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MADISON COUNTY, MISSISSIPPI

**Audited Primary Government Financial Statements
and
Special Reports**

For the Year Ended September 30, 2005

MADISON COUNTY

Table of Contents

FINANCIAL SECTION.....	1
INDEPENDENT AUDITOR'S REPORT.....	2-3
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	4-17
PRIMARY GOVERNMENT FINANCIAL STATEMENTS.....	18
Statement of Net Assets.....	19
Statement of Activities.....	20
Balance Sheet – Governmental Funds.....	21
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets.....	22
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	23-24
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	25
Statement of Fiduciary Assets and Liabilities.....	26
Notes to Financial Statements.....	27-45
REQUIRED SUPPLEMENTARY INFORMATION.....	46
Budgetary Comparison Schedule – Budget and Actual (Non-GAAP Basis) - General Fund.....	47
911 and Emergency Management Fund.....	48
Road Maintenance Fund.....	49
Bridge and Culvert Fund.....	50
Notes to the Required Supplementary Information.....	51-52
SUPPLEMENTAL INFORMATION.....	53
Schedule of Expenditures of Federal Awards.....	54
Reconciliation of Operating Costs of Solid Waste.....	55
SPECIAL REPORTS.....	56
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 <i>Government Auditing Standards</i>	57-58
Independent Auditor's Report On Compliance With Requirements Applicable To Each Major Program And Internal Control Over Compliance In Accordance With OMB Circular A-133.....	59-60
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)).....	61-62
Limited Internal Control and Compliance Review Management Report.....	63
Schedule of Emergency Purchases.....	64
Schedule of Purchases Not Made From the Lowest Bidder.....	65
Schedule of Purchases Made Noncompetitively From a Sole Source.....	66
SCHEDULE OF FINDINGS.....	67-69

MADISON COUNTY

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT ON THE PRIMARY GOVERNMENT 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, 2005, which collectively comprise the county's primary government 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 referred to above include only the primary government of Madison County, Mississippi, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the county's legal entity. The financial statements do not include financial data for the county's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the county's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Madison County, Mississippi, as of September 30, 2005, and the respective changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 for the primary government of Madison County, Mississippi, as of September 30, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2006, on our consideration of Madison County, Mississippi's internal control over financial reporting and 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 primary government financial statements that collectively comprise Madison County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The accompanying Reconciliation of Operating Costs of Solid Waste is also 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 & Lacey, PLLC
June 30, 2006

MADISON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

MADISON COUNTY, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS FOR YEAR ENDING SEPTEMBER 30, 2005

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, 2005. 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, is 74,674. The local economic base is driven by Manufacturing/Industrial, Medical, Retail Trade and Agricultural concerns.

FINANCIAL HIGHLIGHTS

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

Madison County continues to grow both economically and in population. This has allowed the County to maintain a steady growth in tax revenues without a tax increase. The County government tax rate has decreased by 4.39 mills over the last 12 years, and will decrease an additional 1.5 mills in the 2006 fiscal year. This does not include School tax levies.

Total net assets increased \$2,124,354, which represents an increase from the prior fiscal year. The beginning balance for the prior fiscal year was reduced by \$105,668 to reflect a change in accounting principle in the reporting of the self-insurance fund. The County's ending cash balance, for all funds, decreased by \$329,912, which represents an immaterial decrease from the prior fiscal year.

The County had \$47,160,045 in total Governmental Funds revenues. Tax revenues account for \$22,393,558 or 47% of total revenues. Intergovernmental revenues, in the form of reimbursements, shared revenue or grants, account for \$5,784,564 or 12% of total revenues. Long Term Debt was issued in the amount of \$5,249,133 or 11% of total revenues.

The County had \$47,428,409 in total Governmental Funds expenses, which represents a decrease of \$13,040,581 or 22% from the prior fiscal year. Expenses in the amount of \$8,074,029 were offset by grants, outside contributions or debt being issued. General revenues and beginning cash of \$38,921,757 were adequate to provide for the remainder of the expenses.

Among major funds, the General Fund had \$25,012,942 in revenues and \$24,801,459 in expenditures. The General Fund's fund balance increased \$211,483 over the prior year. The reason for the increase in the General Fund's fund balance was due to the collection of a receivable from the Madison County Medical Center and growth in property taxes.

Among major funds, the 911 and Emergency Management Fund had \$1,378,449 in revenues and \$1,180,591 in expenditures. The 911 and Emergency Management Fund's fund balance increased \$197,858 over the prior year. The reason for the increase in the 911 and Emergency Management Fund's fund balance was due to the issuance of long term capital debt.

Among major funds, the County Wide Road Maintenance Fund had \$4,215,893 in revenues and \$4,375,871 in expenditures. The County Wide Road Maintenance Fund's fund balance decreased \$159,978 under the prior year. The decrease in the County Wide Road Maintenance Fund was due to cost overruns in the construction and repair of county roads.

Among major funds, the Bridge and Culvert Fund had \$2,347,451 in revenues and \$2,193,874 in expenditures. The Bridge and Culvert Fund's fund balance increased \$153,577 over the prior year. The increase in the Bridge and Culvert Fund was due to growth in property taxes.

Among major funds, the Special Assessment Parkway I&S Fund had \$417,419 in revenues and \$400,385 in expenditures. The Special Assessment Parkway Fund's fund balance increased \$17,104 over the prior year. The increase in the Special Assessment Parkway Fund was due to prepayment of special assessment property taxes.

Among major funds, the General County I&S Fund had \$2,746,857 in revenues and \$3,447,380 in expenditures. The General County I&S Fund's fund balance decreased \$700,523 under the prior year. The decrease in the General County I&S Fund was due to expenditure of accumulated beginning cash.

Among major funds, the Road and Bridge Capital Project Fund had \$3,341,495 in revenues and \$3,339,712 in expenditures. The Road and Bridge Capital Project Fund's fund balance increased \$1,783. The increase in the Road and Bridge Capital Project Fund was due to unexpended long term debt proceeds.

Capital assets, net of accumulated depreciation, increased by \$822,352 over the prior year. The increase in Capital Assets, net of accumulated depreciation, was primarily due to addition of infrastructure and construction-in-progress.

