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MADISON COUNTY, MISSISSIPPI
Audited Financial Statements and
Special Reports
For the Year Ended September 30, 2009

MADISON COUNTY

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MADISON COUNTY

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Members of the Board of Supervisors
Madison County, Mississippi

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Madison County, Mississippi, as of and for the year ended September 30, 2009, which collectively comprise the basic financial statements of the county's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on 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, 2009, 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, 2009, 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 July 20, 2010, on our consideration of Madison County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Windham and Lacey, PLLC

Windham and Lacey, PLLC
July 20, 2010

MADISON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

MADISON COUNTY, MISSISSIPPI

Management's Discussion and Analysis
For the Year Ending September 30, 2009

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, 2009. The intent of this discussion and analysis is to look at the County's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the County's financial performance.

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

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

MADISON COUNTY, MISSISSIPPI

Management's Discussion and Analysis For the Year Ending September 30, 2009

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 increased by 3.33 mills for the 2009 fiscal year, yet remains below the tax millage level of the 2002 fiscal year, reflecting tax millage reductions in the intervening years. This does not include School tax levies.

Total net assets increased \$7,469,042 from the prior fiscal year. The County's ending cash balance, for all funds, decreased by \$4,788,427, from the prior fiscal year.

The County had \$54,487,410 in total Governmental Funds revenues. Tax revenues account for \$30,743,941 or 56.51% of total revenues. Long Term Debt was issued in the amount of \$5,222,846 or 9.6% of total revenues.

The County had \$63,482,318 in total Governmental Funds expenses, which represents an increase 3.8% from the prior fiscal year. Expenses in the amount of \$7,540,995 were offset by grants, outside contributions or debt being issued. General revenues \$46,974,106 were adequate to provide for the remainder of the expenses.

Among major funds, the General Fund had \$23,547,230 in revenues, \$25,405,812 in expenditures and \$156,994 in other financing sources and uses. The General Fund's fund balance decreased \$1,261,685 under the prior year. The reason for the decrease in the General Fund's fund balance was primarily due a reduction in debt issued and debt service expenditures, as well as overall decreases in most expenditures categories.

Among major funds, the County Wide Road Maintenance Fund had \$4,808,495 in revenues, \$5,933,834 in expenditures, and \$821,552 in other financing sources and uses. The County Wide Road Maintenance Fund's fund balance decreased \$303,787 over the prior year primarily due to revenues outpacing expenditures.

Among major funds, the General County I & S Fund had \$7,991,606 in revenues, \$7,977,090 in expenditures, and \$106,437 in other financing sources and uses. The General County I & S Fund's fund balance increased \$120,953 due to revenues and long-term debt issued outpacing debt service.

Among major funds, the Road and Bridge Capital Project Fund had \$345,190 in revenues, \$5,556,334 in expenditures. The Road and Bridge Capital Project Fund's fund balance decreased \$5,211,144 over the prior year. The decrease in the Road and Bridge Capital Project Fund was due to capital project expenditures financed by prior year long term debt proceeds.

Among major funds, the Reunion Parkway Interchange Fund had \$424,599 in revenues, \$849,282 in expenditures. The Reunion Parkway Interchange Fund's fund balance decreased \$424,683 over the prior year. The decrease in the Reunion Parkway Interchange Fund was due to capital project expenditures financed by prior year long term debt proceeds.

MADISON COUNTY, MISSISSIPPI

Management's Discussion and Analysis
For the Year Ending September 30, 2009

Capital assets, net of accumulated depreciation, increased by \$6,376,962 over the prior year. The increase in Capital Assets, net of accumulated depreciation, was primarily due to addition of infrastructure and mobile equipment.

Long-term debt decreased by \$11,531,527 during the fiscal year. The county issued General Obligation Bonds in the amount of \$2,490,000, other loans in the amount of \$1,086,085 and capital leases in the amount of \$1,646,761. The County eliminated limited obligation bonds, or revenue bonds, which are paid by the Hospital, electing to disclose that information in the notes instead of the financial statements. Both financial statement inclusion and disclosure of notes to the financial statements are acceptable methods of accounting for limited obligation debt paid from revenues that are pledged by the Hospital.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

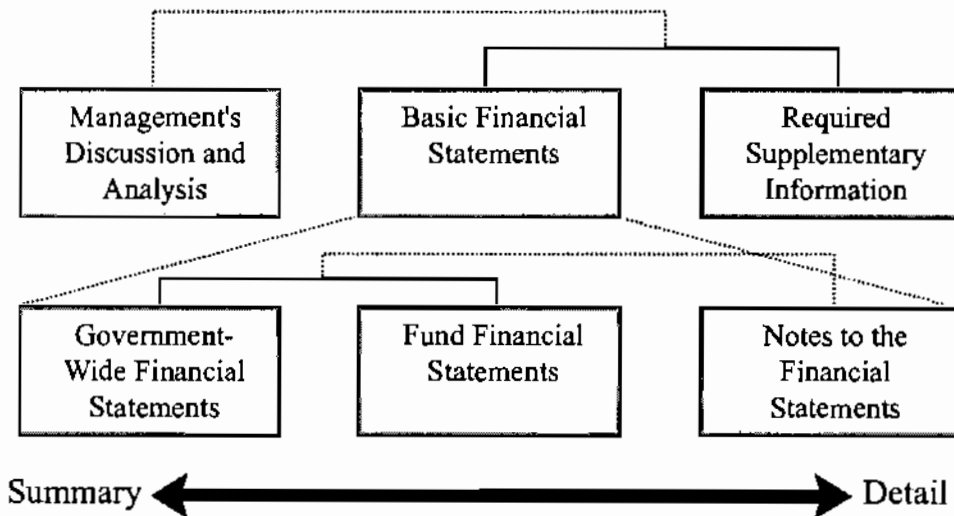


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

MADISON COUNTY, MISSISSIPPI

Management's Discussion and Analysis
For the Year Ending September 30, 2009

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

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

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

MADISON COUNTY, MISSISSIPPI

Management's Discussion and Analysis For the Year Ending September 30, 2009

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 18-20 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The "Governmental Funds Balance Sheet" and the "Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances" both provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 23 and 26-27, respectively.

