

MADISON COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports

For the Year Ended September 30, 2013

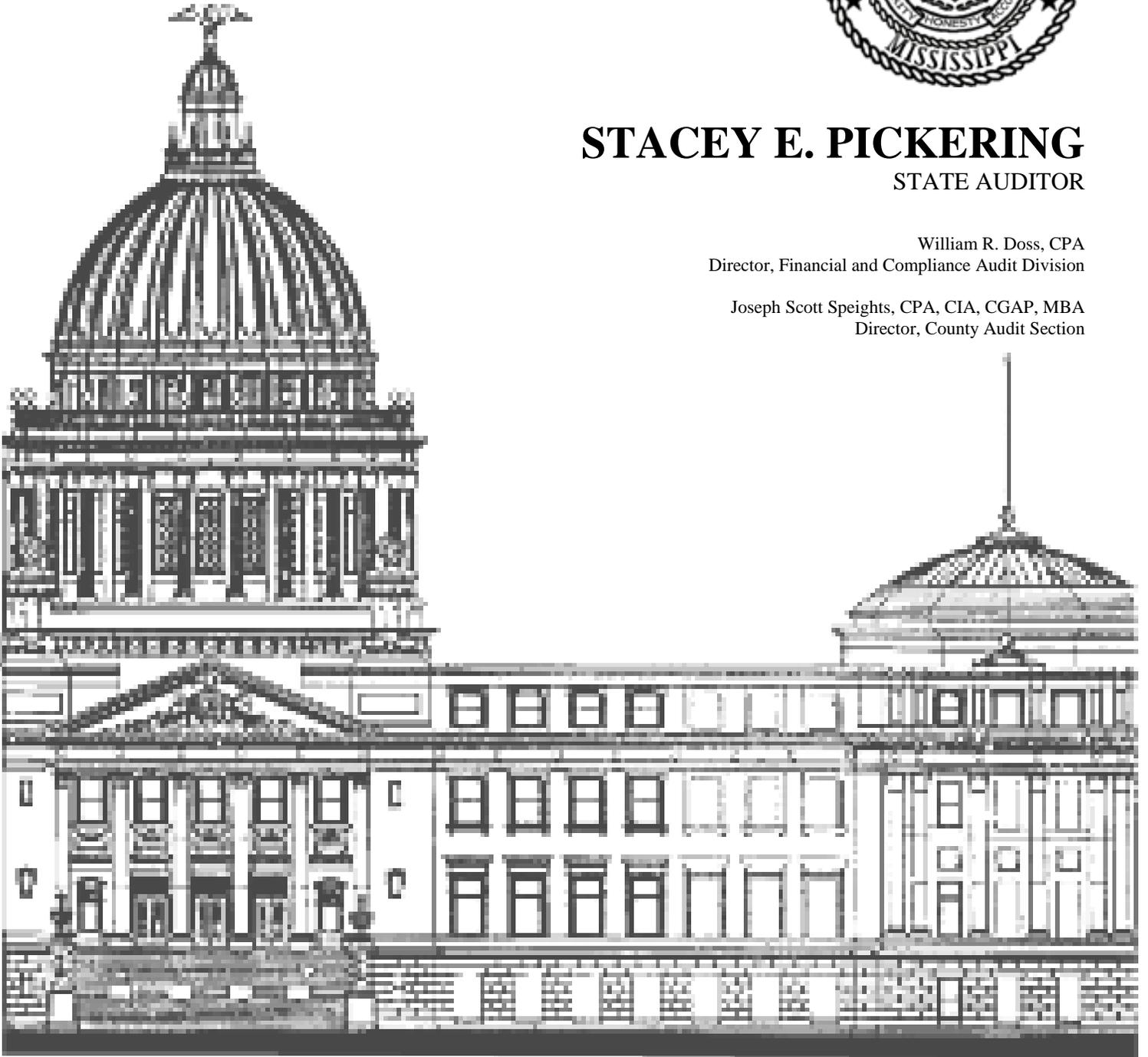


STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA
Director, Financial and Compliance Audit Division

Joseph Scott Speights, CPA, CIA, CGAP, MBA
Director, County Audit Section



A Report from the County Audit Section

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

December 5, 2014

Members of the Board of Supervisors
Madison County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2013 financial and compliance audit report for Madison County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed 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.

I appreciate the cooperation and courtesy extended by the officials and employees of Madison County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Madison County. If I or this office can be of any further assistance, please contact me or J. Scott Speights of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering", is written over a faint, illegible background.

Stacey E. Pickering
State Auditor

MADISON COUNTY

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MADISON COUNTY

FINANCIAL SECTION

MADISON COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Madison County, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Madison County, Mississippi, (the County) as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

The financial statements do not include financial data for the County's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. The County has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net position, revenues and expenses of the aggregate discretely presented component units is not reasonably determinable.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units” paragraph, the financial statements referred to above do not present fairly, the financial position of the aggregate discretely presented component units of Madison County, Mississippi, as of September 30, 2013, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Madison County, Mississippi, as of September 30, 2013, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedule and corresponding notes be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Madison County, Mississippi, has omitted the Management’s Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

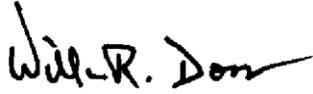
Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Madison County, Mississippi’s basic financial statements. The accompanying Reconciliation of Operating Costs of Solid Waste is also presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Reconciliation of Operating Costs of Solid Waste has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Reconciliation of Operating Costs of Solid Waste is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Schedule of Surety Bonds for County Officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2014, on our consideration of Madison County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Madison County, Mississippi's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Will. R. Dooss". The signature is written in a cursive style with a long horizontal stroke at the end.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

December 5, 2014

MADISON COUNTY

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MADISON COUNTY

FINANCIAL STATEMENTS

MADISON COUNTY

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MADISON COUNTY
Statement of Net Position
September 30, 2013

Exhibit 1

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS	
Cash	\$ 22,231,828
Property tax receivable	30,141,560
Fines receivable (net of allowance for uncollectibles of \$730,817)	483,464
Capital leases receivable	53,075
Intergovernmental receivables	1,469,506
Other receivables	279,081
Deferred charges - bond issuance costs	1,610,503
Capital assets:	
Land and construction in progress	4,167,175
Other capital assets, net	111,103,578
Total Assets	<u>171,539,770</u>
LIABILITIES	
Claims payable	900,434
Intergovernmental payables	1,527,013
Accrued interest payable	849,911
Deferred revenue	30,144,635
Other payables	3,112,343
Claims and judgments payable	130,197
Long-term liabilities	
Due within one year:	
Capital debt	6,794,669
Non-capital debt	139,259
Due in more than one year:	
Capital debt	76,821,210
Non-capital debt	3,355,488
Total Liabilities	<u>123,775,159</u>
NET POSITION	
Net investment in capital assets	31,654,874
Restricted for:	
Expendable:	
General government	788,135
Public safety	1,532,968
Public works	2,735,414
Culture and recreation	887,407
Economic development and assistance	98,280
Debt service	1,154,200
Unemployment compensation	55,093
Unrestricted	8,858,240
Total Net Position	<u>\$ 47,764,611</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, 2013

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 17,405,925	7,863,145	598,966		(8,943,814)
Public safety	14,026,299	2,947,756	607,642	24,000	(10,446,901)
Public works	10,513,914		1,036,982	204,297	(9,272,635)
Health and welfare	981,939		158,784		(823,155)
Culture and recreation	1,481,398				(1,481,398)
Conservation of natural resources	308,978				(308,978)
Economic development and assistance	3,181,306				(3,181,306)
Interest on long-term debt	3,538,936				(3,538,936)
Total Governmental Activities	<u>51,438,695</u>	<u>10,810,901</u>	<u>2,402,374</u>	<u>228,297</u>	<u>(37,997,123)</u>
General revenues:					
Property taxes					\$ 37,628,533
Road & bridge privilege taxes					1,355,750
In lieu tax					1,639,241
Grants and contributions not restricted to specific programs					1,755,565
Unrestricted interest income					65,899
Miscellaneous					2,807,847
Total General Revenues					<u>45,252,835</u>
Changes in Net Position					<u>7,255,712</u>
Net Position - Beginning, as previously reported					39,823,157
Prior period adjustments					685,742
Net Position - Beginning, as restated					<u>40,508,899</u>
Net Position - Ending					<u>\$ 47,764,611</u>

