

# MADISON COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports

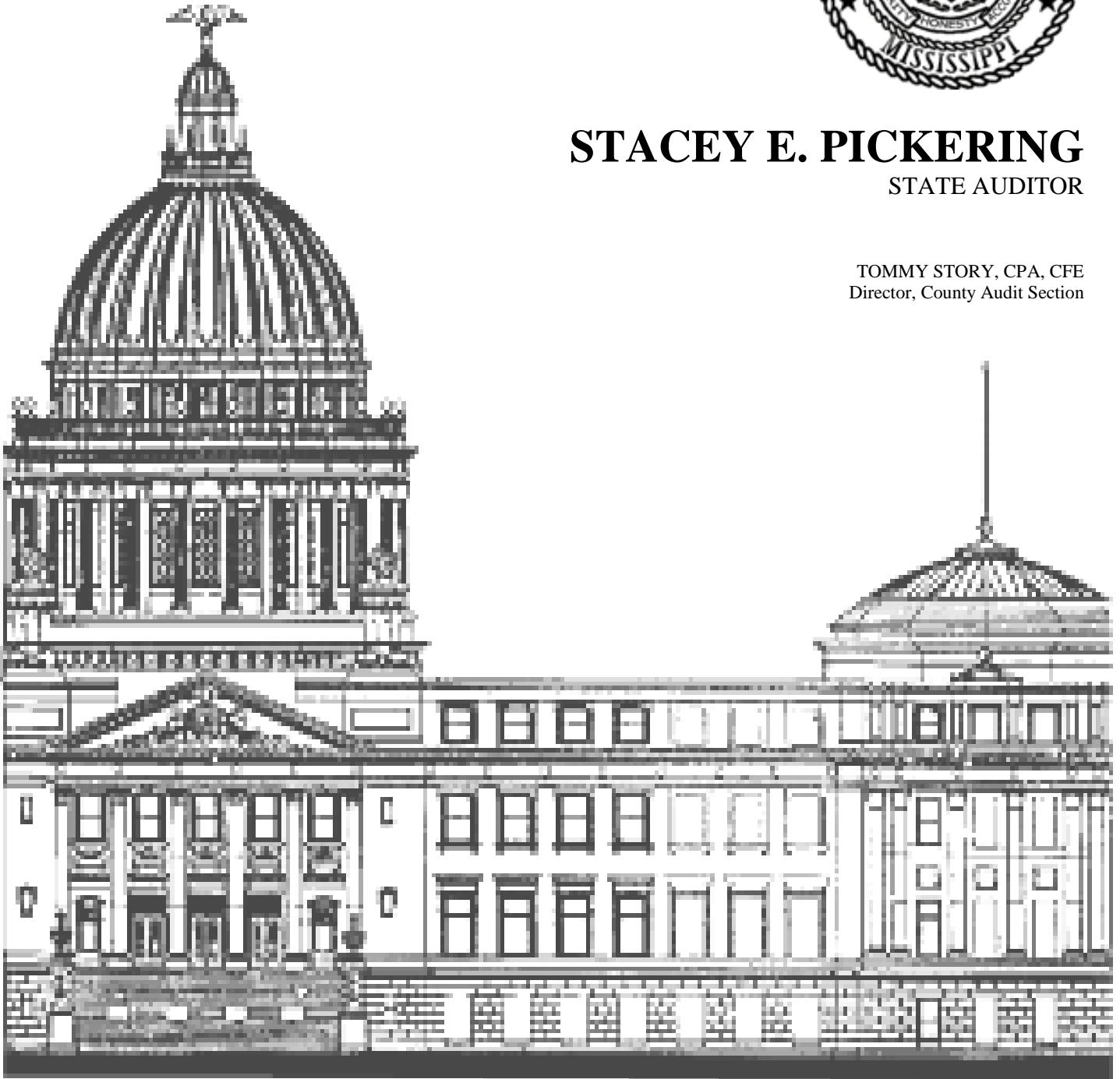
For the Year Ended September 30, 2014



## STACEY E. PICKERING

STATE AUDITOR

TOMMY STORY, CPA, CFE  
Director, County Audit Section



A Report from the County Audit Section

[www.osa.state.ms.us](http://www.osa.state.ms.us)



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

October 1, 2015

Members of the Board of Supervisors  
Madison County, Mississippi

Dear Board Members:

I am pleased to submit to you the 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 Tom Story of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering". The signature is fluid and cursive.

Stacey E. Pickering  
State Auditor



MADISON COUNTY

TABLE OF CONTENTS

FINANCIAL SECTION ..... 1

INDEPENDENT AUDITOR’S REPORT ..... 3

FINANCIAL STATEMENTS ..... 7

    Statement of Net Position ..... 9

    Statement of Activities ..... 10

    Balance Sheet – Governmental Funds ..... 11

    Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position..... 12

    Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds..... 13

    Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of  
        Governmental Funds to the Statement of Activities..... 14

    Statement of Fiduciary Assets and Liabilities ..... 15

    Notes to Financial Statements ..... 17

REQUIRED SUPPLEMENTARY INFORMATION ..... 37

    Budgetary Comparison Schedule – (Budget and Actual (Non-GAAP Basis) - General Fund ..... 39

    Notes to the Required Supplementary Information ..... 41

SUPPLEMENTAL INFORMATION ..... 43

    Schedule of Expenditures of Federal Awards..... 45

    Reconciliation of Operating Costs of Solid Waste ..... 46

OTHER INFORMATION ..... 47

    Schedule of Surety Bonds for County Officials ..... 48

SPECIAL REPORTS..... 53

    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* ..... 55

    Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and  
        Material Effect on Each Major Program and on Internal Control over Compliance in Accordance  
        with OMB Circular A-133 ..... 57

    Independent Accountant's Report on Central Purchasing System, Inventory Control System and  
        Purchase Clerk Schedules (Required by Section 31-7-115, Miss. Code Ann. (1972)) ..... 61

    Limited Internal Control and Compliance Review Management Report ..... 67

SCHEDULE OF FINDINGS AND QUESTIONED COSTS..... 73

AUDITEE’S CORRECTIVE ACTION PLAN ..... 85





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, 2014, 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, 2014, 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, 2014, 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.

#### **Omission of Required Supplementary Information**

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*

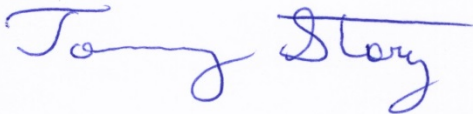
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Madison County, Mississippi’s basic financial statements. The accompanying Schedule of Expenditures of Federal Awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying Reconciliation of Operating Costs of Solid Waste is also presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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 Schedule of Expenditures of Federal Awards and the Reconciliation of Operating Costs of Solid Waste have 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 Schedule of Expenditures of Federal Awards and the Reconciliation of Operating Costs of Solid Waste are 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 October 1, 2015, 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.



TOMMY STORY, CPA, CFE  
Director, County Audit Section

October 1, 2015

MADISON COUNTY

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MADISON COUNTY

FINANCIAL STATEMENTS

MADISON COUNTY

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MADISON COUNTY  
Statement of Net Position  
September 30, 2014

Exhibit 1

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
<b>ASSETS</b>	
Cash	\$ 23,672,735
Property tax receivable	34,685,524
Fines receivable (net of allowance for uncollectibles of \$855,912)	471,838
Capital leases receivable	51,538
Intergovernmental receivables	2,212,973
Other receivables	284,452
Capital assets:	
Land and construction in progress	5,402,820
Other capital assets, net	116,025,815
Total Assets	<u>182,807,695</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred amount on refunding	2,671,394
Total deferred outflows of resources	<u>2,671,394</u>
<b>LIABILITIES</b>	
Claims payable	2,068,144
Intergovernmental payables	1,781,310
Accrued interest payable	718,978
Other payables	3,421,042
Claims and judgments payable	91,801
Long-term liabilities	
Due within one year:	
Capital debt	6,787,184
Non-capital debt	144,528
Due in more than one year:	
Capital debt	78,337,853
Non-capital debt	8,563,226
Total Liabilities	<u>101,914,066</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property tax for future reporting period	34,685,524
Interest income on capital lease receivable for future reporting period	1,538
Total deferred inflows of resources	<u>34,687,062</u>
<b>NET POSITION</b>	
Net investment in capital assets	38,974,992
Restricted for:	
Expendable:	
General government	115,269
Public safety	1,965,977
Public works	3,783,048
Culture and recreation	299,366
Economic development	124,315
Debt service	1,021,538
Unemployment compensation	55,128
Unrestricted	2,538,328
Total Net Position	<u>\$ 48,877,961</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, 2014

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	\$ 17,839,491	7,372,250	591,495		(9,875,746)
Public safety	14,523,282	3,361,199	479,939	28,877	(10,653,267)
Public works	16,205,535		1,214,726	179,617	(14,811,192)
Health and welfare	1,035,029		150,368		(884,661)
Culture and recreation	1,501,487				(1,501,487)
Conservation of natural resources	306,893				(306,893)
Economic development and assistance	2,393,920				(2,393,920)
Interest on long-term debt	3,438,553				(3,438,553)
Total Governmental Activities	<u>57,244,190</u>	<u>10,733,449</u>	<u>2,436,528</u>	<u>208,494</u>	<u>(43,865,719)</u>
General revenues:					
Property taxes					\$ 38,098,109
Road & bridge privilege taxes					1,368,859
Grants and contributions not restricted to specific programs					2,109,536
In lieu taxes					1,605,298
Unrestricted interest income					37,859
Miscellaneous					2,412,773
Total General Revenues					<u>45,632,434</u>
Changes in Net Position					<u>1,766,715</u>
Net Position - Beginning, as previously reported					47,764,611
Change in accounting standard					(1,610,503)
Prior period adjustments					957,138
Net Position - Beginning, as restated					<u>47,111,246</u>
Net Position - Ending					<u>\$ 48,877,961</u>

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

MADISON COUNTY  
Balance Sheet - Governmental Funds  
September 30, 2014

Exhibit 3

	Major Funds			Total Governmental Funds
	General Fund	General County I&S Fund	Other Governmental Funds	
<b>ASSETS</b>				
Cash	\$ 15,323,791	1,585,046	6,763,898	23,672,735
Property tax receivable	18,464,434	7,583,127	8,637,963	34,685,524
Fines receivable (net of allowance for uncollectibles of \$855,912)	471,838			471,838
Capital lease receivable	51,538			51,538
Intergovernmental receivables	1,928,975	2,840	281,158	2,212,973
Other receivables	89,072		195,380	284,452
Due from other funds	36,788	106,400	288,791	431,979
Advances to other funds	10,627			10,627
Total Assets	\$ 36,377,063	9,277,413	16,167,190	61,821,666
<b>LIABILITIES</b>				
Liabilities:				
Claims payable	\$ 1,066,551		1,001,593	2,068,144
Intergovernmental payables	1,678,262		103,048	1,781,310
Due to other funds	377,411	9,697	44,871	431,979
Advances from other funds			10,627	10,627
Other payables	3,306,338		114,704	3,421,042
Claims and judgments payable	91,801			91,801
Total Liabilities	\$ 6,520,363	9,697	1,274,843	7,804,903
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Unavailable revenue - property taxes	18,464,434	7,583,127	8,637,963	34,685,524
Unavailable revenue - fines	471,838			471,838
Unavailable revenue - capital lease receivable	51,538			51,538
Total deferred inflows of resources	\$ 18,987,810	7,583,127	8,637,963	35,208,900
<b>Fund balances:</b>				
Nonspendable:				
Advances	10,627			10,627
Restricted for:				
General government			115,269	115,269
Public safety			1,965,977	1,965,977
Public works			3,783,048	3,783,048
Culture and recreation			299,366	299,366
Economic development and assistance			124,315	124,315
Debt service		1,684,589	55,927	1,740,516
Unemployment compensation			55,128	55,128
Unassigned	10,858,263		(144,646)	10,713,617
Total Fund Balances	\$ 10,868,890	1,684,589	6,254,384	18,807,863
Total Liabilities, Deferred Inflows and Fund Balances	\$ 36,377,063	9,277,413	16,167,190	61,821,666

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

## MADISON COUNTY

Exhibit 3-1Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position  
September 30, 2014

