Prior Year <u>Amount</u>
Revenues:		
Program revenues		
Charges for services	\$ 6,797,108	\$ 5,799,378
Operating grants and contributions	1,963,519	2,101,651
Capital grants and contributions	266,390	2,526,811
General revenues		
Property taxes	27,961,867	24,292,210
Grants and Contributions	3,161,275	2,876,613
Use of Money and Property	1,352,634	953,073
Other	<u>3,343,935</u>	<u>5,694,370</u>
Total Revenues	<u>44,846,728</u>	<u>44,244,106</u>
Expenses:		
General government	13,250,316	9,627,480
Public safety	11,028,095	9,826,136
Public works	14,130,517	19,195,565
Health and welfare	840,386	495,708
Culture and recreation	1,487,444	1,211,644
Conservation of Natural Resources	339,366	321,607
Economic development	910,693	619,646
Other expenses	<u>3,359,809</u>	<u>3,001,892</u>
Total Expenses	<u>45,346,626</u>	<u>44,299,678</u>
Decrease in Net Assets	<u>\$(499,898)</u>	<u>\$(55,572)</u>

WHERE COUNTY GETS ITS REVENUE



HOW COUNTY REVENUES ARE USED



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

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

	<u>Total Costs</u>	<u>Net Costs</u>
General Government	\$ 13,250,316	\$ 10,462,866
Public Safety	11,028,095	7,250,968
Public Works	14,130,517	12,187,711
Health & Welfare	840,386	460,705
Culture & Recreation	1,487,444	1,487,444
Conservation of Natural Resources	339,366	339,366
Economic Development	910,693	748,828

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 \$17,846,326, an increase of \$1,990,243. The primary reason for this increase was growth in property taxes and intergovernmental revenue.

The General Fund is the principal operating fund of the County. The increase in the fund balance of the General Fund for the fiscal year was \$1,704,931. This increase was primarily due to the reduction of capital debt.

BUDGETARY HIGHLIGHTS OF MAJOR FUNDS

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

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – As of September 30, 2007, Madison County's total capital assets was \$150,491,119. This includes additions to roads, bridges, and other infrastructure for the 2007 fiscal year; land, buildings, mobile equipment, furniture and equipment, leased property under capital lease and construction in progress. This amount represents an increase from the previous year of \$2,306,789. The majority of this increase was due to new infrastructure and construction-in-progress.

Depreciation expense for the year ended September 30, 2007 was \$7,617,733. The balance in total net capital assets was \$82,850,759 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, 2006	Additions	Deletions	Reclassifications	Adjustments	Balance Sept. 30, 2007
Non-depreciable capital assets:						
Land	\$ 258,484	236,795	(85,605)		412,744	822,418
Construction in progress	2,796,429	12,604,447		(700,459)	23	14,700,440
Total non-depreciable capital assets:	3,054,913	12,841,242	(85,605)	(700,459)	412,767	15,522,858
Depreciable capital assets:						
Buildings	29,352,167			344,933	(334,412)	29,362,688
Mobile equipment	5,444,534	507,809	(163,142)	1,340,492	(224,710)	6,904,983
Other furniture and fixtures	4,205,094	41,810	(66,855)	306,789	(1,965,693)	2,521,145
Capital leases	4,151,948	979,442	(823,062)	(1,647,281)	358,382	3,019,429
Infrastructure	105,030,587	3,296,761		355,526		108,682,874
Total capital assets being depreciated	148,184,330	4,825,822	(1,053,059)	700,459	(2,166,433)	150,491,119
Less: Accumulated depreciation for:						
Buildings	9,073,718	577,984			(311,209)	6,539,603
Mobile equipment	2,096,241	696,876	(127,086)		1,527,699	4,193,730
Other furniture and fixtures	141,307	234,614	(60,620)		1,289,647	1,604,948
Capital leases	1,946,610	571,415	(513,698)		(1,222,069)	782,258
Infrastructure	64,505,702	5,536,844			133	70,042,679
Total accumulated depreciation	77,763,578	7,617,733	(701,404)	0	(1,516,689)	83,163,218
Total depreciable capital assets, net	70,420,752	(2,791,911)	(351,655)	700,459	-649,744	67,327,901
Governmental activities capital assets, net	\$ 73,475,665	10,049,331	(437,260)	0	-236,977	82,850,759

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 1,357,208
Public safety	505,647
Public works	5,745,302
Health and welfare	1,416
Conservation of natural resources	4,522
Economic development	<u>3,638</u>
 Total governmental activities depreciation expense	 <u>\$ 7,617,733</u>

Debt Administration – At September 30, 2007, Madison County had \$88,331,951 in long-term debt outstanding. This includes general obligation bonds, limited obligation bonds, special assessment debt, other debt and obligations under capital leases. Of this debt, \$4,794,034 is due within one year.

In the past year, the County issued \$12,000,000 in General Obligation Bonds and \$4,454,055 in Capital Leases and Mississippi Development Bank draw downs for road construction and equipment.