Long-term debt decreased by \$2,711,885 during the fiscal year. The county issued Capital Leases in the amount of \$1,143,466 and other debt in the amount of \$4,105,667.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

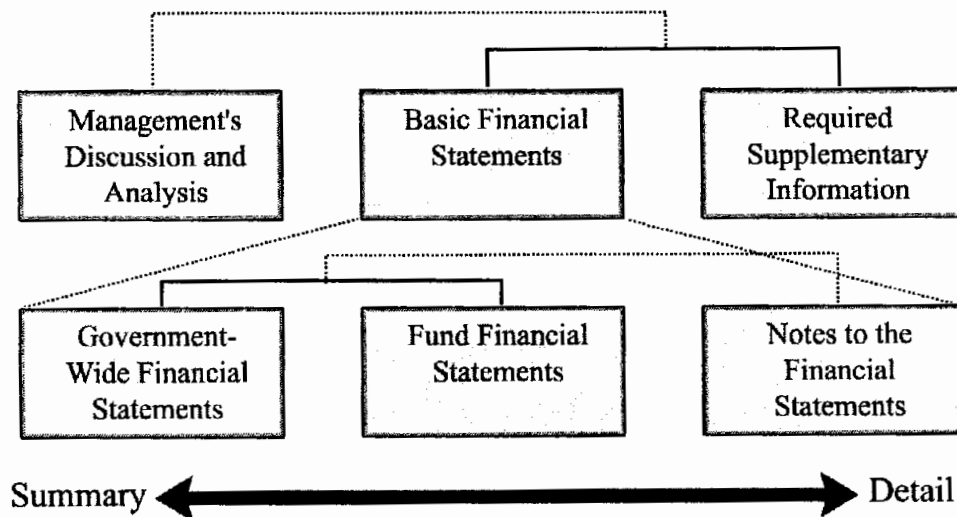


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

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

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

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

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

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

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

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

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

The Government-wide Financial Statements can be found on pages 18 & 19 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the County can be divided into 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 22 and 25, 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, 23, and 24 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the County government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County’s own programs. The accrual basis of accounting is used for fiduciary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The County’s fiduciary activities are presented in a separate Statement of Fiduciary Net Assets, which can be found on page 26 of this report.

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

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

The County adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major fund. This required supplementary information can be found on pages 46 - 49 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets – Net assets may serve over time as a useful indicator of government's financial position. In the case of Madison County, assets exceeded liabilities by \$16,538,595 as of September 30, 2005.

The largest portion of the County's net assets (50%) 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, 2005, as compared to the fiscal year ended September 30, 2004.

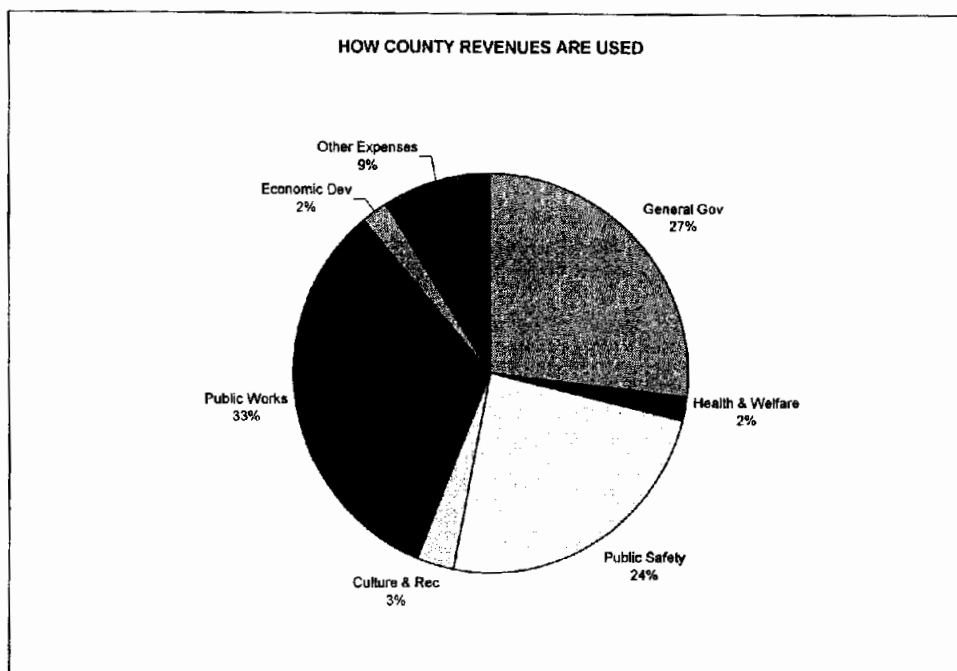
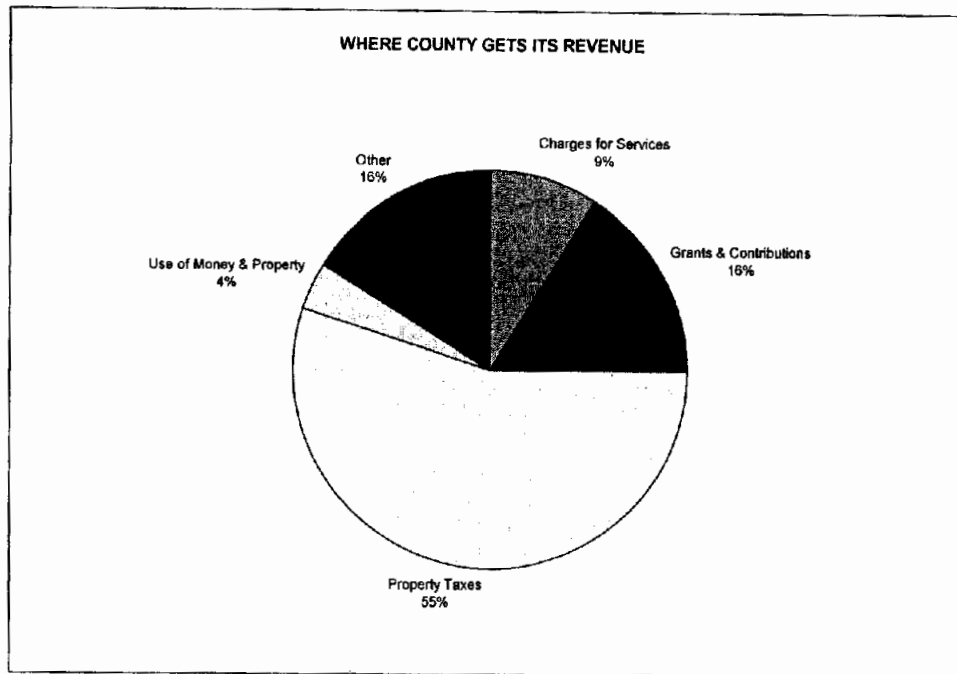
	Current Year Governmental Activities	Prior Year Governmental Activities
Current assets	\$ 35,810,016	\$ 36,206,486
Capital assets, net	<u>73,900,884</u>	<u>73,078,532</u>
Total assets	<u>109,710,900</u>	<u>109,285,018</u>
Current liabilities	26,662,785	25,976,327
Long-term debt outstanding	<u>66,509,520</u>	<u>69,221,405</u>
Total liabilities	<u>93,172,305</u>	<u>95,197,732</u>
Net assets:		
Invested in capital assets, net of related debt	8,349,534	5,013,227
Restricted	3,652,070	5,509,010
Unrestricted	<u>4,536,991</u>	<u>3,565,049</u>
Total net assets	<u>\$16,538,595</u>	<u>\$14,087,286</u>

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

- Long-term debt was issued in the amount of \$5,249,133.
- \$8,099,376 of long-term debt principal was retired.

Changes in Net Assets – Madison County’s total revenues for the fiscal year ended September 30, 2005 was \$40,901,533. The total cost for all services provided was \$38,777,179. The increase in net assets was \$2,124,354. The following table presents a summary of the changes in net assets for the fiscal year ended September 30, 2005, as compared to the fiscal year ended September 30, 2004.