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

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

MADISON COUNTY, MISSISSIPPI

Management's Discussion and Analysis
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Fiduciary funds are used to account for resources held for the benefit of parties outside the County government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accrual basis of accounting is used for fiduciary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The County's fiduciary activities are presented in a separate Statement of Fiduciary Net Assets, which can be found on page 28 of this report.

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

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

The County adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major fund. This required supplementary information can be found on pages 48-50 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 \$24,668,969 as of September 30, 2009.

The largest portion of the County's net assets (82%) 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, 2009, as compared to the fiscal year ended September 30, 2008.

	Current Year Governmental Activities	Prior Year Governmental Activities
Current assets	\$ 66,776,704	\$ 70,002,937
Capital assets, net	<u>95,930,661</u>	<u>89,553,699</u>
Total assets	<u>162,707,365</u>	<u>159,556,636</u>
Current liabilities	35,265,053	28,051,839
Long-term debt outstanding	<u>102,773,343</u>	<u>114,304,870</u>
Total liabilities	<u>138,038,396</u>	<u>142,356,709</u>
Net assets:		
Invested in capital assets, net of related debt	20,829,018	13,571,961
Restricted	26,234,192	3,861,968
Unrestricted	<u>(22,394,241)</u>	<u>(234,002)</u>
Total net assets	<u>\$24,668,969</u>	<u>\$17,199,927</u>

MADISON COUNTY, MISSISSIPPI

Management's Discussion and Analysis
For the Year Ending September 30, 2009

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 \$5,222,846.
- \$8,609,437 of long-term debt principal was retired, and \$8,182,695 in limited obligation debt was adjusted, to be disclosed in the notes to the financial statements instead of on the face of the financial statements.

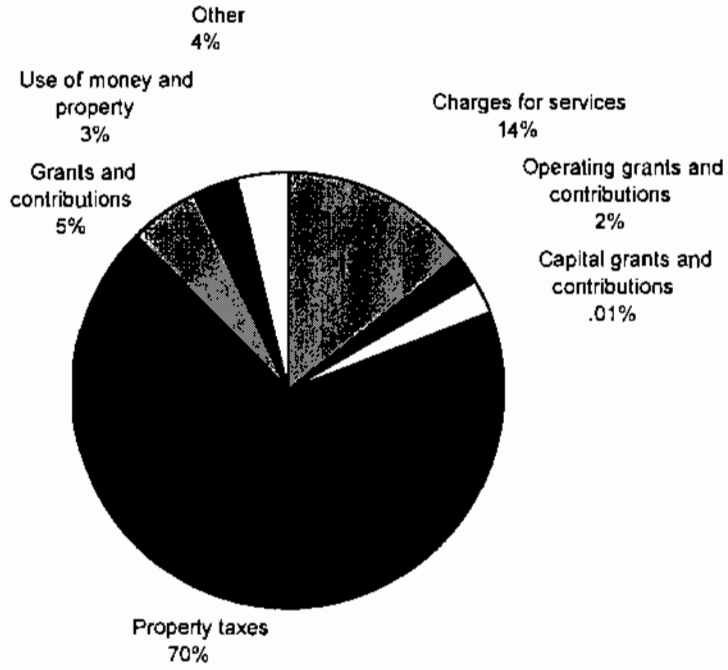
Changes in Net Assets – Madison County's total revenues for the fiscal year ended September 30, 2009 was \$49,292,256. The total cost for all services provided was \$49,658,692. The decrease in net assets was \$366,436. The following table presents a summary of the changes in net assets for the fiscal year ended September 30, 2009, as compared to the fiscal year ended September 30, 2008.

	Current Year <u>Amount</u>	Prior Year <u>Amount</u>
Revenues:		
Program revenues		
Charges for services	7,076,049	6,913,402
Operating grants and contributions	1,184,750	1,236,085
Capital grants and contributions	1,133,399	219,605
General revenues		
Property taxes	33,765,794	29,721,813
Grants and contributions	2,576,265	2,285,357
Use of money and property	1,596,397	1,036,270
Other	<u>1,959,602</u>	<u>7,141,737</u>
Total Revenues	<u>49,292,256</u>	<u>48,554,269</u>
Expenses:		
General government	7,931,441	13,293,447
Public safety	12,379,481	12,420,948
Public works	19,081,654	10,262,958
Health and welfare	944,761	863,834
Culture and recreation	1,433,754	1,467,043
Conservation of natural resources	358,805	353,439
Economic development	511,707	705,396
Other expenses	<u>7,017,089</u>	<u>3,874,731</u>
Total Expenses	<u>49,658,692</u>	<u>43,241,796</u>
Decrease in Net Assets	<u>\$ (366,436)</u>	<u>\$ 5,312,473</u>

MADISON COUNTY, MISSISSIPPI

Management's Discussion and Analysis
For the Year Ending September 30, 2009

WHERE THE COUNTY GETS ITS REVENUE



MADISON COUNTY, MISSISSIPPI

Management's Discussion and Analysis For the Year Ending September 30, 2009

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	\$7,931,441	\$4,397,975
Public Safety	12,379,481	8,584,166
Public Works	19,081,654	17,151,197
Health & Welfare	944,761	809,801
Culture & Recreation	1,433,754	1,433,754
Conservation of Natural Resources	358,805	358,805
Economic Development	511,707	511,707
Interest on Long-term Debt	5,931,004	5,931,004

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 \$31,010,865, a decrease of \$9,589,709. The primary reason for this decrease was a decrease in long-term debt issued.

The General Fund is the principal operating fund of the County. The decrease in the fund balance of the General Fund for the fiscal year was \$1,858,582. This decrease was primarily due to the decrease in other financing sources and uses, general government and public safety expenditures.

BUDGETARY HIGHLIGHTS OF MAJOR FUNDS

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

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – As of September 30, 2009, Madison County's total capital assets was \$183,930,773. This includes additions to roads, bridges, and other infrastructure for the 2009 fiscal year; land, buildings, mobile equipment, furniture and equipment, leased property under capital lease and construction in progress. This amount represents an increase from the previous year of \$8,945,553. The majority of this increase was due to new infrastructure and construction-in-progress.