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

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

Purpose	Interest Rates	Amount	Final Maturity Date
General Obligation Bonds:			
G. O. refunding bonds (Courthouse), Series 1998	4.4 to 5.5	\$ 2,940,000	Jun-14
G. O. road and bridge bonds (Nissan)	5 to 5.75	4,315,000	Jun-26
G.O. MCEDA refunding bonds, Series 2003	Variable	3,630,000	Dec-23
G. O. refunding bonds	2.7 to 3.3	4,385,000	May-14
G. O. refunding bond project	4 to 6	10,735,000	Jun-24
G. O. Road and bridge & refunding bonds, Series 2006	4.125 to 5	16,665,000	May-26
G. O. Nissan refunding bonds, Series 2006	Variable	17,635,000	Sep-26
G. O. road and bridge bonds Series 2007	4 to 5	12,000,000	May-27
Total G. O. Bonds		<u>72,305,000</u>	
Limited Obligation Bonds:			
MS Hospital refunding project, Series 2002	Variable	8,492,695	Jun-32
Total Limited Obligation Bonds		<u>8,492,695</u>	
Special Assessment Bonds:			
Parkway special assessment refunding bonds, Series 1998	4.35 to 6.0	1,770,000	Jun-12
Capital Leases:			
IBM computer upgrade	Variable	64,869	Jun-08
Emergency 911 equipment	4.21	81,049	Nov-09
AMR video wall display	4.99	100,956	Jul-11
9-Mack dump trucks	4.89	731,082	Sep-09
5-Mack tractor trucks	4.89	356,731	Sep-09
E-911 Phase 2 upgrades	4.4	381,027	Oct-11
3-Volvo motor graders	4.94	549,090	Apr-10
21-Ford Crown Victorias	4.88	376,030	May-10
Total Capital Leases		<u>2,640,834</u>	
Other Loans:			
Capital improvement loan	4.00	72,344	Sep-13
Industrial development	0.00	98,566	Sep-07
Industrial development	2.00	435,488	Jun-08
Line of Credit-MS Development Bank	Variable	2,517,024	Sep-13
Total Other Loans		<u>3,123,422</u>	
Total Debt Outstanding		<u>\$ 88,331,951</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 2008, but remain below the ad valorem tax levy rates of 2002, reflecting ad valorem rate reductions in the intervening years. Of the ten largest counties in Mississippi, Madison County has the lowest countywide tax levy. Madison County continues to lead with residential development, new road construction projects and interchanges which will serve to promote further economic growth in the county.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

MADISON COUNTY

FINANCIAL STATEMENTS

MADISON COUNTY
Statement of Net Assets
September 30, 2007

Exhibit 1

	Primary Government
	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 20,795,928
Cash with fiscal agent	1,299,138
Property tax receivable	17,691,761
Fines receivable, net of allowance for uncollectibles of \$61,634	394,202
Loans receivable	98,519
Capital leases receivable	377,508
Intergovernmental receivables	781,407
Other receivables, net	1,796,809
Bond issue cost, net	915,136
Land and construction in progress	15,522,858
Other capital assets, net	67,327,901
Total Assets	<u>127,001,167</u>
LIABILITIES	
Claims payable	2,680,813
Claims and judgments	364,665
Intergovernmental payables	1,322,720
Accrued interest payable	750,849
Deferred revenue	19,760,118
Other payables	787,277
Long-term liabilities	
Due within one year:	
Capital related debt	4,634,854
Non-capital debt	159,180
Due in more than one year:	
Capital related debt	80,744,585
Non-capital debt	3,529,033
Total Liabilities	<u>114,734,094</u>
NET ASSETS	
Invested in capital assets, net of related debt	(2,528,680)
Restricted net assets:	
Expendable:	
Debt Service	2,201,093
Public safety	1,028,535
Public works	1,949,642
Culture and recreation	69,177
Capital projects	4,826,734
Unrestricted	4,720,572
Total Net Assets	<u>\$ 12,267,073</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, 2007

Exhibit 2

Functions/Programs	Program Revenues			Expenses	Net (Expense) Revenue and Changes in Net Assets
	Fines, Forfeitures and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Primary government:					
Governmental activities:					
General government	\$ 13,250,316	2,733,060	54,396	(10,464,670)	
Public safety	11,028,095	3,153,241	589,970	(7,250,968)	
Public works	14,130,517	910,807	961,390	(12,187,711)	
Health and welfare	840,386		359,573	(480,813)	
Culture and recreation	1,487,444			(1,487,444)	
Conservation of natural resources	339,366			(339,366)	
Economic development and assistance	910,693		161,865	(748,828)	
Interest on long-term debt	3,359,809			(3,359,809)	
Total Governmental Activities	45,346,626	6,797,108	1,963,519	(36,319,609)	

Exhibit 2 (Continued)

MADISON COUNTY
 Statement of Activities
 For the Year Ended September 30, 2007

General revenues:	
Taxes:	
Property taxes	\$ 24,712,557
Special Assessments	339,331
Payment in lieu of taxes	1,708,412
Road and bridge privilege tax	1,201,567
Grants and contributions not restricted to specific programs	3,161,275
Unrestricted investment income	1,352,634
Miscellaneous	2,638,566
Gain on sale/disposal of capital assets	31,064
Lease principal and interest received	654,305
Total General Revenues and Transfers	<u>35,819,711</u>
Changes in Net Assets	<u>(499,898)</u>
Net Assets - Beginning	12,850,093
Prior period adjustment	(83,122)
Net Assets - Beginning restated	<u>12,766,971</u>
Net Assets - Ending	<u>\$ 12,267,073</u>

