

MADISON COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2012

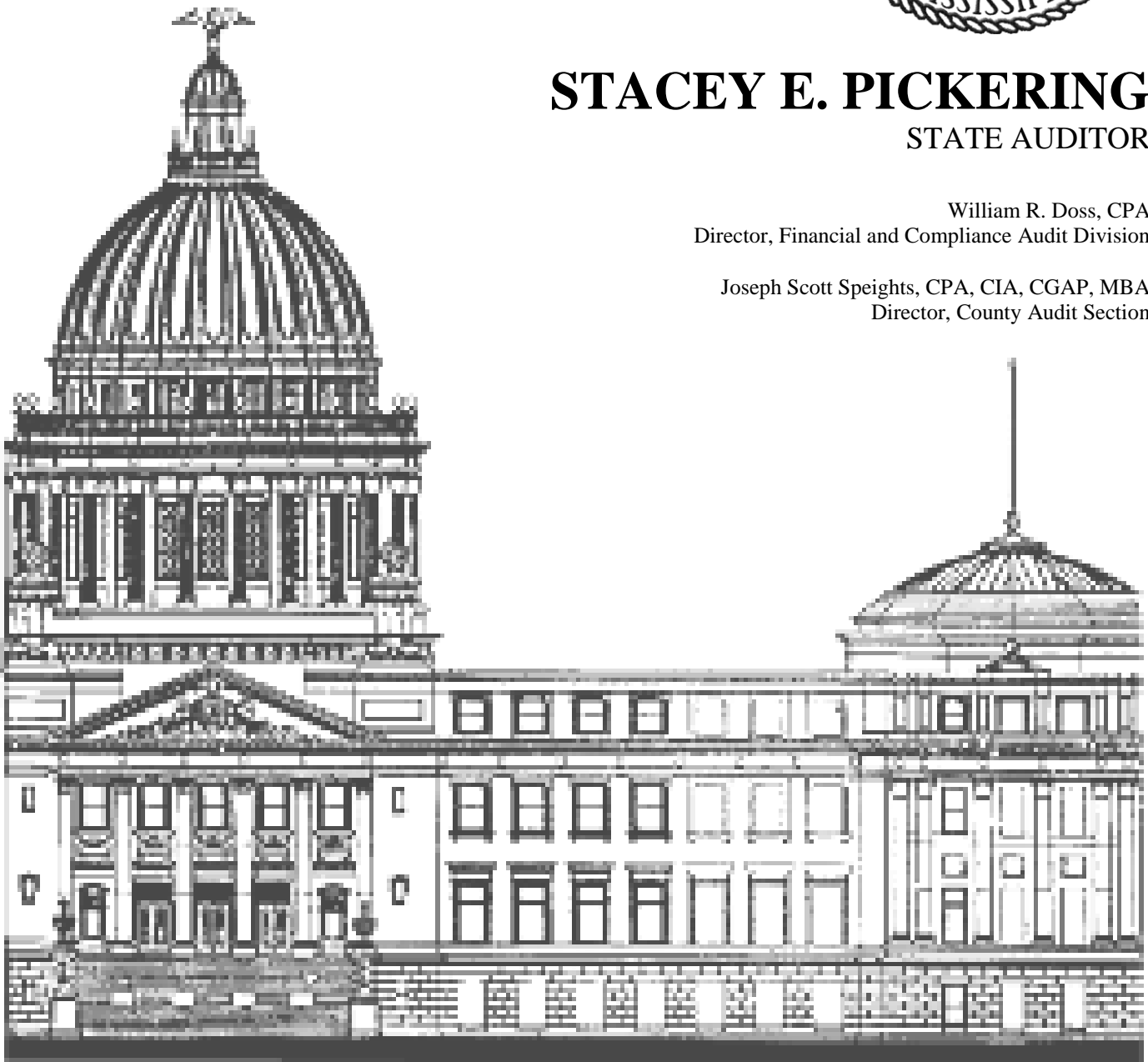


STACEY E. PICKERING

STATE AUDITOR

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

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Director, County Audit Section



A Report from the County Audit Section

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

November 15, 2013

Members of the Board of Supervisors
Madison County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2012 financial and compliance audit report for Madison County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering". The signature is fluid and cursive, with a large initial "S" and "P".

Stacey E. Pickering
State Auditor

MADISON COUNTY

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MADISON COUNTY

FINANCIAL SECTION

MADISON COUNTY

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

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Madison County, Mississippi

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, 2012, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

In our opinion, because of the omission of the discretely presented component units, as discussed previously, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of Madison County, Mississippi, as of September 30, 2012, or the changes in financial position thereof for the year then ended.

In addition, 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, 2012, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2013, on our consideration of Madison County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Madison County, Mississippi, has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the 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.

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

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise Madison County, Mississippi's basic financial statements. The accompanying Schedule of Surety Bonds for County Officials is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information 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 such information.



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

November 15, 2013

MADISON COUNTY

FINANCIAL STATEMENTS

MADISON COUNTY

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MADISON COUNTY
Statement of Net Assets
September 30, 2012

Exhibit 1

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS	
Cash	\$ 16,849,562
Property tax receivable	29,645,826
Fines receivable (net of allowance for uncollectibles of \$1,446,968)	366,442
Capital leases receivable	109,225
Intergovernmental receivables	1,222,206
Other receivables	19,101
Deferred charges - bond issuance costs	1,592,320
Capital assets:	
Land and construction in progress	3,173,916
Other capital assets, net	<u>110,476,859</u>
Total Assets	<u>163,455,457</u>
LIABILITIES	
Claims payable	746,344
Intergovernmental payables	1,231,306
Accrued interest payable	843,683
Deferred revenue	29,655,051
Other payables	3,253,786
Claims and judgments payable	87,884
Long-term liabilities	
Due within one year:	
Capital debt	6,722,355
Non-capital debt	148,078
Due in more than one year:	
Capital debt	77,766,576
Non-capital debt	<u>3,177,237</u>
Total Liabilities	<u>123,632,300</u>
NET ASSETS	
Invested in capital assets, net of related debt	29,161,844
Restricted:	
Expendable:	
General government	184,922
Public safety	627,545
Public works	1,820,193
Culture and recreation	70,259
Economic development and assistance	75,906
Debt service	552,984
Unemployment compensation	55,041
Unrestricted	<u>7,274,463</u>
Total Net Assets	<u>\$ 39,823,157</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, 2012