MADISON COUNTY, MISSISSIPPI

Management's Discussion and Analysis
For the Year Ending September 30, 2009

Depreciation expense for the year ended September 30, 2009 was \$2,870,697. The balance in total net capital assets was \$95,930,661 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					Balance
	Oct. 1, 2008	Additions	Deletions	Reclassifications	Adjustments	Sept 30, 2009
<u>Non-depreciable capital assets:</u>						
Land	\$ 822,418	150,000				\$ 972,418
Construction in progress	13,777,261	7,063,284		(8,122,604)	604	12,718,545
Total non-depreciable capital assets:	14,599,679	7,213,284	-	(8,122,604)	604	13,690,963
<u>Depreciable capital assets:</u>						
Buildings	29,924,246	26,839		6,299,512	(3)	36,250,594
Mobile equipment	7,153,468	988,519	(284,173)		34,446	7,892,260
Other furniture and fixtures	2,940,470	173,866	(43,952)			3,070,384
Capital leases	3,228,362	876,961	(40,833)		(4)	4,064,486
Infrastructure	117,138,995			1,823,092	(1)	118,962,086
Total capital assets being depreciated	160,385,541	2,066,185	(368,958)	8,122,604	34,438	170,239,810
Less: Accumulated depreciation for:						
Buildings	7,130,815	653,019				7,783,834
Mobile equipment	4,701,413	648,796	(250,386)		3,137	5,102,960
Other furniture and fixtures	2,027,812	295,076	(40,233)			2,282,655
Capital leases	1,119,428	620,629	(14,624)			1,725,433
Infrastructure	70,452,053	653,177				71,105,230
Total accumulated depreciation	85,431,521	2,870,697	(305,243)	-	3,137	88,000,112
Total depreciable capital assets, net	74,954,020	(804,512)	(63,715)	8,122,604	31,301	82,239,698
Governmental activities capital assets, net	\$ 89,553,699	6,408,772	(63,715)	-	31,905	\$ 95,930,661

MADISON COUNTY, MISSISSIPPI

Management's Discussion and Analysis
For the Year Ending September 30, 2009

Debt Administration – At September 30, 2009, Madison County had \$102,773,343 in long-term debt outstanding. This includes general obligation bonds, special assessment debt, other debt and obligations under capital leases. Of this debt, \$6,608,714 is due within one year.

In the past year, the County issued \$2,490,000 in General Obligation Bonds, \$1,086,085 in other loans and \$1,646,761 in Capital Leases for garbage trucks and debt refinancing.

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

Shown below is a table showing the balance of long term debt 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. road and bridge bonds (Nissan), Series 2001	5 to 5.75	3,040,000	Jun-26
G O refunding bonds, Series 2004	2.7 to 3.3	3,370,000	May-14
G O refunding bond project	4 to 6	9,830,000	Jun-24
G O refunding Road and Bridge & Refunding Bonds, Series 2006	4.125 to 5	14,900,000	May-26
G O. Nissan refunding bonds, Series 2006	Variable	17,510,000	Sep-26
G. O. road and bridge bonds Series 2007	4 to 5	11,220,000	May-27
G O road and bridge bonds Series 2008	3.5 to 5	31,975,000	Mar-28
Courthouse project refunding bonds	2.5 to 3.25	2,275,000	Jun-14
MS Development Bank Special Obligation refunding bonds, Series 2009	1.5 to 4.0	<u>2,490,000</u>	May-24
Total G. O. Bonds		<u>96,610,000</u>	
Special Assessment Bonds			
Parkway special assessment refunding bonds, Series 1998	4.35 to 6.0	<u>1,115,000</u>	Jun-12
Capital Leases			
AMR Video Wall Display	4.99	49,462	Jul-11
F-911 Phase 2 Upgrades	4.4	202,929	Oct-11
3-Volvo Motorgraders	4.94	503,763	Apr-10
21-Ford Crown Victorias	4.88	98,634	May-10
20-2008 Crown Victorias	4.19	220,792	Apr-11
9-2007 Mack dump trucks and 5-2007 Mack tractors	3.1	749,368	Aug-12
6 Volvo Garbage trucks	3.1	<u>876,961</u>	Sep-13
Total Capital Leases		<u>2,701,909</u>	

MADISON COUNTY, MISSISSIPPI

Management's Discussion and Analysis
For the Year Ending September 30, 2009

Other Loans:

Capital improvement loan	4.00	53,326	Sep-13
Industrial development capital improvement (CAP)	3.00	358,504	Sep-10
Industrial development capital improvement (CAP)	3.00	<u>1,056,012</u>	Dec-10
Total Other Loans		<u>1,467,842</u>	
Total Debt Outstanding		<u>101,894,751</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 2009, 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, 2009

Exhibit I

	<u>Primary Government</u>
	<u>Governmental</u>
	<u>Activities</u>
ASSETS	
Cash	\$ 39,139,401
Property tax receivable	23,343,859
Fines receivable, net of allowance for uncollectibles of \$400,093	518,009
Capital leases receivable	268,190
Intergovernmental receivables	905,444
Other receivables, net	1,145,206
Unamortized bond discount	58,999
Bond issue cost, net	1,397,596
Land and construction in progress	13,690,963
Other capital assets, net	82,239,698
Total Assets	<u>162,707,365</u>
LIABILITIES	
Claims payable	1,219,952
Claims and judgments	170,501
Intergovernmental payables	1,414,805
Accrued interest payable	1,502,122
Deferred revenue	23,387,049
Deferred revenue-special assessments	1,115,000
Premium on bonds, net	196,693
Other payables	6,258,928
Long-term liabilities	
Due within one year:	
Capital related debt	6,532,452
Non-capital debt	81,420
Due in more than one year:	
Capital related debt	93,947,783
Non-capital debt	2,211,688
Total Liabilities	<u>138,038,393</u>
NET ASSETS	
Invested in capital assets, net of related debt	20,829,018
Restricted net assets:	
Expendable:	
Public safety	376,951
Public works	1,064,830
Capital projects	24,123,350
Economic development	35,710
Culture and recreation	68,071
Other	565,280
Unrestricted	<u>(22,394,240)</u>
Total Net Assets	<u>\$ 24,668,970</u>