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

MADISON COUNTY
Balance Sheet - Governmental Funds
September 30, 2007

Exhibit 3

	Major Funds					Total Governmental Funds
	General Fund	Road Maintenance Fund	General County I & S Fund	Road & Bridge Capital Project Fund	Other Governmental Funds	
ASSETS						
Cash	\$ 10,811,423	571,773	119,314	5,005,201	4,288,217	20,795,928
Cash with fiscal agent	53,143				1,245,995	1,299,138
Property tax receivable	9,311,065	1,767,542	3,853,473		2,759,681	17,691,761
Fines receivable	394,202					394,202
Loans receivable					98,519	98,519
Capital lease receivable	377,508					377,508
Intergovernmental receivables	767,907				13,500	781,407
Other receivables	26,809				1,770,000	1,796,809
Due from other funds		123,440	54,920		78,069	256,429
Advances to other funds	15,000			375,000		390,000
Total Assets	\$ 21,757,057	2,462,755	4,027,707	5,380,201	10,253,981	43,881,701
LIABILITIES AND FUND BALANCES						
Liabilities:						
Claims payable	\$ 1,185,781	163,867		831,674	499,491	2,680,813
Claims and judgments	364,665					364,665
Intergovernmental payables	1,322,720					1,322,720
Due to other funds	256,429					256,429
Advances from other funds		375,000			15,000	390,000
Deferred revenues- special assessments	8,734,789				1,770,000	10,504,789
Deferred revenue	1,347,986	1,767,542	3,853,473		2,759,681	9,728,682
Other payables	787,277					787,277
Total Liabilities	13,999,647	2,306,409	3,853,473	831,674	5,044,172	26,035,375

MADISON COUNTY
Balance Sheet - Governmental Funds
September 30, 2007

	Major Funds						Total Governmental Funds
	General Fund	Road Maintenance Fund	General County I & S Fund	Road & Bridge Capital Project Fund	Other Governmental Funds		
Fund balances:							
Reserved for:							
Advances	15,000		174,234	375,000	1,562,572	390,000	
Debt service funds					98,519	1,736,806	
Loans receivable					434	98,519	
Per bond agreement						434	
Unreserved, reported in:							
General fund	7,742,410					7,742,410	
Special revenue funds		156,346			3,270,511	3,426,857	
Capital project funds		156,346	174,234	4,173,527	277,773	4,451,300	
Total Fund Balances	<u>7,757,410</u>	<u>156,346</u>	<u>174,234</u>	<u>4,548,527</u>	<u>5,209,809</u>	<u>17,846,326</u>	
Total Liabilities and Fund Balances	\$ <u>21,757,057</u>	<u>2,462,755</u>	<u>4,027,707</u>	<u>5,380,201</u>	<u>10,253,981</u>	<u>43,881,701</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, 2007

Exhibit 3-1

	<u>Amount</u>
Total fund balance - governmental funds (Exhibit 3)	\$ 17,846,326
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.	82,850,759
Bond issue costs are amortized over the life of the bonds and, therefore, are not current period expenditures.	915,136
Premium on bonds.	(220,849)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	394,202
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Long-term liabilities	(89,067,652)
Accrued interest on bonds	(750,849)
Capital leases are not available to pay for current year expenditures and, therefore, are deferred in the funds.	<u>300,000</u>
Total net assets - governmental activities (Exhibit 1)	<u>\$ 12,267,073</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, 2007

	Major Funds						Total Governmental Funds
	General Fund	Road Maintenance Fund	General County I & S Fund	Road Bridge Capital Project Fund	Other Governmental Funds		
REVENUES							
Property taxes	\$ 13,711,776	2,008,992	3,745,163		5,238,952	24,704,883	
Road and bridge privilege taxes		1,201,567				1,201,567	
Licenses, commissions, and other revenues	2,648,575	309	303		787	2,649,974	
Fines and forfeitures	899,309				95,566	994,875	
Special assessments					399,331	399,331	
Payments in lieu of taxes	3,329,384	906,016	4,862		1,708,412	1,708,412	
Intergovernmental revenues	1,971,992				1,170,851	5,433,031	
Charges for services	894,702	2,000	1,500		1,837,090	3,864,277	
Interest income	604,560	37,240	117,284	364,110	24,481	902,488	
Miscellaneous revenues		4,156,124	3,869,112	364,110	1,213,600	2,373,124	
Total Revenues	24,060,298	4,156,124	3,869,112	364,110	11,689,070	44,231,962	
EXPENDITURES							
Current:							
General government	11,830,112				3,628,279	15,458,391	
Public safety	8,745,937				2,416,381	11,162,318	
Public works		4,673,260		11,043,579	5,867,994	21,584,833	
Health and welfare	836,028					836,028	
Culture and recreation	210,601				1,276,842	1,487,443	
Conservation of natural resources	340,357					340,357	
Economic development and assistance	64,695				842,360	907,055	
Debt service:							
Principal	659,781	554,244	2,095,000		2,001,729	5,310,754	
Interest	614,669	67,589	1,645,061		1,422,712	3,750,030	
Bond issue costs					403,252	403,252	
Total Expenditures	23,302,180	5,295,093	3,740,061	11,043,579	17,859,549	61,240,461	

MADISON COUNTY
 Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
 For the Year Ended September 30, 2007