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

MADISON COUNTY
Balance Sheet - Governmental Funds
September 30, 2013

Exhibit 3

	Major Funds			Total Governmental Funds
	General Fund	General County I&S Fund	Other Governmental Funds	
ASSETS				
Cash	\$ 14,159,011	1,838,279	6,234,538	22,231,828
Property tax receivable	16,229,531	6,394,819	7,517,210	30,141,560
Fines receivable (net of allowance for uncollectibles of \$730,817)	483,464			483,464
Capital lease receivable	53,075			53,075
Intergovernmental receivables	1,313,200	2,402	153,904	1,469,506
Other receivables	81,508		197,573	279,081
Due from other funds	92,568	98,168	206,417	397,153
Advances to other funds	101,863			101,863
Total Assets	\$ <u>32,514,220</u>	<u>8,333,668</u>	<u>14,309,642</u>	<u>55,157,530</u>
LIABILITIES				
Liabilities:				
Claims payable	\$ 431,456		468,978	900,434
Intergovernmental payables	1,526,621		392	1,527,013
Due to other funds	304,585		92,568	397,153
Advances from other funds			101,863	101,863
Deferred revenue	16,766,070	6,394,819	7,517,210	30,678,099
Other payables	3,112,343			3,112,343
Claims and judgments payable	130,197			130,197
Total Liabilities	\$ <u>22,271,272</u>	<u>6,394,819</u>	<u>8,181,011</u>	<u>36,847,102</u>
Fund balances:				
Nonspendable:				
Advances	101,863			101,863
Restricted for:				
General government			788,135	788,135
Public safety			1,532,968	1,532,968
Public works			2,735,414	2,735,414
Culture and recreation			887,407	887,407
Economic development and assistance			98,280	98,280
Debt service		1,938,849	65,262	2,004,111
Unemployment compensation			55,093	55,093
Unassigned	10,141,085		(33,928)	10,107,157
Total Governmental Funds	\$ <u>10,242,948</u>	<u>1,938,849</u>	<u>6,128,631</u>	<u>18,310,428</u>
Total Liabilities and Fund Balances	\$ <u>32,514,220</u>	<u>8,333,668</u>	<u>14,309,642</u>	<u>55,157,530</u>

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

MADISON COUNTY

Exhibit 3-1

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
September 30, 2013

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 18,310,428
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$96,644,043	115,270,753
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	483,464
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(87,110,626)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(849,911)
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds.	50,000
Deferred charges - bond issuance costs	<u>1,610,503</u>
Total Net Position - Governmental Activities	\$ <u><u>47,764,611</u></u>

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

MADISON COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2013

	Major Funds			Total Governmental Funds
	General Fund	General County I&S Fund	Other Governmental Funds	
REVENUES				
Property taxes	\$ 20,894,787	8,039,880	8,693,866	37,628,533
Road and bridge privilege taxes			1,355,750	1,355,750
In lieu tax			1,639,241	1,639,241
Licenses, commissions and other revenue	3,244,544	696	944	3,246,184
Fines and forfeitures	853,815		68,889	922,704
Intergovernmental revenues	2,412,883	23,452	1,949,901	4,386,236
Charges for services	5,036,954		1,419,089	6,456,043
Interest income	43,444	4,651	17,804	65,899
Miscellaneous revenues	697,039	117,932	1,583,761	2,398,732
Total Revenues	<u>33,183,466</u>	<u>8,186,611</u>	<u>16,729,245</u>	<u>58,099,322</u>
EXPENDITURES				
Current:				
General government	16,609,218		2,493,241	19,102,459
Public safety	10,513,473		3,409,857	13,923,330
Public works			8,978,190	8,978,190
Health and welfare	952,937			952,937
Culture and recreation	59,298		1,459,755	1,519,053
Conservation of natural resources	308,978			308,978
Economic development and assistance	2,414,147	230,316	1,043,566	3,688,029
Debt service:				
Principal	407,589	4,825,000	1,694,154	6,926,743
Interest	101,870	2,498,953	879,035	3,479,858
Bond issue costs			194,125	194,125
Total Expenditures	<u>31,367,510</u>	<u>7,554,269</u>	<u>20,151,923</u>	<u>59,073,702</u>
Excess of Revenues over (under) Expenditures	<u>1,815,956</u>	<u>632,342</u>	<u>(3,422,678)</u>	<u>(974,380)</u>
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued	76,045		5,769,185	5,845,230
Proceeds from sale of capital assets	70,000		530,630	600,630
Transfers in	104,136		421,739	525,875
Transfers out	(350,000)		(175,875)	(525,875)
Lease principal payments	50,000			50,000
Total Other Financing Sources and Uses	<u>(49,819)</u>	<u>0</u>	<u>6,545,679</u>	<u>6,495,860</u>
Net Changes in Fund Balances	<u>1,766,137</u>	<u>632,342</u>	<u>3,123,001</u>	<u>5,521,480</u>
Fund Balances - Beginning as previously reported	8,541,016	1,281,732	2,948,801	12,771,549
Prior period adjustments	(64,205)	24,775	56,829	17,399
Fund Balances - Beginning, as restated	<u>8,476,811</u>	<u>1,306,507</u>	<u>3,005,630</u>	<u>12,788,948</u>
Fund Balances - Ending	\$ <u>10,242,948</u>	<u>1,938,849</u>	<u>6,128,631</u>	<u>18,310,428</u>

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

MADISON COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2013

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 5,521,480
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 of \$4,791,410 exceeded depreciation of \$3,712,160 in the current period.	1,079,250
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. Thus, the change in net assets differs from the change in fund balances by the amount of the gain of \$409,115, the loss of \$5,048 and the proceeds from the sale of \$600,630 in the current period.	(196,563)
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.	185,970
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net 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 of \$6,926,743 exceeded debt proceeds of \$5,845,230.	1,081,513
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:	
Net increase in compensated absences	(325,043)
Increase in accrued interest payable	(6,228)
Additions to:	
Deferred charges - bond issuance costs	194,125
The Amortization of:	
Deferred charges - bond issuance costs	(175,942)
Premiums on bonds	92,503
Discount on bonds	(4,028)
Deferred amount on refunding bonds	(141,325)
In the Statement of Activities, only interest income from payments received on capital leases are reported, whereas in the governmental funds, both principal and interest payments received increase financial resources. Thus, the change in net position differs from change in fund balances by the principal collections on the capital leases.	<u>(50,000)</u>
Change in Net Position of Governmental Activities	<u>\$ 7,255,712</u>

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

MADISON COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2013

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash	\$ <u>279,567</u>
Total Assets	\$ <u><u>279,567</u></u>
LIABILITIES	
Amounts held in custody for others	\$ 68,095
Intergovernmental payables	<u>211,472</u>
Total Liabilities	\$ <u><u>279,567</u></u>

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

MADISON COUNTY

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MADISON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

(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 accordance with accounting principles generally accepted in the United States of America.

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

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

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

B. Basis of Presentation.

The County's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements:

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

MADISON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

The Statement of Net Position 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 and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues, are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the County.

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

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

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

The County reports the following major Governmental Funds:

General Fund - This fund is used to account for and report all financial resources not accounted for and reported in another fund.

General County I & S Fund - Accounts for monies from specific revenue sources that are restricted for repayment of general obligation debt.

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

Debt Service Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

FIDUCIARY FUND TYPE

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

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2012 by the Government Finance Officers Association.

E. Deposits and Investments.

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

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

F. Receivables.

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

G. Interfund Transactions and Balances.

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

H. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the (applicable) governmental activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost.

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

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.

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 half-year convention basis for all assets, except land. A half year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

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

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

I. Long-term Liabilities.

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

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position. Bond premiums and discounts, as well as 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 premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

J. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as Net Position and displayed in three components:

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

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

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

Unrestricted net position - All other net position not meeting the definition of “restricted” or “net investment in capital assets.”

Fund Financial Statements:

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

Government fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the County:

Nonspendable fund balance includes amounts that cannot be spent. This includes amounts that are either not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds from the collection of those receivables or from the sale of those properties are restricted, committed or assigned) or amounts that are legally or contractually required to be maintained intact, such as a principal balance of a permanent fund.

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the County’s general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the County’s general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

K. Property Tax Revenues.

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

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

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

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

L. Intergovernmental Revenues in Governmental Funds.

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

M. Compensated Absences.

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

N. Changes in Accounting Standards.

The County implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*; GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The provisions of these standards have been incorporated into the financial statements and the notes.

(2) Prior Period Adjustments.