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 15,051,828	3,903,738	376,895	150,018	(10,621,177)
Public safety	12,925,099	2,512,640	585,895	50,051	(9,776,513)
Public works	9,275,889	529,456	882,171	2,474,594	(5,389,668)
Health and welfare	810,574		149,808		(660,766)
Culture and recreation	1,363,086				(1,363,086)
Conservation of natural resources	300,600				(300,600)
Economic development and assistance	3,606,606				(3,606,606)
Interest on long-term debt	3,512,367				(3,512,367)
Total Governmental Activities	<u>46,846,049</u>	<u>6,945,834</u>	<u>1,994,769</u>	<u>2,674,663</u>	<u>(35,230,783)</u>
General revenues:					
Property taxes					\$ 34,660,632
Road & bridge privilege taxes					1,299,213
Grants and contributions not restricted to specific programs					1,674,311
Unrestricted interest income					251,870
Miscellaneous					<u>2,833,410</u>
Total General Revenues					<u>40,719,436</u>
Changes in Net Assets					<u>5,488,653</u>
Net Assets - Beginning of year, as previously reported					31,381,167
Prior period adjustments					<u>2,953,337</u>
Net Assets - Beginning of year, as restated					<u>34,334,504</u>
Net Assets - End of year					<u>\$ 39,823,157</u>

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

MADISON COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2012

Exhibit 3

	Major Funds					Total Governmental Funds
	General Fund	Road Maintenance Fund	General County I&S Fund	Road and Bridge Capital Projects Fund	Other Governmental Funds	
ASSETS						
Cash	\$ 12,423,184	1,324,663	1,197,091		1,904,624	16,849,562
Property tax receivable	16,277,451	2,060,888	6,572,638		4,734,849	29,645,826
Fines receivable (net of allowance for uncollectibles of \$1,446,968)	366,442					366,442
Capital lease receivable	109,225					109,225
Intergovernmental receivables	1,208,556	228	474		12,948	1,222,206
Other receivables	19,101					19,101
Due from other funds		124,197	84,167		49,716	258,080
Advances to other funds	151,863					151,863
Total Assets	\$ 30,555,822	3,509,976	7,854,370	0	6,702,137	48,622,305
LIABILITIES AND FUND BALANCES						
Liabilities:						
Claims payable	\$ 430,632	159,984			155,728	746,344
Intergovernmental payables	1,231,306					1,231,306
Due to other funds	258,080					258,080
Advances from other funds					151,863	151,863
Deferred revenue	16,753,118	2,060,888	6,572,638		4,734,849	30,121,493
Other payables	3,253,786					3,253,786
Claims and judgments payable	87,884					87,884
Total Liabilities	22,014,806	2,220,872	6,572,638	0	5,042,440	35,850,756
Fund balances:						
Nonspendable:						
Advances	151,863					151,863
Restricted for:						
General government					184,922	184,922
Public safety					627,545	627,545
Public works		1,289,104			531,089	1,820,193
Culture and recreation					70,259	70,259
Economic development and assistance					75,906	75,906
Debt service			1,281,732		114,935	1,396,667
Unemployment compensation					55,041	55,041
Unassigned	8,389,153					8,389,153
Total Fund Balances	8,541,016	1,289,104	1,281,732	0	1,659,697	12,771,549
Total Liabilities and Fund Balances	\$ 30,555,822	3,509,976	7,854,370	0	6,702,137	48,622,305

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

MADISON COUNTY

Exhibit 3-1Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2012

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 12,771,549
Amounts reported for governmental activities in the Statement of Net Assets 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 \$93,302,943.	113,650,775
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	366,442
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(87,814,246)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(843,683)
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds.	100,000
Deferred charges - bond issuance costs	<u>1,592,320</u>
Total Net Assets - Governmental Activities	\$ <u><u>39,823,157</u></u>

