



MADISON COUNTY BOARD OF SUPERVISORS

125 West North Street • Post Office Box 608
Canton, Mississippi 39046
601-855-5500 • Facsimile 601-855-5759
www.madison-co.com

July 2, 2014

Mike Espy, PLLC
317 E. Capital Street Suite 101
Jackson, MS 39201

Dear Mr. Espy,

The Mississippi Office of the State Auditor is conducting an audit of our financial statements as of and for the year ended September 30, 2013. Please furnish to them the information requested below involving matters as to which you have been engaged and to which you have devoted substantive attention on behalf of Madison County, Mississippi in the form of legal consultation or representation. Your response should include matters that existed at September 30, 2013, and during the period from that date to the date of your response.

Pending or Threatened Litigation, Claims, and Assessments
(Excluding unasserted claims and assessments)

Please furnish our auditors a description of all material pending or threatened litigation, claims, and assessments (excluding unasserted claims and assessments). Materiality for purposes of this letter includes items involving amounts exceeding \$180,000 individually or in the aggregate. The description of each case should include:

1. The nature of the litigation.
2. The progress of the case to date.
3. How the county is responding or intends to respond to the litigation; e.g., to contest the case vigorously or to seek an out-of-court settlement.
4. An evaluation of the likelihood of an unfavorable outcome of the case, and an estimate, if one can be made, of the amount or range of potential loss. Financial Accounting Standards No. 5 (FAS-5) identifies three possible outcomes of a loss contingency resulting from pending or threatened litigation:

John Bell Crosby, *District One*
Ronny Lott, *District Two*

Gerald Steen, *District Three*
Karl M. Banks, Sr., *District Four*

Paul Griffin, *District Five*
Cynthia Parker, *Chancery Clerk*

Probable: The future event or events are likely to occur.

Reasonably possible: The chance of the future event or events is more than remote but less than likely.

Remote: The chance of the future event or events occurring is slight.

These three subjective probabilities are used by our auditors to determine whether a loss contingency arising from a claim against the county should be recorded as a liability or disclosed in the county's financial statements. Therefore, unless the outcome of potential loss cannot be known, based on the nature and progress of the case to date, please indicate for our auditors the outcome of each case as probable, reasonably possible, or remote.

Unasserted Claims and Assessments

We have represented to our auditors that there are no unasserted possible claims or assessments that you have advised us are probable of assertion and must be disclosed in accordance with FAS-5.

We understand that whenever, in the course of performing legal services for us with respect to a matter recognized to involve an unasserted possible claim or assessment that may call for financial statement disclosure, you have formed a professional conclusion that we should disclose or consider disclosure concerning such possible claim or assessment, as a matter of professional responsibility to us, you will so advise us and will consult with us concerning the question of such disclosure and the applicable requirements of FAS-5. Please specifically confirm to our auditors that our understanding is correct.

Response

Your response should include matters that existed as of September 30, 2013, and during the period from that date to the effective date of your response.

Please specifically identify the nature of, and reasons for, any limitations on your response.

Our auditors expect to have the audit field work completed on July 14, 2014, and would appreciate receiving your reply by that date.

Other Matters

We do not intend that either our request to you to provide information to our auditors or your response to our auditors should be construed in any way to constitute a waiver of the attorney-client privilege or the attorney work-product privilege.

We have been advised by the Office of the State Auditor that a refusal by you to furnish the above information is a limitation on the scope of the auditor's audit and may be sufficient to preclude an unqualified report. We therefore would appreciate a response from you as soon as possible.

Please indicate the amount we were indebted to you for services and expenses (billed and unbilled) at September 30, 2013.

Sincerely yours,

President, Board of Supervisors