A summary of significant fund equity adjustments are as follows:

Exhibit 2 - State of Activities.

<u>Explanation</u>	<u>Amount</u>
To correct prior year errors in fines receivable	\$ (68,948)
To remove prior year petty cash that was recorded in error	(5,000)
To correct prior year balance of jury fund cash	22,399
To correct prior year errors in capital assets	<u>737,291</u>
Total prior period adjustments	<u>\$ 685,742</u>

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

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

<u>Explanation</u>	<u>Amount</u>
To correct prior errors in interest income allocation for the General Fund	\$ (86,604)
To correct prior errors in interest income allocation for the General County I & S Fund	24,775
To correct prior errors in interest income allocation for the Other Governmental Funds	61,829
To remove prior year petty cash that was recorded in error	(5,000)
To correct prior year balance of jury fund cash	<u>22,399</u>
Total prior period adjustments	<u>\$ 17,399</u>

(3) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2013, was \$22,511,395, and the bank balance was \$23,011,435. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

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's policy to manage custodial credit risk utilizes a multiple financial institution pool that limits deposits to FDIC coverage by distributing them among multiple financial institutions by the financial institution of the County. The financial institution of the County monitors these accounts to insure that deposits and subsequent interest do not exceed FDIC coverage. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the County.

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2013:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Other Governmental Funds	\$ 92,568
General County I & S Fund	General	98,168
Other Governmental Funds	General	<u>206,417</u>
Total		<u>\$ 397,153</u>

The receivables represent the tax revenue collected but not settled until October, 2013, and monies paid to various funds to alleviate funding shortages. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances from/to Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Other Governmental Funds	<u>\$ 101,863</u>

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

The balance represents amounts advanced to various funds for building construction. The balance is not expected to be repaid within one year from the date of the financial statements

C. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 104,136
Other Governmental Funds	General Fund	350,000
Other Governmental Funds	Other Governmental Funds	<u>71,739</u>
Total		<u>\$ 525,875</u>

The principal purpose of interfund transfers was to provide funds to cover operating expenses, to prevent deficit cash balances, and to correct errors. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2013, consisted of the following:

<u>Description</u>	<u>Amount</u>
Legislative tax credit	\$ 876,496
Mental health intensive adolescent opportunity program	15,238
Community development block grant	15,399
Delta Regional Authority economic development grant	7,083
Adult drug court	8,611
Housing prisoners	310,638
Motor vehicle licenses	44,657
Alcohol open container requirements (DUI) grant	25,878
Law enforcement training	3,000
Due from the US Department of Justice	7,173
Land patent refunds	1,245
Due from the City of Madison	1,138
Emergency management performance grant	34,590
CAP loan proceeds due from the Mississippi Development Authority	<u>118,360</u>
Total Governmental Activities	<u>\$ 1,469,506</u>

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2013:

	<u>Balance</u>				<u>Balance</u>
	<u>Oct. 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments*</u>	<u>Sept. 30, 2013</u>
<u>Non-depreciable capital assets:</u>					
Land	\$ 1,149,331	963,887	27,880	222,760	2,308,098
Construction in progress	<u>2,024,585</u>	<u>1,852,099</u>		<u>(2,017,607)</u>	<u>1,859,077</u>
Total non-depreciable capital assets	<u>3,173,916</u>	<u>2,815,986</u>	<u>27,880</u>	<u>(1,794,847)</u>	<u>4,167,175</u>
<u>Depreciable capital assets:</u>					
Infrastructure	151,175,878			1,573,168	152,749,046
Buildings	37,666,846	1,325,932	259,987	968,682	39,701,473

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

	Balance Oct. 1, 2012	Additions	Deletions	Adjustments*	Balance Sept. 30, 2013
Improvements other than buildings	36,450				36,450
Mobile equipment	9,458,647	187,208	219,542	1,381,853	10,808,166
Furniture and equipment	2,591,480	139,219	41,181		2,689,518
Leased property under capital leases	2,850,501	323,065		(1,410,598)	1,762,968
Total depreciable capital assets	<u>203,779,802</u>	<u>1,975,424</u>	<u>520,710</u>	<u>2,513,105</u>	<u>207,747,621</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	74,427,277	1,796,788			76,224,065
Buildings	9,964,865	752,956	114,421	6,837	10,610,237
Improvements other than buildings	3,645	1,458			5,103
Mobile equipment	6,251,059	764,794	197,589	370,460	7,188,724
Furniture and equipment	2,006,195	161,843	40,017		2,128,021
Leased property under capital leases	649,902	234,321		(396,330)	487,893
Total accumulated depreciation	<u>93,302,943</u>	<u>3,712,160</u>	<u>352,027</u>	<u>(19,033)</u>	<u>96,644,043</u>
Total depreciable capital assets, net	<u>110,476,859</u>	<u>(1,736,736)</u>	<u>168,683</u>	<u>2,532,138</u>	<u>111,103,578</u>
Governmental activities capital assets, net	\$ <u>113,650,775</u>	<u>1,079,250</u>	<u>196,563</u>	<u>737,291</u>	<u>115,270,753</u>

* Adjustments were made to transfer paid out leased property to mobile equipment and furniture and equipment, to transfer completed construction in progress to infrastructure, and to correct prior years' errors.

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 496,035
Public safety	944,628
Public works	2,218,835
Health and welfare	29,549
Culture and recreation	<u>23,113</u>
Total governmental activities depreciation expense	\$ <u>3,712,160</u>

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

Commitments with respect to unfinished capital projects at September 30, 2013, consisted of the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Delivery</u>
Panther Creek	\$ 529,574	01/2014
Church Road	178,651	09/2014
Sowell Road Bridge	475,000	09/2014
Sulphur Springs Park	1,621,725	09/2014
King Ranch Road	697,184	09/2015
Perimeter Road Bridge	580,256	09/2016
Hoy Road	17,000,000	09/2020

(7) Claims and Judgments.

Risk Financing.

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2013, to January 1, 2014. 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 self-funded health insurance plan. The Madison County Board of Supervisors has extended coverage to the employees of Madison County Economic Development Authority (MCEDA), Madison County Soil and Water Conservation District (MCSWD), and the Madison County Citizens Services Agency (MCCSA).

Under the plan, amounts payable to the risk management fund are based on historical cost estimates. Each participating entity pays a premium on a single coverage policy for respective employees. Employees pay an additional individual premium, and if electing dependent coverage, pay any additional premium through payroll deduction. Premium payments to the (risk management) fund are determined on a historical cost basis. The County has uninsured risk retention for all participating entities, 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 reinsurance which functions as stop-loss coverage. This coverage is purchased from an outside commercial carrier. For the current fiscal year, there is an aggregate specific deductible of \$115,000, as well as an individual specific deductible of \$75,000. The County must meet an overall deductible of \$115,000 as well as meeting the individual deductible of \$75,000 in claims paid. Once these deductibles are met, reinsurance will pay up to \$1,925,000 in claims per participant.

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

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, 2013, the amount of these liabilities was \$130,197. An analysis of claims activities is presented below:

	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year End</u>
2011 – 2012	\$ 244,008	3,001,854	3,157,978	87,884
2012 – 2013	\$ 87,884	2,715,548	2,673,235	130,197

(8) Capital Leases.

As Lessor:

The County leases the following property with varying terms and options as of September 30, 2013:

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

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2013, are as follows:

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ <u>50,000</u>	<u>3,075</u>

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2013:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 1,762,968
Less: Accumulated depreciation	<u>487,893</u>
Leased Property Under Capital Leases	\$ <u>1,275,075</u>

The following is a schedule by years of the total payments due as of September 30, 2013:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 499,089	6,871
2015	134,621	1,769
2016	<u>55,366</u>	<u>256</u>
Total	\$ <u>689,076</u>	<u>8,896</u>

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

(9) Long-term Debt.