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 18,807,863
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 \$101,570,529.	121,428,635
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	471,838
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(93,832,791)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(718,978)
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds.	50,000
Deferred amount on refunding bonds	<u>2,671,394</u>
Total Net Position - Governmental Activities	\$ <u><u>48,877,961</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, 2014

	Major Funds			Total Governmental Funds
	General Fund	General County I&S Fund	Other Governmental Funds	
<b>REVENUES</b>				
Property taxes	\$ 20,684,403	8,219,524	9,194,182	38,098,109
Road and bridge privilege taxes			1,368,859	1,368,859
Licenses, commissions and other revenue	3,359,881	578	785	3,361,244
Fines and forfeitures	807,135		39,046	846,181
In lieu taxes			1,605,298	1,605,298
Intergovernmental revenues	2,943,622	21,325	1,789,611	4,754,558
Charges for services	5,264,864		1,272,786	6,537,650
Interest income	23,627	2,929	11,303	37,859
Miscellaneous revenues	536,072	118,334	1,355,155	2,009,561
Total Revenues	<u>33,619,604</u>	<u>8,362,690</u>	<u>16,637,025</u>	<u>58,619,319</u>
<b>EXPENDITURES</b>				
Current:				
General government	17,158,689		382,327	17,541,016
Public safety	12,177,188		2,561,035	14,738,223
Public works	333,735	281,522	15,870,268	16,485,525
Health and welfare	1,004,767			1,004,767
Culture and recreation	88,228		1,392,509	1,480,737
Conservation of natural resources	306,893		0	306,893
Economic development and assistance	6,753,758	209,770	1,014,880	7,978,408
Debt service:				
Principal	656,220	6,065,000	1,940,094	8,661,314
Interest	157,340	2,342,180	974,156	3,473,676
Total Expenditures	<u>38,636,818</u>	<u>8,898,472</u>	<u>24,135,269</u>	<u>71,670,559</u>
Excess of Revenues over (under) Expenditures	<u>(5,017,214)</u>	<u>(535,782)</u>	<u>(7,498,244)</u>	<u>(13,051,240)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term capital debt issued	5,441,680		6,767,756	12,209,436
Refunding bonds issued		11,750,000		11,750,000
Proceeds from sale of capital assets	51,580		632,028	683,608
Premiums on bonds issued		617,201		617,201
Transfers in	376,660		1,133,596	1,510,256
Transfers out	(600,873)		(909,383)	(1,510,256)
Payment to bond refunding escrow agent		(12,085,679)		(12,085,679)
Total Other Financing Sources and Uses	<u>5,269,047</u>	<u>281,522</u>	<u>7,623,997</u>	<u>13,174,566</u>
Net Changes in Fund Balances	<u>251,833</u>	<u>(254,260)</u>	<u>125,753</u>	<u>123,326</u>
Fund Balances - Beginning, as previously reported	10,242,948	1,938,849	6,128,631	18,310,428
Prior period adjustments	374,109			374,109
Fund Balances - Beginning, as restated	<u>10,617,057</u>	<u>1,938,849</u>	<u>6,128,631</u>	<u>18,684,537</u>
Fund Balances - Ending	\$ <u>10,868,890</u>	<u>1,684,589</u>	<u>6,254,384</u>	<u>18,807,863</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, 2014

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 123,326
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 position differs from the change in fund balances by the amount that capital outlays of \$9,753,392 exceeded depreciation of \$3,806,666 in the current period.	5,946,726
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 position differs from the change in fund balances by the amount of the gain of \$403,212, the loss of \$99,576 and the proceeds from the sale of \$683,608 in the current period.	(379,972)
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.	(11,626)
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount that debt proceeds of \$23,959,436 exceeded debt repayments of \$8,661,314.	(15,298,122)
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 position differs from the change in fund balances by a combination of the following items:	
Increase in compensated absences	(117,218)
Decrease in accrued interest payable	130,933
Payment to bond refunding escrow agent	12,085,679
Premiums on bonds	(617,201)
The amortization of:	
Premiums on bonds	139,980
Discount on bonds	(4,028)
Deferred amount on refunding bonds	(231,762)
Change in Net Position of Governmental Activities	<u>\$ 1,766,715</u>

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

MADISON COUNTY  
Statement of Fiduciary Assets and Liabilities  
September 30, 2014

Exhibit 5

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	\$ <u>177,288</u>
Total Assets	\$ <u><u>177,288</u></u>
<b>LIABILITIES</b>	
Amounts held in custody for others	\$ 51,926
Intergovernmental payables	<u>125,362</u>
Total Liabilities	\$ <u><u>177,288</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, 2014

#### (1) Summary of Significant Accounting Policies.

##### A. Financial Reporting Entity.

Madison County, Mississippi (the 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. Individual Component Unit Disclosures.

###### Blended Component Unit

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

The Lost Rabbit Urban Renewal District is a legally separate entity, authorized under Mississippi Urban Renewal Law, Sections 43-35-1 of the Mississippi Code of 1972. Its purpose is to provide financing for infrastructure in the Lost Rabbit Subdivision.

## MADISON COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2014

#### C. 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.

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.

#### D. Measurement Focus and Basis of Accounting.

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

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

## MADISON COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2014

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.

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.

#### E. Account Classifications.

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

#### F. Deposits.

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

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

#### G. Receivables.

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

MADISON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2014

H. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a 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.

I. Capital Assets.

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

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements. Depreciation is calculated on the straight line basis for all assets, except land. A 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.

J. Deferred Outflows/Inflows of Resources.

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

## MADISON COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2014

Deferred amount on refunding – For current refundings and advance refundings resulting in defeasance of debt reported by governmental activities, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

Property tax for future reporting period/unavailable revenue – property taxes – Deferred inflows of resources should be reported when resources associated with imposed nonexchange revenue transactions are received or reported as a receivable before the period for which property taxes are levied.

Unavailable revenue – fines – When an asset is recorded in the governmental fund financial statements but the revenue is not available, the government should report a deferred inflow of resources until such time as the revenue becomes available.

Unavailable revenue- capital lease - When a capital lease receivable is recorded in the governmental fund financial statements but the revenue is not available, the government should report a deferred inflow of resources until such time as the revenue becomes available.

#### K. 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 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.

In the fund financial statements, Governmental Fund Types recognize bond premiums and discounts 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.

#### L. 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.

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.

## MADISON COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2014

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

#### Net Position Flow Assumption:

When an expense 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 expenses 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.

#### 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.

#### Fund Balance Flow Assumption:

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.

#### M. 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.

MADISON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2014

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

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

N. 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.

O. 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.

P. 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 65, *Items Previously Reported as Assets and Liabilities*; GASB Statement 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*. The provisions of these standards have been incorporated into the financial statements and notes.

(2) Accounting Change.

GASB Statement 65 requires debt issuance costs, except any portion related to prepaid insurance costs, be recognized as an expense in the period incurred. Prior to GASB Statement 65, debt issuance costs were amortized over the life of the bond.

A summary of significant fund equity adjustments due to accounting changes is as follows:

Exhibit 2 - Statement of Activities.

Explanation	Amount
To expense unamortized balance of debt issuance cost	\$ (1,610,503)

MADISON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2014

(3) Prior Period Adjustments.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 - Statement of Activities.

Explanation		Amount
To correct prior year errors in intergovernmental receivables	\$	374,109
To correct prior year errors in compensated absences		(8,099)
To correct prior year errors in capital assets		591,128
		957,138
Total prior period adjustments	\$	957,138

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

Explanation		Amount
To correct prior year errors in intergovernmental receivables	\$	374,109

(4) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2014, was \$23,850,023, and the bank balance was \$26,352,807. 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.

(5) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2014:

A. Due From/To Other Funds:

Receivable Fund	Payable Fund		Amount
General Fund	Other Governmental Funds	\$	36,788
General County I & S Fund	General Fund		106,400
Other Governmental Funds	General Fund		271,011
Other Governmental Funds	General County I & S Fund		9,697
Other Governmental Funds	Other Governmental Funds		8,083
Total		\$	431,979



MADISON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2014

The receivables represent the tax revenue collected in September, 2014 but not settled until October, 2014, corrections of errors, 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:

Receivable Fund	Payable Fund	Amount
General Fund	Other Governmental Funds	\$ 10,627

The balances represent amounts advanced to various funds for building construction and to alleviate funding shortages until grant monies are received. The balance is not expected to be repaid within one year from the date of the financial statements.

C. Transfers In/Out:

Transfer In	Transfer Out	Amount
General Fund	Other Governmental Funds	\$ 376,660
Other Governmental Funds	General Fund	600,873
Other Governmental Funds	Other Governmental Funds	532,723
Total		\$ 1,510,256

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.

(6) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2014, consisted of the following:

Description	Amount
Legislative tax credit	\$ 1,013,579
Housing prisoners	437,879
Delta area economic development program	126,353
Motor vehicle fuel tax	110,139
State aid road	90,163
Homeland security grant program	89,184
National priority safety programs	61,481
Disaster grants - public assistance (presidentially declared disasters)	51,758
Emergency management performance grants	50,735
MS Supreme Court / Administrative Offices of the Court	36,696
Motor vehicle licenses	35,703
MS Department of Human Services	28,947
Temporary assistance for needy families	28,576
Edward Byrne memorial justice assistance grant program	20,471
Truck and bus privilege tax	15,091
Joint law enforcement operations	8,026
Save America's treasures grant program	3,866
Timber severance tax	1,474
Equitable sharing proceeds	1,092
Oil severance tax	1,085
Liquor privilege tax	675
Total Governmental Activities	\$ 2,212,973

MADISON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2014

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2014:

**Governmental activities:**

	Balance Oct. 1, 2013	Additions	Deletions	Adjustments*	Balance Sept. 30, 2014
<b>Non-depreciable capital assets:</b>					
Land	\$ 2,308,098			25,139	2,333,237
Construction in progress	1,859,077	1,749,919		(539,413)	3,069,583
Total non-depreciable capital assets	<u>4,167,175</u>	<u>1,749,919</u>		<u>(514,274)</u>	<u>5,402,820</u>
<b>Depreciable capital assets:</b>					
Infrastructure	152,749,046			534,296	153,283,342
Buildings	39,701,473			2,867,374	42,568,847
Improvements other than buildings	36,450	5,235,000			5,271,450
Mobile equipment	10,808,166	743,561	1,336,587	764,143	10,979,283
Furniture and equipment	2,689,518	688,616	22,022	19,720	3,375,832
Leased property under capital leases	1,762,968	1,336,296	197,811	(783,863)	2,117,590
Total depreciable capital assets	<u>207,747,621</u>	<u>8,003,473</u>	<u>1,556,420</u>	<u>3,401,670</u>	<u>217,596,344</u>
<b>Less accumulated depreciation for:</b>					
Infrastructure	76,224,065	1,832,637		1,913	78,058,615
Buildings	10,610,237	771,502		2,294,425	13,676,164
Improvements other than buildings	5,103	125,792			130,895
Mobile equipment	7,188,724	719,092	1,049,104	231,708	7,090,420
Furniture and equipment	2,128,021	144,829	20,513	25,416	2,277,753
Leased property under capital leases	487,893	212,814	106,831	(257,194)	336,682
Total accumulated depreciation	<u>96,644,043</u>	<u>3,806,666</u>	<u>1,176,448</u>	<u>2,296,268</u>	<u>101,570,529</u>
Total depreciable capital assets, net	<u>111,103,578</u>	<u>4,196,807</u>	<u>379,972</u>	<u>1,105,402</u>	<u>116,025,815</u>
Governmental activities capital assets, net	<u>\$ 115,270,753</u>	<u>5,946,726</u>	<u>379,972</u>	<u>591,128</u>	<u>121,428,635</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. An adjustment was made to add land and building no longer leased by hospital.

MADISON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2014

Depreciation expense was charged to the following functions:

	<u>Amount</u>
<b>Governmental Activities:</b>	
General government	\$ 467,905
Public safety	875,528
Public works	2,288,602
Health and welfare	29,547
Culture and recreation	20,750
Economic development	<u>124,334</u>
Total governmental activities depreciation expense	<u>\$ 3,806,666</u>

Commitments with respect to unfinished capital projects at September 30, 2014, consisted of the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
Sulphur Springs Park	\$ 1,300,000	July 2015
Permenter Road Bridge	202,000	May 2015

(8) Claims and Judgments.