	Major Funds					Total
	General Fund	Road Maintenance Fund	General County I & S Fund	Road Bridge Capital Project Fund	Other Governmental Funds	Governmental Funds
Excess of Revenues over (under Expenditures)	758,118	(1,162,597)	129,051	(10,679,469)	(6,170,479)	(17,125,376)
Long-term capital debt issued	419,692	559,740		2,581,563	12,893,060	16,454,055
Funds received from hospital for loan pay-off	654,305					654,305
Refunding bonds issued					17,990,000	17,990,000
Payment to bond refunding escrow agent					(16,575,000)	(16,575,000)
Compensation for loss of capital assets	22,048	199,637			246,639	468,324
Premium on bond issue					68,740	68,740
Transfers in	186,812			10,000,000	391,239	10,578,051
Transfers out	(391,239)				(10,486,812)	(10,578,051)
Lease principal payments	55,195					55,195
Total Other Financing Sources and Uses	946,813	759,377	0	12,581,563	4,827,866	19,115,619
Net Changes in Fund Balances	1,704,931	(403,220)	129,051	1,902,094	(1,342,613)	1990,243
Fund Balances - Beginning	6,024,025	559,566	45,183	2,646,433	6,617,020	15,892,227
Prior period adjustment	28,454				(64,598)	(36,144)
Fund Balances - Beginning, restated	6,052,479	559,566	45,183	2,646,433	6,552,422	15,856,083
Fund Balances - Ending	\$ 7,757,410	156,346	174,234	4,548,527	5,209,809	17,846,326

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, 2007

Net changes in fund balances - total governmental funds (Exhibit 4) \$ 1,990,243

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
\$17,667,064 exceeded depreciation \$7,617,733 in the current period. 10,049,331

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 \$31,064 and
the proceeds from insurance and the sale of \$ 468,324 in the current period. (437,260)

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. 73,999

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 \$ 21,885,754 were less than debt proceeds \$34,444,055 . (12,558,301)

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	(200,670)
Accrued interest payable	390,223
Bond issue cost amortized in government-wide statements	403,252
Bond issue costs incurred	(59,054)
Premium on bonds received	12,078
Premium on bonds amortized in government-wide statements	(68,740)

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. (95,000)

Rounding 1

Change in net assets of governmental activities (Exhibit 2) \$ (499,898)

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

MADISON COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2007

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 139,036
Total Assets	<u>\$ 139,036</u>
LIABILITIES	
Claims payable and other accrued liabilities	\$ 139,036
Total Liabilities	<u>\$ 139,036</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, 2007

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

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

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

- Lake Lorman Utility District
- West Madison Utility District
- Madison County Nursing Home
- Madison County Library System
- Farmhaven Fire District
- South Madison Fire District
- Madison County Economic Development Authority
- 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. Individual Component Unit Disclosures.

Blended Component Units

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

Madison County has executed a trust agreement and other legal documents with Madison County Public Improvement Corporation, a component unit of the county. The trust accounts created by the agreement constitute an inseparable part of the county. Therefore, the assets, liabilities, equity, revenues, expenditures and other financing sources/uses of the trust accounts created by the agreements are included as part of the county's financial statements, thereby eliminating the effects of the lease agreement for financial reporting purposes. (See Note 12)

MADISON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2007

C. Basis of Presentation.

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

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

D. Measurement Focus and Basis of Accounting.

The Government-wide and Fiduciary 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.

MADISON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2007

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.

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

Road and Bridge Capital Projects - 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.

E. Account Classifications.

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

MADISON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2007

F. Deposits and Investments.

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

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

G. Receivables.

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

H. Interfund Transactions and Balances.

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

I. Capital Assets.

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

Governmental accounting and financial reporting standards 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.

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

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

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

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

J. Long-term Liabilities.

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

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

K. Equity Classifications.

Government-wide Financial Statements:

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

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or 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, 2007

Fund Financial Statements:

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

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

L. Property Tax Revenues.

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

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

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

M. Intergovernmental Revenues in Governmental Funds.

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

N. Compensated Absences.

The county has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United 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.

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

(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>
Adjustments were made to capital assets, including below threshold amounts, accumulated depreciation and error adjustments.	\$ (236,977)
An adjustment was made to G.O. bonds for payments made by the Madison County Economic Development Authority in prior years.	190,000
Adjustments were made for voided checks and for various immaterial error corrections.	<u>(36,145)</u>
Total prior period adjustments	<u>\$ (83,122)</u>

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

<u>Explanation</u>	<u>Amount</u>
General Fund and other governmental funds – adjustments were made for voided checks and for various immaterial error corrections.	\$ <u>(36,144)</u>
Total prior period adjustments	<u>\$ (36,144)</u>

(3) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2007, was \$22,234,102 and the bank balance was \$23,278,180. 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.

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2007:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Road Maintenance fund	General Fund	\$ 123,440
General County I & S Fund	General Fund	54,920
Other governmental funds	General Fund	<u>201,509</u>
 Total		 \$ <u>256,429</u>

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

B. Advances from/to Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other governmental funds	\$ 15,000
Road and Bridge Capital Projects	Road Maintenance fund	<u>375,000</u>
 Total		 \$ <u>390,000</u>

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

C. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Other governmental funds	\$ 186,812
Road and Bridge Capital Projects	Other governmental funds	10,000,000
Other governmental funds	General Fund	<u>391,239</u>
 Total		 \$ <u>10,578,051</u>

Among amounts listed were transfers of \$10,000,000 from the Reunion Parkway Interchange Fund to the Road and Bridge Capital Projects Fund and \$388,392 from the General fund to the Office Complex Construction fund for construction. Other transfers were for normal operations of the county. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2007, consisted of the following:

Description	Amount
Governmental Activities:	
Legislative tax credit	\$ 767,907
Other revenues	13,500
Total	<u>\$ 781,407</u>

(6) Loans Receivable.