Debt outstanding as of September 30, 2013, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
G.O. Refunding Bonds, Series 2004	\$ 790,000	3.30%	06/2014
Courthouse Project Refunding Bonds Series 2008	485,000	3.15-3.25%	06/2014
G.O. Refunding Road and Bridge and Refunding Bonds Series 2006	2,835,000	4.13-5.00%	05/2017
MS Development Bank Special Obligation Refunding Bonds, Series 2009	1,915,000	2.00-4.00%	05/2024
G.O. Refunding, Series 2011 (Jail)	8,025,000	2.00-3.25%	06/2024
Road and Bridge Refunding, Series 2012	8,860,000	2.00-3.00%	05/2026
G.O. Nissan Refunding Bonds, Series 2006	17,230,000	3.75-5.00%	06/2026
G.O. Road and Bridge Bonds Series 2007	9,435,000	4.00-5.00%	05/2027
G.O. Road and Bridge Bonds, Series 2008	<u>27,365,000</u>	3.50-5.00%	03/2028
Total General Obligation Bonds	<u>\$ 76,940,000</u>		
B. Limited Obligation Bonds:			
Taxable Tax Increment Limited Obligation Bonds Series 2011 (Galleria Parkway Project)	\$ 1,216,000	5.37%	11/2027
Urban Renewal Revenue Bond (Sulphur Springs)	<u>1,500,000</u>	2.50%	03/2023
Total Limited Obligation Bonds	<u>\$ 2,716,000</u>		
C. Capital Leases:			
Komatsu Excavator	\$ 99,739	3.14%	10/2013
24 Crown Victoria Patrol Cars	45,779	2.98%	12/2013
10 New Holland Tractors	89,522	2.52%	06/2014
2011 Crown Victoria Sheriff's Cars	181,215	1.84%	11/2014
3 Sheriff's Vehicles	59,462	1.61%	12/2015
3 Case Backhoes	<u>213,359</u>	1.47%	04/2016
Total Capital Leases	<u>\$ 689,076</u>		
D. Other Loans:			
Building South West Madison Fire Station	\$ 9,188	4.00%	06/2014
Industrial development capital improvement (CAP)	186,278	3.00%	09/2017
Building South Madison Fire Station	529,668	2.00%	05/2021
Building Farmhaven Fire Station	570,220	2.00%	02/2022
Industrial development capital improvement (CAP)	879,866	3.00%	12/2028
General Obligation Negotiable Notes	895,000	1.00%	03/2018
South Madison Annex-LO Promissory Note	2,400,000	3.69%	09/2023
Valley View Fire Station	<u>727,165</u>	2.00%	02/2034
Total Other Loans	<u>\$ 6,197,385</u>		

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

Year Ending September 30	General Obligation Bonds		Limited Obligation Bonds	
	Principal	Interest	Principal	Interest
2014	\$ 5,625,000	3,036,182	190,000	116,301
2015	4,455,000	2,813,637	193,000	93,226
2016	4,630,000	2,621,007	201,000	86,593
2017	4,825,000	2,418,919	209,000	79,674
2018	5,040,000	2,209,106	218,000	72,443
2019 – 2023	28,605,000	7,832,670	1,191,000	244,117
2024 – 2028	23,760,000	2,071,428	514,000	71,959
Total	\$ 76,940,000	23,002,949	2,716,000	764,313

Year Ending September 30	Other Loans	
	Principal	Interest
2014	\$ 619,839	156,844
2015	641,802	148,528
2016	659,689	132,893
2017	672,748	116,720
2018	639,818	100,888
2019 – 2023	2,198,017	286,963
2024 – 2028	521,055	61,065
2029 – 2033	226,115	12,674
2034 – 2038	18,302	90
Total	\$ 6,197,385	1,016,665

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, 2013, the amount of outstanding debt was equal to 5.59% of the latest property assessments.

Prior Year Defeasance of Debt - In prior years, the County defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. On September 30, 2013, \$32,010,000 of bonds outstanding were considered defeased.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2013:

	Balance Oct. 1, 2012	Additions	Reductions	Adjustments	Balance Sept. 30, 2013	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 887,560	325,590	547		1,212,603	
General obligation bonds	82,670,000		5,730,000		76,940,000	5,625,000
Less:						
Deferred amount on refunding	(1,868,802)		(141,325)		(1,727,477)	
Discounts	(46,914)		(4,028)		(42,886)	
Add:						
Premiums	1,218,428		92,503		1,125,925	
Limited obligation bonds	1,275,000	1,500,000	59,000		2,716,000	190,000

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

	Balance Oct. 1, 2012	Additions	Reductions	Adjustments	Balance Sept. 30, 2013	Amount due within one year
Capital leases	1,272,471	323,065	906,460		689,076	499,089
Other loans	2,406,503	4,022,165	231,283		6,197,385	619,839
Total	\$ 87,814,246	6,170,820	6,874,440	0	87,110,626	6,933,928

Compensated absences will be paid from the fund from which the employees' salaries were paid which are generally the General Fund, Planning and Zoning, E-911 Communications, Solid Waste, 1/4 Mill Fire District, Road Maintenance Fund, Bridge & Culvert, AOC Juvenile Drug Court, AOC Adult Drug Court and Adolescent Opportunity Program.

(10) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances at September 30, 2013:

Fund	Deficit Amount
Adolescent Opportunity Program Fund	\$ (2,059)
Fire Station Construction Fund	(2,400)
Valley View Fire Department Fund	(29,469)

(11) Contingencies.

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

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

Hospital Revenue Bond Contingencies - The County issues revenue bonds to provide funds for constructing and improving capital facilities of the Madison County Nursing Home. Revenue bonds are reported as a liability of the hospital because such debt is payable primarily from the hospital's pledged revenues. However, the County remains contingently liable for the retirement of these bonds because the full faith, credit and taxing power of the County is secondarily pledged in case of default by the hospital. The principal amount of hospital revenue bonds outstanding at September 30, 2013, is \$6,800,000.

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

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

Parkway East Public Improvement District - The County entered into a limited agreement with the Parkway East Public Improvement District, pursuant to the "Public Improvement District Act", codified as Section 19-31-1 Miss. Code (1972), as amended. The purpose of the agreement was to construct a parkway financed by a bond issue to be repaid by special assessments to landowners along the parkway. The agreement provides that, in the event Parkway East fails, for any reason, to levy and/or collect a sufficient amount of special assessments from the owners of land within Parkway East to satisfy any debt service payment, the County shall pay the outstanding amount required to satisfy the deficient debt service payment. In the event of a sale of a parcel of land for taxes upon which a special assessment was levied but not collected, the County's reimbursement, plus interest, would come from the tax sale. Parkway East contractually agreed to reimburse the County no later than two years after the deficiency payment was made. The agreement indicates that breach of the agreement by Parkway East relieves the County of additional liability for payment of the bonds. In October 2012, the Board was notified that the District could not meet its obligation to pay the November 1, 2012 debt service. The County paid \$518,401 in October 2012 and \$676,514 in April 2013.

Parkway South Public Improvement District - The County has the same agreement with Parkway South Public Improvement District as it has with the Parkway East Improvement District. In October 2012, the Board was notified that the District could not meet its obligation to pay the November 1, 2012 debt service and the County was again notified in April 2013 that the District could not meet its May 1, 2013 debt service. The County paid \$186,983 in October 2012 and \$328,344 in April 2013.

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

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

The trust agreements authorized the corporation to issue debt for the construction of various public facilities which were leased to the County. Ownership of the projects transferred to the County upon complete retirement of the debt. In connection with the 1994 project, the County acquired certain property which has been subleased to the City of Madison (the City). Under the terms of the agreement, the City is required to make the 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, 2013 was \$50,000. This amount has been recorded as lease payments receivable and a corresponding amount is shown as deferred revenue-leasing transactions at September 30, 2013.

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

(13) No Commitment Debt (Not Included in Financial Statements).

No commitment debt is repaid only by the entities for whom the debt was issued and includes debt that either bears the County's name or for which a moral responsibility may exist that is not an enforceable promise to pay. No commitment debt explicitly states the absence of obligation by the County other than possibly an agreement to assist creditors in exercising their rights in the event of default.

Madison County and the Mississippi Transportation Commission (Mississippi Department of Transportation) entered into an Interlocal Cooperative Agreement, dated October 11, 2006 and amended May 8, 2013 which among other things allowed the County to provide funds necessary to the Commission (MDOT) for the construction of a Highway Project. The funds come from the \$140,000,000 Mississippi Development Bank Bonds, Series 2006 (Madison County, Mississippi Highway Construction Project), \$88,865,000 Mississippi Development Bank Special Obligation Refunding Bonds, Series 2013C (Madison County, Mississippi Highway Construction Project) dated May 8, 2013.