	Current Year <u>Amount</u>	Prior Year <u>Amount</u>
Revenues:		
Program revenues		
Charges for services	\$ 3,900,441	\$ 2,217,442
Operating grants and contributions	2,939,307	5,905,315
Capital grants and contributions	158,685	915,286
General revenues		
Property taxes	22,430,457	20,021,470
Grants and Contributions	3,582,060	3,309,248
Use of Money and Property	1,348,252	1,453,922
Other	<u>6,542,331</u>	<u>2,896,397</u>
Total Revenues	<u>40,901,533</u>	<u>36,719,080</u>
Expenses:		
General government	10,899,228	10,495,175
Public safety	9,281,251	5,172,362
Public works	12,510,761	16,980,375
Health and welfare	877,803	1,158,546
Culture and recreation	1,135,872	1,271,940
Conservation of Natural Resources	442,536	351,149
Economic development	581,626	1,666,249
Other expenses	<u>3,048,102</u>	<u>1,310,438</u>
Total Expenses	<u>38,777,179</u>	<u>38,406,234</u>
Increase in Net Assets	<u>\$ 2,124,354</u>	<u>(\$ 1,687,154)</u>



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.

	Total Costs	Net Costs
General Government	\$ 10,899,228	\$ 8,412,301
Public Safety	9,281,251	6,841,938
Public Works	12,510,761	10,810,566
Health & Welfare	877,803	685,704
Culture & Recreation	1,135,872	1,084,761
Conservation of Natural Resources	442,536	442,536
Economic Development	581,626	452,838

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 \$8,579,596, a decrease of \$592,679. The primary reason for this decrease was a change in accounting principle in the treatment of beginning claims payable in governmental funds.

The General Fund is the principal operating fund of the County. The increase in the fund balance of the General Fund for the fiscal year was \$211,483. This increase was primarily due to the issuance of capital debt.

BUDGETARY HIGHLIGHTS OF MAJOR FUNDS

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

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – As of September 30, 2005, Madison County's total capital assets was \$147,599,204. This includes additions to roads, bridges, and other infrastructure for the 2005 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 \$4,916,963. The majority of this increase was due to new infrastructure and construction-in-progress.

Depreciation expense for the year ended September 30, 2005 was \$5,090,555. The balance in total net capital assets was \$73,900,884 at year-end.

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

	Balance Oct. 1, 2004	Additions	Deletions	Balance Sept. 30, 2005
Governmental activities:				
Capital assets, not being depreciated:				
Land	3,403,435		-128,838	3,274,597
Construction in progress		4,552,404		4,552,404
Total capital assets, not being depreciated	3,403,435	4,552,404	-128,838	7,827,001
Capital assets, being depreciated:				
Buildings	28,697,150			28,697,150
Mobile equipment	6,624,363	215,556	-834,023	6,005,896
Other furniture and fixtures	2,444,411	480,025	-142,017	2,782,419
Capital leases	1,954,960	793,760	-19,904	2,728,816
Infrastructure	99,557,922			99,557,922
Total capital assets being depreciated	139,278,806	1,489,341	-995,944	139,772,203
Less: Accumulated depreciation for:				
Buildings	7,785,926	749,272		8,535,198
Mobile equipment	2,998,034	460,409	-834,023	2,624,420
Other furniture and fixtures	144,071	116,720	-142,017	118,774
Capital leases	1,226,427	283,818	-19,904	1,490,341
Infrastructure	57,449,251	3,480,336		60,929,587
Total accumulated depreciation	69,603,709	5,090,555	-995,944	73,698,320
Total capital assets, being depreciated, Net	69,675,097	-3,601,214	0	66,073,883
Governmental activities capital assets, net	73,078,532	951,190	-128,838	73,900,884

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 969,039
Public safety	329,310
Public works	3,785,267
Health and welfare	1,430
Economic development	5,509
Total governmental activities depreciation expense	\$ 5,090,555

Debt Administration – At September 30, 2005, Madison County had \$66,509,520 in long-term debt outstanding. This includes general obligation bonds, limited obligation bonds, special assessment debt, other debt and obligations under capital leases. Of this debt, \$3,376,516 is due within one year.

In the past year, the County issued \$5,387,490 in Capital Leases and Mississippi Development Bank draw downs for road construction and equipment.

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

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Compensated absences	465,544	138,357		603,901	
General obligation bonds	45,835,000		3,020,000	42,815,000	2,020,000
Limited obligation bonds	17,735,000		3,730,000	14,005,000	145,000
Special assessment bonds	2,650,000		280,000	2,370,000	295,000
Capital leases	1,560,813	1,143,466	843,036	1,861,243	701,465
Other Loans	975,048	4,105,667	226,339	4,854,376	215,051
Governmental activity long-term liabilities	<u>69,221,405</u>	<u>5,387,490</u>	<u>8,099,375</u>	<u>66,509,520</u>	<u>3,376,516</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. The addition of Nissan and related industries in 2004 took the assessed valuation of Madison County to over the 1 billion dollar level.

Ad valorem levy rates were reduced in Madison County, while ad valorem collections continue to increase. This growth has led the way to 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

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

MADISON COUNTY
Statement of Net Assets
September 30, 2005

Exhibit 1

	<u>Primary Government</u>
	<u>Governmental</u>
	<u>Activities</u>
ASSETS	
Cash	\$ 11,848,820
Cash with fiscal agent	434
Property tax receivable	18,974,635
Fines receivable, net of allowance for uncollectibles of \$61,634	376,892
Loans receivable	354,222
Capital leases receivable	652,846
Intergovernmental receivables	810,175
Other receivables, net	2,414,992
Advances to agency fund	265,000
Bond issue cost, net	112,000
Capital assets, net	73,900,884
Total Assets	<u>109,710,900</u>
LIABILITIES	
Claims payable	1,790,317
Claims and judgements	329,471
Intergovernmental payables	1,639,899
Accrued interest payable	874,656
Deferred revenue	21,476,706
Other payables	984,359
Long-term liabilities	
Due within one year:	
Capital related debt	3,249,933
Non-capital debt	126,583
Due in more than one year:	
Capital related debt	62,301,417
Non-capital debt	831,587
Total Liabilities	<u>93,604,928</u>
NET ASSETS	
Invested in capital assets, net of related debt	8,349,534
Restricted net assets:	
Expendable:	
Public safety	1,107,446
Public works	1,081,700
Health and welfare	5,260
Culture and recreation	67,194
Economic development	597,918
Capital projects	2,394
Debt service	17,539
Other	772,619
Unrestricted	4,104,368
Total Net Assets	<u>\$ 16,105,972</u>

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

MADISON COUNTY
Statement of Activities
For the Year Ended September 30, 2005

Exhibit 2

Functions/Programs	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
	Fines, Forfeitures and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities
Primary government:				
Governmental activities:				
General government	\$ 10,899,228	2,409,960	76,967	(8,412,301)
Public safety	9,281,251	1,229,526	1,209,787	(6,841,938)
Public works	12,510,761	260,955	1,407,843	(10,810,566)
Health and welfare	877,803	192,099	51,111	(685,704)
Culture and recreation	1,135,872			(1,084,761)
Conservation of natural resources	442,536			(442,536)
Economic development and assistance	581,626	1,500	127,288	(452,838)
Interest on long-term debt	3,048,102			(3,048,102)
Total Governmental Activities	38,777,179	3,900,441	2,939,307	(31,778,746)