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

Exhibit 2

Madison County
Statement of Activities
For the Year Ended September 30, 2009

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Fines, forfeitures and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	
Primary government:						
Governmental activities:						
General government	\$ 7,931,441	3,330,273	203,193	-	(4,397,975)	
Public safety	12,379,481	2,974,443	777,471	43,401	(8,584,166)	
Public works	19,081,654	771,333	69,126	1,089,998	(17,151,197)	
Health and welfare	944,761		134,960		(809,801)	
Culture and recreation	1,433,754				(1,433,754)	
Conservation of natural resources	358,805				(358,805)	
Economic development and assistance	1,597,792				(1,597,792)	
Interest on long-term debt	5,931,004				(5,931,004)	
Total Governmental Activities	49,658,692	7,076,049	1,184,750	1,133,399	(40,264,494)	
Business-type activities:						
Total Business-type Activities	-	-	-	-	-	
Total Primary Government	\$ 49,658,692	7,076,049	1,184,750	1,133,399	(40,264,494)	

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

MADISON COUNTY

Balance Sheet - Governmental Funds

September 30, 2009

Exhibit 3

	Major Funds							Total Governmental Funds
	General Fund	Road Maintenance Fund	General County I & S Fund	Road and Bridge Capital Project Fund	Reunion Parkway Interchange Fund	Other Governmental Funds		
ASSETS								
Cash	\$ 11,936,345	197,323	621,416	8,397,774	16,135,288	1,851,255	39,139,401	
Property tax receivable	12,047,986	1,707,500	6,022,200			3,566,173	23,343,859	
Fines receivable , net of allowance of \$400,093	518,009						518,009	
Capital lease receivable	268,190						268,190	
Intergovernmental receivables	905,444						905,444	
Other receivables	30,206					1,115,000	1,145,206	
Due from other funds		142,753	106,548			66,855	316,156	
Total Assets	\$ 25,706,180	2,047,576	6,750,164	8,397,774	16,135,288	6,599,283	65,636,265	
LIABILITIES AND FUND BALANCES								
Liabilities:								
Claims payable	\$ 448,893	47,148		371,823	38,323	313,765	1,219,952	
Claims and judgments	170,501						170,501	
Intergovernmental payables	1,414,805						1,414,805	
Due to other funds	316,156						316,156	
Deferred revenues- special assessments						1,115,000	1,115,000	
Deferred revenue	12,834,183	1,707,500	6,022,200			3,566,175	24,130,058	
Other payables	6,258,928						6,258,928	
Total Liabilities	21,443,466	1,754,648	6,022,200	371,823	38,323	4,994,940	34,625,400	

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

MADISON COUNTY

Balance Sheet - Governmental Funds
September 30, 2009

Exhibit 3
(continued)

	Major Funds							Total Governmental Funds
	General Fund	Road Maintenance Fund	General County I & S Fund	Road and Bridge Capital Project Fund	Reunioy Parkway Interchange Fund	Other Governmental Funds		
Fund balances:								
Reserved for:								
Debt service funds			727,964			278,266		1,006,230
Unreserved, reported in:								
General fund	4,262,714							4,262,714
Special revenue funds		292,928						1,618,569
Capital project funds				8,025,951	16,096,965	436		24,123,352
Total Fund Balances	4,262,714	292,928	727,964	8,025,951	16,096,965	1,604,343		31,010,865
Total Liabilities and Fund Balances	\$ 2,5,706,180	2,047,576	6,750,164	8,397,774	16,135,288	6,599,283		65,636,265

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

MADISON COUNTY

Exhibit 3-1

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2009

	<u>Amount</u>
Total fund balance - governmental funds (Exhibit 3)	\$ 31,010,865
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	95,930,661
Bond issue costs are amortized over the life of the bonds and therefore are not current period expenditures	1,397,596
Premium on bonds	(196,693)
Discount on bonds	58,999
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	518,009
Long-term liabilities are not due and payable in the current-period and therefore are not reported in the funds.	
Long-term liabilities	(102,773,343)
Accrued interest on bonds	(1,502,122)
Capital leases are not available to pay for current year expenditures and, therefore, are deferred in the funds.	225,000
Rounding	<u>(2)</u>
Total net assets - governmental activities (Exhibit 1)	\$ <u><u>24,668,970</u></u>

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

MADISON COUNTY
 Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
 For the Year Ended September 30, 2009

	Major Funds										Total Governmental Funds
	General Fund	Road Maintenance Fund	General County I & S Fund	Road and Bridge Capital Project Fund	Reunion Parkway Interchange Fund	Other Governmental Funds					
REVENUES											
Property taxes	\$ 14,653,127	2,740,526	7,870,705			5,479,583					30,743,941
Road and bridge privilege taxes	6,546	1,249,692									1,256,238
Licenses, commissions, and other revenues	2,598,426	210	411			376					2,599,423
Fines and forfeitures	1,091,658					14,711					1,106,369
Special assessments						402,066					402,066
Payments in lieu of taxes						1,765,615					1,765,615
Intergovernmental revenues	2,120,748	794,357	3,790			1,975,043					4,893,938
Charges for services	1,767,235					1,801,810					3,569,045
Interest income	400,645			345,190	424,599	31,166					1,201,600
Miscellaneous revenues	991,812	23,710	116,700			472,147					1,604,369
Total Revenues	23,630,197	4,808,495	7,991,606	345,190	424,599	11,942,517					49,142,604

EXPENDITURES

Current:

General government	13,613,341					13,963					13,627,304
Public safety	9,651,883					2,714,260					12,366,143
Public works	192,972	4,957,461			849,282	7,993,155					19,549,204
Health and welfare	980,645			5,556,334							980,645
Culture and recreation	53,267					1,380,487					1,433,754
Conservation of natural resources	357,050										357,050
Economic development and assistance	1,095,685					502,107					1,597,792