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

Under the Cooperative Agreement, the Commission (MDOT) agrees to pay to the Trustee amounts sufficient to pay the principal and interest on the Series 2006 and Series 2013 Bonds. Nothing in the bonds or any other document executed by the County will obligate the County financially in any way or be a charge against its general credit or taxing powers. The total amount outstanding as of September 30, 2013 is as follows:

<u>Description</u>	<u>Balance at Sept. 30, 2013</u>
Mississippi Development Bank Bonds, Series 2006	\$ 21,603,625
Mississippi Development Bank Bonds, Series 2013C	<u>88,865,000</u>
Total No Commitment Debt	<u><u>110,468,625</u></u>

(14) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

Holmes Community College operates in a district composed of the Counties of Attala, Carroll, Choctaw, Grenada, Holmes, Madison, Montgomery, Webster and Yazoo. The Madison County Board of Supervisors appoints two of the 22 members of the college board of trustees. The County appropriated \$2,492,967 for maintenance and support of the college in fiscal year 2013.

Region 8 Mental Health - Mental Retardation Commission operates in a district composed of the Counties of Copiah, Madison, Rankin and Simpson. The Madison County Board of Supervisors appoints one of the four members of the board of commissioners. The County appropriated \$110,000 for maintenance and support of the center in fiscal year 2013.

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 \$10,925 for maintenance and support of the district in fiscal year 2013.

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 2013.

(15) Defined Benefit Pension Plan.

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

Funding Policy. At September 30, 2013, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The rate at September 30, 2013 was 15.75% 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, 2013, 2012 and 2011 were \$2,070,793, \$1,842,155 and \$1,732,548, respectively, equal to the required contributions for each year.

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

(16) Subsequent Events.

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Madison County evaluated the activity of the County through December 5, 2014, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2013, the County issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
12/19/2013	1.89%	\$ 203,393	Capital Lease	Ad Valorem Taxes
06/04/2014	1.64%	662,756	Capital Lease	Ad Valorem Taxes
09/25/2014	2.00%	11,750,000	G.O. Refunding Bond	Ad Valorem Taxes
11/18/2014	3.50/4.50%	15,000,000	G.O. Bond	Ad Valorem Taxes

Madison County drew down the remaining of \$6,105,000 of the \$7,000,000 General Obligation Note that was disclosed as a subsequent event in the prior year report as follows - \$500,000 on 11/19/2013, \$500,000 on 12/03/2013, \$500,000 on 12/31/2013 and \$4,605,000 on 02/26/2014.

The County is currently working on a restructuring and other options on its Taxable Tax Increment Financing (TIF) Limited Obligation Bonds, Series 2011 (Galleria Parkway Project) due to a lack of pledged revenues to pay the November 2014 bond payment. The County has paid all of the funds that are available under the agreement.

MADISON COUNTY

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MADISON COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

MADISON COUNTY

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MADISON COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2013
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 19,940,726	20,844,089	20,844,089	
Licenses, commissions and other revenue	2,723,850	3,156,704	3,156,704	
Fines and forfeitures	1,075,000	864,147	864,147	
Intergovernmental revenues	2,118,816	2,402,265	2,402,265	
Charges for services	4,981,580	5,137,653	5,137,653	
Interest income	101,000	58,039	58,039	
Miscellaneous revenues	438,000	698,414	698,414	
Total Revenues	<u>31,378,972</u>	<u>33,161,311</u>	<u>33,161,311</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	17,301,375	25,700,385	25,700,385	
Public safety	10,559,425	10,796,006	10,796,006	
Health and welfare	978,922	956,706	956,706	
Culture and recreation	94,860	127,608	127,608	
Conservation of natural resources	317,109	311,214	311,214	
Economic development and assistance	10,925	10,925	10,925	
Debt service expenditures	2,498,255	2,565,134	2,565,134	
Total Expenditures	<u>31,760,871</u>	<u>40,467,978</u>	<u>40,467,978</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(381,899)</u>	<u>(7,306,667)</u>	<u>(7,306,667)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources	<u>370,579</u>	<u>9,071,152</u>	<u>9,071,152</u>	
Total Other Financing Sources and Uses	<u>370,579</u>	<u>9,071,152</u>	<u>9,071,152</u>	<u>0</u>
Net Change in Fund Balance	(11,320)	1,764,485	1,764,485	
Fund Balances - Beginning	<u>924,238</u>	<u> </u>	<u>8,019,736</u>	<u>8,019,736</u>
Fund Balances - Ending	<u>\$ 912,918</u>	<u>1,764,485</u>	<u>9,784,221</u>	<u>8,019,736</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, 2013

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 and Tax Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

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

	<u>Governmental Fund Types</u>	
		<u>General Fund</u>
Budget (Cash Basis)	\$	1,764,485
Increase (Decrease)		
Net adjustments for revenue accruals		<u>(8,748,816)</u>
Net adjustments for expenditure accruals		<u>8,750,468</u>
GAAP Basis	\$	<u><u>1,766,137</u></u>

MADISON COUNTY

SUPPLEMENTAL INFORMATION

MADISON COUNTY
Reconciliation of Operating Costs of Solid Waste
For the Year Ended September 30, 2013

Operating Expenditures, Cash Basis:

Salaries	\$	882,220
Contractual services		92,835
Landfill charges		216,431
Recycling		199,169
Consumable supplies		434,140
Debt service		233,397
Capital outlay and other		<u>656</u>

Solid Waste Cash Basis Operating Expenditures 2,058,848

Full Cost Expenses:

Indirect administrative costs		35,019
Depreciation on equipment		<u>82,814</u>

Solid Waste Full Cost Operating Expenses \$ 2,176,681

MADISON COUNTY

OTHER INFORMATION

MADISON COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2013
UNAUDITED

Name	Position	Company	Bond
John Bell Crosby	Supervisor District 1	Brierfield Insurance Company	\$100,000
Ronald W. Lott	Supervisor District 2	Brierfield Insurance Company	\$100,000
Gerald D. Steen	Supervisor District 3	Brierfield Insurance Company	\$100,000
Karl M. Banks	Supervisor District 4	Brierfield Insurance Company	\$100,000
Paul Griffin	Supervisor District 5	Brierfield Insurance Company	\$100,000
Lawrence Morris	Road Manager	Western Surety Company	\$50,000
David Overbey	County Administrator	Brierfield Insurance Company	\$100,000
Hardy Crunk	Purchase Clerk	Brierfield Insurance Company	\$75,000
Cynthia Parker	Assistant Purchase Clerk	Brierfield Insurance Company	\$50,000
Gloria Nichols	Receiving Clerk	Brierfield Insurance Company	\$75,000
Laura Leathers	Assistant Receiving Clerk	Brierfield Insurance Company	\$50,000
Wayne Wells	Assistant Receiving Clerk	Brierfield Insurance Company	\$50,000
Jeremy Williams	Assistant Receiving Clerk	Brierfield Insurance Company	\$50,000
Loretta Phillips	Inventory Control Clerk	Brierfield Insurance Company	\$75,000
Arthur S. Johnston	Chancery Clerk	Brierfield Insurance Company	\$100,000
Kimberly Sievers	Deputy Chancery Clerk	Brierfield Insurance Company	\$50,000
Karen Tripp	Deputy Chancery Clerk	Brierfield Insurance Company	\$50,000
Marie Luckett	Deputy Chancery Clerk	Brierfield Insurance Company	\$50,000
Stacey Toten	Deputy Chancery Clerk	Brierfield Insurance Company	\$50,000
Jeff Luckett	Deputy Chancery Clerk	Brierfield Insurance Company	\$50,000
Sarah L. Sasnett	Deputy Chancery Clerk	Brierfield Insurance Company	\$50,000
Regina Ferguson	Deputy Chancery Clerk	Brierfield Insurance Company	\$50,000
Charles Laseter	Deputy Chancery Clerk	Brierfield Insurance Company	\$50,000
Cynthia Parker	Deputy Chancery Clerk	Brierfield Insurance Company	\$50,000
Debbie Dean	Deputy Chancery Clerk	Brierfield Insurance Company	\$50,000
Holli McCarra	Deputy Chancery Clerk	Brierfield Insurance Company	\$50,000
Donnie Caughman	Deputy Chancery Clerk	Brierfield Insurance Company	\$50,000
Myrtis Sims	Deputy Chancery Clerk	Brierfield Insurance Company	\$50,000
Shelton Vance	Deputy Chancery Clerk	Brierfield Insurance Company	\$50,000
Lee Westbrook	Circuit Clerk	Brierfield Insurance Company	\$100,000
Sara B. Albritton	Deputy Circuit Clerk	Brierfield Insurance Company	\$50,000
Priscilla D. Blankenship	Deputy Circuit Clerk	Brierfield Insurance Company	\$50,000
Monica L. Henderson	Deputy Circuit Clerk	Brierfield Insurance Company	\$50,000
Margareta Jones	Deputy Circuit Clerk	Brierfield Insurance Company	\$50,000
Laurie A. Prince	Deputy Circuit Clerk	Brierfield Insurance Company	\$50,000
Wanda Jefferson	Deputy Circuit Clerk	Brierfield Insurance Company	\$50,000
Natalie S. Kirby	Deputy Circuit Clerk	Brierfield Insurance Company	\$50,000
Fannie M. Sanders	Deputy Circuit Clerk	Brierfield Insurance Company	\$50,000
Johnny Sims	Constable	Brierfield Insurance Company	\$50,000
Matt Shackelford	Constable	Brierfield Insurance Company	\$50,000
William L. Weisenberger Jr.	Constable	Brierfield Insurance Company	\$50,000
Michael Brown	Constable	Brierfield Insurance Company	\$50,000
Mamie Chinn	Justice Court Judge	Brierfield Insurance Company	\$50,000
William Weisenberger	Justice Court Judge	Brierfield Insurance Company	\$50,000
Marsha Stacey	Justice Court Judge	Brierfield Insurance Company	\$50,000
William Bruce McKinley	Justice Court Judge	Brierfield Insurance Company	\$50,000
Susan McCarty	Justice Court Clerk	Brierfield Insurance Company	\$50,000
Richard Davis	Deputy Justice Court Clerk	Brierfield Insurance Company	\$50,000
Michael Seth Everett	Deputy Justice Court Clerk	Brierfield Insurance Company	\$50,000
Evelyn J. Jackson	Deputy Justice Court Clerk	Brierfield Insurance Company	\$50,000