General revenues:	
Taxes:	\$
Property taxes	22,430,457
Grants and contributions not restricted to specific programs	3,582,060
Unrestricted investment income	1,348,252
Payments in lieu of taxes	1,378,186
Miscellaneous	2,393,145
Lease principal and interest received	2,771,000
Total General Revenues	33,903,100
Changes in Net Assets	2,124,354
Net Assets - Beginning	14,087,286
Fund Reclassification:	
Self-insurance fund net assets at 9-30-04	218,647
Beginning self-insurance claims payable that would have been paid in the government-wide fund	(324,315)
Net Assets - Beginning restated	13,981,618
Net Assets - Ending	\$ 16,105,972

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

	General Fund	911 and Emergency Management Fund	Road Maintenance Fund	Bridge and Culvert Fund	Special Assessment Parkway I & S Fund	General County I & S Fund	Road and Bridge Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS									
Cash	\$ 8,240,073	723,343	205,986	676,770	22,085		1,783	1,978,780	11,848,820
Cash with fiscal agent								434	434
Property tax receivable	12,128,091		2,015,148	1,825,967		1,818,268		1,187,161	18,974,635
Fines receivable	376,892								376,892
Loans receivable								354,222	354,222
Capital lease receivable	484,593							168,254	652,847
Intergovernmental receivables	810,175								810,175
Other receivables	43,962								43,962
Due from other funds			156,970	54,385	2,370,000	58,408		59,879	2,413,962
Advances to other funds	280,000								280,000
Total Assets	\$ 22,363,786	723,343	2,378,104	2,557,122	2,392,085	1,876,676	1,783	3,748,730	36,041,629
LIABILITIES AND FUND BALANCES									
Liabilities:									
Claims payable	\$ 1,116,999								1,116,999
Claims and judgements	329,471	205,065	254,955	56,484				155,784	1,789,287
Intergovernmental payables	1,639,899								1,639,899
Due to other funds	329,642							15,000	329,642
Advances from other funds									15,000
Deferred revenues - special assessments					2,370,000				2,370,000
Deferred revenue	12,989,576		2,015,148	1,825,967		1,818,268		1,355,415	20,004,374
Other payables	984,360								984,360
Total Liabilities	17,389,947	205,065	2,270,103	1,882,451	2,370,000	1,818,268	0	1,526,199	27,462,033
Fund balances:									
Reserved for:									
Advances	280,000								280,000
Debt service funds					22,085	58,408		178,927	259,420
Loans receivable								354,222	354,222
Per bond agreement								434	434
Unreserved, reported in:									
General Fund	4,693,839	518,278	108,001	674,671			1,783	1,688,771	4,693,839
Special Revenue Funds								177	1,960
Capital Project Funds								2,222,531	8,579,596
Total Fund Balances	4,973,839	518,278	108,001	674,671	22,085	58,408	1,783	2,222,531	8,579,596
Total Liabilities and Fund Balances	\$ 22,363,786	723,343	2,378,104	2,557,122	2,392,085	1,876,676	1,783	3,748,730	36,041,629

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

MADISON COUNTY

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2005Exhibit 3-1

	<u>Amount</u>
Total fund balance - governmental funds (Exhibit 3)	\$ 8,579,596
Amounts reported for governmental services in the Statement of Net Assets (Exhibit 1) are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds.	73,900,884
Bond issue costs are amortized over the life of the bonds and, therefore, are not current period expenditures.	112,000
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Fines receivable	376,892
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	
Long-term liabilities	(66,509,520)
Accrued interest on bonds	(874,656)
Capital leases are not available to pay for current year expenditures and, therefore, are deferred in the funds.	520,775
Rounding adjustment	<u>1</u>
Total net assets - governmental activities (Exhibit 1)	\$ <u><u>16,105,972</u></u>

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

Exhibit 4

23

MADISON COUNTY
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2005

	General Fund	911 and Emergency Management Fund	Road Maintenance Fund	Bridge & Culvert Fund	Special Assessment Parkway I & S Fund	General County I & S Fund	Road and Bridge Capital Project Fund	Other Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES)									
Long-term capital debt issued	1,782,141	349,396					3,117,596		5,249,133
Funds received from hospital for loan payoff	2,771,000								2,771,000
Capital lease principal received	30,000							1,250,000	1,280,000
Compensation for loss of capital assets	53,896		65,000			83,759	219,199	772,183	53,896
Transfers in	149,366		(133,507)	(150,692)				(85,366)	1,289,507
Transfers out	(855,942)	(64,000)	(68,507)	(150,692)	0	83,759	3,336,795	1,936,817	(1,289,507)
Total Other Financing Sources and Uses	3,930,461	285,396	(159,978)	153,577	17,104	(700,523)	1,783	10,332	9,354,029
Net Changes in Fund Balances	211,483	197,858	303,654	521,094	4,981	758,931			9,172,275
Fund Balances - Beginning	5,050,996	320,420							(324,315)
Change in accounting principal beginning claims payable in governmental funds	(288,640)		(35,675)						8,847,960
Fund Balances - Beginning, restated	4,762,356	320,420	267,979	521,094	4,981	758,931	0	2,212,199	8,579,596
Fund Balances - Ending	\$ 4,973,839	518,278	108,001	674,671	22,085	58,408	1,783	2,222,531	

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, 2005

	<u>Amount</u>
Net changes in fund balances - total governmental funds (Exhibit 4)	\$ (268,364)
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 \$6,041,745 exceeded depreciation \$5,090,555 in the current period.	951,190
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 sale of land through MCEDA. The land was titled to the county and included in fixed assets, but proceeds from the sale remained with MCEDA. Deletion of the assets was charged to economic development and assistance expense.	(128,838)
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.	259,209
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 \$8,099,375 exceeded debt proceeds \$5,249,133.	2,850,242
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	(138,357)
Accrued interest payable	(106,728)
Bond issue cost amortized in government-wide statements	(14,000)
In the Statement of Activities, (Exhibit 2) only interest income from payments capital received on 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.	(1,280,000)
Change in net assets of governmental activities (Exhibit 2)	\$ <u>2,124,354</u>

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

MADISON COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2005

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 416,637
Total Assets	\$ <u>416,637</u>
LIABILITIES	
Claims payable and other accrued liabilities	151,637
Advances from other funds	<u>265,000</u>
Total Liabilities	\$ <u>416,637</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, 2005

(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 Library System
- Farmhaven Fire District
- South Madison Fire District

B. Blended Component Units

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

Madison County has executed a trust agreement and other legal documents with Madison County Public Improvement Corporation, a component unit of the county. The trust accounts created by the agreement constitute an inseparable part of the county. Therefore, the assets, liabilities, equity, revenues, expenditures and other financing sources/uses of the trust accounts created by the agreements are included as part of the county's financial statements, thereby eliminating the effects of the lease agreement for financial reporting purposes. (See Note 11)

Madison County has also entered into various transactions with Madison County Economic Development Authority (MCEDA), a component unit of the county. The county has issued limited obligation industrial development bonds, the proceeds of which were used by MCEDA to construct various enterprises by executing lease purchase agreements with MCEDA. The lease payments are made by the lessees directly to the county and are approximately equal to the amounts required to pay the annual principal and interest due on the related limited obligation bonds.