Loans receivable balances at September 30, 2007, are as follows:

Description	Date of Loan	Interest Rate	Maturity Date	Balance Payable
IMS Autrans	03/28/03	2%	06/1/08	\$ <u>98,519</u>
Total				<u>\$ 98,519</u>

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2007:

Governmental activities:

	Balance Oct. 1, 2006	Additions	Deletions	Reclassifications	Adjustments	Balance Sept. 30, 2007
Non-depreciable capital assets:						
Land	\$ 258,484	236,795	(85,605)		412,744	822,418
Construction in progress	2,796,429	12,604,447		(700,459)	23	14,700,440
Total non-depreciable capital assets:	<u>3,054,913</u>	<u>12,841,242</u>	<u>(85,605)</u>	<u>(700,459)</u>	<u>412,767</u>	<u>15,522,858</u>
Depreciable capital assets:						
Buildings	29,352,167			344,933	(334,412)	29,362,688
Mobile equipment	5,444,534	507,809	(163,142)	1,340,492	(224,710)	6,904,983
Other furniture and fixtures	4,205,094	41,810	(66,855)	306,789	(1,965,693)	2,521,145
Capital leases	4,151,948	979,442	(823,062)	(1,647,281)	358,382	3,019,429
Infrastructure	105,030,587	3,296,761		355,526		108,682,874
Total capital assets being depreciated	<u>148,184,330</u>	<u>4,825,822</u>	<u>(1,053,059)</u>	<u>700,459</u>	<u>(2,166,433)</u>	<u>150,491,119</u>
Less: Accumulated depreciation for:						
Buildings	9,073,718	577,984			(3,112,099)	6,539,603
Mobile equipment	2,096,241	696,876	(127,086)		1,527,699	4,193,730
Other furniture and fixtures	141,307	234,614	(60,620)		1,289,647	1,604,948
Capital leases	1,946,610	571,415	(513,698)		(1,222,069)	782,258
Infrastructure	64,505,702	5,536,844			133	70,042,679
Total accumulated depreciation	<u>77,763,578</u>	<u>7,617,733</u>	<u>(701,404)</u>	<u>0</u>	<u>(1,516,689)</u>	<u>83,163,218</u>
Total depreciable capital assets, net	<u>70,420,752</u>	<u>(2,791,911)</u>	<u>(351,655)</u>	<u>700,459</u>	<u>(649,744)</u>	<u>67,327,901</u>
Governmental activities capital assets, net	<u>\$ 73,475,665</u>	<u>10,049,331</u>	<u>(437,260)</u>	<u>0</u>	<u>(236,977)</u>	<u>82,850,759</u>

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

Adjustments were made to capital assets to delete items below threshold amounts, and to correct errors.

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 1,357,208
Public safety	505,647
Public works	5,745,302
Health and welfare	1,416
Conservation of natural resources	4,522
Economic development	<u>3,638</u>
 Total governmental activities depreciation expense	 <u>\$ 7,617,733</u>

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

Commitments with respect to unfinished capital projects at September 30, 2007, consisted of the following:

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

(8) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$750,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2007, to January 1, 2008. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

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

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

Under the plan, amounts payable to the risk management fund are based on actuarial estimates. Each participating public entity, including Madison County, pays the premium on a single coverage policy for its respective employees. Employees desiring additional and/or dependent coverage pay the additional premium through a payroll deduction. Premium payments to the risk management fund are determined on an actuarial basis. The county has a minimum uninsured risk retention for all participating entities, including Madison County, to the extent that actual claims submitted exceed the predetermined premium. The county has implemented the following plans to minimize this potential loss:

The county has purchased coinsurance which functions on one specific loss coverage. This coverage is purchased from an outside commercial carrier. For the current fiscal year, the specific coverage begins when an individual participant's claim exceeds \$60,000.

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). At September 30, 2007, the amount of these liabilities was \$364,665. An analysis of claims activities is presented below:

	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year End</u>
2005 – 2006	\$ 329,471	1,968,752	1,952,672	345,551
2006 – 2007	\$ 345,551	2,366,604	2,347,490	364,665

(9) Capital Leases.

As Lessor:

The county leases the following property with varying terms and options as of September 30, 2007:

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

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2007, are as follows:

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 35,000	18,183
2009	40,000	16,135
2010	40,000	13,735
2011	40,000	11,335
2012	45,000	8,895
Total	\$ 300,000	77,508

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2007:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 2,257,152
Furniture and equipment	<u>762,277</u>
Total	3,019,429
Less: Accumulated depreciation	<u>782,258</u>
Leased Property Under Capital Leases	<u>\$ 2,237,171</u>

The following is a schedule by years of the total payments due as of September 30, 2007:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 581,986	114,508
2009	1,204,061	86,164
2010	725,223	25,024
2011	121,087	3,211
2012	<u>8,477</u>	<u>31</u>
Total	<u>\$ 2,640,834</u>	<u>228,938</u>

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

(10) Long-term Debt.