Risk Financing.

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2014, to January 1, 2015. 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 \$90,000, as well as an individual specific deductible of \$100,000. The County must meet an overall deductible of \$90,000 in addition to meeting the individual deductible of \$100,000 in claims paid.

MADISON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2014

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, 2014, the amount of these liabilities was \$91,801. An analysis of claims activities is presented below:

	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2012 – 2013	\$ 87,884	2,715,548	2,673,235	130,197
2013 – 2014	\$ 130,197	2,466,623	2,505,019	91,801

(9) Capital Leases.

As Lessor:

On October 3, 1994, Madison County entered into a capital lease agreement with the City of Madison for the lease of various public facilities. The capital lease stipulated that the lessee would pay approximately \$50,000 per year in lease payments commencing October 1994 for a term of 20 years. At the end of the lease term, the City of Madison has the option to purchase various public facilities for the final principal payment of \$50,000.

The County leases the following property with varying terms and options as of September 30, 2014:

Classes of Property	Amount
Land and Buildings	\$ 600,000

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2014, are as follows:

Year Ending September 30	Principal	Interest
2015	\$ 50,000	1,538

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2014:

Classes of Property	Governmental Activities
Mobile equipment	\$ 1,910,910
Furniture and equipment	206,680
Total	2,117,590
Less: Accumulated depreciation	336,682
Leased Property Under Capital Leases	\$ 1,780,908

MADISON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2014

The following is a schedule by years of the total payments due as of September 30, 2014:

Year Ending September 30	Governmental Activities	
	Principal	Interest
2015	\$ 303,963	8,300
2016	229,688	11,688
2017	175,153	8,537
2018	178,153	5,552
2019	102,340	2,741
Total	\$ 989,297	36,818

(10) Long-term Debt.

Debt outstanding as of September 30, 2014, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
<b>Governmental Activities:</b>			
<b>A. General Obligation Bonds:</b>			
G.O. Refunding Road and Bridge and Refunding Bonds, Series 2006	\$ 2,135,000	4.13-5.00%	05/2017
MS Development Bank Special Obligation Refunding Bonds, Series 2009	1,765,000	2.38-4.00%	05/2024
G.O. Refunding Bonds, Series 2011 (Jail)	7,385,000	2.00-3.25%	06/2024
Road and Bridge Refunding Bonds, Series 2012	8,780,000	2.00-3.00%	05/2026
G.O. Nissan Refunding Bonds, Series 2006	16,270,000	3.75-5.00%	06/2026
G.O. Road and Bridge Bonds, Series 2007	2,230,000	4.00-5.00%	05/2027
G.O. Refunding Bonds, Series 2014	11,750,000	2.00-4.00%	05/2027
G.O. Road and Bridge Bonds, Series 2008	21,840,000	3.50-5.00%	03/2028
Total General Obligation Bonds	\$ 72,155,000		
<b>B. Limited Obligation Bonds:</b>			
Taxable Tax Increment Limited Obligation Bonds, Series 2011 (Galleria Parkway Project)	\$ 1,161,000	5.37%	11/2027
Urban Renewal Revenue Bonds (Sulphur Springs)	1,365,000	2.50%	03/2023
Urban Renewal Revenue Bonds (Lost Rabbit)	5,235,000	7.88%	09/2039
Total Limited Obligation Bonds	\$ 7,761,000		
<b>C. Capital Leases:</b>			
2011 Crown Victoria Sheriff's cars	\$ 26,167	1.84%	11/2014
3 Sheriff's vehicles	34,252	1.61%	12/2015
3 Case backhoes	131,728	1.47%	04/2016
Phone system upgrade	176,908	1.89%	12/2018
8 Mack dump trucks	620,242	1.64%	06/2019
Total Capital Leases	\$ 989,297		

MADISON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2014

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
D. Other Loans:			
Industrial development capital improvement (CAP)	\$ 140,727	3.00%	09/2017
General Obligation Negotiable Notes	5,600,000	1.00%	03/2018
Building South Madison Fire Station	465,273	2.00%	05/2021
Building Farmhaven Fire Station	507,544	2.00%	02/2022
South Madison Annex-LO Promissory Note	1,781,997	3.69%	09/2023
Industrial development capital improvement (CAP)	833,107	3.00%	12/2028
Valley View Fire Station	696,638	2.00%	02/2034
Total Other Loans	\$ <u>10,025,286</u>		

**Pledge of Future Revenues** - The County has pledged future general county tax revenues to repay \$5,235,000 in limited obligation infrastructure acquisition revenue bonds issued on August 22, 2014. Proceeds from the bonds provided financing for the acquisition of land improvements within the Lost Rabbit Urban Renewal District. The bonds are not a general obligation of the County and, therefore, are not secured by the full faith and credit of the County. The bonds are payable solely from income derived from general county tax revenues collected from parcels of land located within the boundaries of the Lost Rabbit Urban Renewal District and income received from property fees assessed to land owners within the district. The total principal and accrued interest remaining to be paid on the bonds as of September 30, 2014 is \$5,235,000 and \$51,532 respectively. There were no principal and interest payments made or pledged general county revenues for the current year.

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

**Governmental Activities:**

Year Ending September 30	General Obligation Bonds		Limited Obligation Bonds	
	Principal	Interest	Principal	Interest
2015	\$ 4,590,000	2,562,981	193,000	505,482
2016	4,730,000	2,510,027	201,000	498,849
2017	4,925,000	2,305,938	209,000	491,930
2018	5,140,000	2,094,124	313,000	484,699
2019	5,340,000	1,886,983	326,000	469,736
2020 – 2024	30,140,000	6,326,517	1,712,000	2,092,319
2025 – 2029	17,290,000	1,185,438	1,377,000	1,634,034
2030 – 2034			1,395,000	1,147,682
2035 – 2039			2,035,000	504,393
Total	\$ <u>72,155,000</u>	<u>18,872,008</u>	<u>7,761,000</u>	<u>7,829,124</u>

MADISON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2014

Year Ending September 30	Other Loans	
	Principal	Interest
2015	\$ 1,844,749	183,471
2016	1,880,758	155,176
2017	1,892,019	126,528
2018	1,857,274	98,395
2019	472,297	70,583
2020 – 2024	1,411,511	163,869
2025 – 2029	480,222	47,689
2030 – 2034	186,456	8,510
Total	\$ 10,025,286	854,221

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, 2014, the amount of outstanding debt was equal to 5.27% of the latest property assessments.

Advance Refunding - On September 25, 2014, the County issued \$11,750,000 in general obligation refunding bonds with an average interest rate of 2.00-4.00% to advance refund \$10,910,000 of the following outstanding bond issues:

Issue	Average Interest Rate	Outstanding Amount Refunded
G.O. Road and Bridge Bonds Series 2007	4.00-4.125%	\$ 6,705,000
G.O. Road and Bridge Bonds Series 2008	4.50%	4,205,000
Total Advance Refund		10,910,000

The G.O. Road and Bridge Bonds Series 2007 had an outstanding balance of \$8,935,000 at the time of refunding, but only \$6,705,000 of the bond was refunded, leaving a remaining principal balance of \$2,230,000.

The G.O. Road and Bridge Bonds Series 2008 had an outstanding balance of \$26,045,000 at the time of refunding, but only \$4,205,000 of the bond was refunded, leaving a remaining principal balance of \$21,840,000.

The net proceeds of \$12,085,679 (after payment of \$281,252 in underwriting fees and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, those bonds are considered to be defeased, and the liability for those bonds has been removed from the Statement of Net Position.

The county advance refunded the above bonds to reduce its total debt service payments over the next 14 years by almost \$254,756 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$244,328.

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, 2014, \$30,080,000 of bonds outstanding were considered defeased.

MADISON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2014

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2014:

	Balance Oct. 1, 2013	Additions	Reductions	Adjustments*	Balance Sept. 30, 2014	Amount due within one year
<b>Governmental Activities:</b>						
Compensated absences	\$ 1,212,603	121,248	4,030	8,099	1,337,920	
General obligation bonds	76,940,000	11,750,000	5,625,000	(10,910,000)	72,155,000	4,590,000
Less:						
Deferred amount on refunding	(1,727,477)	(1,175,679)	(231,762)	2,671,394	0	
Discounts	(42,886)		(4,028)		(38,858)	
Add:						
Premiums	1,125,925	617,201	139,980		1,603,146	
Limited obligation bonds	2,716,000	5,235,000	190,000		7,761,000	193,000
Capital leases	689,076	869,436	569,215		989,297	303,963
Other loans	6,197,385	6,105,000	2,277,099		10,025,286	1,844,749
<b>Total</b>	<b>\$ 87,110,626</b>	<b>23,522,206</b>	<b>8,569,534</b>	<b>(8,230,507)</b>	<b>93,832,791</b>	<b>6,931,712</b>

\*The adjustment to general obligation bonds was for the amounts outstanding on bonds that were refunded in the current year and the adjustment to compensated absence was to include balances that were omitted in prior years.

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

(11) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances at September 30, 2014:

Fund	Deficit Amount
Fire Station Construction	\$ 2,400
Valley View Fire Station	8,227
Bozeman Road 5-Lane Project	31,200
\$6 Million MDOT Project	102,819

(12) Contingencies.

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

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



## MADISON COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2014

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, 2014, is \$6,485,000.

Interlocal Cooperation Agreement between Madison County, MS and the City of Ridgeland, MS Regarding the Funding of Lake Harbour Drive - 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.

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. After receiving no reimbursement within two years for the shortfall payments, the County notified the trustee that no additional shortfall payments would be made. Subsequently, the bond insurer, Radian, filed suit against multiple parties challenging the County's interpretation of the contribution agreement. This case is currently pending in federal court.

Parkway South Public Improvement District- The County has the same agreement with Parkway South Public Improvement District as it has with Parkway East Public Improvement District. In October 2013, the Board was notified that the District could not meet its obligation to pay the November 1, 2013 debt service and the County was again notified in April 2014 that the District could not meet its May 1, 2014 debt service. The County paid \$177,550 in October 2013 and \$339,661 in April 2014. In April 2014, the County received \$258,328 from Trustmark National Bank on behalf of Parkway South representing the shortfall amount paid by the County in May 2012.

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

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

The trust agreements authorized the corporation to issue debt for the construction of various public facilities which were leased to the County. Ownership of the projects transferred to the County upon complete retirement of the debt. In connection with the 1994 project, the County acquired certain property which has been subleased to the City of Madison (the City). Under the terms of the agreement, the City is required to make 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, 2014 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, 2014.

MADISON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2014

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

(14) 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 \$145,000,000 Mississippi Development Bank Bonds, Series 2006 (Madison County, Mississippi Highway Construction Project) and the \$88,865,000 Mississippi Development Bank Special Obligation Refunding Bonds, Series 2013C (Madison County, Mississippi Highway Construction Project) dated May 8, 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, 2014 is as follows:

Description	Balance at Sept. 30, 2014
Mississippi Development Bank Bonds, Series 2006	\$ 20,065,000
Mississippi Development Bank Bonds, Series 2013C	88,865,000
Total No Commitment Debt	<u>108,930,000</u>

(15) 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 \$ 2,682,603 for maintenance and support of the college in fiscal year 2014.

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 2014.

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 \$11,279 for maintenance and support of the district in fiscal year 2014.

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 2014.

MADISON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2014

(16) 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, 2014, 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, 2014 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, 2014, 2013 and 2012 were \$2,388,961, \$2,070,793 and \$1,842,155, respectively, equal to the required contributions for each year.

(17) 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 October 1, 2015 and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2014, 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>
11/18/2014	3.50/4.50%	\$ 15,000,000	G.O. bond	Ad valorem taxes
02/03/2015	0.78/3.34%	15,340,000	Refunding bonds	Ad valorem taxes
02/18/2015	2.00/4.00%	9,325,000	Refunding bonds	Ad valorem taxes
02/25/2015	5.37%	1,131,000	Refunding bonds	Ad valorem taxes
04/08/2015	0.16%	1,500,000	Capital lease	Ad valorem taxes
06/02/2015	2.01%	574,374	Capital lease	Ad valorem taxes

In October 2014, Parkway South Public Improvement District parcels previously stricken to the state were redeemed by the owner generating revenues that reduced the amount of the delinquent shortfall by \$452,817.