MADISON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2005

Madison County has issued general obligation bonds and incurred other indebtedness to acquire various industrial parks and other real estate which are owned by MCEDA. The authority is required by statute to remit to the county 90% of any sales of land acquired using the proceeds of this indebtedness until such indebtedness has been repaid.

The county also provided funding of approximately \$434,554 in the current fiscal year for MCDEA's operations through levying of property taxes and from other sources.

The assets, liabilities, equity, revenues, expenditures and other financing sources/uses related to these transactions are included as part of the county's financial statements because they constitute an inseparable part of the county.

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

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

C. Basis of Presentation.

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

Government-wide Financial Statements:

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

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

MADISON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2005

Fund Financial Statements:

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

D. Measurement Focus and Basis of Accounting.

The Government-wide and Fiduciary Fund 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 revenue is 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.

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 - Account for all activities of the general government for which a separate fund has not been established.

911 and Emergency Management Fund – Accounts for operation of emergency management for the county, funded by fees, state grants, and other sources.

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, 2005

Bridge and Culvert Fund – Accounts for monies from specific revenue sources that are restricted for bridge and culvert expenditures.

Special Assessment Parkway I & S Fund – Accounts for collection of special assessment revenues and the repayment of debt associated with the special assessment, parkway special assessment refunding bonds, Series 1998.

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

Road and Bridge Capital Projects Fund – Accounts for capital projects funded by a MS Development Bank loan. Projects for the current fiscal year include Reunion Parkway, Gluckstadt 5-Lane, and Calhoun Station capital improvements.

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

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

FIDUCIARY FUND TYPES

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

E.. Account Classifications.

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

F. Deposits and Investments.

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

MADISON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2005

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

G. Receivables.

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

H. Interfund Transactions and Balances.

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

I. Capital Assets.

Capital acquisition and construction are reflected as expenditures in governmental fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statement. 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 allow governments meeting certain criteria to retroactively report major general infrastructure assets by September 30, 2007. Current year general infrastructure assets are required to be reported. General infrastructure assets acquired after September 30, 1980, are reported on the government-wide financial statements. Current year general infrastructure assets are reported on the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets.

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

MADISON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2005

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

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

J. Long-term Liabilities.

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

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Assets. Bond issuance costs are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. 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 issuance costs during the current period. The face amount of the debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

K. Equity Classifications.

Government-wide Financial Statements:

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

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvements 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 or regulation 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, 2005

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is classified as reserved or unreserved.

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

L. Property Tax Revenues.

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

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

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

M. Intergovernmental Revenues in Governmental Funds.

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

N. Compensated Absences.

The county has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statement. 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, 2005

(2) Changes in Accounting Standards.

For the fiscal year ended September 30, 2005, the county implemented Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures, an amendment of GASB Statement No. 3*. GASB Statement No. 40 addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. The provisions of this new statement have been incorporated into the financial statements and the accompanying notes.

(3) Fund Reclassification

The Self-Insurance fund's beginning fund balance of \$-218,647 was reclassified from the Internal Service fund to a beginning liability in the individual funds because, effective October 1, 2004, it became the objective to account for insurance expenses in the individual funds.

(4) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2005, was \$12,265,891 and the bank balance was \$12,697,015. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

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

MADISON COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2005

(3) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2005:

A. Due From/To Other Funds:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>
Road Maintenance Fund	General Fund	\$ 156,970
Bridge and Culvert Fund	General Fund	54,385
General County I & S Fund	General Fund	58,408
Other governmental funds	General Fund	<u>59,879</u>
Total		<u>\$ 329,642</u>

Amounts listed are the tax revenues collected but not settled until October, 2003. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances From/To Other Funds:

<u>Advances From</u>	<u>Advances To</u>	<u>Amount</u>
General Funds	Agency Funds	\$ 265,000
General Funds	Other governmental funds	<u>15,000</u>
Total		<u>\$ 280,000</u>

Included in Advances are \$265,000, for funds advanced to the Self-insurance Fund for healthcare expenses and \$15,000, for advances to the Adolescent Offense Program Fund for operating expenses. These are expected to be repaid to the General Fund in the near future.

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2005

C. Transfers In/Out:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>
General Fund	General County I & S	\$ 83,759
General Fund	Other governmental funds	772,183
911 & Emergency Management	General Fund	64,000
Road Maintenance	Road & Bridge Capital Projects	133,507
Bridge & Culvert	Road & Bridge Capital Projects	85,692
Bridge & Culvert	Road Maintenance	65,000
Other governmental funds	General Fund	85,366
Total		<u>\$ 1,289,507</u>

Amounts listed were transfers for normal operations of the county.

(4) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2005, consisted of the following:

Governmental Activities:

<u>Description</u>	<u>Amount</u>
Legislative tag credit	<u>\$ 810,175</u>

(5) Loans Receivable.

Loans receivable balances at September 30, 2005, are as follows:

<u>Description</u>	<u>Date of Loan</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance Payable</u>
IMS Autrans	03/28/03	2%	06/1/08	<u>\$ 354,222</u>

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2005:

	<u>Balance Oct. 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Sept. 30, 2005</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 3,403,435		(128,838)	3,274,597
Construction in progress		4,552,404		4,552,404
Total capital assets, not being depreciated	<u>3,403,435</u>	<u>4,552,404</u>	<u>(128,838)</u>	<u>7,827,001</u>

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2005

	Balance Oct. 1, 2004	Additions	Deletions	Balance Sept. 30, 2005
Capital assets, being depreciated:				
Buildings	28,697,150			28,697,150
Mobile equipment	6,624,363	215,556	(834,023)	6,005,896
Other furniture and fixtures	2,444,411	480,025	(142,017)	2,782,419
Capital leases	1,954,960	793,760	(19,904)	2,728,816
Infrastructure	99,557,922			99,557,922
Total capital assets being depreciated	139,278,806	1,489,341	(995,944)	139,772,203
Less: Accumulated depreciation for:				
Buildings	7,785,926	749,272		8,535,198
Mobile equipment	2,998,034	460,409	(834,023)	2,624,420
Other furniture and fixtures	144,071	116,720	(142,017)	118,774
Capital leases	1,226,427	283,818	(19,904)	1,490,341
Infrastructure	57,449,251	3,480,336		60,929,587
Total accumulated depreciation	69,603,709	5,090,555	(995,944)	73,698,320
Total capital assets, being depreciated, net	69,675,097	(3,601,214)	0	66,073,883
Governmental activities capital assets, net \$	73,078,532	951,190	(128,838)	73,900,884

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 969,039
Public safety	329,310
Public works	3,785,267
Health and welfare	1,430
Economic development	5,509
Total governmental activities depreciation expense	\$ 5,090,555

Commitments with respect to unfinished capital projects at September 30, 2005, consisted of the following:

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
Camden Fire Station	\$ 35,626	retainage only-Building is completed
Admin/Chancery Building	4,969,799	November-07
Reunion Phase 2	2,458,660	December-06
Gluckstadt 5-lane	1,800,000	March-07

MADISON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2005

(7) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$750,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2005, to January 1, 2006. 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 Human Resource Agency.