Debt outstanding as of September 30, 2007, consisted of the following:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Final Maturity Date</u>
General Obligation Bonds:			
G. O. refunding bonds (Courthouse), Series 1998	4.4 to 5.5	\$ 2,940,000	June 2014
G. O. road and bridge bonds (Nissan)	5 to 5.75	4,315,000	June 2026
G.O. MCEDA refunding bonds, Series 2003	Variable	3,630,000	Dec. 2023
G. O. refunding bonds	2.7 to 3.3	4,385,000	May 2014
G. O. refunding bond project	4 to 6	10,735,000	June 2024
G. O. refunding road and bridge & refunding bonds, Series 2006	4.125 to 5	16,665,000	May 2026
G. O. Nissan refunding bonds, Series 2006	Variable	17,635,000	Sept. 2026
G. O. road and bridge bonds Series 2007	4 to 5	<u>12,000,000</u>	May 2027
Total General Obligation Bonds		<u>72,305,000</u>	
Limited Obligation Bonds:			
MS Hospital refunding project, Series 2002	Variable	<u>8,492,695</u>	June 2032
Total Limited Obligation Bonds		<u>8,492,695</u>	

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

Purpose	Interest Rates	Amount	Final Maturity Date
Special Assessment Bonds:			
Parkway special assessment refunding bonds, Series 1998	4.35 to 6.0	<u>1,770,000</u>	June 2012
Capital Leases:			
IBM computer upgrade	Variable	64,869	June 2008
Emergency 911 equipment	4.21	81,049	Nov. 2009
AMR video wall display	4.99	100,956	July 2011
9 Mack dump trucks	4.89	731,082	Sept. 2009
5 Mack tractor trucks	4.89	356,731	Sept. 2009
E-911 phase 2 upgrades	4.4	381,027	Oct. 2011
3 Volvo motor graders	4.94	549,090	April 2010
21 Ford Crown Victorias	4.88	<u>376,030</u>	May 2010
Total Capital Leases		<u>2,640,834</u>	
Other Loans:			
Capital improvement loan	4.00	72,344	Sept. 2013
Industrial development	0.00	98,566	Sept. 2007
Industrial development	2.00	435,488	June 2008
Line of credit - MS Development Bank	Variable	<u>2,517,024</u>	Sept. 2013
Total Other Loans		<u>3,123,422</u>	
Total Debt Outstanding		<u>\$ 88,331,951</u>	

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

Governmental Activities:

Year Ending September 30	General Obligation Bonds		Limited Obligation Bonds	
	Principal	Interest	Principal	Interest
2008	\$ 3,425,000	4,067,832	200,000	338,985
2009	3,575,000	3,940,550	210,000	331,707
2010	3,785,000	3,779,826	225,000	323,307
2011	3,945,000	3,607,422	240,000	314,307
2012	4,125,000	3,423,883	255,000	304,707
2013 - 2017	17,925,000	15,311,313	1,545,000	294,507
2018 - 2022	18,720,000	6,220,579	2,110,000	232,707
2023 - 2027	16,805,000	1,850,514	2,895,000	148,307
2028 - 2032	3,425,000	4,067,832	812,695	32,507
2033 - 2037	<u>3,575,000</u>	<u>3,940,550</u>		
Total	<u>\$ 72,305,000</u>	<u>42,201,919</u>	<u>8,492,695</u>	<u>2,321,041</u>

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

<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>
2008	\$ 320,000	77,770	267,048	126,602
2009	335,000	62,538	187,392	127,747
2010	355,000	46,145	195,907	119,231
2011	375,000	28,438	204,823	110,316
2012	385,000	9,625	214,146	100,981
2013 - 2017			1,186,969	351,389
2018 - 2022			867,137	84,000
2023 - 2027				
2028 - 2032				
2033 - 2037				
Total	\$ 1,770,000	224,516	3,123,422	1,020,266

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, 2007, the amount of outstanding debt was equal to 5.62% of the latest property assessments.

* Special assessment debt of \$4,680,000 was issued on April 1, 1992, to construct a boulevard under the provisions of Senate Bill 3036, Laws of 1989. Refunding bonds of \$4,030,000 were issued on March 1, 1998, to pay off the original issue early. The bonds are secured by the full faith and credit of Madison County. A "Special Assessment Tax" was levied against all of the benefited property owners. The county will levy annually this special assessment tax upon all taxable property in the benefited area of the south Madison County Parkway adequate and sufficient to provide for the payment of the principal and interest on the bonds as the same fall due over a period of 14 years. The original bonds are considered defeased at September 30, 2003. The principal balance outstanding on the refunding issue at September 30, 2007, is \$1,770,000.

Advance Refunding - On October 18, 2006, the county issued \$17,990,000 in general obligation refunding bonds with an average interest rate of 4.22% to advance refund \$16,575,000 of the following outstanding bond issue:

<u>Issue</u>	<u>Average Interest Rate</u>	<u>Outstanding Amount Refunded</u>
G. O. Road and Bridge Bonds (Nissan)	4.22%	\$ 16,575,000

The G. O. Road and Bridge Bonds (Nissan) had an outstanding balance of \$21,475,000 at the time of refunding, but only \$16,575,000 of the bond was refunded, leaving a remaining principal balance of \$4,900,000, of which \$585,000 was redeemed during fiscal year 2007.