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, 2009

	Major Funds							Total Governmental Funds
	General Fund	Road Maintenance Fund	General County I & S Fund	Road and Bridge Capital Project Fund	Rennion Parkway Interchange Fund	Other Governmental Funds		
Debt service:								
Principal	453,687	936,645	3,720,000			1,211,757	6,322,089	
Interest	93,367	39,728	4,131,199			1,069,840	5,334,134	
Bond issue costs			125,891				125,891	
Total Expenditures	26,491,897	5,933,834	7,977,090	5,556,334	849,282	14,885,569	61,694,006	
Excess of Revenues over (under) Expenditures	(2,861,700)	(1,125,339)	14,516	(5,211,144)	(424,683)	(2,943,052)	(12,551,402)	
OTHER FINANCING SOURCES (USES)								
Long-term capital debt issued	1,086,085	769,800	2,490,000			876,961	5,222,846	
Payments to bond refunding agent			(2,303,683)				(2,303,683)	
Compensation for loss of capital assets	30,658	51,752					82,410	
Discount on bond issue	-		(60,425)				(60,425)	
Transfers in	500,533						500,533	
Transfers out	(497,164)					497,164	997,697	
Lease principal payments	40,000					(500,533)	(997,697)	
Other financing uses							40,000	
Total Other Financing Sources and Uses	1,160,112	821,552	(19,455)	-	-	873,592	(19,455)	
Net Changes in Fund Balances	(1,701,588)	(303,787)	120,953	(5,211,144)	(424,683)	(2,069,460)	(9,589,709)	
Fund Balances - Beginning	6,381,481	596,715	607,011	13,237,095	16,521,648	3,635,745	40,979,695	
Prior period adjustment	(417,179)					38,058	(379,121)	
Fund Balances - Beginning, restated	5,964,302	596,715	607,011	13,237,095	16,521,648	3,673,803	40,600,574	
Fund Balances - Ending	\$ 4,262,714	292,928	727,964	8,025,951	16,096,965	1,604,343	31,010,865	

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, 2009

Net changes in fund balances - total governmental funds (Exhibit 4) \$ (9,589,709)

Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays \$9,279,469 exceeded depreciation \$2,870,697 in the current period. 6,408,772

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 \$51,690 and the proceeds from insurance and the sale of \$ 12,025 in the current period. (63,715)

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. 67,187

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 \$ 8,625,772 were more than debt proceeds \$5,222,846. 3,402,926

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, 2009

(continued)

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	(54,094)
Accrued interest payable	(596,866)
Bond issue cost and discount amortized in government-wide statements	186,316
Bond issue costs incurred	(99,334)
Premium on bonds received	12,078

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

(40,000)

Rounding

3

Change in net assets of governmental activities (Exhibit 2)

\$ (366,436)

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

MADISON COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2009

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 693,521
Intergovernmental receivables	1,872,700
Total Assets	\$ <u>2,566,221</u>
LIABILITIES	
Claims payable and other accrued liabilities	2,566,221
Total Liabilities	\$ <u><u>2,566,221</u></u>

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

MADISON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2009

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

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

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

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

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

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

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

MADISON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2009

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

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

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

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

The county reports the following major Governmental Funds:

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

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

MADISON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2009

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

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

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

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

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

FIDUCIARY FUND TYPES

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

D. Account Classifications.

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

E. Deposits and Investments.

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

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

MADISON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2009

F. Receivables.

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

G. Interfund Transactions and Balances.

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

H. Capital Assets.

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

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

MADISON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2009

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

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

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

I. Long-term Liabilities.

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

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

J. Equity Classifications.

Government-wide Financial Statements:

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

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

Restricted net assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

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

MADISON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2009

Fund Financial Statements:

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

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

K. Property Tax Revenues.

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

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

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

L. Intergovernmental Revenues in Governmental Funds.

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

M. Compensated Absences.

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

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2009

(2) Prior Period Adjustments.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 - Statement of Activities

Explanation	Amount
An asset purchased in September, 2008 was added to capital assets in the current year	\$ 31,905
See adjustments below	(379,121)
Total prior period adjustments	<u>\$ (347,214)</u>

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

Explanation	Amount
General Fund:	
Prior year accrual to self-ins was not reversed last year	\$ (281,286)
Interest income for Sep., 2008 should have been accrued last year	35,138
EMSOF grant should have been accrued in prior year	(42,001)
Prior year's reversing entry was corrected for accrued revenues	(7,136)
Petty cash should have been eliminated in a prior year	(18,400)
Beginning balance and adjusted deposit corrections	9,396
Entries for Justice Court cash were not reversed prior year	(112,890)
total prior period adjustments-General funds	<u>(417,179)</u>
Other governmental funds:	
AOP grant for fy'08 received fy'09	(10,104)
Prior year's reversing entry correction for accrued revenues	7,137
correction of beginning claims payable	(976)
EMSOF grant should have been accrued in prior year	42,001
total prior period adjustments-Other governmental funds	<u>38,058</u>
Total Prior period adjustments	<u>\$ (379,121)</u>

(3) Change in accounting principle.

Exhibit 2 - Statement of Activities

The County changed the method of accounting for conduit debt from one acceptable method to another. Hospital revenue bonds are paid primarily from the hospital's pledged revenues, and can be reported on the face of the financial statements, as previously reported. It can also be reported as a note disclosure, which is the method chosen by the County for the current year. The amount of debt outstanding at the beginning of the year was \$8,182,695 and is shown as an adjustment to net assets on Exhibit 2.

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2009

(4) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2009, was \$39,832,922 and the bank balance was \$41,183,120. 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.

(5) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2009:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Road Maintenance fund	General fund	\$ 142,753
General Co. I & S fund	General fund	106,548
Other Governmental funds	General fund	66,855
Total		<u>316,156</u>

Amounts listed are the tax revenues collected but not settled until October, 2009. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General fund	Other governmental funds	\$ 500,533
Other governmental funds	General fund	497,164
Total		<u>\$ 997,697</u>

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

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2009

(6) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2009, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tax credit	\$ 584,396
Charges for services-housing prisoners	307,428
Other revenues	<u>13,620</u>
	<u>\$ 905,444</u>

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2009

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2009:

	Balance					Balance
	Oct 1, 2008	Additions	Deletions	Reclassifications	Adjustments	Sept 30, 2009
<u>Non-depreciable capital assets:</u>						
Land	\$ 822,418	150,000				\$ 972,418
Construction in progress	13,777,261	7,063,284		(8,122,604)	604	12,718,545
Total non-depreciable capital assets:	<u>14,599,679</u>	<u>7,213,284</u>	<u>-</u>	<u>(8,122,604)</u>	<u>604</u>	<u>13,690,963</u>
<u>Depreciable capital assets:</u>						
Buildings	29,924,246	26,839		6,299,512	(3)	36,250,594
Mobile equipment	7,153,468	988,519	(284,173)		34,446	7,892,260
Other furniture and fixtures	2,940,470	173,866	(43,952)			3,070,384
Capital leases	3,228,362	876,961	(40,833)		(4)	4,064,486
Infrastructure	117,138,995			1,823,092	(1)	118,962,086
Total capital assets being depreciated	<u>160,385,541</u>	<u>2,066,185</u>	<u>(368,958)</u>	<u>8,122,604</u>	<u>34,438</u>	<u>170,239,810</u>
Less: Accumulated depreciation for:						
Buildings	7,130,815	653,019				7,783,834
Mobile equipment	4,701,413	648,796	(250,386)		3,137	5,102,960
Other furniture and fixtures	2,027,812	295,076	(40,233)			2,282,655
Capital leases	1,119,428	620,629	(14,624)			1,725,433
Infrastructure	70,452,053	653,177				71,105,230
Total accumulated depreciation	<u>85,431,521</u>	<u>2,870,697</u>	<u>(305,243)</u>	<u>-</u>	<u>3,137</u>	<u>88,000,112</u>
Total depreciable capital assets, net	<u>74,954,020</u>	<u>(804,512)</u>	<u>(63,715)</u>	<u>8,122,604</u>	<u>31,301</u>	<u>82,239,698</u>
Governmental activities capital assets, net	\$ <u>89,553,699</u>	<u>6,408,772</u>	<u>(63,715)</u>	<u>-</u>	<u>31,905</u>	\$ <u>95,930,661</u>

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2009

Adjustments were made to capital assets due to rounding and to correct an error for an asset purchased in a prior year and recorded in the current year.

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 1,588,502
Public safety	617,551
Public works	659,827
Health and welfare	3,834
Conservation of natural resources	983
	<hr/>
Total governmental activities depreciation expense	<u>\$ 2,870,697</u>

Commitments with respect to unfinished capital projects at September 30, 2009, consisted of the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
Sowell Road	\$ 1,280,703	November 2010
Gluckstadt Road West to Catlett Road	2,731,367	October 2010

(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 \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2009, to January 1, 2010. 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, 2009

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, 2009, the amount of these liabilities was \$170,501. An analysis of claims activities is presented below:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance At Fiscal Year End
2007 - 2008	\$ 364,665	1,796,489	2,057,709	103,445
2008 - 2009	\$ 103,445	2,212,473	2,145,417	170,501

(9) Capital Leases.

As Lessor:

The county leases the following property with varying terms and options as of September 30, 2009:

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

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2009, are as follows:

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 40,000	13,735
2011	40,000	11,335
2012	45,000	8,895
2013	50,000	6,150
2014	50,000	3,075
Total	\$ 225,000	43,190

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2009

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2009:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 3,529,659
Furniture and equipment	<u>534,827</u>
Total	4,064,486
Less: Accumulated depreciation	<u>1,725,433</u>
Leased Property Under Capital Leases	<u>\$ 2,339,053</u>

The following is a schedule by years of the total payments due as of September 30, 2009:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 1,332,359	76,078
2011	666,173	33,982
2012	473,853	14,681
2013	<u>229,524</u>	<u>3,872</u>
Total	<u>\$ 2,701,909</u>	<u>128,613</u>

(10) Long-term Debt.

Debt outstanding as of September 30, 2009, consisted of the following:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Final Maturity Date</u>
General Obligation Bonds:			
G. O. road and bridge bonds (Nissan), Series 2001	5 to 5.75	\$ 3,040,000	Jun-26
G. O. refunding bonds, Series 2004	2.7 to 3.3	3,370,000	May-14
G. O. refunding bond project	4 to 6	9,830,000	Jun-24
G. O. refunding Road and Bridge & Refunding Bonds, Series 2006	4.125 to 5	14,900,000	May-26
G. O. Nissan refunding bonds, Series 2006	Variable	17,510,000	Sep-26
G. O. road and bridge bonds Series 2007	4 to 5	11,220,000	May-27
G. O. road and bridge bonds Series 2008	3.5 to 5	31,975,000	Mar-28
Courthouse project refunding bonds	2.5 to 3.25	2,275,000	Jun-14
MS Development Bank Special Obligation refunding bonds, Series 2009	1.5 to 4.0	<u>2,490,000</u>	May-24
Total G. O. Bonds		<u>96,610,000</u>	

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2009

Special Assessment Bonds:

Parkway special assessment refunding bonds,
Series 1998

4.35 to 6.0 1,115,000 Jun-12

Capital Leases:

AMR Video Wall Display	4.99	49,462	Jul-11
E-911 Phase 2 Upgrades	4.4	202,929	Oct-11
3-Volvo Motorgraders	4.94	503,763	Apr-10
21-Ford Crown Victorias	4.88	98,634	May-10
20-2008 Crown Victorias	4.19	220,792	Apr-11
9-2007 Mack dump trucks and 5-2007 Mack tractors	3.1	749,368	Aug-12
6 Volvo Garbage trucks	3.1	<u>876,961</u>	Sep-13

Total Capital Leases 2,701,909

Other Loans:

Capital improvement loan	4.00	53,326	Sep-13
Industrial development capital improvement (CAP)	3.00	358,504	Sep-10
Industrial development capital improvement (CAP)	3.00	<u>1,056,012</u>	Dec-10

Total Other Loans 1,467,842

Total Debt Outstanding \$ 1,01,894,751

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	
	Principal	Interest
2010	\$ 4,835,000	\$ 4,200,468
2011	5,030,000	3,992,828
2012	5,250,000	3,768,082
2013	5,495,000	3,531,727
2014	5,465,000	3,279,956
2015-2019	23,570,000	13,154,233
2020-2024	29,675,000	7,304,030
2025-2029	17,290,000	1,254,237
Total	<u>\$ 96,610,000</u>	<u>\$ 40,485,561</u>

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2009

Year Ending September 30,	Special Assessment Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2010	\$ 355,000	\$ 46,145	\$ 91,513	\$ 43,208
2011	375,000	28,438	94,401	40,320
2012	385,000	9,625	97,372	37,339
2013			100,456	34,266
2014			102,214	31,093
2015-2019			398,671	95,740
2020-2024			295,135	66,269
2025-2029			288,080	19,115
Total	\$ 1,115,000	\$ 84,208	\$ 1,467,842	\$ 367,350

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, 2009, the amount of outstanding debt was equal to 7.46% 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, 2009, is \$1,115,000.