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

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2012

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General Fund	Road Maintenance Fund	General County I&S Fund	Road and Bridge Capital Projects Fund		
REVENUES						
Property taxes	\$ 19,409,406	2,450,731	7,772,067		5,028,429	34,660,633
Road and bridge privilege taxes		1,299,213				1,299,213
Licenses, commissions and other revenue	3,294,875	286	592		477	3,296,230
Fines and forfeitures	949,105				25,086	974,191
Special assessments					412,630	412,630
Intergovernmental revenues	2,101,822	834,749	6,086		2,988,456	5,931,113
Charges for services	1,212,340				1,728,204	2,940,544
Interest income	249,426				2,443	251,869
Miscellaneous revenues	437,993	19,683	124,564	12,422	2,238,749	2,833,411
Total Revenues	<u>27,654,967</u>	<u>4,604,662</u>	<u>7,903,309</u>	<u>12,422</u>	<u>12,424,474</u>	<u>52,599,834</u>
EXPENDITURES						
Current:						
General government	12,605,695				69,967	12,675,662
Public safety	9,829,259				3,357,266	13,186,525
Public works	317,427	3,800,678		6,240,622	5,251,034	15,609,761
Health and welfare	803,412					803,412
Culture and recreation	20,673				1,342,413	1,363,086
Conservation of natural resources	298,797					298,797
Economic development and assistance	1,745,457		233,600		1,627,549	3,606,606
Debt service:						
Principal	334,569	522,031	4,475,000		1,625,357	6,956,957
Interest	28,812	22,088	2,744,458		911,130	3,706,488
Bond issue costs			505,362		38,038	543,400
Payments to bond refunding escrow agent			127,094			127,094
Total Expenditures	<u>25,984,101</u>	<u>4,344,797</u>	<u>8,085,514</u>	<u>6,240,622</u>	<u>14,222,754</u>	<u>58,877,788</u>
Excess of Revenues over (under) Expenditures	<u>1,670,866</u>	<u>259,865</u>	<u>(182,205)</u>	<u>(6,228,200)</u>	<u>(1,798,280)</u>	<u>(6,277,954)</u>
OTHER FINANCING SOURCES (USES)						
Long-term capital debt issued	458,230				1,436,038	1,894,268
Refunding bonds issued			17,195,000			17,195,000
Proceeds from sale of capital assets	36,815				20,215	57,030
Premiums on bonds issued			1,138,395			1,138,395
Transfers in		450,000		1,973,074	423,648	2,846,722
Transfers out	(1,756,722)	(320,000)		(320,000)	(450,000)	(2,846,722)
Lease principal payments	45,000					45,000
Payment to bond refunding escrow agent			(17,828,033)			(17,828,033)
Total Other Financing Sources and Uses	<u>(1,216,677)</u>	<u>130,000</u>	<u>505,362</u>	<u>1,653,074</u>	<u>1,429,901</u>	<u>2,501,660</u>
Net Changes in Fund Balances	<u>454,189</u>	<u>389,865</u>	<u>323,157</u>	<u>(4,575,126)</u>	<u>(368,379)</u>	<u>(3,776,294)</u>
Fund Balances - Beginning of year, as previously reported	8,081,058	899,239	958,575	4,575,126	2,028,510	16,542,508
Prior period adjustments	5,769				(434)	5,335
Fund Balances - Beginning of year, as restated	<u>8,086,827</u>	<u>899,239</u>	<u>958,575</u>	<u>4,575,126</u>	<u>2,028,076</u>	<u>16,547,843</u>
Fund Balances - End of year	\$ <u>8,541,016</u>	<u>1,289,104</u>	<u>1,281,732</u>	<u>0</u>	<u>1,659,697</u>	<u>12,771,549</u>

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

MADISON COUNTY
 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, 2012

Exhibit 4-1

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (3,776,294)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$8,005,862 exceeded depreciation of \$3,584,429 in the current period.	4,421,433
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net loss of \$84,947 and the proceeds from the sale of \$57,030 in the current period.	(141,977)
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.	(265,131)
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt proceeds of \$19,089,268 exceeded debt repayments of \$6,956,957.	(12,132,311)
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
Net decrease in compensated absences	19,737
Decrease in accrued interest payable	242,942
Refunding of outstanding bond issue	15,945,000
Additions to:	
Deferred charges - bond issuance costs	543,400
Premiums on bonds	(1,138,395)
Deferred amount on refunding bonds	2,010,127
The Amortization of:	
Deferred charges - bond issuance costs	(142,028)
Premiums on bonds	92,503
Discount on bonds	(4,028)
Deferred amount on refunding bonds	(141,325)
In the Statement of Activities, only interest income from payments received on capital leases are reported, whereas in the governmental funds, both principal and interest payments received increase financial resources. Thus, the change in net assets differs from change in fund balances by the principal collections on the capital leases.	<u>(45,000)</u>
Change in Net Assets of Governmental Activities	\$ <u>5,488,653</u>

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

MADISON COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2012

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 135,614
Intergovernmental receivables	145
Other receivables	<u>145,610</u>
Total Assets	<u>\$ 281,369</u>
LIABILITIES	
Amounts held in custody for others	\$ 72,559
Intergovernmental payables	<u>208,810</u>
Total Liabilities	<u>\$ 281,369</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, 2012

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

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

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

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

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

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

B. Basis of Presentation.

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

MADISON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

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

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

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

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

The County reports the following major Governmental Funds:

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

Road Maintenance Fund - This fund is used to account for monies from specific revenue sources that are restricted for road maintenance.

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

Road and Bridge Capital Projects Fund - Accounts for monies to pay for various road and bridge projects.

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2012

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.

D. Account Classifications.

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

E. Deposits and Investments.

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

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

F. Receivables.

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

G. Interfund Transactions and Balances.

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

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2012

H. Capital Assets.

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

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

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

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

I. Long-term Liabilities.

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

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the governmental activities, Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, Governmental Fund Types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2012

J. Equity Classifications.

Government-wide Financial Statements:

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

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

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

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

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.

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

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

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

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

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

K. Property Tax Revenues.

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

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2012

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

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

L. Intergovernmental Revenues in Governmental Funds.

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

M. Compensated Absences.

The County has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United 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.

(2) Prior Period Adjustments.

A summary of significant fund equity adjustments are as follows:

Exhibit 2 - Statement of Activities.

Explanation	Amount
To correct prior year errors in capital assets	3,270,341
To correct prior year errors in long-term liabilities	\$ (500,624)
To correct prior year error in compensated absences	178,285
To correct prior year errors in intergovernmental payables	5,769
To correct prior year error in cash for the 2001 Nissan Capital Projects Fund	(434)
Total prior period adjustments	\$ <u>2,953,337</u>

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

Explanation	Amount
To correct prior year errors in intergovernmental payables	5,769
To correct prior year error in cash for the 2001 Nissan Capital Projects Fund	\$ (434)
Total prior period adjustments	\$ <u>5,335</u>

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2012

(3) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2012, was \$16,985,176, and the bank balance was \$18,129,671. 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 does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the County. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the County.

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2012:

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
Road Maintenance Fund	General	\$ 124,197
General County I & S Fund	General	84,167
Other Governmental Funds	General	49,716
Total		\$ 258,080

The receivables represent the tax revenue collected but not settled until October, 2012. 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	Other Governmental Funds	\$ 151,863

Prior year advances were made from the General Fund to the ¼ Mill Fire District Fund and Fire Station Construction Fund for building construction.