MADISON COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2013
UNAUDITED

Name	Position	Company	Bond
Evelyn J. Jackson	Deputy Justice Court Clerk	Brierfield Insurance Company	\$50,000
Betty W. Robinson	Deputy Justice Court Clerk	Brierfield Insurance Company	\$50,000
Sarah Steele	Deputy Justice Court Clerk	Brierfield Insurance Company	\$50,000
Sheila M. Taylor	Deputy Justice Court Clerk	Brierfield Insurance Company	\$50,000
Lauren Canoy	Deputy Justice Court Clerk	Brierfield Insurance Company	\$50,000
Earnestine Brown	Deputy Justice Court Clerk	Brierfield Insurance Company	\$50,000
Randall Tucker	Sheriff	Brierfield Insurance Company	\$100,000
Richard Ladner	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Joseph Mangino	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Watts A. Johnson	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Kristopher J. Stone	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Hunt Johnson	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Tommy Squires	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Earl Taylor	Deputy Sheriff	Brierfield Insurance Company	\$50,000
John M. Chapman	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Jason Barnes	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Cline Wyman	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Radford G. Shearrill	Deputy Sheriff	Brierfield Insurance Company	\$50,000
William H. Hudson	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Terry Barfield	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Nathaniel Johnson	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Cynthia Esco	Deputy Sheriff	Brierfield Insurance Company	\$50,000
James C. Knight	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Richard Clark	Deputy Sheriff	Brierfield Insurance Company	\$50,000
William L. Weisenberger Jr.	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Randall Grewe	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Robin Welch	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Taylor Chastain	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Aaron Zimmerman	Deputy Sheriff	Brierfield Insurance Company	\$50,000
George Elliott	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Russell Kirby	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Harold Curtis	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Mark Sandridge	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Michael Wilson	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Johnny L. Burse	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Perry Christopher Abels	Deputy Sheriff	Brierfield Insurance Company	\$50,000
George Smith	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Thomas Kip Luby	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Kyrie Lucas	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Timothy B. Thames	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Robert Jackson	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Don Hicks	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Otha Brown	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Scott McDonald	Deputy Sheriff	Brierfield Insurance Company	\$50,000
William Lee Brock	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Robert S. Graves	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Kim W. Henderson	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Joseph Butler	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Elton P. Flax	Deputy Sheriff	Brierfield Insurance Company	\$50,000

MADISON COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2013
UNAUDITED

Name	Position	Company	Bond
Joshua H. Fish	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Albert Jones	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Brian Loveall	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Michael Seth Everett	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Brad Sullivan	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Thomas Strait	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Kevin Moffett	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Jeffery M. Waldrop	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Thomas Guy Jones	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Richard T. Davis III	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Peter S. Stone	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Charles Hammill	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Christopher L. McDonald	Deputy Sheriff	Brierfield Insurance Company	\$50,000
James Thomas	Deputy Sheriff	Brierfield Insurance Company	\$50,000
James Corey Mangum	Deputy Sheriff	Brierfield Insurance Company	\$50,000
James Cannon	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Sam Howard	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Eric Rather	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Robert L. Jackson	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Gerald Barber	Tax Assessor	Brierfield Insurance Company	\$100,000
Lionel K. Hawkins	Deputy Tax Assessor	Brierfield Insurance Company	\$10,000
Kay Jerome	Deputy Tax Assessor	Brierfield Insurance Company	\$10,000
Kathleen Ketchum	Deputy Tax Assessor	Brierfield Insurance Company	\$10,000
Evelyn Mixon	Deputy Tax Assessor	Brierfield Insurance Company	\$10,000
Vent Mixon	Deputy Tax Assessor	Brierfield Insurance Company	\$10,000
Adriane D. Odom	Deputy Tax Assessor	Brierfield Insurance Company	\$10,000
Jeff Peterson	Deputy Tax Assessor	Brierfield Insurance Company	\$10,000
William Stewart	Deputy Tax Assessor	Brierfield Insurance Company	\$10,000
Ira H. Thorn	Deputy Tax Assessor	Brierfield Insurance Company	\$10,000
Brad D. Harbour	Deputy Tax Assessor	Brierfield Insurance Company	\$10,000
John Anderson	Deputy Tax Assessor	Brierfield Insurance Company	\$10,000
Margaret E. Anderson	Deputy Tax Assessor	Brierfield Insurance Company	\$10,000
Sue R. Anglin	Deputy Tax Assessor	Brierfield Insurance Company	\$10,000
Tina Blount	Deputy Tax Assessor	Brierfield Insurance Company	\$10,000
Angelina Brown	Deputy Tax Assessor	Brierfield Insurance Company	\$10,000
Norman Cannady	Deputy Tax Assessor	Brierfield Insurance Company	\$10,000
James I. Ford	Deputy Tax Assessor	Brierfield Insurance Company	\$10,000
John F. Fox	Deputy Tax Assessor	Brierfield Insurance Company	\$10,000
Christopher J. Garavelli	Deputy Tax Assessor	Brierfield Insurance Company	\$10,000
Alice Simpson	Deputy Tax Assessor	Brierfield Insurance Company	\$10,000
Kay S. Pace	Tax Collector	Brierfield Insurance Company	\$200,000
Jo Ann Tootle	Deputy Tax Collector	Western Surety Company	\$50,000
Shelia Woodard	Deputy Tax Collector	Western Surety Company	\$50,000
Nina Thorn	Deputy Tax Collector	Brierfield Insurance Company	\$100,000
Lisa K. Duvall	Deputy Tax Collector	Brierfield Insurance Company	\$100,000
Sally C. Baldwin	Deputy Tax Collector	Brierfield Insurance Company	\$100,000
Paulette Cobb	Deputy Tax Collector	Brierfield Insurance Company	\$100,000
Debra Johnson	Deputy Tax Collector	Brierfield Insurance Company	\$100,000

MADISON COUNTY
 Schedule of Surety Bonds for County Officials
 For the Year Ended September 30, 2013
 UNAUDITED

Name	Position	Company	Bond
Kim P. Kennedy	Deputy Tax Collector	Brierfield Insurance Company	\$100,000
Brenda Y. Winn	Deputy Tax Collector	Brierfield Insurance Company	\$100,000
Becky Unland	Deputy Tax Collector	Brierfield Insurance Company	\$100,000
Johnnie L. Malone	Deputy Tax Collector	Brierfield Insurance Company	\$100,000
Myrtle Rayburn	Deputy Tax Collector	Brierfield Insurance Company	\$100,000
Lori A. Butler	Deputy Tax Collector	Brierfield Insurance Company	\$100,000
Melissa Griffin	Deputy Tax Collector	Brierfield Insurance Company	\$100,000
Debra Nason	Deputy Tax Collector	Brierfield Insurance Company	\$100,000
Marcus Hudson	Deputy Tax Collector	Brierfield Insurance Company	\$100,000

MADISON COUNTY

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MADISON COUNTY

SPECIAL REPORTS

MADISON COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

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

Members of the Board of Supervisors
Madison County, Mississippi

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Madison County, Mississippi, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 5, 2014. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Madison County, Mississippi's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 2013-001 and 2013-004 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 2013-002 and 2013-003 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Madison County, Mississippi's financial statements are free from 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*.