Prior Year Defeasance of Debt - In prior years, the county defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the county's financial statements. On September 30, 2009, \$17,790,000 of bonds outstanding were considered defeased.

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2009

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2009:

	Beginning Balance	Additions	Reductions	Adjustments	Ending Balance	Due Within One Year
Governmental activities:						
Compensated absences	\$ 824,498	54,094			878,592	
General obligation bonds	98,560,000	2,490,000	4,440,000		96,610,000	4,835,000
Limited obligation bonds	8,182,695			(8,182,695)	-	
Special assessment bonds	1,450,000		335,000		1,115,000	355,000
Capital leases	2,439,133	1,646,761	1,383,985		2,701,909	1,332,359
Other loans	2,848,544	1,086,085	2,466,787		1,467,842	91,513
Governmental activity						
Long-term liabilities	\$ 114,304,870	5,276,940	8,625,772	(8,182,695)	102,773,343	6,613,872

The County eliminated limited obligation bonds, or revenue bonds, which are paid by the Hospital, electing to disclose that information in the notes instead of the financial statements. Both financial statement inclusion and disclosure of notes to the financial statements are acceptable methods of accounting for limited obligation debt paid from revenues that are pledged by the Hospital.

The County refunded Mississippi Development Bank for a \$15 million line of credit, with a balance due as of September 30, 2008 of \$2,387,946, with a MS Development Bank \$2,490,000 special obligation refunding bonds, series 2009. Issue costs incurred were \$186,317 and payments to refund the debt were \$2,303,683. The remaining balance of the old outstanding debt was paid from the General fund.

(11) Deficit Fund Balances of Individual Funds.

Fund	Deficit amount
Planning & Zoning Fund	\$ (218,742)
Emergency 911	(102,723)
Garbage & Solid Waste	(372,742)

These deficit fund balances are due to adjustments and/or eliminations necessary for the preparation of modified accrual financial statements. No material deficit fund balances existed for these funds before the adjusting entries were made.

(12) Contingencies.

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

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

MADISON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2009

Hospital Revenue Bond Contingencies – The county issues revenue bonds to provide funds for constructing and improving capital facilities of the Madison County Nursing Home. Revenue bonds are reported as a liability of the hospital because such debt is payable primarily from the hospital's pledged revenues. However, the county remains contingently liable for the retirement of these bonds because the full faith, credit and taxing power of the county is secondarily pledged in case of default by the hospital. The principal amount of hospital revenue bonds outstanding at September 30, 2009 is \$8,000,000.

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

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

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, 2009, was \$225,000. This amount has been recorded as lease payments receivable and a corresponding amount is shown as deferred revenue-leasing transactions at September 30, 2009.

The trust accounts created by this agreement constitute an inseparable part of the county. Therefore, the assets, liabilities, equity, revenues, expenditures and other financing sources/uses of the trust accounts created by the trust agreements are included as part of the county's financial statements, thereby eliminating the effects of the lease agreements for financial reporting purposes.

(14) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Holmes Community College operates in a district composed of the Counties of Attala, Carroll, Choctaw, Grenada, Holmes, Madison, Montgomery, Webster and Yazoo. The Madison County Board of Supervisors appoints two of the 22 members of the college board of trustees. The county appropriated \$2,258,700 for maintenance and support of the college in fiscal year 2009.

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 2009.

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 2009.

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 2009.

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2009

(15) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2009 was 12% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2009, 2008 and 2007 were 1,626,774, \$1,503,442, and \$1,354,646, respectively, equal to the required contributions for each year.

(16) Subsequent Events.

Subsequent to September 30, 2009, 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>
5/27/2010	2%	\$ 83,109	CAP loan	Ad valorem tax
1/28/2010	2%	17,155	CAP loan	Ad valorem tax
11/17/2009	2%	36,307	CAP loan	Ad valorem tax
	TOTAL	\$ 136,571		

MADISON COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

MADISON COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2009

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 15,463,550	14,670,009	14,670,009	0
Licenses, commissions and other revenue	2,202,915	2,608,822	2,608,822	0
Fines and forfeitures	1,235,000	1,077,198	1,077,198	0
Intergovernmental revenues	3,334,750	3,444,577	3,444,577	0
Charges for services	1,400,000	1,459,807	1,459,807	0
Interest income	465,000	387,239	387,239	0
Miscellaneous revenues	436,000	931,656	931,656	0
Total Revenues	<u>24,537,215</u>	<u>24,579,308</u>	<u>24,579,308</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	12,735,308	13,716,597	13,720,106	(3,509)
Public safety	9,560,502	9,754,731	9,981,906	(227,175)
Health and welfare	837,676	950,648	950,648	0
Culture and recreation	27,400	22,560	22,560	0
Education	600,000	892,795	892,795	0
Conservation of natural resources	362,000	353,213	353,213	0
Economic development and assistance	9,600	9,600	9,600	0
Debt service:				
Principal	41,790	115,516	115,516	0
Interest		58,164	58,164	0
Total Expenditures	<u>24,174,276</u>	<u>25,873,824</u>	<u>26,104,508</u>	<u>(230,684)</u>
Excess of Revenues over (under) Expenditures	<u>362,939</u>	<u>(1,294,516)</u>	<u>(1,525,200)</u>	<u>(230,684)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	242,000	717,998	717,998	0
Transfers out		(311,367)	(311,367)	0
Other financing uses	(535,000)	(377,088)	(377,088)	0
Total Other Financing Sources and Uses	<u>(293,000)</u>	<u>29,543</u>	<u>29,543</u>	<u>0</u>
Net Change in Fund Balance	69,939	(1,264,973)	(1,495,657)	(230,684)
Fund Balances - Beginning				0
Fund Balances - Ending	<u>\$ 69,939</u>	<u>(1,264,973)</u>	<u>(1,495,657)</u>	<u>(230,684)</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, 2009