The net proceeds of \$17,901,331.60 (after payment of \$152,915 in underwriting fees and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, those bonds are considered to be defeased, and the liability for those bonds has been removed from the Statement of Net Assets.

The county advance refunded the above bonds to reduce its total debt service payments over the next 20 years by almost \$550,000 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$418,725.

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2007:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:						
Compensated absences	\$ 535,031	200,670			735,701	
General obligation bonds	62,305,000	29,990,000	19,800,000	(190,000)	72,305,000	3,425,000
Limited obligation bonds	8,735,000		242,305		8,492,695	200,000
Special assessment bonds	2,075,000		305,000		1,770,000	320,000
Capital leases	2,460,576	1,437,004	1,256,746		2,640,834	581,986
Other loans	388,074	3,017,051	281,703		3,123,422	267,048
Governmental activity Long-term liabilities	\$ <u>76,498,681</u>	<u>34,644,725</u>	<u>21,885,754</u>	<u>(190,000)</u>	<u>89,067,652</u>	<u>4,794,034</u>

(11) Contingencies.

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

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

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

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

The trust agreements authorized the corporation to issue 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, 2007, was \$300,000. This amount has been recorded as lease payments receivable and a corresponding amount is shown as deferred revenue-leasing transactions at September 30, 2007.

The trust accounts created by this agreement constitute an inseparable part of the county. Therefore, the assets, liabilities, equity, revenues, expenditures and other financing sources/uses of the trust accounts created by the trust agreements for financial reporting purposes.

MADISON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2007

(13) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Holmes Community College operates in a district composed of the Counties of Attala, Carroll, Choctaw, Grenada, Holmes, Madison, Montgomery, Webster and Yazoo. The Madison County Board of Supervisors appoints two of the 22 members of the college board of trustees. The county appropriated \$1,029,406 for maintenance and support of the college in fiscal year 2007.

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 2007.

Central Mississippi Planning and Development District operates in a district composed of the counties of Copiah, Hinds, Madison, Rankin, Simpson, Warren and Yazoo. The Madison County Board of Supervisors appoints three of the 33 members of the board of directors. The county appropriated \$9,600 for maintenance and support of the district in fiscal year 2007.

The Madison County Human Resource Agency was organized under Section 17-15-1, Miss. Code Ann. (1972), to administer programs conducted by community action agencies, limited purpose agencies and relate programs authorized by law. The Madison County Board of Supervisors appoints three of the 15 board members. The county appropriated no funds for maintenance and support of the agency in fiscal year 2007.

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 2007.

(14) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2007 was 11.85% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2007, 2006 and 2005 were \$1,354,646, \$1,167,913 and \$986,768, respectively, equal to the required contributions for each year.

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

(15) Subsequent Events.

Subsequent to September 30, 2007, Madison County issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
04/07/2008		\$ 436,383	Lease purchase	Ad valorem tax
01/15/2008		\$ 33,000,000	General obligation bonds	Ad valorem tax
04/01/2008		\$ 3,115,000	Courthouse project refunding bonds	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, 2007

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 12,478,770	13,756,417	13,756,417	
Licenses, commissions and other revenue	1,438,650	2,637,725	2,637,725	
Fines and forfeitures	820,000	942,847	942,847	
Intergovernmental revenues	1,944,000	4,104,442	4,104,442	
Charges for services	1,400,000	2,027,187	2,027,187	
Interest income	343,000	874,509	874,509	
Miscellaneous revenues	791,890	1,013,164	1,038,857	25,693
Total Revenues	<u>19,216,310</u>	<u>25,356,291</u>	<u>25,381,984</u>	<u>25,693</u>
EXPENDITURES				
Current:				
General government	12,325,167	11,476,172	11,476,172	
Public safety	8,308,411	8,529,510	8,529,510	
Health and welfare	683,946	785,878	785,878	
Culture and recreation	21,200	209,951	209,951	
Education	950,000	489,138	489,138	
Conservation of natural resources	340,272	350,279	350,279	
Economic development and assistance	9,600	9,600	9,600	
Capital projects	242,000			
Debt service:				
Principal	464,280	531,151	531,151	
Interest		88,993	88,993	
Total Expenditures	<u>23,344,876</u>	<u>22,470,672</u>	<u>22,470,672</u>	
Excess of Revenues over (under) Expenditures	<u>(4,128,566)</u>	<u>2,885,619</u>	<u>2,911,312</u>	<u>25,693</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources	3,003,000			
Compensation for loss of capital assets		22,048	22,048	
Transfers in		1,253,464	1,253,464	
Transfers out		(1,503,385)	(1,503,385)	
Grants to other governmental agencies		(306,727)	(306,727)	
Total Other Financing Sources and Uses	<u>3,003,000</u>	<u>(534,600)</u>	<u>(534,600)</u>	<u>0</u>
Net Change in Fund Balance	(1,125,566)	2,351,019	2,376,712	25,693
Fund Balances - Beginning			6,016,754	6,016,754
Prior period adjustment			(25,693)	(25,693)
Fund Balances - Ending	\$ <u>(1,125,566)</u>	<u>2,351,019</u>	<u>8,367,773</u>	<u>6,016,754</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, 2007