C. Transfers In/Out:

Transfer In	Transfer Out	Amount
Road Maintenance Fund	Road & Bridge Capital Projects Fund	\$ 320,000
Road Maintenance Fund	Other Governmental Funds	130,000
Road & Bridge Capital Projects Fund	General Fund	1,333,074
Road & Bridge Capital Projects Fund	Road Maintenance Fund	320,000
Road & Bridge Capital Projects Fund	Other Governmental Funds	320,000
Other Governmental Funds	General Fund	423,648
Total		\$ 2,846,722

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2012

The principal purpose of interfund transfers was to provide funds for grant matches or to provide funds to pay for capital outlay. All transfers were for normal operations of the county, were routine and consistent with the activities of the fund making the transfer.

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2012, consisted of the following:

Description	Amount
Governmental Activities:	
Legislative tax credit	\$ 740,755
Housing inmates	411,337
Help America Vote Grant	9,948
Truck and Bus Privilege Tax	24,620
Occupant Protection Enforcement Grant	953
Alcohol open container requirements grant	7,544
Emergency management grant	14,515
Youth Court Electronic Monitoring Grant	12,534
	<hr/>
Total Governmental Activities	\$ 1,222,206

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2012:

Governmental activities:

	Balance Oct. 1, 2011	Additions	Deletions	Adjustments*	Balance Sept. 30, 2012
<u>Non-depreciable capital assets:</u>					
Land	\$ 1,149,331				1,149,331
Construction in progress	10,208,309	6,922,476		(15,106,200)	2,024,585
Total non-depreciable capital assets	<hr/> 11,357,640	<hr/> 6,922,476	<hr/> 0	<hr/> (15,106,200)	<hr/> 3,173,916
<u>Depreciable capital assets:</u>					
Infrastructure	133,131,014			18,044,864	151,175,878
Buildings	37,660,990			5,856	37,666,846
Improvements other than buildings	36,450				36,450
Mobile equipment	8,176,538	563,856	559,482	1,277,735	9,458,647
Furniture and equipment	2,455,479	61,300	287,122	361,823	2,591,480
Leased property under capital leases	4,041,349	458,230	21,979	(1,627,099)	2,850,501
Total depreciable capital assets	<hr/> 185,501,820	<hr/> 1,083,386	<hr/> 868,583	<hr/> 18,063,179	<hr/> 203,779,802
<u>Less accumulated depreciation for:</u>					
Infrastructure	72,723,350	1,445,908		258,019	74,427,277
Buildings	9,235,029	728,770		1,066	9,964,865
Improvements other than buildings	2,187	1,458			3,645
Mobile equipment	5,289,791	790,977	462,262	632,553	6,251,059
Furniture and equipment	1,693,936	311,288	258,409	259,380	2,006,195

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2012

	Balance Oct. 1, 2011	Additions	Deletions	Adjustments*	Balance Sept. 30, 2012
Leased property under capital leases	1,814,189	306,028	5,935	(1,464,380)	649,902
Total accumulated depreciation	90,758,482	3,584,429	726,606	(313,362)	93,302,943
Total depreciable capital assets, net	94,743,338	(2,501,043)	141,977	18,376,541	110,476,859
Governmental activities capital assets, net	\$ 106,100,978	4,421,433	141,977	3,270,341	113,650,775

* The adjustments represent reclassifications of paid off leased property under capital lease to mobile equipment along with related accumulated depreciation and the reclassification of completed construction in progress to buildings. Also, adjustments were necessary to correct prior year errors and add assets that were omitted from capital assets in prior years.

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 2,336,626
Public safety	756,282
Public works	483,816
Health and welfare	6,238
Conservation of natural resources	1,467
Total governmental activities depreciation expense	\$ 3,584,429

Commitments with respect to unfinished capital projects at September 30, 2012, consisted of the following:

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
Valley View Fire Station	\$ 631,861	04/2013
Moore Avenue Bridge	39,948	12/2012
Moss Road	28,756	12/2012

(7) Claims and Judgments.

Risk Financing.

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2012, to January 1, 2013. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2012

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 the Madison County Economic Development Authority (MCEDA) and the Madison County Citizens Services Agency (MCCSA).

Under the plan, amounts payable to the risk management fund are based on actuarial estimates. Each participating entity pays a premium on a single coverage policy for its respective employees. Employees pay an additional individual premium, and if electing dependent coverage, pay any additional premium through a payroll deduction. Premium payments to the (risk management) fund are determined on an actuarial 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 aggregating specific deductible of \$75,000, as well as an individual specific deductible of \$75,000. The county must meet an overall deductible of \$75,000 as well as meeting the individual deductible of \$75,000 in claims paid. Once these deductibles are met, reinsurance will pay up to \$1,925,000 in claims per participant.

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, 2012, the amount of these liabilities was \$87,884. An analysis of claims activities is presented below:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2010 – 2011	\$ 68,788	2,636,244	2,461,024	244,008
2011 – 2012	\$ 244,008	3,001,854	3,157,978	87,884

(8) Capital Leases.

As Lessor:

The County leases the following property with varying terms and options as of September 30, 2012:

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, 2012, are as follows:

Year Ended September 30	Principal	Interest
2013	\$ 50,000	6,150
2014	50,000	3,075
Total	\$ 100,000	9,225

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2012

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2012:

Classes of Property		Governmental Activities
Mobile equipment	\$	2,850,501
Less: Accumulated depreciation		<u>649,902</u>
Leased Property Under Capital Leases	\$	<u><u>2,200,599</u></u>

The following is a schedule by years of the total payments due as of September 30, 2012:

Year Ending September 30	Governmental Activities	
	Principal	Interest
2013	\$ 856,215	22,720
2014	390,129	3,465
2015	<u>26,127</u>	<u>60</u>
Total	<u><u>\$ 1,272,471</u></u>	<u><u>26,245</u></u>

(9) Long-term Debt.