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 2,107,400	2,739,887	2,739,887	0
Road & Bridge Privilege	1,200,000	1,247,118	1,247,118	0
Lic., Commission & Other revenue	200	210	210	0
Intergovernmental revenues	805,000	794,356	794,356	0
Interest income	1,000	0	0	0
Miscellaneous revenues	25,500	75,461	23,710	51,751
Total Revenues	<u>4,139,100</u>	<u>4,857,032</u>	<u>4,805,281</u>	<u>(51,751)</u>
EXPENDITURES				
Current:				
Public works	3,663,268	5,009,704	5,009,704	0
Debt service	289,050	206,572	206,572	0
Total Expenditures	<u>3,952,318</u>	<u>5,216,276</u>	<u>5,216,276</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>186,782</u>	<u>(359,244)</u>	<u>(410,995)</u>	<u>(51,751)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from loss of capital assets	12,000		51,751	51,751
Total Other Financing Sources and Uses	<u>12,000</u>	<u>0</u>	<u>51,751</u>	<u>51,751</u>
Net Change in Fund Balance	198,782	(359,244)	(359,244)	0
Fund Balances - Beginning				0
Fund Balances - Ending	\$ <u>198,782</u>	<u>(359,244)</u>	<u>(359,244)</u>	<u>0</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, 2009

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)	\$ (1,495,657)	(359,244)
Increase (Decrease)		
Net adjustments for revenue accruals	(1,032,078)	3,214
Net adjustments for expenditure accruals	698,696	(717,558)
Other financing sources (uses)	127,451	769,801
GAAP Basis	\$ <u>(1,701,588)</u>	<u>(303,787)</u>

MADISON COUNTY

SUPPLEMENTAL INFORMATION

MADISON COUNTY

Reconciliation of Operating Costs of Solid Waste
For the Year Ended September 30, 2009

Operating Expenditures, Cash Basis:

Contract hauling	\$	2,057,589
Landfill charges		242,006
Rent		5,700
Other machinery and equipment		880,945
Miscellaneous		<u>9,369</u>

Solid Waste Cash Basis Operating Expenditures 3,195,609

Full Cost Expenses:

Indirect administrative costs		60,239
Depreciation on equipment		<u>39,465</u>

Solid Waste Full Cost Operating Expenses \$ 3,295,313

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, 2009, which collectively comprise the county's basic financial statements and have issued our report thereon dated July 20, 2010. 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 and Responses as 09-1 and 09-2 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 09-1 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, none of 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*.

However, we noted certain matters that we reported to the management of Madison County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated July 20, 2010, included within this document.

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

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

Windham and Lacey, PLLC

Windham and Lacey, PLLC
July 20, 2010

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, 2009. 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
July 20, 2010

MADISON COUNTY

Schedule 1

Schedule of Purchases Not Made From the Lowest Bidder
 For the Year Ended September 30, 2009

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Reason for Accepting Other Than the Lowest Bid</u>
4/6/2009	Six garbage trucks	\$ 876,961	Old River Volvo/Jackson	Low bidder did not meet specifications

MADISON COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2009

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
4/4/2009	36 tons of asphalt	\$ 1,980	APAC MS, Inc.	Repair dangerous hridge

MADISON COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2009

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
10/7/2008	VPN software	\$ 9,219	Netmotion Division of ATT
10/10/2008	NCIC software	31,481	DCS

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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, 2009, 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 July 20, 2010, on the financial statements of Madison County, Mississippi.

Due to the reduced scope, these review procedures and compliance test cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of 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.

The results of our review procedures and compliance tests identified certain immaterial instances of noncompliance with state laws and regulations that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are discussed below:

Board of Supervisors

1. Finding

Section 19-11-17, Miss. Code Ann. (1972), states "no expenditures shall be made, or liabilities incurred, or warrants issued, in excess of the budget estimates thus made and approved by the board of supervisors..." The final approved budget for the General Fund did not include certain payroll expenditures that were posted after the final budget report was printed, and resulted in actual expenditures exceeding the final approved budget. The amount spent over the final approved budget was \$230,684.

Recommendation

The Board of Supervisors should approved the final budget after all expenditures for the year are posted.

Response

The amount spent over the budget (\$230,684) represents the amount of a biweekly payroll paid on October 2, 2009. The bank requires on direct deposit transactions that the file be sent to the bank two days prior to the pay date which in this case was September 30, 2009. Although no funds were released before October 1, the direct deposit function

requires that net pay be posted to the system at the time the file is generated. At the time of the posting, funds were available to support the payroll and budgeted funds were available in the 2010 fiscal year budget for which this payroll was intended.

Tax Assessor

2 Finding

Section 27-1-1, Miss. Code Ann. (1972), requires the Tax Assessor to have a surety bond in the amount of \$50,000. The surety bond for the Tax Assessor expired on 1/5/09, and was not renewed.

Recommendation

The Tax Assessor should have a surety bond for \$50,000, as required by law.

Response

This has been resolved by obtaining a renewed bond. I was not aware it had expired. I thought the bonds were for the term in office for four years as has been the case in recent years.

Madison County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

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
July 20, 2010

MADISON COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

MADISON COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2009

Section 1: Summary of Auditor's Results

Financial Statements:

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

Section 2: Financial Statement Findings

Board of Supervisors

Significant Deficiency – Material Weakness

09-1. Finding

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

Reeommendation

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

Board of Supervisors' Response

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

MADISON COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2009

Circuit Clerk

Significant Deficiency – Material Weakness

09-2. Finding

The Circuit Clerk's reconciled bank balances did not agree with the criminal and civil journals' balances, for some bank accounts. Failure to properly reconcile accounts could result in loss or misappropriation of public funds.

Recommendation

The Circuit Clerk should properly reconcile all accounts to the bank statements monthly, investigate and identify differences, and settle unidentified funds to the County.

Circuit Clerk's Response

The journal balances did not agree with the bank balances when I took office. I have identified funds which have been previously placed into the court's registry and plan to settle most of those funds to the county in the upcoming year. New bank accounts which were opened in an effort to properly reconcile agree with the bank balances.