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,905,549	2,025,284	2,025,284	
Road and bridge privilege taxes		1,203,916	1,203,916	
Licenses, commissions and other revenue	1,100,300	312	312	
Intergovernmental revenues	883,000	906,016	906,016	
Interest income	2,000	2,000	2,000	
Miscellaneous revenues	45,000	36,060	37,240	1,180
Total Revenues	<u>3,935,849</u>	<u>4,173,588</u>	<u>4,174,768</u>	<u>1,180</u>
EXPENDITURES				
Current:				
Public works	4,146,829	4,053,536	4,053,536	
Debt service:				
Principal	584,646	554,244	554,244	
Interest		67,589	67,589	
Total Expenditures	<u>4,731,475</u>	<u>4,675,369</u>	<u>4,675,369</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(795,626)</u>	<u>(501,781)</u>	<u>(500,601)</u>	<u>1,180</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets		199,637	199,637	
Other financing sources	800,000			
Total Other Financing Sources and Uses	<u>800,000</u>	<u>199,637</u>	<u>199,637</u>	<u>0</u>
Net Change in Fund Balance	4,374	(302,144)	(300,964)	1,180
Fund Balances - Beginning	<u>0</u>	<u>0</u>	<u>108,001</u>	<u>108,001</u>
Fund Balances - Ending	<u>\$ 4,374</u>	<u>(302,144)</u>	<u>(192,963)</u>	<u>109,181</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, 2007

A. Budgetary Information.

Statutory requirements dictate how and when the county's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the county, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The county's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

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

	General Fund	Road Maintenance Fund
Budget (Cash Basis)	\$ 2,376,712	(300,964)
Increase (Decrease)		
Net adjustments for revenue accruals	(1,321,686)	(42,272)
Net adjustments for expenditure accruals	(831,508)	(619,724)
Other financing sources (uses)	1,481,413	559,740
GAAP Basis	<u>\$ 1,704,931</u>	<u>(403,220)</u>

MADISON COUNTY

SUPPLEMENTAL INFORMATION

MADISON COUNTY
Reconciliation of Operating Costs of Solid Waste
For the Year Ended September 30, 2007

Operating Expenditures, Cash Basis:

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

Solid Waste Cash Basis Operating Expenditures 2,003,106

Full Cost Expenses:

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

Solid Waste Full Cost Operating Expenses \$ 42,746

MADISON COUNTY

SPECIAL REPORTS

Windham and Lacey, PLLC

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

Members of the Board of Supervisors
Madison County, Mississippi

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Madison County, Mississippi, as of and for the year ended September 30, 2007, which collectively comprise the county's basic financial statements and have issued our report thereon dated December 15, 2008. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the county's primary government unless the county also issues financial statements for the reporting entity that include the financial data for its component units. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Madison County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

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

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 07-1 to be a material weakness.

Compliance and Other Matters

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

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

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

Windham and Lacey, PLLC
Windham and Lacey, PLLC
December 15, 2008

Windham and Lacey, PLLC

Certified Public Accountants

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

Members of the Board of Supervisors
Madison County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Madison County, Mississippi, as of and for the year ended September 30, 2007. Our study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures as we considered necessary in the circumstances.

The Board of Supervisors of Madison County, Mississippi, is responsible for establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972). In addition, the Board of Supervisors is responsible for purchasing in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972). The Board of Supervisors of Madison County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

In our opinion, Madison County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements.

The accompanying schedules of (1) purchases not made from the lowest bidder, (2) emergency purchases and (3) purchases made noncompetitively from a sole source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned study and evaluation of the purchasing system and, in our opinion, is fairly presented when considered in relation to that study and evaluation.

This report is intended for use in evaluating the central purchasing system and inventory control system of Madison County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.

Windham and Lacey, PLLC

Windham and Lacey, PLLC
December 15, 2008

MADISON COUNTY
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2007

Schedule 1

Our test results did not identify any purchases from other than the lowest bidder.

MADISON COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2007

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
9/15/2007	Repair water leak	\$ 2,500	Canton Municipal Utilities	Water leak at jail

MADISON COUNTY
Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2007

Schedule 3

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
10/23/2006	Security canisters	\$ 17,370	Diebold
02/05/2007	Circuit Court software	10,500	Delta Management Software
05/07/2007	Voting machines and related Supplies	93,517	Diebold
06/07/2007	Encoders for voting machines	10,030	Diebold

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LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Madison County, Mississippi

In planning and performing our audit of the financial statements of Madison County, Mississippi for the year ended September 30, 2007, we considered Madison County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Madison County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated December 15, 2008, on the financial statements of Madison County, Mississippi.

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

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

Windham and Lacey, PLLC

Windham and Lacey, PLLC
December 15, 2008

MADISON COUNTY

SCHEDULE OF FINDINGS

MADISON COUNTY

Schedule of Findings
For the Year Ended September 30, 2007

Section 1: Summary of Auditor's Results

Financial Statements:

1.	Type of auditor's report issued on the financial statements:	
	Governmental Activities	Unqualified
	General Fund	Unqualified
	Road Maintenance Fund	Unqualified
	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

Section 2: Financial Statement Findings

Significant Deficiency – Material Weakness

07-1. Finding

Generally accepted accounting principles 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. 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 deliberate decision to exclude discretely presented component units because the cost and effort of this reporting requirement outweigh the benefit to Madison County. We intend to review this reporting requirement on a year to year basis to determine the benefit to Madison County.