However, we noted certain matters that we reported to the management of Madison County, Mississippi, in the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated December 5, 2014, included within this document.

Madison County's Responses to Findings

Madison County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Madison County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

December 5, 2014



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

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

Members of the Board of Supervisors
Madison County, Mississippi

We have examined Madison County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2013. The Board of Supervisors of Madison County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Madison County, Mississippi, has established centralized purchasing for all funds of the County and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

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

The results of our audit procedures disclosed certain instances of noncompliance with the aforementioned code sections. These instances of noncompliance were considered in forming our opinion on compliance. Our findings and recommendations and your responses are disclosed below:

Inventory Control Clerk.

1. Construction in progress should be properly recorded in capital asset records.

Finding

Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to maintain an inventory system. An effective system of internal controls over capital assets should include proper recording of additions. The County does not have a reliable system to account for its construction in progress activity.

The County's additions to construction in progress are primarily based on general ledger disbursement entries. However, the descriptions of the expenditures that appear in the general ledger do not always reference the project or provide enough detail to determine if the expenditure should be capitalized. In one instance the expenditure was misidentified and the cost added to the wrong project. In another instance an unfinished road project was prematurely reclassified from construction in progress to infrastructure. Improper recording of construction in progress resulted in proposed prior period adjustments to correct amounts from prior years.

Recommendation

The County should implement a system of internal controls to account for construction activity and ensure that all capital expenditures are recorded as construction in progress in the appropriate year. Also, the County should include documentation of capital expenditures in files to document the historical cost of construction in progress and other assets where appropriate.

Inventory Control Clerk's Response

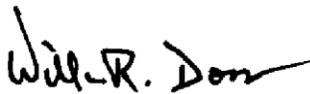
Madison County has recently hired an additional Certified Public Accountant and has appointed this person as Inventory Control Clerk. One of the assigned duties is to review fixed asset procedures and the related accounting activities for determination of any areas needing improvement. This action by the board is expected to provide a more complete and accurate accounting of fixed assets.

In our opinion, except for the noncompliance referred to in the preceding paragraph, Madison County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2013.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

Madison County's response to the finding included in this report was not audited, and accordingly, we express no opinion on it.

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.



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

December 5, 2014

MADISON COUNTY
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2013

Schedule 1

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

MADISON COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2013

Schedule 2

Our test results did not identify any emergency purchases.

MADISON COUNTY
 Schedule of Purchases Made Noncompetitively From a Sole Source
 For the Year Ended September 30, 2013

Schedule 3

Date	Item Purchased		Amount Paid	Vendor
05/07/2013	EMNET terminal, software, and license	\$	6,415	COMLABS
06/04/2013	Software and upgrade		76,888	Diversified Computer Systems

MADISON COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

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, 2013, we considered Madison County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Madison County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated December 5, 2014, on the financial statements of Madison County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of our review procedures and compliance tests identified certain areas that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Board of Supervisors.

1. The County should levy proper millage rate for One Mill Levy Fund.

Finding

Section 27-39-329 (2)(b), Miss. Code Ann. (1972), requires counties to levy a mandatory one mill upon all taxable property of the County which may be used for any purpose for which counties are authorized by law to levy an ad valorem tax. As reported in the prior year's audit report, Madison County levied 0.20 mills for the fiscal year ending September 30, 2013, which is less than the amount required by statute. The County is not collecting the proper amount of tax revenue in the Reappraisal Trust Fund, which creates an insufficient balance to meet the requirements of Section 27-35-113(5)(b), Miss. Code Ann. (1972).

Recommendation

The County should increase the amount levied for the One Mill Fund to one mill.

Board of Supervisors' Response

The Madison County Board of Supervisors levied one mill for this fund effective 10/1/2013.

Board of Supervisors.

2. Computer password strength should be improved.

Finding

As reported in the prior year's audit report, during our review, we noted that Madison County is using a password length of 6 characters on its AS400, along with a required password change every 90 days. Industry standard and best practices set the minimum length to be at least 8 characters.

Recommendation

We recommend that Madison County improve its password length to comply with password management best practices and industry standards.

Board of Supervisors and Information Technology Department's Response

Madison County will take this finding under advisement.

Tax Collector.

3. Correct tax levies should be applied to all taxpayer receipts.

Finding

An effective system of internal control over property tax collection includes ensuring that the correct tax levies are applied to each taxpayers receipt. Section 27-31-101(1), Miss. Code Ann, (1972) states that County boards of supervisors are hereby authorized and empowered, in their discretion, to grant exemptions from ad valorem taxation, except state ad valorem taxation. Ad valorem tax levies for community colleges must be paid by industries that have been granted exemption under Section 27-31-101, Miss. Code Ann, (1972). As reported in the prior year's audit report, Madison County collected one mill of ad valorem taxes from tax-exempt industries for the enlargement, improvement and repairs but did not collect the required one mill for support and maintenance of Holmes Community College. Failure to collect the required tax levy resulted in the loss of approximately \$31,278 in tax revenue for the support and maintenance of Holmes Community College in the fiscal year 2013.

Recommendation

The Tax Collector should collect all taxes for the Holmes Community College support and maintenance levy from all industries granted an exemption under Section 27-31-101, Miss. Code Ann, (1972).

Tax Collector's Response

Finding from the 2013 audit reported that the Tax Collector did not collect the 1.00 mill levy for Holmes Community College Maintenance Fund (2012 taxes collected in 2013.) The correction has been made on the current tax roll (2013 parcels collected in 2014) to comply with the auditor's finding and is being collected.

Tax Collector.

4. The Tax Collector should be properly bonded.

Finding

Section 27-1-7, Miss. Code Ann. (1972), requires that the Tax Collector be bonded for five percent of the sum of all the state and County taxes shown by the assessment rolls and levies to have been collectible in the County for the year immediately preceding the commencement of the term of office with a maximum of \$100,000. As reported in the prior year's audit report, the Tax Collector's bond was executed for \$200,000. Purchasing a bond that is greater than the amount required by statute could constitute the misuse of public funds.

Recommendation

The Tax Collector should secure a bond in the amount of \$100,000, as required by law.

Tax Collector's Response

The bonds have been lowered as requested by the Auditors to \$50,000.00 for each staff member and \$100,000.00 for the Tax Collector. I do not agree with the amounts because Madison County is a large County and collects millions of dollars. I feel sure that the amounts posted in the Miss. Code are an overall County amount, but I do not feel it represents Madison County properly.

Tax Collector.

5. Deputy tax collectors should be bonded.

Finding

Section 27-1-7 (a), Miss. Code (1972), requires that each deputy tax collector be bonded for an amount not less than \$50,000. As a result of audit procedures performed, it was determined that two deputy tax collectors were not bonded for the fiscal year 2013. Failure to secure a bond could result in loss of public funds.

Recommendation

The Tax Collector should ensure that all deputy tax collectors secure a bond to be payable, conditioned and approved as provided by law for an amount not less than \$50,000 upon employment. Bond coverage secured upon employment shall continue by the securing of a new bond every four years concurrent with the normal election cycle of the Governor or with the normal election cycle of the local government applicable to the employee. A bond should be secured for any prior periods for which deputy tax collectors were not bonded but were required by law to be bonded.

Tax Collector's Response

Jo Ann Tootle and Shelia Woodard have new bonds each \$50,000. We found out that these two employees bonds were dropped at some point in time and we did not realize it had happened. We will bring these bonds up to date and will check all the others.

Tax Assessor.

6. The Tax Assessor should be properly bonded.

Finding

Section 27-1-1, Miss. Code Ann. (1972), requires that the Tax Assessor be bonded in the amount of \$50,000. As a result of audit procedures performed, it was determined that the Tax Assessor was not properly bonded for the fiscal year 2013. As reported in the prior year, the Tax Assessor's bond was executed for \$100,000. Purchasing a bond that is greater than the amount required by statute could constitute the misuse of public funds.

Recommendation

The Tax Assessor should secure a bond in the amount of \$50,000, as required by law.

Tax Assessor's Response

The bond company, Brierfield, was notified in 2013 to have the bond lowered to \$50,000 and I was told that it had been done. The \$100,000 amount was changed when legislation recently required the bond of the Tax Collector be increased. County administration raised the Tax Assessor to the same amount by mistake.