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, 2014  
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 19,946,512	20,665,130	20,665,130	
Licenses, commissions and other revenue	2,742,950	3,200,726	3,200,726	
Fines and forfeitures	1,075,000	799,937	799,937	
Intergovernmental revenues	2,133,925	2,661,315	2,661,315	
Charges for services	4,971,600	5,471,232	5,471,232	
Interest income	100,500	21,183	21,183	
Miscellaneous revenues	1,021,000	962,938	962,938	
Total Revenues	<u>31,991,487</u>	<u>33,782,461</u>	<u>33,782,461</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
General government	19,756,781	18,218,195	18,218,195	
Public safety	11,682,326	11,692,555	11,692,555	
Health and welfare	1,060,872	1,012,767	1,012,767	
Culture and recreation	115,926	88,223	88,223	
Conservation of natural resources	311,116	320,324	320,324	
Economic development and assistance	11,279	11,279	11,279	
Debt service expenditures	2,000,050	1,687,947	1,687,947	
Total Expenditures	<u>34,938,350</u>	<u>33,031,290</u>	<u>33,031,290</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(2,946,863)</u>	<u>751,171</u>	<u>751,171</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Other financing sources	3,526,309	1,533,204	377,458	(1,155,746)
Other financing uses		(350,000)	(350,000)	
Total Other Financing Sources and Uses	<u>3,526,309</u>	<u>1,183,204</u>	<u>27,458</u>	<u>(1,155,746)</u>
Net Change in Fund Balance	579,446	1,934,375	778,629	(1,155,746)
Fund Balances - Beginning			<u>9,686,618</u>	<u>9,686,618</u>
Fund Balances - Ending	<u>\$ 579,446</u>	<u>1,934,375</u>	<u>10,465,247</u>	<u>8,530,872</u>

The accompanying notes to the Required Supplementary Information are an integral part of this schedule.

MADISON COUNTY

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MADISON COUNTY

Notes to the Required Supplementary Information  
For the Year Ended September 30, 2014

UNAUDITED

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. 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:

	Governmental Fund Types
	General Fund
Budget (Cash Basis)	\$ 778,629
Increase (Decrease)	
Net adjustments for revenue accruals	5,329,605
Net adjustments for expenditure accruals	(5,856,401)
GAAP Basis	\$ 251,833

MADISON COUNTY

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MADISON COUNTY

SUPPLEMENTAL INFORMATION

MADISON COUNTY

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MADISON COUNTY  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2014

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development / Passed through the Mississippi Development Authority Community development block grants/state's program and non-entitlement grants in Hawaii*	14.228	1129-12-045-PF-01	\$ <u>156,165</u>
U.S. Department of the Interior, National Park Service ARRA - Save America's treasures	15.929	28-10-ML-2021	<u>23,362</u>
U.S. Department of Justice Bulletproof vest partnership program	16.607	N/A	2,716
Passed through the Mississippi Department of Public Safety Edward Byrne memorial justice assistance grant program	16.738	13DC1451	47,180
Equitable sharing program	16.922	MS0450000	<u>3,921</u>
Total U. S. Department of Justice			<u>53,817</u>
U.S. Department of Transportation / Passed through the Mississippi Department of Transportation Highway planning and construction	20.205	BR NBIS 079 B(45)	34,710
Passed-through the Mississippi Department of Public Safety National priority safety programs	20.616	14MD145-1	<u>86,134</u>
Total U. S. Department of Transportation			<u>120,844</u>
Delta Regional Authority Delta area economic development*	90.201	MS-10374 E.C.	<u>166,357</u>
U.S. Department of Health and Human Services / Passed through the Mississippi Department of Human Services Temporary assistance for needy families*	93.558	641WL411	<u>158,844</u>
U.S. Department of Homeland Security / Passed through the Mississippi Emergency Management Agency Disaster grants - public assistance (presidentially declared disasters)	97.036	FEMA-4175-DR-MS	<u>51,758</u>
Emergency management performance grants	97.042	14EM PL	<u>50,735</u>
Passed through the Mississippi Department of Public Safety Homeland security grant program	97.067	10CC045	1,546
Homeland security grant program	97.067	11CC045	2,042
Homeland security grant program	97.067	12HS045	41,309
Homeland security grant program	97.067	12LE191	18,333
Homeland security grant program	97.067	13LE191	<u>27,500</u>
Subtotal			<u>90,730</u>
Total U.S. Department of Homeland Security			<u>193,223</u>
Total Expenditures of Federal Awards			<u>\$ <u>872,612</u></u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

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

\* Denotes major federal award program

MADISON COUNTY  
Reconciliation of Operating Costs of Solid Waste  
For the Year Ended September 30, 2014

Operating Expenditures, Cash Basis:

Salaries	\$	917,087
Contractual services		90,386
Landfill charges		246,285
Recycling		257,472
Consumable supplies		375,114
Capital outlay and other		<u>51,595</u>

Solid Waste Cash Basis Operating Expenditures 1,937,939

Full Cost Expenses:

Indirect administrative costs		30,172
Depreciation on equipment		<u>83,092</u>

Solid Waste Full Cost Operating Expenses \$ 2,051,203

MADISON COUNTY

OTHER INFORMATION

MADISON COUNTY  
Schedule of Surety Bonds for County Officials  
For the Year Ended September 30, 2014  
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
Mark Houston	County Administrator	Brierfield Insurance Company	\$100,000
Shelton Vance	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
Loretta Phillips	Inventory Control Clerk	Brierfield Insurance Company	\$75,000
Gloria Nichols	Receiving Clerk	Brierfield Insurance Company	\$75,000
Myrtis Sims	Receiving Clerk	Brierfield Insurance Company	\$50,000
Laura Leathers	Assistant Receiving Clerk	Brierfield Insurance Company	\$50,000
Lynn Thornburg	Assistant Receiving Clerk	Brierfield Insurance Company	\$10,000
Richard Tolbert	County Surveyor	Brierfield Insurance Company	\$50,000
Arthur S. Johnston	Chancery Clerk	Brierfield Insurance Company	\$100,000
Cynthia Parker	Chancery Clerk	Western Surety Company	\$100,000
Charles Laseter	Deputy Chancery Clerk	Brierfield Insurance Company	\$50,000
Cynthia Parker	Deputy Chancery Clerk	Brierfield Insurance Company	\$50,000
Debra Dean	Deputy Chancery Clerk	Brierfield Insurance Company	\$50,000
Holli McCarra	Deputy Chancery Clerk	Brierfield Insurance Company	\$50,000
Jeff Lockett	Deputy Chancery Clerk	Brierfield Insurance Company	\$50,000
Karen Tripp	Deputy Chancery Clerk	Brierfield Insurance Company	\$50,000
Kimberly Sievers	Deputy Chancery Clerk	Brierfield Insurance Company	\$50,000
Marie Lockett	Deputy Chancery Clerk	Brierfield Insurance Company	\$50,000
Regina Ferguson	Deputy Chancery Clerk	Brierfield Insurance Company	\$50,000
Sarah L. Sasnett	Deputy Chancery Clerk	Brierfield Insurance Company	\$50,000
Stacey Toten	Deputy Chancery Clerk	Brierfield Insurance Company	\$50,000
Lee Westbrook	Circuit Clerk	Brierfield Insurance Company	\$100,000
Fannie M. Sanders	Deputy Circuit Clerk	Brierfield Insurance Company	\$50,000
Laurie A. Prince	Deputy Circuit Clerk	Brierfield Insurance Company	\$50,000
Margaret A. Jones	Deputy Circuit Clerk	Brierfield Insurance Company	\$50,000
Monica L. Henderson	Deputy Circuit Clerk	Brierfield Insurance Company	\$50,000
Natalie S. Kirby	Deputy Circuit Clerk	Brierfield Insurance Company	\$50,000
Priscilla D. Blankenship	Deputy Circuit Clerk	Brierfield Insurance Company	\$50,000
Sara B. Albritton	Deputy Circuit Clerk	Brierfield Insurance Company	\$50,000
Wanda Jefferson	Deputy Circuit Clerk	Brierfield Insurance Company	\$50,000
Randall Tucker	Sheriff	Brierfield Insurance Company	\$100,000
Albert Jones	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Barry Chandler	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Bradley Sullivan	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Brian Loveall	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Cline Wyman	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Cynthia Esco	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Don Hicks	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Donovan Gerlach	Deputy Sheriff	Brierfield Insurance Company	\$50,000



MADISON COUNTY  
Schedule of Surety Bonds for County Officials  
For the Year Ended September 30, 2014  
UNAUDITED

Name	Position	Company	Bond
Earl Taylor	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Elton P. Flax	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Eric Rather	Deputy Sheriff	Brierfield Insurance Company	\$50,000
George Elliott	Deputy Sheriff	Brierfield Insurance Company	\$50,000
George Smith	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Harold Curtis	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Hunt Johnson	Deputy Sheriff	Brierfield Insurance Company	\$50,000
J. P. Pilgrim	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Jacoby Cowan	Deputy Sheriff	Brierfield Insurance Company	\$50,000
James C. Knight	Deputy Sheriff	Brierfield Insurance Company	\$50,000
James Cannon	Deputy Sheriff	Brierfield Insurance Company	\$50,000
James Corey Mangum	Deputy Sheriff	Brierfield Insurance Company	\$50,000
James Thomas	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Jason Barnes	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Jeffery M. Waldrop	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Jeremy Williams	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Joel Evans	Deputy Sheriff	Brierfield Insurance Company	\$50,000
John M. Chapman	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Joseph Butler	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Joseph Mangino	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Joshua H. Fish	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Kevin Moffett	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Kim W. Henderson	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Kristopher J. Stone	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Kyrie Lucas	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Mark Sandridge	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Matthew Taylor Chastain	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Michael Seth Everett	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Michael Wilson	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Nathaniel Johnson	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Perry Christopher Abels	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Radford G. Shearrill	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Randall Grewe	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Richard Clark	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Richard Ladnier	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Richard T. Davis III	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Robbin Welch	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Robert Jackson	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Robert S. Graves	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Russell Kirby	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Rylon Thompson	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Sam Howard	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Scott McDonald	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Slade Moore	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Terry Barfield	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Thomas Guy Jones	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Thomas Kip Luby	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Thomas Strait	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Timothy B. Thames	Deputy Sheriff	Brierfield Insurance Company	\$50,000

MADISON COUNTY  
Schedule of Surety Bonds for County Officials  
For the Year Ended September 30, 2014  
UNAUDITED