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

The county has purchased coinsurance which functions on 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 \$50,000.

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, 2005, the amount of these liabilities was \$329,471. 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
2003-2004	\$ 215,409	1,572,790	1,463,884	324,315
2005-2006	\$ 324,315	1,906,614	1,901,458	329,471

MADISON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2005

(8) Capital Leases.

As Lessor:

The county leases the following property with varying terms and options as of September 30, 2005:

<u>Classes of Property</u>	<u>Amount</u>
Land and buildings	\$ <u>5,910,193</u>

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2005, are as follows:

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 125,775	30,588
2007	95,000	23,975
2008	35,000	18,183
2009	40,000	16,135
2010	40,000	13,735
2011-2014	<u>185,000</u>	<u>29,455</u>
Total	\$ <u>520,775</u>	<u>132,071</u>

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2005:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 2,380,220
Other furniture and equipment	<u>348,596</u>
Total	2,728,816
Less: Accumulated depreciation	<u>1,490,341</u>
Leased Property Under Capital Leases	\$ <u>1,238,475</u>

The following is a schedule by years of the total payments due as of September 30, 2005:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 701,465	50,240
2007	850,833	21,494
2008	99,211	2,034
2009	<u>5,157</u>	<u>18</u>
Total	\$ <u>1,656,666</u>	<u>73,786</u>

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

MADISON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2005

(9) Long-term Debt.

Debt outstanding as of September 30, 2005, consisted of the following:

Purpose	Interest Rates	Amount	Final Maturity Date
General Obligation Bonds:			
G. O. refunding bonds (Courthouse), Series 1998	4.4 to 5.5	\$ 3,875,000	06-2014
G. O. road and Bridge bonds (Nissan)	5 to 5.75	22,025,000	06-2026
G. O. refunding bonds	2.7 to 3.3	5,330,000	05-2014
G. O. refunding bond project	4 to 6	11,585,000	06-2024
Total G. O. Bonds		42,815,000	
Limited Obligation Bonds:			
Industrial development, Series 1992	5.8 to 6.3	115,000	05-2007
Certificates of participation, 1991 issue	6.6 to 6.75	90,000	10-2006
MS Hospital refunding project, Series 2002	Variable	9,600,000	06-2032
Taxable special obligation bonds, Series 2003	Variable	4,200,000	12-2023
Total Limited Obligation Bonds		14,005,000	
Special Assessment Bonds:			
Parkway special assessment refunding bonds, Series 1998	4.35 to 6.0	2,370,000	06-2012
Capital Leases:			
1 2003 Sterling chassis knuckleboom	3.11	33,636	06-2007
2 Model 580 Super M loader/extendahoes	3.06	89,553	06-2007
3 Case Model 580 Super M loader/extendahoes	3.06	134,330	06-2007
IBM computer upgrade	7.05	6,958	11-2005
IBM computer upgrade	Variable	204,577	06-2008
12 John Deer Cab 6715 tractors	3.87	318,474	09-2007
8 Alamo cutters, 2 machine mowers, 2 Interstates	3.87	169,517	09-2007
1 Etnyre blacktop shooter, Etnyre chip spreader	3.87	119,506	09-2007
40 Crown Victorias	3.85	561,102	10-2008
Emergency 911 Equipment	4.21	223,590	11-2009
Total Capital Leases		1,861,243	

MADISON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2005

Purpose	Interest Rates	Amount	Final Maturity Date
Other Loans:			
Capital improvement loan	4	88,225	09-2013
Industrial development	0	239,596	09-2007
Industrial development	2	354,270	06-2008
\$15 million line of credit - MS Development Bank	Variable	<u>4,172,285</u>	07-2024
Total Other Loans		<u>4,854,376</u>	
Total Debt		<u>\$ 65,905,619</u>	

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

Governmental Activities:

General obligation bonds:

Year Ending September 30	Governmental Activities	
	Principal	Interest
2006	\$ 2,020,000	2,053,341
2007	1,845,000	1,957,171
2008	1,925,000	1,876,664
2009	2,015,000	1,791,574
2010	2,175,000	1,697,451
2011-2015	11,405,000	6,894,888
2016-2020	8,910,000	4,580,563
2021-2025	10,755,000	2,102,178
2026-2031	<u>1,765,000</u>	<u>92,661</u>
Total	<u>\$ 42,815,000</u>	<u>23,046,491</u>

Limited obligation bonds:

Year Ending September 30	Principal	Interest
2006	\$ 145,000	13,265
2007	<u>60,000</u>	<u>3,780</u>
Total	<u>\$ 205,000</u>	<u>17,045</u>

MADISON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2005

Special assessment bonds:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 295,000	105,645
2007	305,000	92,069
2008	320,000	77,770
2009	335,000	62,538
2010	355,000	46,145
2011-2012	<u>760,000</u>	<u>38,063</u>
Total	\$ <u>2,370,000</u>	<u>422,230</u>

Other loans:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>
2005	\$	
2006	215,051	9,559
2007	217,956	6,658
2008	187,734	3,681
2009	9,698	2,281
2010	10,093	1,886
2011-2015	<u>41,559</u>	<u>3,260</u>
Total	\$ <u>682,091</u>	<u>27,325</u>

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2005, the amount of outstanding debt was equal to 6.2% 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, 2005, is \$2,370,000.

MADISON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2005

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2005:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences	\$ 465,544	138,357		603,901	
General obligation bonds	45,835,000		3,020,000	42,815,000	2,020,000
Limited obligation bonds	17,735,000		3,730,000	14,005,000	145,000
Special assessment bonds	2,650,000		280,000	2,370,000	295,000
Capital leases	1,560,813	1,143,466	843,036	1,861,243	701,465
Other Loans	975,048	4,105,667	226,339	4,854,376	215,051
Governmental activity long-term liabilities	\$ 69,221,405	5,387,490	8,099,375	66,509,520	3,376,516

The annual debt service requirements for the \$4,200,000 taxable special obligation bonds, Series 2003, the \$337,000 IBM upgrade lease, the \$15 million line of credit from MS Development Bank, and the \$12,000,000 Mississippi Hospital refunding project, Series 2002, can not be determined because these loans have variable rates of interest.

The County entered into a \$349,706 lease-purchase agreement for 911 Emergency equipment in the prior fiscal year that was not added to fixed assets until this year.

(10) 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, 2005

(11) 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 certificates of participation (a form of debt financing classified as limited obligation bonds) to be used to provide financing for the construction of various public facilities which are being leased to the county. The leases represent capital leases under which ownership of the projects will transfer to the county upon complete retirement of the certificates of participation. The county is obligated to make lease payments to the trustees in an amount equal to the debt service requirements for the certificates of participation. The amount of debt outstanding at September 30, 2005, was \$90,000 (See Note 9). The lease rental payments by the county will be used by the trustees to pay the principal and interest payments due on the certificates of participation.

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, 2005, was \$365,000. This amount has been recorded as lease payments receivable and a corresponding amount is shown as deferred revenue-leasing transactions at September 30, 2005.