Chancery Clerk.

7. The Chancery Clerk was over compensated for copying assessment rolls.

Finding

Section 25-3-21, Miss. Code (1972), allows the County to pay the Chancery Clerk reasonable compensation for making copies of assessment rolls required by law, not to exceed one and one-half cents for each personal exemption, but the payment is not to exceed one hundred fifty dollars for each copy of the personal roll. As reported in the prior year audit report, the Chancery Clerk was overpaid for copying the personal property assessment rolls. When calculating his fee for copying the 2012 assessment rolls, the Chancery Clerk requested payment of \$1,268.10 but was limited to \$300, therefore requesting and receiving payment of \$968.10 in excess of the allowable amount. Failure to comply with this statute resulted in overpayment of fees to the Chancery Clerk. However, the Chancery Clerk repaid the County as part of his reimbursement for exceeding the salary cap for the 2013 calendar year.

Recommendation

The County should only compensate the Chancery Clerk for copying assessment rolls at the allowable rate in accordance with Section 25-3-21, Miss. Code (1972).

Chancery Clerk's Response

We will comply with Section 25-3-21, Miss. Code (1972).

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

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



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

December 5, 2014

MADISON COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

MADISON COUNTY

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MADISON COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2013

Section 1: Summary of Auditor's Results

Financial Statements:

1.	Type of auditor's report issued on the financial statements:	
	Governmental activities	Unmodified
	Aggregate discretely presented component units	Adverse
	General Fund	Unmodified
	General County I&S Fund	Unmodified
	Aggregate remaining fund information	Unmodified
2.	Internal control over financial reporting:	
	a. Material weaknesses identified?	Yes
	b. Significant deficiencies identified?	Yes
3.	Noncompliance material to the financial statements noted?	No

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

2013-001. The County should include the financial data for its discrete component units in its financial statements.

Finding

Generally accepted accounting principles require the financial data for the County's component units to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. As reported in the prior six years' audit reports, the financial statements do not include the financial data for its component units. The failure to properly follow general accepted accounting principles resulted in an adverse opinion on the discretely presented component units.

Recommendation

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

Board of Supervisors' Response

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

MADISON COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2013

Board of Supervisors and Information Technology Department.

Significant Deficiency

2013-002. Madison County should establish and test a formal disaster recovery process.

Finding

During our review of the IS controls of Madison County, we noted that the County has not established a disaster recovery process including a complete plan and documented test of this plan. As reported in the prior year's audit report, Madison County cannot fully ensure that the County's information systems can be restored in a timely manner. Disaster recovery involves defining and documenting plans to help sustain and recover critical information technology resources, information systems, and associated business functions. Control Objectives for Information and Related Technology (CobIT, Section DS4), as well as recognized industry best practices, require a written disaster recovery plan be developed and tested regularly to provide orderly recovery of vital functions in the event of a hardware or environmental disaster. Failure to maintain an adequate recovery plan could impede the agency's ability to regain computer operations in the event of a disaster.

There are a number of steps that an organization can take to prevent or minimize the damage to automated operations that may occur from unexpected events. An example is routinely verifying the veracity of back up medium as a part of the process of conducting a formal, documented test of the recoverability of critical systems in a timely manner. This should be done periodically (at least annually) as a part of a formal, documented disaster recovery exercise. Such actions maintain the organization's ability to restore data files, which may be impossible to re-create.

Madison County is currently using an automated system to perform daily back-ups of the AS400, but is not restoring such files as part of a formal, documented disaster recovery exercise. Without proper assurance that back-up files can be utilized to adequately restore all critical data in a timely manner in the event of a disaster scenario, material damage could be realized by the County and its processes should a catastrophic event occur involving the County's building, servers, and staff. Risk and probabilities of material loss escalates in relationship to the longer an exposure goes unmitigated.

Recommendation

We recommend that Madison County develop, implement, and conduct a documented test of its plan to insure that critical data and applications are recoverable in case of a disaster scenario. We further recommend that Madison County develop and implement a disaster recovery plan documenting procedures to be followed during an emergency. Once the plan is completed, it should be subjected to proper testing, and employees should be made aware of their responsibilities in the event of a disaster. The plan should be updated when needed in order to maintain readiness for a disaster scenario.

Board of Supervisors and Information Technology Department's Response

Madison County agrees with this finding in regard to a catastrophic disaster.

Madison County has procedures in place to backup up its data on all platforms. The media, on which this backup is written to, is stored at an off-site facility. This facility is a sufficient distance from our operations to provide reasonable safety of the backup media. The facility is operated by a reputable third-party provider.

MADISON COUNTY

Schedule of Findings and Responses For the Year Ended September 30, 2013

The backup media is picked up daily and delivered to this facility, which is an environmentally controlled and protected environment. The media is stored until the date of its scheduled return to the IT Department to be used in the next backup rotation. The media is rotated on a schedule where there are 8 sets of daily backups (Monday through Thursday), for a two week daily rotation. There are 4 sets of weekly backups (Friday of each week) for a 4 week rotation. There are 6 sets of monthly backups done on the last day of each month for a 6 month rotation. A review is performed each day of the backup jobs and associated logs to verify completeness of the backup.

The assurance that the data is complete is confirmed by the fact that this same backup media has been used multiple times to restore all data onto a new system when we have implemented system upgrades. In addition, the IT department periodically receives requests to restore data from the backup media. These restorations are performed with no problems detected.

The above information only addresses the backups and integrity of the data on the backup media. It does not address the fact that there is no equipment to restore the data to in the event of a major disaster (i.e. building fire, tornado, etc.) that would destroy the actual hardware that the data resides on for production access.

Madison County will research the cost associated with securing an off-site facility that would allow the county to quickly resume operation of computer systems to support daily county activities. This task is assigned to the IT Director.

Significant Deficiency

2013-003. Madison County should implement a formal information security policy.

Finding

As reported in the prior year's audit report, Madison County has not adopted a formal Information Security Policy or Enterprise Security Plan. The lack of a formal Information Security Policy can lead to a breakdown of basic security practices in the areas of application security, LAN/WAN security, management of the security application and Internet protocol.

Recommendation

While full compliance with all facets of a robust Information Security Policy may be an economic challenge for Madison County, beginning steps to become compliant with such are necessary. We recommend that Madison County create a plan of compliance with industry standards to ensure progress towards a robust documented information security plan. This policy should be reviewed and approved by County supervisors. In addition, employees that utilize technology should review and accept such policies before access to computer resources is granted to employees. Proof of approval by management and acceptance by employees should be retained for review by auditors.

Board of Supervisors and Information Technology Department's Response

Madison County agrees with this finding.

Although not formalized into a policy statement, Madison County has security practices in place. All systems and servers are password protected. All outside network access is protected by a security appliance that requires a VPN client with a security profile and network log-on credentials in order to access the network from outside. The internal wireless network is protected by a lengthy encryption key that is required to connect to the internal wireless network.

MADISON COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2013

An IT policy is included in the employee handbook. This IT policy will be reviewed and modified, if needed, to address specific security policies.

The County Administrator and IT Director, in cooperation with the Board Attorney, will review policies to propose any necessary updates to the Board of Supervisors

Inventory Control Clerk.

Material Weakness

2013-004. Construction in progress should be accounted for correctly in the capital asset records.

Finding

An effective system of internal controls over capital assets should include proper recording of additions. The County does not have a reliable system to account for its construction in progress activity. The County's additions to construction in progress are primarily based on general ledger disbursement entries. However, the descriptions of the expenditures that appear in the general ledger do not always reference the project or provide enough detail to determine if the expenditure should be capitalized. In one instance the expenditure was misidentified and the cost added to the wrong project. In another instance an unfinished road project was prematurely reclassified from construction in progress to infrastructure. Improper recording of construction in progress resulted in proposed prior period adjustments to correct amounts from prior years.

Recommendation

The County should implement a system of internal controls to account for construction activity and ensure that all capital expenditures are recorded as construction in progress in the appropriate year. Also, the County should include documentation of capital expenditures in files to document the historical cost of construction in progress and other assets where appropriate.

Inventory Control Clerk's Response

Madison County has recently hired an additional Certified Public Accountant and has appointed this person as Inventory Control Clerk. One of the assigned duties is to review fixed asset procedures and the related accounting activities for determination of any areas needing improvement. This action by the board is expected to provide a more complete and accurate accounting of fixed assets.