Name	Position	Company	Bond
Tommy Squires	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Watts A. Johnson	Deputy Sheriff	Brierfield Insurance Company	\$50,000
William H. Hudson	Deputy Sheriff	Brierfield Insurance Company	\$50,000
William L. Weisenberger Jr.	Deputy Sheriff	Brierfield Insurance Company	\$50,000
William Lee Brock	Deputy Sheriff	Brierfield Insurance Company	\$50,000
Johnny Sims	Constable	Brierfield Insurance Company	\$50,000
Matt Shackelford	Constable	Brierfield Insurance Company	\$50,000
Michael Brown	Constable	Brierfield Insurance Company	\$50,000
William L. Weisenberger, Jr.	Constable	Brierfield Insurance Company	\$50,000
Mamie Chinn	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
William L. Weisenberger, Sr.	Justice Court Judge	Brierfield Insurance Company	\$50,000
Susan McCarty	Justice Court Clerk	Brierfield Insurance Company	\$50,000
Betty W. Robinson	Deputy Justice Court Clerk	Brierfield Insurance Company	\$50,000
Brittany Horn	Deputy Justice Court Clerk	Brierfield Insurance Company	\$50,000
Cheryl Horn	Deputy Justice Court Clerk	Brierfield Insurance Company	\$50,000
Earnestine Brown	Deputy Justice Court Clerk	Brierfield Insurance Company	\$50,000
Evelyn J. Jackson	Deputy Justice Court Clerk	Brierfield Insurance Company	\$50,000
Lauren Canoy	Deputy Justice Court Clerk	Brierfield Insurance Company	\$50,000
Mary Luckett	Deputy Justice Court Clerk	Brierfield Insurance Company	\$50,000
Matthew Taylor Chastain	Deputy Justice Court Clerk	Brierfield Insurance Company	\$50,000
Michael Seth Everett	Deputy Justice Court Clerk	Brierfield Insurance Company	\$50,000
Renata Carr	Deputy Justice Court Clerk	Brierfield Insurance Company	\$50,000
Richard Davis	Deputy Justice Court Clerk	Brierfield Insurance Company	\$50,000
Tommy Squires	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
Stephanie Burton	Deputy Justice Court Clerk	Brierfield Insurance Company	\$50,000
Susan McCarty	Deputy Justice Court Clerk	Brierfield Insurance Company	\$50,000
Gerald Barber	Tax Assessor	Brierfield Insurance Company	\$50,000
Adriane D. Odom	Deputy Tax Assessor	Brierfield Insurance Company	\$10,000
Alice Simpson Westbrook	Deputy Tax Assessor	Brierfield Insurance Company	\$10,000
Angelina Brown	Deputy Tax Assessor	Brierfield Insurance Company	\$10,000
Brad D. Harbour	Deputy Tax Assessor	Brierfield Insurance Company	\$10,000
Christopher J. Garavelli	Deputy Tax Assessor	Brierfield Insurance Company	\$10,000
Evelyn Mixon	Deputy Tax Assessor	Brierfield Insurance Company	\$10,000
Ira H. Thorn	Deputy Tax Assessor	Brierfield Insurance Company	\$10,000
James I. Ford	Deputy Tax Assessor	Brierfield Insurance Company	\$10,000
Jeff Peterson	Deputy Tax Assessor	Brierfield Insurance Company	\$10,000
John Anderson	Deputy Tax Assessor	Brierfield Insurance Company	\$10,000
John F. Fox	Deputy Tax Assessor	Brierfield Insurance Company	\$10,000
Kathleen Ketchum	Deputy Tax Assessor	Brierfield Insurance Company	\$10,000
Kay Jerome	Deputy Tax Assessor	Brierfield Insurance Company	\$10,000
Lionel K. Hawkins	Deputy Tax Assessor	Brierfield Insurance Company	\$10,000
Margaret E. Anderson	Deputy Tax Assessor	Brierfield Insurance Company	\$10,000
Norman Cannady	Deputy Tax Assessor	Brierfield Insurance Company	\$10,000
Sue R. Anglin	Deputy Tax Assessor	Brierfield Insurance Company	\$10,000

MADISON COUNTY  
Schedule of Surety Bonds for County Officials  
For the Year Ended September 30, 2014  
UNAUDITED

Name	Position	Company	Bond
Tina Blount	Deputy Tax Assessor	Brierfield Insurance Company	\$10,000
Vent Mixon	Deputy Tax Assessor	Brierfield Insurance Company	\$10,000
William Stewart	Deputy Tax Assessor	Brierfield Insurance Company	\$10,000
Kay S. Pace	Tax Collector	Brierfield Insurance Company	\$200,000
Brad Harbour	Deputy Tax Collector	Brierfield Insurance Company	\$100,000
Brenda Mckenzie	Deputy Tax Collector	Western Surety Company	\$50,000
Brenda Y. Winn	Deputy Tax Collector	Brierfield Insurance Company	\$50,000
Leslie Brooke Burchfield	Deputy Tax Collector	Western Surety Company	\$50,000
Debra Johnson	Deputy Tax Collector	Brierfield Insurance Company	\$50,000
Debra Nason	Deputy Tax Collector	Brierfield Insurance Company	\$50,000
Jo Ann Tootle	Deputy Tax Collector	Western Surety Company	\$50,000
Johnnie L. Malone	Deputy Tax Collector	Brierfield Insurance Company	\$50,000
Kim P. Kennedy	Deputy Tax Collector	Brierfield Insurance Company	\$50,000
Lisa K. Duvall	Deputy Tax Collector	Brierfield Insurance Company	\$50,000
Lori A. Butler	Deputy Tax Collector	Brierfield Insurance Company	\$50,000
Margaret Hayman	Deputy Tax Collector	Brierfield Insurance Company	\$50,000
Myrtle Rayburn	Deputy Tax Collector	Brierfield Insurance Company	\$50,000
Gene Paulette Cobb	Deputy Tax Collector	Brierfield Insurance Company	\$50,000
Rosemarie Jones	Deputy Tax Collector	Western Surety Company	\$50,000
Sally C. Baldwin	Deputy Tax Collector	Brierfield Insurance Company	\$50,000
Shelia Woodard	Deputy Tax Collector	Western Surety Company	\$50,000
Wanda Lancaster	Deputy Tax Collector	Western Surety Company	\$50,000

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, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated October 1, 2015. 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 (internal control) 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 Questioned Costs, 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 Questioned Costs as 2014-001, 2014-002, 2014-003, 2014-004, 2014-08 and 2014-011 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 Questioned Costs as 2014-005, 2014-006, 2014-007, 2014-009 and 2014-010 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2014-003 and 2014-004.

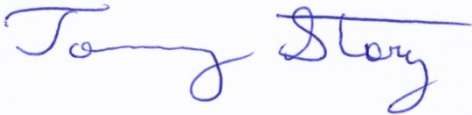
We also noted certain matters which we have reported to the management of Madison County, Mississippi, in the Independent Accountant's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated October 1, 2015, 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 Auditee's Corrective Action Plan. 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.



TOMMY STORY, CPA, CFE  
Director, County Audit Section

October 1, 2015





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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Members of the Board of Supervisors  
Madison County, Mississippi

**Report on Compliance for Each Major Federal Program**

We have audited Madison County, Mississippi's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014. Madison County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

**Auditor's Responsibility**

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

**Basis for Qualified Opinion on Temporary Assistance for Needy Families**

As described in the accompanying Schedule of Findings and Questioned Costs, Madison County, Mississippi did not comply with requirements regarding CFDA 93.558 Temporary Assistance for Needy Families as described in Finding 2014-012 for Eligibility. Compliance with such requirements is necessary, in our opinion, for Madison County, Mississippi to comply with the requirements applicable to that program.

### **Qualified Opinion on Temporary Assistance for Needy Families**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Madison County, Mississippi, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Temporary Assistance for Needy Families program for the year ended September 30, 2014.

### **Unmodified Opinion on Each of the Other Major Federal Programs**

In our opinion, Madison County, Mississippi, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs for the year ended September 30, 2014.

Madison County's response to the noncompliance finding identified in our audit is described in the accompanying Auditees Corrective Action Plan. Madison County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

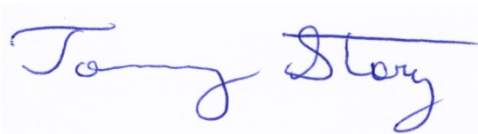
Management of Madison County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Madison County, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2014-012, 2014-013 and 2014-014 to be material weaknesses.

Madison County's responses to the internal control over compliance findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. Madison County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in blue ink that reads "Tommy Story". The signature is written in a cursive style with a horizontal line extending from the end of the name.

TOMMY STORY, CPA, CFE  
Director, County Audit Section

October 1, 2015

MADISON COUNTY

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

**INDEPENDENT ACCOUNTANT'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, 2014. 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:

Board of Supervisors.

1. Inventory Control Clerk and Assistant Receiving Clerks were not properly bonded.

Finding

Section 31-7-124, Miss. Code Ann. (1972), requires the Inventory Control Clerk to give bond in a penalty equal to seventy-five thousand dollars (\$75,000) with sufficient surety, to be payable, conditioned and approved as provided by law. This statute also requires all Assistant Receiving Clerks to be bonded in a penalty not less than fifty thousand dollars (\$50,000). The results of our audit procedures disclosed the following noncompliance.

- a. A new Inventory Control Clerk was appointed effective July 1, 2014, but did not execute the required bond in fiscal year 2014.
- b. Three Assistant Receiving Clerks were appointed during the year, but did not execute the required bonds in fiscal year 2014.
- c. One Assistant Receiving Clerk was only bonded for \$10,000.

In the event of the loss of public funds or assets involving the Inventory Control Clerk or the Assistant Receiving Clerks, the amount available to the County for recovery, if any, would be limited.

#### Recommendation

The Board of Supervisors should ensure all employees execute a proper bond upon appointment as required by law.

#### Board of Supervisors' Response

We will comply.

Inventory Control Clerk.

2. 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. As reported in the prior year's audit report, the County does not have a reliable system to account for its construction in progress activity. In one instance a finished road project was not reclassified from construction in progress to infrastructure. Improper recording of construction in progress resulted in proposed audit adjustment to correct asset classifications in the financial statements and notes.

#### Recommendation

The County should implement a system of internal controls to ensure that construction in progress is reclassified in the appropriate year and obtain written documentation of the cost and date of completion for each project from the county engineer.

#### Inventory Control Clerk's Response

Madison County has made progress in its accounting for capital assets. At the time that financial statements were prepared, the Comptroller's office could not conclude that construction of certain roads was complete. Therefore, Panther Creek remained classified as a project within construction in progress rather than classified as completed infrastructure. Subsequent to completion of the unaudited financial statements, the county engineer provided a statement that Panther Creek was a completed project during the 2014 fiscal year. Madison County will continue to work on improving internal controls related to accounting for capital assets.

Receiving Clerk.

3. The Receiving Clerk should properly complete receiving reports.

#### Finding

Section 31-7-109, Miss. Code Ann. (1972), states that the Receiving Clerk, or his assistants, shall upon proper delivery of equipment, heavy equipment, machinery, supplies, commodities, materials or services, acknowledge receipt of goods in accordance with the prescribed receipting system. During our examination of capital assets, we noted that one receiving report did not report all items held by the County as being received. The receiving report only included the number of warning sirens that had been tested instead of the number of sirens that had actually been received. Failure to list all items on the receiving report at the actual time of the receipt of the item could result in the loss of assets to the County.

Recommendation

The Receiving Clerk should ensure that receiving reports are properly completed by including all items received at the time the county takes possession of an item.

Receiving Clerk's Response

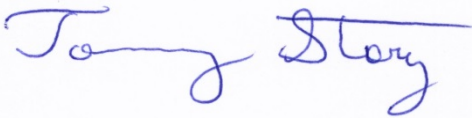
We agree with the comments, steps have been taken to make sure receiving reports are completed timely and accurately.

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, 2014.

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

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.



TOMMY STORY, CPA, CFE  
Director, County Audit Section

October 1, 2015

MADISON COUNTY  
Schedule of Purchases Not Made From the Lowest Bidder  
For the Year Ended September 30, 2014

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, 2014

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, 2014

Schedule 3

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
09/07/2014	Tasers, holsters, batteries, and data port downloads	\$ 32,842	Taser International, Inc.



**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, 2014, 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 October 1, 2015, 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 record overweight fines in the proper fund and expend these fines for authorized purposes only.

Finding

Section 27-19-89(e), Miss. Code Ann. (1972), specifies that monies distributed to the counties under this subsection shall be deposited in each county's road and bridge fund and may be expended, upon approval of the board of supervisors, for any purpose for which county road and bridge fund monies lawfully may be expended. The overweight fines received during the year in the amount of \$14,291 were recorded in the county's general fund. The failure to record the overweight fines in the county's road and bridge funds is a violation of state statute and resulted in funds being expended for purposes not authorized by law.

Recommendation

The Board of Supervisors should implement internal controls to ensure overweight fines received are recorded in the County's road and bridge funds. Additionally, an interfund transfer should be made from the General Fund to the road and bridge funds to correct the error in recording these monies.

Board of Supervisors' Response

On April 20, 2015, a transfer of funds was approved by the Board of Supervisors to move these funds into the Road Maintenance Fund. Cash receipt practices have been changed to direct these funds into the Road Maintenance Fund.

2. The County should strengthen controls over citations of code sections in the adopted tax levy.

Finding

In respect to drainage districts with local commissioners, Section 51-29-47, Miss. Code Ann. (1972), requires the Board of Supervisors of each county to make an annual tax levy, at the same time when the county tax levy is made or at any succeeding regular meeting, in an amount not exceeding the installment of assessment levied for that year sufficient to meet the obligations of the district. An effective system of internal control over the tax levy should ensure the correct code section is cited in the board order adopting the levy. The code section cited for the Persimmon Burnt Corn Water Management District in the 2014 tax levy, 51-29-33, Miss. Code Ann. (1972), addresses the assessment roll of the district, rather than the tax levy. Failure to ensure that correct code sections are cited for taxes levied could result in an unauthorized tax levy.