Debt outstanding as of September 30, 2012, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
G.O. Refunding Bond Project	\$ 535,000	4.00/6.00%	06/2013
G.O. Refunding Bonds, Series 2004	1,480,000	2.70/3.30%	05/2014
Courthouse Project Refunding Bonds	955,000	2.50/3.25%	06/2014
G.O. Refunding Road and Bridge and Refunding Bonds Series 2006	3,870,000	4.13/5.00%	05/2017
MS Development Bank Special Obligation Refunding Bonds, Series 2009	2,060,000	1.50/4.00%	05/2024
G.O. Refunding, Series 2011 (Jail)	8,150,000	2.00/3.25%	06/2024
Road and Bridge Refunding, Series 2012	8,970,000	2.00/3.00%	05/2026
G.O. Nissan Refunding Bonds, Series 2006	17,305,000	4.00/5.00%	06/2026
G.O. Road and Bridge Bonds (Nissan), Series 2001	830,000	5.00/5.75%	06/2026
G.O. Road and Bridge Bonds Series 2007	9,915,000	4.00/5.00%	05/2027
G.O. Road and Bridge Bonds, Series 2008	<u>28,600,000</u>	3.50/5.00%	03/2028
Total General Obligation Bonds	<u><u>\$ 82,670,000</u></u>		
B. Limited Obligation Bonds:			
Taxable Tax Increment Limited Obligation Bonds Series 2011 (Galleria Parkway Project)	<u><u>\$ 1,275,000</u></u>	5.37%	11/2027

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2012

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
C. Capital Leases:			
3 - Volvo Motorgraders	\$ 168,208	3.02%	08/2013
6 - New Garbage Trucks	229,525	3.10%	09/2013
Komatsu Excavator	109,452	3.14%	10/2013
24 Crown Victoria Patrol Cars	225,527	2.98%	12/2013
10 New Holland Tractors	206,286	2.52%	06/2014
2011 Crown Victoria Sheriff's Cars	333,473	1.84%	11/2014
Total Capital Leases	\$ <u>1,272,471</u>		
D. Other Loans:			
Capital Improvement loan	\$ 20,213	4.00%	06/2014
Industrial development capital improvement (CAP)	234,026	3.00%	09/2017
Building South Madison Fire Station	592,269	2.00%	05/2021
Building Farmhaven Fire Station	631,266	2.00%	02/2022
Industrial development capital improvement (CAP)	928,729	3.00%	12/2028
Total Other Loans	\$ <u>2,406,503</u>		

Governmental Activities:

Year Ending September 30	General Obligation Bonds		Limited Obligation Bonds	
	Principal	Interest	Principal	Interest
2013	\$ 5,730,000	3,265,639	59,000	91,988
2014	5,625,000	3,036,182	55,000	63,822
2015	4,455,000	2,813,637	58,000	60,788
2016	4,630,000	2,621,007	61,000	57,593
2017	4,825,000	2,418,919	64,000	54,237
2018 – 2022	27,430,000	8,926,657	376,000	214,157
2023 – 2027	27,505,000	3,143,322	488,000	98,863
2028 – 2032	2,470,000	43,225	114,000	3,061
Total	\$ <u>82,670,000</u>	<u>26,268,588</u>	<u>1,275,000</u>	<u>644,509</u>

Year Ending September 30	Other Loans	
	Principal	Interest
2013	225,218	57,596
2014	227,901	51,916
2015	224,428	46,407
2016	229,925	40,909
2017	235,563	35,272
2018 – 2022	852,002	107,614
2023 – 2027	322,893	38,511
2028 – 2032	88,573	1,782
Total	\$ <u>2,406,503</u>	<u>380,007</u>

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2012

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, 2012, the amount of outstanding debt was equal to 6.05% of the latest property assessments.

Advance Refunding - On October 6, 2011, the County issued \$8,225,000 in General Obligation refunding bonds with an average interest rate of 2.60-3.25% to advance refund \$7,810,000 of the \$12,000,000 General Obligation Refunding Bonds Series 2004 (MSBond Program). Also, on June 7, 2012 the County issued \$8,970,000 in general obligation refunding bonds with an average interest rate of 2.00-3.00% to advance refund \$8,135,000 of the \$17,500,000 General Obligation Road and Bridge Refunding Bonds, Series 2006.

Issue	Average Interest Rate	Outstanding Amount Refunded
\$12,000,000 General Obligation Refunding Bonds Series 2004 (MSBond Program)	4.00/6.00%	\$ 7,810,000
\$17,500,000 General Obligation Road and Bridge Refunding Bonds, Series 2006	4.13/5.00%	8,135,000

The \$12,000,000 General Obligation Refunding Bonds Series 2004 (MSBond Program) had an outstanding balance of \$8,860,000 at the time of refunding, but only \$7,810,000 of the bond was refunded, leaving a remaining principal balance of \$1,050,000, of which \$515,000 was redeemed during fiscal year 2012. The net proceeds of \$8,523,371 (after payment of \$270,572 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 Assets. The County advance refunded the bonds to reduce its total debt service payments over the next 13 years by almost \$752,692 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$659,630.

The \$17,500,000 General Obligation Road and Bridge Refunding Bonds, Series 2006 had an outstanding balance of \$13,005,000 at the time of refunding, but only \$8,135,000 of the bond was refunded, leaving a remaining principal balance of \$4,870,000, of which \$1,000,000 was redeemed during fiscal year 2012. The net proceeds of \$9,431,756 (after payment of \$234,790 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 Assets. The County advance refunded the bonds to reduce its total debt service payments over the next 15 years by almost \$360,963 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$317,835.

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, 2012, \$33,475,000 of bonds outstanding were considered defeased.

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2012

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2012:

	Balance Oct. 1, 2011	Additions	Reductions	Adjustments*	Balance Sept. 30, 2012	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 1,085,582	1,307	21,044	(178,285)	887,560	
General obligation bonds	86,745,000	17,195,000	5,325,000	(15,945,000)	82,670,000	5,730,000
Less:						
Deferred amt on refunding		(2,010,127)	(141,325)		(1,868,802)	
Discounts	(50,942)		(4,028)		(46,914)	
Add:						
Premiums	172,536	1,138,395	92,503		1,218,428	
Limited obligation bonds		1,275,000			1,275,000	59,000
Special assessment debt with commitments	385,000		385,000			
Capital leases	1,868,443	458,230	1,052,271	(1,931)	1,272,471	856,215
Other loans	1,937,596	161,038	194,686	502,555	2,406,503	225,218
Total	\$ 92,143,215	18,218,843	6,925,151	(15,622,661)	87,814,246	6,870,433

* The adjustment to general obligation bonds was for the amounts outstanding on bonds that were refunded in the current year. Other adjustments are for principal payments and obligations that were not recognized in the prior year.