The trust accounts created by these agreements 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 these trust agreements are included as part of the county's financial statements, thereby eliminating the effects of the lease agreements for financial reporting purposes.

(12) 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 \$930,472 for maintenance and support of the college in fiscal year 2005.

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 \$110,017 for maintenance and support of the center in fiscal year 2005.

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 2005.

The Madison County Human Resource Agency was organized under Section 17-15-1, Miss. Code Ann. (1972), to administer programs conducted by community action agencies, limited purpose agencies and related programs authorized by law. The Madison County Board of Supervisors appoints three of the 15 board members. The county appropriated \$207,183 for maintenance and support of the agency in fiscal year 2005.

MADISON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2005

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 2005.

(13) 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 current rate is 10.75%, an increase from 9.75% on July 1, 2005, 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, 2005, 2004 and 2003 were \$986,768, \$876,883 and \$800,895 respectively, equal to the required contributions for each year.

(14) Subsequent Events.

Subsequent to September 30, 2005, Madison County issued the following debt obligation:

<u>Issue Date</u>	<u>Interest Rate</u>		<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
05/26/06	4.25 to 5 %	\$	17,500,000	G. O. bonds	Advalorem tax
06/19/06	4.99%		130,631	Lease purchase	Advalorem tax
07/27/06	4.89%		854,910	Lease purchase	Advalorem tax
07/27/06	4.89%		422,800	Lease purchase	Advalorem tax

MADISON COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

MADISON COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2005

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 14,410,358	12,731,450	12,731,810	360
Licenses, commissions and other revenue	1,440,000	2,439,669	2,456,603	16,934
Fines and forfeitures	1,275,000	677,753	677,753	
Intergovernmental revenues	2,934,300	2,473,745	2,524,190	50,445
Charges for services	1,308,000	1,116,106	1,118,896	2,790
Interest income	61,000	321,353	321,353	
Miscellaneous revenues	393,000	1,306,932	1,303,698	(3,234)
Total Revenues	<u>21,821,658</u>	<u>21,067,008</u>	<u>21,134,303</u>	<u>67,295</u>
EXPENDITURES				
Current:				
General government	12,774,573	12,100,348	11,504,250	596,098
Public safety	7,551,395	7,547,301	7,290,325	256,976
Public works	5,253,000	222,465	222,465	
Health and welfare	744,432	706,295	706,295	
Culture and recreation	21,200	24,792	24,792	
Education	540,000	2,144,827	2,144,827	
Conservation of natural resources	345,227	323,820	323,820	
Economic development and assistance	226,600	130,622	9,600	121,022
Debt service:				
Principal and interest	89,000	414,493	514,549	(100,056)
Other costs				
Total Expenditures	<u>27,545,427</u>	<u>23,614,963</u>	<u>22,740,923</u>	<u>874,040</u>
Excess of Revenues over (under) Expenditures	<u>(5,723,769)</u>	<u>(2,547,955)</u>	<u>(1,606,620)</u>	<u>941,335</u>
OTHER FINANCING SOURCES (USES)				
Proceeds of long-term debt	5,000,000	988,071	988,071	
Sale of capital assets	200,000	360,893		(360,893)
Compensation for loss of capital assets			53,893	53,893
Transfers in	1,098,000	2,555,665	2,555,665	
Transfers out	(700,000)	(755,000)	(1,351,140)	(596,140)
Collection of loan - MCMC		60,771		(60,771)
Other financing uses				
Total Other Financing Sources and Uses	<u>5,598,000</u>	<u>3,210,400</u>	<u>2,246,489</u>	<u>(963,911)</u>
Net Change in Fund Balance	<u>(125,769)</u>	<u>662,445</u>	<u>639,869</u>	<u>(22,576)</u>
Fund Balances - Beginning	<u>5,336,000</u>	<u>5,812,728</u>		
Fund Balances - Ending	<u>\$ 5,210,231</u>	<u>6,475,173</u>	<u>639,869</u>	<u>(22,576)</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)
 911 and Emergency Management
 For the Year Ended September 30, 2005

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental revenues	\$ 75,000	112,990	112,990	
Charges for services	820,000	909,759	911,063	1,304
Interest income	5,000	5,000	5,000	
Total Revenues	<u>900,000</u>	<u>1,027,749</u>	<u>1,029,053</u>	<u>1,304</u>
EXPENDITURES				
Current:				
Public safety	934,914	659,943	659,943	
Total Expenditures	<u>934,914</u>	<u>659,943</u>	<u>659,943</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(34,914)</u>	<u>367,806</u>	<u>369,110</u>	<u>1,304</u>
OTHER FINANCING SOURCES (USES)				
Transfers In				
Transfers Out				
Compensation for loss of capital assets				
Total Other Financing Sources and Uses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	(34,914)	367,806	369,110	1,304
Fund Balances - Beginning	<u>250,000</u>	<u>354,232</u>		<u>0</u>
Fund Balances - Ending	<u>\$ 215,086</u>	<u>722,038</u>	<u>369,110</u>	<u>1,304</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, 2005

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,999,273	2,085,891	2,085,891	
Road and bridge privilege	950,000	1,082,867	1,082,867	
License, commission and other revenue	300	253	253	
Intergovernmental revenues	751,200	791,538	791,538	
Interest income	2,000	2,000	2,000	
Miscellaneous revenues	75,000	106,827	106,827	
Total Revenues	<u>3,777,773</u>	<u>4,069,376</u>	<u>4,069,376</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	9,268,380	4,953,318	4,819,811	133,507
Total Expenditures	<u>9,268,380</u>	<u>4,953,318</u>	<u>4,819,811</u>	<u>133,507</u>
Excess of Revenues over (under) Expenditures	<u>(5,490,607)</u>	<u>(883,942)</u>	<u>(750,435)</u>	<u>133,507</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term debt	4,960,000			
Other income/sales	150,000	150,000	150,000	
Transfers in		65,000	65,000	
Transfers out			(166,280)	(166,280)
Total Other Financing Sources and Uses	<u>5,110,000</u>	<u>215,000</u>	<u>48,720</u>	<u>(166,280)</u>
Net Change in Fund Balance	(380,607)	(668,942)	(701,715)	(32,773)
Fund Balances - Beginning	<u>400,000</u>	<u>878,230</u>		<u>0</u>
Fund Balances - Ending	<u>\$ 19,393</u>	<u>209,288</u>	<u>(701,715)</u>	<u>(32,773)</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)
 Bridge and Culvert Fund
 For the Year Ended September 30, 2005

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 2,249,637	2,315,614	2,315,614	
Road and bridge privilege				
License, commission and other revenue	200	188	188	
Intergovernmental revenues	6,800	6,995	6,995	
Interest income	4,000	4,000	4,000	
Miscellaneous revenues				
Total Revenues	<u>2,260,637</u>	<u>2,326,797</u>	<u>2,326,797</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	4,424,925	2,190,992	2,190,992	
Total Expenditures	<u>4,424,925</u>	<u>2,190,992</u>	<u>2,190,992</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(2,164,288)</u>	<u>135,805</u>	<u>135,805</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term debt	2,040,230			
Other income/sales				
Compensation for loss of capital assets				0
Total Other Financing Sources and Uses	<u>2,040,230</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	(124,058)	135,805	135,805	0
Fund Balances - Beginning	<u>300,000</u>	<u>540,966</u>		<u>0</u>
Fund Balances - Ending	<u>\$ 175,942</u>	<u>676,771</u>	<u>135,805</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, 2005

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).