Recommendation

The Board of Supervisors should establish adequate control procedures to ensure the proper code sections are used in the board order establishing the tax levy and that all levies are in compliance with the applicable code section.

Board of Supervisors' Response

We will comply.

Board of Supervisors and Information Technology Department.

3. Password strength should be improved.

Finding

As reported in the prior two years' audit reports, 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

The cost of changing to eight characters is significant and this finding is taken under advisement. Passwords are currently changed every 90 days.

Tax Collector.

4. Deputy Tax Collectors should be bonded.

Finding

Section 27-1-9 (a), Miss. Code Ann. (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 2014. 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

The above recommendation will be followed to ensure that each deputy is properly bonded in the proper amount and for the proper time period as requested. Any deputy which was not properly bonded for the time of employment will have a bond secured for any prior periods as required by law to be bonded.

5. Deputy Tax Collectors' bonds should be written for term of employment.

Finding

Section 27-1-9(a), Miss. Code Ann. (1972), requires each Deputy Tax Collector to give bond to be payable, conditioned and approved as provided by law in an amount not less than \$50,000.00 for the faithful discharge of his duties. Section 25-1-15, Miss. Code Ann. (1972), requires a new bond in an amount not less than that required by law to be secured upon employment and coverage shall continue by securing 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. The results of our audit procedures disclosed that six of the Deputy Tax Collectors' bonds were written for an indefinite time period of employment rather than the term. In the event of a loss of public funds involving the Deputy Tax Collectors over multiple terms, the amount available to the County for recovery would be limited.

Recommendation

The Tax Collector should ensure that all deputies' bonds are secured for the duration of the current term.

Tax Collector's Response

We have two bonds for deputies which will expire October 1, 2015. We will purchase new bonds or riders so that we comply with the recommendations as set forth by the Audit Office. All of the other bonds will comply with the recommendations and continue for the duration of the current term and the new term to follow.

Tax Assessor.

6. Deputy Tax Assessors should be properly bonded.

Finding

Section 27-1-3, Miss. Code Ann. (1972), requires Deputy Tax Assessors to give bond to the Tax Assessor in an amount not less than \$10,000 for the faithful discharge of their duties. The results of our audit procedures disclosed that three Deputy Tax Assessors had not executed the required bond for fiscal year 2014. Failure to secure a bond could result in the loss of public funds.

Recommendation

The Tax Assessor should ensure all deputies execute the required bonds upon employment.

Tax Assessor's Response

All current deputies are bonded.

Sheriff.

7. Sheriff's Office should deposit receipts daily and retain all accounting records.

Finding

An effective system of internal control in the Sheriff's office should include daily bank deposits and maintaining copies of all accounting records. During our test of internal controls of the Sheriff's office, we noted that deposits were being made only one or two times per month. We also noted that the copy of the May cash journal was missing and could not be reprinted or reproduced. Inadequate controls surrounding the deposit of receipts and maintenance of accounting records could result in the loss or misappropriation of public funds.

Recommendation

The Sheriff should implement controls to ensure that all receipts are deposited daily and accounting records are prepared and retained.

Sheriff's Response

Will adjust to follow recommendations.

8. Sheriff's deputies should be bonded.

Finding

Section 45-5-9, Miss. Code Ann. (1972), requires Sheriff's deputies to give bond, with sufficient surety, to be payable, conditioned and approved as provided by law, in a penalty not less than \$50,000.00. The results of our audit procedures disclosed that two Sheriff's deputies had not executed the required bond for fiscal year 2014. Failure to secure a bond could result in the loss of public funds.

Recommendation

The Sheriff should ensure all deputies execute the required bonds upon employment.

Sheriff's Response

Bonds have been corrected as of September 14, 2015.

Circuit Clerk.

9. Deputy Circuit Court Clerks should be bonded.

Finding:

Section 9-7-123(2), Miss. Code Ann. (1972), requires each deputy clerk of the circuit court, before he enters upon the duties of the appointment, to give bond, with sufficient surety, to be payable, conditioned and approved as provided by law, in a penalty equal to three percent (3%) of the sum of all state and county taxes shown by the assessment rolls and the levies to have been collectible in the County for the year immediately preceding the commencement of the term of office for the Circuit Clerk. However, the amount of such bond shall not be less than \$50,000.00 nor more than \$100,000.00. The results of our audit procedures disclosed that one Deputy Circuit Clerk had not executed the required bond for fiscal year 2014. Failure to secure a bond could result in the loss of public funds.

Recommendation:

The Circuit Clerk should ensure all deputies execute the required bonds upon employment.

Circuit Clerk's Response:

Employee was hired on 8/25/2014. Bond has been purchased and has been corrected.

Justice Court Clerk.

10. Deputy Justice Court Clerks should be bonded.

Finding:

Section 9-11-29(2), Miss. Code Ann. (1972), requires every person appointed as clerk and deputy clerk of the justice court, before entering into the duties of the position, to give bond, with sufficient surety, to be payable, conditioned and approved as provided by law and in the same manner as other county officers, in a penalty equal to \$50,000.00. The results of our audit procedures disclosed that one Deputy Justice Court Clerk had not executed the required bond for fiscal year 2014. Failure to secure a bond could result in the loss of public funds.

Recommendation:

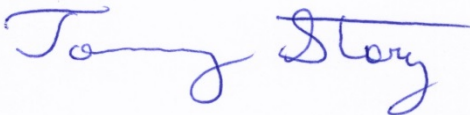
The Justice Court Clerk should ensure all deputies execute the required bonds upon employment.

Justice Court Clerk's Response:

We will comply and keep a closer watch on all bonds.

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.



TOMMY STORY, CPA, CFE  
Director, County Audit Section

October 1, 2015

MADISON COUNTY

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MADISON COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MADISON COUNTY

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MADISON COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2014

Section 1: Summary of Auditor's Results

**Financial Statements:**

1.	Type of auditor's report issued:	
	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 financial statements noted?	Yes

**Federal Awards:**

4.	Internal control over major federal programs:	
	a. Material weaknesses identified?	Yes
	b. Significant deficiencies identified?	None reported
5.	Type of auditor's report issued on compliance for major federal programs:	
	a. CFDA # 14.228, Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	Unmodified
	b. CFDA # 90.201, Delta Area Economic Development	Unmodified
	c. CFDA # 93.558, Temporary Assistance for Needy Families	Qualified
6.	Any audit finding(s) disclosed that are required to be reported in accordance with Section __.510(a) of OMB Circular A-133?	Yes
7.	Identification of major federal programs:	
	a. CFDA # 14.228, Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	
	b. CFDA # 90.201, Delta Area Economic Development	
	c. CFDA # 93.558, Temporary Assistance for Needy Families	
8.	Dollar threshold used to distinguish between type A and type B programs:	\$300,000
9.	Auditee qualified as low-risk auditee?	No

MADISON COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2014

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

2014-001. 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 seven 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 inclusion in the County's financial statements.

Material Weakness

2014-002. The county should establish controls to ensure the Schedule of Expenditures of Federal Awards is accurately prepared.

Finding

An effective system of internal control over federal award programs should include adequate subsidiary records documenting all revenues, expenditures, and identifying information for each federal award received. As a result of audit procedures performed, the following deficiencies were noted in the Schedule of Expenditures of Federal Awards (the Schedule):

- a. Three federal programs with current year expenditures of \$140,942 were omitted from the Schedule.
- b. The Joint Law Enforcement Operations program was erroneously included on the Schedule.
- c. The federal grantor was reported incorrectly for one program on the Schedule.
- d. Expenditures were understated for four programs by a total of \$177,597 and were overstated for three programs by a total of \$54,418.
- e. The program title and CFDA number was reported incorrectly for three programs on the Schedule.

These errors were due to the county's lack of subsidiary records documenting the details and transactions relative to federal awards received. The failure to maintain adequate records increases the possibility of reporting incorrect amounts of federal expenditures, reporting incorrect grantors and/or pass-through entities, reporting incorrect identifying information, as well as improperly including or excluding a federal program on the Schedule of Expenditures of Federal Awards.

MADISON COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2014

Recommendation

The County should maintain adequate subsidiary records documenting all revenues, expenditures, and other relative details of each federal award received.

Material Weakness

Material Noncompliance

2014-003. The County should record motor vehicle fuel taxes in the proper fund and expend these taxes for authorized purposes only.

Finding

Section 27-5-101(b)(vi), Miss. Code Ann. (1972), specifies that, in any county having no road or bridge bonds outstanding, all such county's share of the gasoline, diesel fuel or kerosene taxes shall be used in the construction, reconstruction and maintenance of the public highways, bridges, or culverts of the County, as the Board of Supervisors may determine. \$152,725 of the fuel taxes received during the year were recorded in funds other than the road and bridge funds and therefore were expended for purposes other than the construction, reconstruction and maintenance of the County's public highways, bridges, or culverts. The failure to record all of the County's motor vehicle fuel taxes in the road and bridge funds is a violation of state statute and resulted in the funds being expended for purposes not authorized by law.

Recommendation

The Board of Supervisors should implement internal controls to ensure motor vehicle fuel taxes are paid to the correct funds upon receipt. Additionally, interfund transfers should be made to correct the error in recording these receipts.

Material Weakness

Material Noncompliance

2014-004. The County should implement controls to ensure tax levies are within statutorily-imposed limits.

Finding

Section 19-5-189(2)(b), Miss. Code Ann. (1972), states that, in respect to fire protection purposes, the Board of Supervisors of the county in which any such district is created after July 1, 1987, may, according to the terms of the resolution of intent to incorporate the district, levy a special tax not to exceed two mills annually on all of the taxable real property in such district. The South Madison Fire Protection District was created by resolution of the Board of Supervisors on April 22, 1988. The tax levy adopted by the Board of Supervisors for fiscal year 2014 included a 4.00 mill levy for said district. The adoption of the 4.00 mill levy for the South Madison Fire Protection District resulted in the collection of \$284,017 of ad valorem taxes in excess of the statutory limit and places the County in violation of state statute.

Recommendation

The Board of Supervisors should establish internal controls to ensure all tax levies are within prescribed statutory limits.

MADISON COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2014

Board of Supervisors and Information Technology Department.

Significant Deficiency

2014-005. Madison County should establish and test a formal disaster recovery process.

Finding

As reported in the prior two years' audit reports, during our review of the information system 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 a result, 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.

Significant Deficiency

2014-006. Madison County should implement a formal information security policy.

Finding

As reported in the prior two years' audit reports, 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.

## MADISON COUNTY

### Schedule of Findings and Questioned Costs For the Year Ended September 30, 2014

#### 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.

#### Significant Deficiency

2014-007. The County should perform a network security assessment.

#### Finding

Factors noted during the Information Technology General Control (ITGC) assessment at the County indicate a network assessment is warranted.

Best business practices as well as standards for information technology provide various guidelines for frequency and criteria for performing network reviews. The Mississippi Enterprise Security Policy requires network reviews be performed, at minimum, every three years or more frequently whenever business situations change that might raise the level of risk for unauthorized access to an entity's data assets. Examples of such change criteria would be:

- A major change in the network topology
- Implementation of new financial applications
- Length of time since the last network review
- Recent network penetration or malware infection (and possible data loss) due to the activity of unauthorized parties
- Changes in support levels for hardware and software
- Lack of security event monitoring
- Insufficient anti-virus

Network reviews should include vulnerability scans as well as penetration tests. A vulnerability scan or assessment looks for known vulnerabilities in your systems and reports potential exposures, many times in the form of a risk assessment. A penetration test is designed to actually exploit weaknesses in the architecture of systems.

Hacks into networks, especially internet facing networks, are a common occurrence in today's information technology environment. Data breaches can cost breached entities fines, regulatory oversight, bad public relations, customer distrust and personnel time to correct issues caused by unauthorized access. Consequences can be both short-term (e.g., notification of breached parties) and long-term (e.g., lawsuits).

#### Recommendation

It is recommended that the County perform a network security assessment as soon as possible. All factors that might increase the risk of unauthorized access to an entity's data assets should be considered when determining the exact scope of the network review to be performed. This review should consist of risk assessments, vulnerability scans and penetration tests. These type tests should be conducted by qualified personnel that specialize in such assessments.

MADISON COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2014

Inventory Control Clerk.