Compensated absences will be paid from the fund from which the employees' salaries were paid which are generally the General Fund, Road Maintenance Fund, Solid Waste Fund, E 911 Fund and Bridge and Culvert Fund.

(10) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances at September 30, 2012:

Fund	Deficit Amount
1/4 Mill Fire District Fund	\$ (75,313)
Fire Station Construction Fund	(2,400)
Valley View Fire Station Fund	(46,859)

(11) Contingencies.

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

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

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2012

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, 2012 is \$7,110,000.

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

Parkway East Public Improvement District - The County entered into a limited agreement with the Parkway East Public Improvement District, pursuant to the "Public Improvement District Act", codified as Section 19-31-1 Miss. Code (1972), as amended. The purpose of the agreement was to construct a parkway financed by a bond issue to be repaid by special assessments to landowners along the parkway. The agreement provides that, in the event Parkway East fails, for any reason, to levy and/or collect a sufficient amount of special assessments from the owners of land within Parkway East to satisfy any debt service payment, the County shall pay the outstanding amount required to satisfy the deficient debt service payment. In the event of a sale of a parcel of land for taxes upon which a special assessment was levied but not collected, the County's reimbursement, plus interest, would come from the tax sale. Parkway East contractually agreed to reimburse the County no later than two years after the deficiency payment was made. The agreement indicates that breach of the agreement by Parkway East relieves the County of additional liability for payment of the bonds. In April, 2012, the Board was notified that the District could not meet its obligation to pay the May 1, 2012 debt service. The County paid \$374,021 in October, 2011 and \$464,377 in April, 2012.

Parkway South Public Improvement District - The County has the same agreement with Parkway South Public Improvement District as it has with the Parkway East Public Improvement District. In April, 2012, the Board was notified that Parkway South Public Improvement District could not meet its obligation to pay the May 1, 2012 debt service. The County paid \$258,328 in May, 2012.

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

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

The trust agreements authorized the corporation to issue debt for the construction of various public facilities which were leased to the County. Ownership of the projects transferred to the County upon complete retirement of the debt. In connection with the 1994 project, the County acquired certain property which has been subleased to the City of Madison (the City). Under the terms of the agreement, the City is required to make 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, 2012, was \$100,000. This amount has been recorded as lease payments receivable and a corresponding amount is shown as deferred revenue-leasing transactions at September 30, 2012.

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.

MADISON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

(13) 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 \$2,338,513 for maintenance and support of the college in fiscal year 2012.

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 2012.

Central Mississippi Planning and Development District operates in a district composed of the Counties of Copiah, Hinds, Madison, Rankin, Simpson, Warren and Yazoo. The Madison County Board of Supervisors appoints three of the 33 members of the board of directors. The County appropriated \$10,395 for maintenance and support of the district in fiscal year 2012.

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 2012.

(14) 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, 2012, 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 employer rate at September 30, 2012 was 14.26% 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, 2012, 2011 and 2010 were \$1,842,155, \$1,732,548, and \$1,708,068, respectively, equal to the required contributions for each year.

(15) Subsequent Events.

Events that occur after the Statement of Net Assets 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 Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes. Management of Madison County evaluated the activity of the County through November 15, 2013, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2012

Subsequent to September 30, 2012, the County issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
12/11/2012	1.61%	\$ 76,045	Capital lease	Ad valorem taxes
03/12/2013	1.00%	7,000,000	Negotiable note	Ad valorem taxes
03/21/2013	2.50%	1,500,000	Urban renewal revenue bonds	Ad valorem taxes
04/11/2013	1.47%	247,020	Capital lease	Ad valorem taxes
09/18/2013	3.69%	2,400,000	Promissory note	Ad valorem taxes

In April, 2012, the Board was notified that the Parkway East Public Improvement District could not meet its obligation to pay the May 1, 2012 debt service for the special assessment bonds leaving the county contingently liable to meet debt service obligations for a period of two years. The County paid \$518,401 in October, 2012, and \$676,514 in April, 2013 in order to meet this obligation.

In April, 2012, the Board was notified that the Parkway South Public Improvement District could not meet its obligation to pay the May 1, 2012 debt service for the special assessment bonds leaving the county contingently liable to meet debt service obligations for a period of two years. The County paid \$186,983 in October, 2012 and \$328,344 in April, 2013 in order to meet this obligation.

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, 2012

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 17,705,600	19,453,021	19,453,021	
Licenses, commissions and other revenue	1,956,250	3,352,474	3,352,474	
Fines and forfeitures	1,085,000	946,921	946,921	
Intergovernmental revenues	3,028,620	3,441,904	3,441,904	
Charges for services	1,968,895	1,083,626	1,083,626	
Interest income	155,000	239,036	239,036	
Miscellaneous revenues	518,000	497,557	497,557	
Total Revenues	<u>26,417,365</u>	<u>29,014,539</u>	<u>29,014,539</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	13,987,089	16,357,084	16,357,084	
Public safety	9,327,270	9,152,762	9,152,762	
Public works				
Health and welfare	885,961	870,033	870,033	
Culture and recreation	920,500	24,807	24,807	
Education		1,015,136	1,015,136	
Conservation of natural resources	348,150	308,843	308,843	
Economic development and assistance	10,395	384,322	384,322	
Debt service expenditures	1,593,936	1,927,742	1,927,742	
Total Expenditures	<u>27,073,301</u>	<u>30,040,729</u>	<u>30,040,729</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(655,936)</u>	<u>(1,026,190)</u>	<u>(1,026,190)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources	900,000	1,233,537	1,075,000	(158,537)
Total Other Financing Sources and Uses	<u>900,000</u>	<u>1,233,537</u>	<u>1,075,000</u>	<u>(158,537)</u>
Net Change in Fund Balance	244,064	207,347	48,810	(158,537)
Fund Balances - Beginning	<u>740,000</u>	<u>7,816,488</u>	<u>7,975,025</u>	<u>158,537</u>
Fund Balances - Ending	<u>\$ 984,064</u>	<u>8,023,835</u>	<u>8,023,835</u>	<u>0</u>