MADISON COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2005

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

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>911 and Emergency Management Fund</u>	<u>Road Maintenance Fund</u>	<u>Bridge and Culvert Fund</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>
Budget (Cash Basis)	\$ 639,869	369,110	-701,715	135,805
Increase (Decrease)				
Net adjustments for revenue accruals	-877,764		81,519	20,654
Net adjustments for expenditure accruals	-1,204,594	-456,648	577,447	-2,882
Other financing sources (uses)	<u>1,653,972</u>	<u>285,396</u>	<u>-117,227</u>	
GAAP Basis	<u>\$ 211,483</u>	<u>197,858</u>	<u>-159,978</u>	<u>153,577</u>

MADISON COUNTY

SUPPLEMENTAL INFORMATION

Madison County
Schedule of Expenditures of Federal Awards
September 30, 2005

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Grant Identification Number	Agency or Pass-through Number	Federal Expenditures
MAJOR FEDERAL PROGRAM				
U.S. Department of Homeland Security				
Disaster Grants-Public Assistance	97.036	FEMA-1604-DR- MS	089-99089-00	\$ 675,686
Total Major Program				<u>675,686</u>
NON-MAJOR PROGRAMS				
U.S. Department of Agriculture/ Natural Resources Conservation Service/ Watershed Protection and Flood Prevention	10.916	68-4423-5-1360		259,474
U.S. Department of Housing and Urban Development/Passed-through Mississippi Development Authority/Community Development Block Grant/State's program	14.228	1121-04-ED-01	1121-04-ED-01	127,288
U.S. Department of Housing and Urban Development/Passed-through Mississippi Development Authority/Community Development Block Grant/State's program	14.228	1118-01-045 ED- 01	1118-01-045 ED- 01	31,397
U.S. Department of Housing and Urban Development/Passed-through Mississippi Development Authority/Community Development Block Grant/State's program	14.228	1120-00-300-45-EM- 01	1120-00-300-45-EM- 01	1,500
Total Non-Major Programs				<u>\$ 419,659</u>
Total Expenditures of Federal Awards				<u>\$ 1,095,345</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

MADISON COUNTY
Reconciliation of Operating Costs of Solid Waste
For the Year Ended September 30, 2005

Operating Expenditures, Cash Basis:

Salaries	\$	22,419
Contract hauling		1,192,234
Landfill charges		314,491
Gasoline and petroleum products		3,886
Insurance and fidelity bond		17,153
Other contractual services		25,000
Miscellaneous		<u>7,520</u>

Solid Waste Cash Basis Operating Expenditures		<u>1,582,703</u>
---	--	------------------

Full Cost Expenses:

Indirect administrative costs	27,453
Depreciation on equipment	13,370
Interest on solid waste	<u>405</u>

Solid Waste Full Cost Operating Expenses	\$	<u><u>41,228</u></u>
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MADISON COUNTY

SPECIAL REPORTS

Windham and Lacey, PLLC

Certified Public Accountants

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

Members of the Board of Supervisors
Madison County, Mississippi

We have audited the primary government 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, 2005, which collectively comprise county's basic primary government financial statements and have issued our report thereon dated June 30, 2006. The auditor's report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the county's 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the primary government financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the primary government financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

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

Windham and Lacey, PLLC

Windham and Lacey, PLLC

June 30, 2006

Windham and Lacey, PLLC

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Members of the Board of Supervisors
Madison County, Mississippi

Compliance

We have audited the compliance of Madison County, Mississippi, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to (each of) its major federal program(s) for the year ended September 30, 2005. Madison County, Mississippi's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Madison County, Mississippi's management. Our responsibility is to express an opinion on Madison County, Mississippi's compliance based on our audit.

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

In our opinion, Madison County, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to (each of) its major federal program(s) for the year ended September 30, 2005.

Internal Control Over Compliance

The management of Madison County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Madison County, Mississippi's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Windham and Lacey, PLLC

Windham and Lacey, PLLC
May 25, 2007

Windham and Lacey, PLLC

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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, 2005. 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 & Lacey, PLLC
June 30, 2006

Windham and Lacey, PLLC

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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, 2005, we considered Madison County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Madison County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated June 30, 2006, on the financial statements of Madison County, Mississippi.

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

Windham and Lacey, PLLC

Windham and Lacey, PLLC
June 30, 2006

MADISON COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2005

Schedule 1

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
05/23/05	Railroad crossing repair	\$ 23,839	McHann Railroad Service	Danger to public
06/20/05	Bridge repair	26,000	Key Constructors, Inc.	Danger to public
08/31/05	Fuel	7,757	EMC Corporation	Hurricane Katrina
09/01/05	Rental of debris removal equipment	4,500	Puckett Machinery	Hurricane Katrina
09/01/05	Fuel	5,942	Spanky's Food Mart	Hurricane Katrina
09/12/05	Satellite telephones	3,780	SATWEST	Hurricane Katrina

MADISON COUNTY

Schedule 2

Schedule of Purchases Not Made From the Lowest Bidder

For the Year Ended September 30, 2005

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Reason for Accepting Other Than the Lowest Bid</u>
09/19/05	Playground equipment	\$ 25,341	Playpower LT-Farminton, Inc.	Lowest bid did not meet advertised specs.

MADISON COUNTY

Schedule 3Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2005

<u>Date</u>	<u>Item Purchased</u>		<u>Amount Paid</u>	<u>Vendor</u>
04/18/05	Tactical search light system	\$	5,985	Southern Precision Armory
04/18/05	Night observation system		21,840	Southern Precision Armory
09/19/05	#57 washed limestone		15,925	Mississippi Materials Company (only available source due to hurricane)

MADISON COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MADISON COUNTY

Schedule of Findings
For the Year Ended September 30, 2005

Section 1: Summary of Auditor's Results

Financial Statements:

- | | |
|--|---------------|
| 1. Type of auditor's report issued on the primary government financial statements: | Unqualified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Reportable condition identified that is not considered to be a material weakness? | None reported |
| 3. Noncompliance material to the primary government financial statements? | No |

Federal Awards:

- | | |
|---|---------------|
| 4. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Reportable condition identified that is not considered to be a material weakness? | None reported |
| 5. Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 6. Any audit finding reported as required by Section ____ .510(a) of Circular A-133? | No |
| 7. Federal programs identified as major programs: | |
| a. U.S. Department of Homeland Security
Disaster Grants-Public Assistance
CFDA # 97.036 | |
| 8. The dollar threshold used to distinguish between type A and B programs: | \$300,000 |
| 9. Auditee qualified as a low-risk auditee? | No |
| 10. Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____ .315(b) of OMB Circular A-133? | No |

MADISON COUNTY

Schedule of Findings
For the Year Ended September 30, 2005

Section 2: Financial Statement Findings

The results of our tests did not disclose any findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

Section 3: Federal Award Findings and Questioned Costs

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