Material Weakness

2014-008. 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. As reported in the prior year's audit report, the County does not have a reliable system to account for its construction in progress activity. In one instance a finished road project was not reclassified from construction in progress to infrastructure. Improper recording of construction in progress resulted in proposed audit adjustment to correct asset classifications in the financial statements and notes.

Recommendation

The County should implement a system of internal controls to ensure that construction in progress is reclassified in the appropriate year and obtain written documentation of the cost and date of completion for each project from the county engineer.

Tax Collector.

Significant Deficiency

2014-009. The Tax Collector should not print signed checks that are not made out to payee and amount.

Finding

A system of internal controls over cash disbursements should include the safeguarding of bank account checks and electronic signatures. The Tax Collector prints blank checks that include an electronic signature. These checks are held by deputies in the tax office and used to make settlements when the Tax Collector is out of the office and unavailable to sign and review the checks. The existence of blank signed checks could result in the loss or misappropriation of public funds.

Recommendation

The Tax Collector should not print signed checks that are not made out to payee and amount. Also, the Tax Collector should review all checks prior to them leaving the tax office and account for the number sequence of the checks reviewed.

Significant Deficiency

2014-010. The Tax Collector should implement controls to ensure that transactions are properly recorded in the cash journal.

Finding

An effective system of collection, recording, and disbursement of cash should include internal controls over the maintenance of cash journals and supporting documentation. During examination of the Tax Collector's cash balances we noted a disbursement that was improperly documented and recorded in the cash journal. We determined that a check written for \$53,992.13, which did not clear the bank, was improperly recorded in the cash journal because the amount and payee did not agree with the Tax Collector's disbursement records. Also, the Tax Collector



MADISON COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2014

misstated the opening balances of the April 2014 and August 2014 cash journals when incorrect totals were carried forward from the prior months. Failure to properly record transactions in the cash journal could result in loss or misappropriation of public funds.

Recommendation

The Tax Collector should implement internal controls to ensure that transactions are properly recorded in the cash journal.

Material Weakness

- 2014-011. The Tax Collector should strengthen controls over the assessment of ad valorem taxes to enterprises granted industrial exemptions.

Finding

Section 27-31-101(1), Miss. Code Ann. (1972), authorizes county boards of supervisors, in their discretion, to grant exemptions from ad valorem taxation, except state ad valorem taxation; however, the governing authority shall not exempt ad valorem taxes for school district purposes on tangible property used in, or necessary to, the operation of the manufacturers and other new enterprises enumerated by classes in this section. Section 27-31-105(1), Miss. Code Ann. (1972), authorizes any person, firm, or corporation who owns or operates a manufacturing or other enterprise of public utility as enumerated in Section 27-31-101 and who makes additions to or expansions of the facilities or properties or replaces equipment used in connection with or necessary to the operation of such enterprise may be granted an exemption from ad valorem taxation, except state ad valorem taxation, upon each addition to or expansion of the facility or property or replacement of equipment, within the discretion of the county board of supervisors; however, such governing authority shall not exempt ad valorem taxes for school district purposes on such additions or expansions of the facility or property, or replacement of equipment. Section 2.1(b) of the Ad Valorem Tax Exemption Policy adopted by the Madison County Board of Supervisors on May 23, 2005, states that no exemption shall be granted from fire district levies. Furthermore, the Board of Supervisors' orders granting exemptions since the adoption of the policy have specifically excepted ad valorem taxes levied for fire protection services from the exemption. However, neither the adopted policy nor the orders granting exemption exclude the County's solid waste levy from exemption. Our audit procedures disclosed that, for industrial-exempt properties located outside the municipalities of Madison County, the County's solid waste levy of 3.95 mills was assessed. Furthermore, for industrial-exempt properties located outside the municipalities and outside established fire protection districts of Madison County, the County's fire protection levy of 1 mill was not assessed. The failure to assess taxes on industrial-exempt properties in accordance with the policies and orders of the Board of Supervisors resulted in the over collection of solid waste taxes in the amount of \$114,704, and the under collection of county fire protection taxes in the amount of \$3,331 in fiscal year 2014.

Recommendation

The Tax Collector should establish adequate control procedures to ensure taxes are assessed to industrial-exempt properties in accordance with the policies established by and orders issued by the Board of Supervisors.

MADISON COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2014

Section 3: Federal Award Findings and Questioned Costs

2014-012. The County should establish internal controls to ensure all participants in the Adolescent Opportunity Program meet the eligibility requirements.

93.558 Temporary Assistance for Needy Families  
Grant Number: 641WL411; Year: 2014  
U.S. Department of Health and Human Services /  
Passed through the Mississippi Department of Human Services

Material Weakness  
Material Noncompliance

Compliance Requirement: Eligibility

Finding

The terms of the subgrant agreement stipulate that, among other things, the recipients of program services must have a family income at or below 300% of the federal poverty level. During our testing procedures, we noted that no documentation was available to support the eligibility of program participants. The noncompliance resulted from the County's lack of internal controls over the eligibility compliance requirement. The County's failure to determine whether the participants were financially eligible to receive program services could result in the provision of services to ineligible individuals. Additionally, this noncompliance could result in the County being required to repay funds to the federal government, or make the County ineligible for future federal awards.

Questioned Costs

This finding did not result in any questioned costs.

Recommendation

The Board of Supervisors should implement internal controls to ensure that the financial eligibility of individuals referred to the program is determined and documented prior to their admittance to the program.

2014-013. The County should establish controls to ensure separate accounting for the receipt and disbursement of federal awards.

14.228 Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii  
Grant Number: 1129-12-045-PF-01; Year: 2014  
U.S. Department of Housing and Urban Development /  
Passed through the Mississippi Development Authority

Material Weakness

Compliance Requirement: Activities Allowed or Unallowed; Allowable Costs/Cost Principles

Finding

An effective system of internal control for recording the receipt and disbursement of federal awards should include the use of separate funds or account codes. During our audit testing procedures, we noted that the receipts and disbursements related to the Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii program were not

MADISON COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2014

segregated using separate funds or account codes in the county's general ledger. The failure to specifically identify and account for federal program receipts and expenditures prevents proper accounting of federal funds and could result in the expenditure of federal funds for unallowable activities, unallowable costs, and/or erroneous reporting of federal expenditures on the Schedule of Expenditures of Federal Awards.

Recommendation

The Board of Supervisors should take steps to ensure that separate funds or account codes are used to account for the receipt and disbursement of federal awards.

2014-014. The County should establish controls to ensure separate accounting for the receipt and disbursement of federal awards.

90.201           Delta Area Economic Development  
                    Grant Number: MS-10374 E.C.; Year: 2014  
                    Delta Regional Authority

Material Weakness

Compliance Requirement: Activities Allowed or Unallowed; Allowable Costs/Cost Principles

Finding

An effective system of internal control for recording the receipt and disbursement of federal awards should include the use of separate funds or account codes. During our audit testing procedures, we noted that the receipts and disbursements related to the Delta Area Economic Development program were not segregated using separate funds or account codes in the county's general ledger. The failure to specifically identify and account for federal program receipts and expenditures prevents proper accounting of federal funds and could result in the expenditure of federal funds for unallowable activities, unallowable costs, and/or erroneous reporting of federal expenditures on the Schedule of Expenditures of Federal Awards.

Recommendation

The Board of Supervisors should take steps to ensure that separate funds or account codes are used to account for the receipt and disbursement of federal awards.

MADISON COUNTY

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MADISON COUNTY

AUDITEE'S CORRECTIVE ACTION PLAN

MADISON COUNTY

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## 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

September 30, 2015

Office of the State Auditor  
PO Box 956  
Jackson, MS 39205

Gentlemen:

Madison County respectfully submits the following corrective action plan for the year ended September 30, 2014.

The findings from the Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section 1: Summary of Auditor's Results, does not include findings and is not addressed.

**Finding 2014-001** 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 seven years' audit reports, the financial statements do not include the financial data for its component units. The failure to properly follow generally accepted accounting principles results in an adverse opinion on the discretely presented component units.

**Corrective Action Plan:** 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. Management intends 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.

**Anticipated Completion Date for Corrective Action:** Will review again 9/30/2016

**Name of Contact Person Responsible for Corrective Action:** Mark Houston, County Administrator

**Finding 2014-002** The County should establish controls to ensure the Schedule of Expenditures of Federal Awards is accurately prepared.

**Finding:** An effective system of internal control over federal award programs should include adequate subsidiary records documenting all revenues, expenditures, and identifying information for each federal award received. As a result of audit procedures performed, the following deficiencies were noted in the Schedule of Expenditures of Federal Awards (the Schedule):

John Bell Crosby, *District One*  
John Howland, *District Two*

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

Paul Griffin, *District Five*  
Romney Lott, *Chancery Clerk*

- a. Three federal programs with current-year expenditures of \$140,942 were omitted from the Schedule.
- b. The Joint Law Enforcement Operations program was erroneously included on the Schedule.
- c. The federal grantor was reported incorrectly for one program on the Schedule.
- d. Expenditures were understated for four programs by a total of \$177,597 and were overstated for three programs by a total of \$54,418.
- e. The program title and CFDA number was reported incorrectly for three programs on the Schedule.

These errors were due to the county's lack of subsidiary records documenting the details and transactions relative to federal awards received. The failure to maintain adequate records increases the possibility of (1) reporting incorrect amounts of federal expenditures, (2) reporting incorrect grantors and/or pass-through entities, (3) reporting incorrect identifying information, as well as (4) improperly including or excluding a federal program on the Schedule of Expenditures of Federal Awards.

**Corrective Action Plan:** Realizing that FYE 9/30/2014 included a large increase in federal assistance, Madison County failed to accumulate all of the data that was required to identify the initial source of some funds that passed through state agencies and funds that were directed to component units. This resulted in certain federal revenue not being correctly identified for the Schedule of Expenditures of Federal Awards.

Madison County is now analyzing each payment from other governmental entities to verify the original funding source and ultimate purpose for determining inclusion in the annual Schedule of Expenditures of Federal Awards.

**Anticipated Completion Date for Corrective Action:** December 1, 2015

**Name of Contact Person Responsible for Corrective Action:** Shelton Vance, Comptroller

**Finding 2014-003** The County should record motor vehicle fuel taxes in the proper fund and expend these taxes for authorized purposes only.

**Finding:** Section 27-5-101(b)(vi), Miss. Code Ann. (1972), specifies that, in any county having no road or bridge bonds outstanding, all such county's share of the gasoline, diesel fuel or kerosene taxes shall be used in the construction, reconstruction and maintenance of the public highways, bridges, or culverts of the county, as the board of supervisors may determine. \$152,725 of the fuel taxes received during the year were recorded in funds other than the road and bridge funds and therefore were expended for purposes other than the construction, reconstruction and maintenance of the county's public highways, bridges, or culverts. The failure to record all of the county's motor vehicle fuel taxes in the road and bridge funds is a violation of state statute and resulted in the funds being expended for purposes not authorized by law.

**Corrective Action Plan:** Madison County received Gasoline Tax revenue from the MS Department of Revenue. Beginning in December 2013, this money was incorrectly interpreted to be Gasoline Severance Tax revenue. State law indicates that Gasoline Severance Tax is to be distributed from the state to each county and then to further be distributed as if the funds were ad valorem tax. These funds were so distributed with multiple county funds and agencies receiving these funds.

Upon notice of this error, recovery was made from each agency and fund. The money was properly deposited into the Road Maintenance Fund.

Cash Receipts practices have been changed to originally direct these funds into the Road Maintenance Fund.

**Anticipated Completion Date for Corrective Action:** September 30, 2015

**Name of Contact Person Responsible for Corrective Action:** Shelton Vance, Comptroller

**Finding 2014-004** The County should implement controls to ensure tax levies are within statutorily-imposed limits.

**Finding:** Section 19-5-189(2)(b), Miss. Code Ann. (1972), states that, in respect to fire protection purposes, the board of supervisors in which any such district is created after July 1, 1987, may, according to the terms of the resolution of intent to incorporate the district, levy a special tax not to exceed two (2) mills annually on all of the taxable real property in such district. The South Madison Fire Protection District was created by resolution of the Board of Supervisors on April 22, 1988. The tax levy adopted by the Board of Supervisors for fiscal year 2014 included a 4.00 mill levy for said district. The adoption of the 4.00 mill levy for the South Madison Fire Protection District resulted in the collection of \$284,017 of ad valorem taxes in excess of the statutory limit and places the county in violation of state statute.