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

MADISON COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Road Maintenance Fund
 For the Year Ended September 30, 2012

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 2,325,000	2,455,414	2,455,414	
Road and bridge privilege taxes	1,150,000	1,312,314	1,312,314	
Licenses, commissions and other revenue	200	286	286	
Intergovernmental revenues	766,000	834,521	834,521	
Miscellaneous revenues	6,500	19,683	19,683	
Total Revenues	<u>4,247,700</u>	<u>4,622,218</u>	<u>4,622,218</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	3,797,519	4,655,280	4,655,280	
Total Expenditures	<u>3,797,519</u>	<u>4,655,280</u>	<u>4,655,280</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>450,181</u>	<u>(33,062)</u>	<u>(33,062)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	130,000	450,000	450,000	
Total Other Financing Sources and Uses	<u>130,000</u>	<u>450,000</u>	<u>450,000</u>	<u>0</u>
Net Change in Fund Balance	580,181	416,938	416,938	
Fund Balances - Beginning	<u> </u>	<u>907,726</u>	<u>907,726</u>	<u> </u>
Fund Balances - Ending	<u>\$ 580,181</u>	<u>1,324,664</u>	<u>1,324,664</u>	<u>0</u>

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

MADISON COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2012

A. Budgetary Information.

Statutory requirements dictate how and when the County's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the County, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor and Tax Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

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

	Governmental Fund Types	
	General Fund	Road Maintenance Fund
Budget (Cash Basis)	\$ 48,810	416,938
Increase (Decrease)		
Net adjustments for revenue accruals	(1,894,527)	(17,556)
Net adjustments for expenditure accruals	2,299,906	(9,517)
GAAP Basis	\$ 454,189	389,865

MADISON COUNTY

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MADISON COUNTY

SUPPLEMENTAL INFORMATION

MADISON COUNTY

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MADISON COUNTY
Reconciliation of Operating Costs of Solid Waste
For the Year Ended September 30, 2012

Operating Expenditures, Cash Basis:

Salaries	\$	773,943
Recycling		104,059
Landfill charges		217,326
Other contractual services		63,043
Other consumable supplies		347,859
Debt Services		<u>233,397</u>

Solid Waste Cash Basis Operating Expenditures 1,739,627

Full Cost Expenses:

Indirect administrative costs		34,106
Depreciation on equipment		<u>92,835</u>

Solid Waste Full Cost Operating Expenses \$ 1,866,568

MADISON COUNTY

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MADISON COUNTY

OTHER INFORMATION

MADISON COUNTY

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MADISON COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2012
UNAUDITED

Name	Position	Company	Bond
John Bell Crosby	Supervisor District 1	Brierfield	\$ 100,000.00
Ronald W. Lott	Supervisor District 2	Brierfield	100,000.00
Gerald D. Steen	Supervisor District 3	Brierfield	100,000.00
Karl M. Banks	Supervisor District 4	Brierfield	100,000.00
Paul Griffin	Supervisor District 5	Brierfield	100,000.00
Randall Tucker	Sheriff	Brierfield	100,000.00
Arthur S. Johnston	Chancery Clerk	Brierfield	100,000.00
Lee Westbrook	Circuit Clerk	Brierfield	100,000.00
Kay Pace	Tax Collector	Brierfield	200,000.00
Gerald Barber	Tax Assessor	Brierfield	100,000.00
Mamie Chinn	Justice Court Judge	Brierfield	50,000.00
William Weisenberger	Justice Court Judge	Brierfield	50,000.00
Marsha Stacey	Justice Court Judge	Brierfield	50,000.00
William Bruce McKinley	Justice Court Judge	Brierfield	50,000.00
Johnny Sims	Constable	Brierfield	50,000.00
Matt Shackelford	Constable	Brierfield	50,000.00
Robert L. Jackson	Constable	Brierfield	50,000.00
William L. Weisenberger, Jr.	Constable	Brierfield	50,000.00
Michael Brown	Constable	Brierfield	50,000.00
Rudy Warnock	County Engineer	Brierfield	50,000.00
Richard Tolbert	County Surveyor	Brierfield	50,000.00
Brad Sellers	County Administrator	Brierfield	100,000.00
David Overby	County Administrator	Brierfield	100,000.00
Shelton Vance	County Comptroller	Brierfield	75,000.00
Shelton Vance	Deputy Chancery Clerk	Brierfield	50,000.00
Hardy Crunk	Purchase Clerk	Brierfield	75,000.00
Cynthia Parker	Asst. Purchase Clerk	Brierfield	50,000.00
Gloria Nichols	Receiving Clerk	Brierfield	50,000.00
Laura Leathers	Assistant Receiving Clerk	Brierfield	50,000.00
Wayne Wells	Assistant Receiving Clerk	Brierfield	50,000.00
Jeremy Williams	Assistant Receiving Clerk	Brierfield	50,000.00
Loretta Phillips	Inventory Control Clerk	Brierfield	50,000.00
Richard Ladner	Deputy Sheriff	Brierfield	50,000.00
Joseph Mangino	Deputy Sheriff	Brierfield	50,000.00
Watts A. Johnson	Deputy Sheriff	Brierfield	50,000.00
Kristopher J. Stone	Deputy Sheriff	Brierfield	50,000.00
Hunt Johnson	Deputy Sheriff	Brierfield	50,000.00
Tommy Squires	Deputy Sheriff	Brierfield	50,000.00
Earl Taylor	Deputy Sheriff	Brierfield	50,000.00
John M Chapman	Deputy Sheriff	Brierfield	50,000.00
Jason Barnes	Deputy Sheriff	Brierfield	50,000.00
Cline Wyman	Deputy Sheriff	Brierfield	50,000.00
Radford G. Shearrill	Deputy Sheriff	Brierfield	50,000.00
William H Hudson	Deputy Sheriff	Brierfield	50,000.00
Terry Barfield	Deputy Sheriff	Brierfield	50,000.00
Nathaniel Johnson	Deputy Sheriff	Brierfield	50,000.00
Cynthia Esco	Deputy Sheriff	Brierfield	50,000.00
James C. Knight	Deputy Sheriff	Brierfield	50,000.00
Richard Clark	Deputy Sheriff	Brierfield	50,000.00
William Weisenberger, Jr.	Deputy Sheriff	Brierfield	50,000.00