**Corrective Action Plan:** Madison County will comply. A referendum election will be held in the South Madison Fire Protection District.

**Anticipated Completion Date for Corrective Action:** September 30, 2016

**Name of Contact Person Responsible for Corrective Action:** Mark Houston, County Administrator

Finding 2014-005 Madison County should establish and test a formal disaster recovery process.

**Finding:** As reported in the prior two years' audit reports, 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 a result, 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.

**Corrective Action Plan:** While Madison County has system back-up and recovery procedures, we have not established a designated recovery point. We will continue to work towards this objective.

**Anticipated Completion Date for Corrective Action:** June 30, 2016

**Name of Contact Person Responsible for Corrective Action:** Duane Thompson, IT Director

Finding 2014-006 Madison County should implement a formal information security policy.

**Finding:** As reported in the prior two years' audit reports, 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.

**Corrective Action Plan:** We will comply.

**Anticipated Completion Date for Corrective Action:** June 30, 2016

**Name of Contact Person Responsible for Corrective Action:** Duane Thompson, IT Director

Finding 2014-007 The County should perform a network security assessment.

**Finding:** Factors noted during the Information Technology General Control (ITGC) assessment at the county indicate a network assessment is warranted.

Best business practices as well as standards for information technology provide various guidelines for frequency and criteria for performing network reviews. The Mississippi Enterprise Security Policy requires network reviews be performed, at minimum, every three years or more frequently whenever business situations change that might raise the level of risk for unauthorized access to an entity's data assets. Examples of such change criteria would be:

- A major change in the network topology
- Implementation of new financial applications
- Length of time since the last network review

- Recent network penetration or malware infection (and possible data loss) due to the activity of unauthorized parties
- Changes in support levels for hardware and software
- Lack of security event monitoring
- Insufficient anti-virus

Network reviews should include vulnerability scans as well as penetration tests. A vulnerability scan or assessment looks for known vulnerabilities in your systems and reports potential exposures, many times in the form of a risk assessment. A penetration test is designed to actually exploit weaknesses in the architecture of systems. Hacks into networks, especially internet facing networks, are a common occurrence in today's information technology environment. Data breaches can cost breached entities fines, regulatory oversight, bad public relations, customer distrust and personnel time to correct issues caused by unauthorized access. Consequences can be both short-term (e.g., notification of breached parties) and long-term (e.g., lawsuits).

**Corrective Action Plan:** The County will review this matter and determine a path to proceed.

**Anticipated Completion Date for Corrective Action:** June 30, 2016

**Name of Contact Person Responsible for Corrective Action:** Duane Thompson, IT Director

Finding 2014-008 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. As reported in the prior year's audit report, the County does not have a reliable system to account for its construction in progress activity. In one instance a finished road project was not reclassified from construction in progress to infrastructure. Improper recording of construction in progress resulted in proposed audit adjustment to correct asset classifications in the financial statements and notes.

**Corrective Action Plan:** Madison County has made progress in its accounting for capital assets. At the time that financial statements were prepared, the Comptroller's office could not conclude that construction of certain roads was complete. Therefore, Panther Creek remained classified as a project within construction in progress rather than classified as completed infrastructure. Subsequent to completion of the unaudited financial statements, the county engineer provided a statement that Panther Creek was a completed project during the 2014 fiscal year. Madison County will continue to work on improving internal controls related to accounting for capital assets. Madison County will initiate a practice of obtaining a written statement from the County Engineer of completed projects and projects in-process at the end of the fiscal year.

**Anticipated Completion Date for Corrective Action:** September 30, 2016

**Name of Contact Person Responsible for Corrective Action:** Shelton Vance, Comptroller

Finding 2014-009 The Tax Collector should not print signed checks that are not made out to payee and amount.

**Finding:** A system of internal controls over cash disbursements should include safeguard of bank account checks and electronic signatures. The Tax Collector prints blank checks that include an electronic signature. These checks are held by deputies in the tax office and used to make settlements when the Tax Collector out of the office and unavailable to sign and review the checks. The existence of blank signed checks could result in the loss or misappropriation of public funds.

**Corrective Action Plan:** The blank checks, if any, were printed for use by the office in payment of fast track titles to the Department of Revenue. In order to alleviate any checks not reviewed by this office after dispersal, we will follow recommendations made to this office and review all checks and account for the order of checks written. Some checks are issued electronically through BankPlus. Each check dispensed is seen by me through email each day. I am always notified of any checks written.

**Anticipated Completion Date for Corrective Action:** September 30, 2015

**Name of Contact Person Responsible for Corrective Action:** Kay Pace, Tax Collector

Finding 2014-010 The Tax Collector should implement controls to ensure that transactions are properly

recorded in the cash journal.

**Finding:** An effective system of collection, recording, and disbursement of cash should include internal controls over the maintenance of cash journals and supporting documentation. During examination of the Tax Collector's cash balances we noted a disbursement that was improperly documented and recorded in the cash journal. We determined that a check written for \$53,992.13, which did not clear the bank, was improperly recorded in the cash journal because the amount and payee did not agree with the Tax Collector's disbursement records. Also, the Tax Collector misstated the opening balances of the April 2014 and August 2014 cash journals when incorrect totals were carried forward from the prior months. Failure to properly record transactions in the cash journal could result in loss or misappropriation of public funds.

**Corrective Action Plan:** I have hired a CPA firm: Lefoldt & Co. P.A. Certified Public Accountants 690 Town Center Blvd. PO Box 2848 Ridgeland, MS 39158 601-956-2374. All information will be shared with State Auditor's Office.

**Anticipated Completion Date for Corrective Action:** September 30, 2015

**Name of Contact Person Responsible for Corrective Action:** Kay Pace, Tax Collector

Finding 2014-011 The Tax Collector should strengthen controls over the assessment of ad valorem taxes to enterprises granted industrial exemptions.

**Finding:** Section 27-31-101(1), Miss. Code Ann. (1972), authorizes county boards of supervisors, in their discretion, to grant exemptions from ad valorem taxation, except state ad valorem taxation; however, the governing authority shall not exempt ad valorem taxes for school district purposes on tangible property used in, or necessary to, the operation of the manufacturers and other new enterprises enumerated by classes in this section. Section 27-31-105(1), Miss. Code Ann. (1972), authorizes any person, firm, or corporation who owns or operates a manufacturing or other enterprise of public utility as enumerated in Section 27-31-101 and who makes additions to or expansions of the facilities or properties or replaces equipment used in connection or necessary to the operation of such enterprise may be granted an exemption from ad valorem taxation, except state ad valorem taxation, upon each addition to or expansion of the facility or property or replacement of equipment, within the discretion of the county board of supervisors; however, such governing authority shall not exempt ad valorem taxes for school district purposes on such additions or expansions of the facility or property, or replacement of equipment. Section 2.1(b) of the Ad Valorem Tax Exemption Policy adopted by the Madison County Board of Supervisors on May 23, 2005, states that no exemption shall be granted from fire district levies. Furthermore, the Board of Supervisors' orders granting exemptions since the adoption of the policy have specifically excepted ad valorem taxes levied for fire protection services from the exemption. However, neither the adopted policy nor the orders granting exemption exclude the county's solid waste levy from exemption. Our audit procedures disclosed that, for industrial-exempt properties located outside the municipalities of Madison County, the county's solid waste levy of 3.95 mills was assessed. Furthermore, for industrial-exempt properties located outside the municipalities and outside established fire protection districts of Madison County, the county's fire protection levy of 1 mill was not assessed. The failure to assess taxes on industrial-exempt properties in accordance with the policies and orders of the Board of Supervisors resulted in the over collection of solid waste taxes in the amount of \$114,704, and the under collection of county fire protection taxes in the amount of \$3,331 in fiscal year 2014.

**Corrective Action Plan:** This Office has made a request for a copy of all minutes of the Board of Supervisors in which an industrial exemption has been granted. The exemptions requested are the ones which are still in effect, the specific language as to taxes from which they are exempt and the specific time frame for each particular exemption. Also, this Office will request a copy of any future exemptions granted, along with its specific parameters. Any monies collected through industrial exemptions in error will be refunded and any funds not correctly collected from exempt property will be properly collected.

**Anticipated Completion Date for Corrective Action:** October 1, 2016

**Name of Contact Person Responsible for Corrective Action:** Kay Pace, Tax Collector

Finding 2014-012 The County should establish internal controls to ensure all participants in the Adolescent Opportunity Program meet the eligibility requirements.

93.558 Temporary Assistance for Needy Families  
Grant Number: 641WL411; Year: 2014  
U.S. Department of Health and Human Services /

Passed through the Mississippi Department of Human Services

**Finding:** The terms of the subgrant agreement stipulate that, among other things, the recipients of program services must have a family income at or below 300% of the federal poverty level. During our testing procedures, we noted that no documentation was available to support the eligibility of program participants. The noncompliance resulted from the county's lack of internal controls over the eligibility compliance requirement. The county's failure to determine whether the participants were financially eligible to receive program services could result in the provision of services to ineligible individuals. Additionally, this noncompliance could result in the county being required to repay funds to the federal government, or make the county ineligible for future federal awards.

**Corrective Action Plan:** Participants are assigned to this program by Madison County Youth Court Judges. Madison County will provide the eligibility requirements to the judiciary for consideration in assignment to the program. Additionally, Madison County will require necessary documentation from the participant and notify the judiciary of any non-qualifying candidates.

**Anticipated Completion Date for Corrective Action:** November 1, 2015

**Name of Contact Person Responsible for Corrective Action:** Mark Houston, County Administrator

Finding 2014-013 The County should establish controls to ensure separate accounting for the receipt and disbursement of federal awards.

14.228 Community Development Block Grants/  
State's Program and Non-Entitlement Grants in Hawaii  
Grant Number: 1129-12-045-PF-01; Year: 2014  
U.S. Department of Housing and Urban Development /  
Passed through the Mississippi Development Authority

**Finding:** An effective system of internal control for recording the receipt and disbursement of federal awards should include the use of separate funds or account codes. During our audit testing procedures, we noted that the receipts and disbursements related to the Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii program were not segregated using separate funds or account codes in the county's general ledger. The failure to specifically identify and account for federal program receipts and expenditures prevents proper accounting of federal funds and could result in the expenditure of federal funds for unallowable activities, unallowable costs, and/or erroneous reporting of federal expenditures on the Schedule of Expenditures of Federal Awards.

**Corrective Action Plan:** The funds received from this grant were paid to Madison County after the obligation to pay the vendor was established, verified and approved. While the vendor payment was not issued until receipt of these funds, this grant was similar in nature to a reimbursement grant. To reduce the cost associated with this grant, Madison County did not establish a separate fund for these funds. Madison County will establish a separate fund for such grants in the future.

**Anticipated Completion Date for Corrective Action:** October 1, 2015

**Name of Contact Person Responsible for Corrective Action:** Shelton Vance, Comptroller

Finding 2014-014 The County should establish controls to ensure separate accounting for the receipt and disbursement of federal awards.

90.201 Delta Area Economic Development  
Grant Number: MS-10374 E.C.; Year: 2014  
Delta Regional Authority

**Finding:** An effective system of internal control for recording the receipt and disbursement of federal awards should include the use of separate funds or account codes. During our audit testing procedures, we noted that the receipts and disbursements related to the Delta Area Economic Development program were not segregated using separate funds or account codes in the county's general ledger. The failure to specifically identify and account for federal program receipts and expenditures prevents proper accounting of federal funds and could result in the expenditure of federal funds for unallowable activities, unallowable costs, and/or erroneous reporting of federal expenditures on the Schedule of Expenditures of Federal Awards.

**Corrective Action Plan:** The funds received from this grant were paid to Madison County after the obligation to pay the vendor was established, verified and approved and paid by the County. This grant was a reimbursement grant. To reduce the cost associated with this grant, Madison County did not establish a separate fund for these funds.

Madison County will establish a separate fund for such grants in the future.

**Anticipated Completion Date for Corrective Action:** October 1, 2015

**Name of Contact Person Responsible for Corrective Action:** Shelton Vance, Comptroller

Sincerely yours,

A handwritten signature in blue ink, appearing to read 'K. Banks', with a long horizontal flourish extending to the right.

Karl M. Banks,  
President, Board of Supervisors  
601-855-5500