MADISON COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2012
UNAUDITED

Name	Position	Company	Bond
Randall Grewe	Deputy Sheriff	Brierfield	\$ 50,000.00
Robbin Welch	Deputy Sheriff	Brierfield	50,000.00
Taylor Chastain	Deputy Sheriff	Brierfield	50,000.00
Aaron Zimmerman	Deputy Sheriff	Brierfield	50,000.00
George Elliott	Deputy Sheriff	Brierfield	50,000.00
Russell Kirby	Deputy Sheriff	Brierfield	50,000.00
Harold Curtis	Deputy Sheriff	Brierfield	50,000.00
Mark Sandridge	Deputy Sheriff	Brierfield	50,000.00
Michael Wilson	Deputy Sheriff	Brierfield	50,000.00
Johnny L. Burse	Deputy Sheriff	Brierfield	50,000.00
Perry Christopher Abels	Deputy Sheriff	Brierfield	50,000.00
George Smith	Deputy Sheriff	Brierfield	50,000.00
Thomas Kip Luby	Deputy Sheriff	Brierfield	50,000.00
Kyrie Lucas	Deputy Sheriff	Brierfield	50,000.00
Timothy B. Thames	Deputy Sheriff	Brierfield	50,000.00
Robert Jackson	Deputy Sheriff	Brierfield	50,000.00
Don Hicks	Deputy Sheriff	Brierfield	50,000.00
Otha Brown	Deputy Sheriff	Brierfield	50,000.00
Scott McDonald	Deputy Sheriff	Brierfield	50,000.00
William lee Brock	Deputy Sheriff	Brierfield	50,000.00
Robert S. Graves	Deputy Sheriff	Brierfield	50,000.00
Kim W Henderson	Deputy Sheriff	Brierfield	50,000.00
Joseph Butler	Deputy Sheriff	Brierfield	50,000.00
Elton P. Flax	Deputy Sheriff	Brierfield	50,000.00
Joshua H. Fish	Deputy Sheriff	Brierfield	50,000.00
Albert Jones	Deputy Sheriff	Brierfield	50,000.00
Brian Loveall	Deputy Sheriff	Brierfield	50,000.00
Michael Seth Everett	Deputy Sheriff	Brierfield	50,000.00
Brad Sullivan	Deputy Sheriff	Brierfield	50,000.00
Thomas Strait	Deputy Sheriff	Brierfield	50,000.00
Kevin Moffett	Deputy Sheriff	Brierfield	50,000.00
Guyton Collins	Deputy Sheriff	Brierfield	50,000.00
Robert Gibson	Deputy Sheriff	Brierfield	50,000.00
Jeffrey M. Waldrop	Deputy Sheriff	Brierfield	50,000.00
Thomas Guy Jones	Deputy Sheriff	Brierfield	50,000.00
Richard T. Davis III	Deputy Sheriff	Brierfield	50,000.00
Peter S. Stone	Deputy Sheriff	Brierfield	50,000.00
Charles Hammill	Deputy Sheriff	Brierfield	50,000.00
Christopher McDonald	Deputy Sheriff	Brierfield	50,000.00
Richard Davis	Deputy Sheriff	Brierfield	50,000.00
Nina Thorn	Deputy Tax Collector	Brierfield	100,000.00
Lisa K. Duvall	Deputy Tax Collector	Brierfield	100,000.00
Sally C. Baldwin	Deputy Tax Collector	Brierfield	100,000.00
Paulette Cobb	Deputy Tax Collector	Brierfield	100,000.00
Debra Johnson	Deputy Tax Collector	Brierfield	100,000.00
Margaret Hayman	Deputy Tax Collector	Brierfield	100,000.00
Kim P. Kennedy	Deputy Tax Collector	Brierfield	100,000.00
Brenda Y. Winn	Deputy Tax Collector	Brierfield	100,000.00

MADISON COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2012
UNAUDITED

Name	Position	Company	Bond
Becky Unland	Deputy Tax Collector	Brierfield	100,000.00
Johnnie I. Malone	Deputy Tax Collector	Brierfield	100,000.00
Myrtle Rayburn	Deputy Tax Collector	Brierfield	100,000.00
Lori A. Butler	Deputy Tax Collector	Brierfield	100,000.00
Melissa Griffin	Deputy Tax Collector	Brierfield	100,000.00
Debra Nason	Deputy Tax Collector	Brierfield	100,000.00
Pamelia F. Lamkin	Deputy Tax Collector	Brierfield	100,000.00
Mary Ann Whisenant	Deputy Tax Collector	Brierfield	100,000.00
Marcus Hudson	Deputy Tax Collector	Brierfield	100,000.00
Michael Seth Everett	Deputy Justice Court Clerk	Brierfield	50,000.00
Evelyn J. Jackson	Deputy Justice Court Clerk	Brierfield	50,000.00
Betty W. Robinson	Deputy Justice Court Clerk	Brierfield	50,000.00
Sarah Steele	Deputy Justice Court Clerk	Brierfield	50,000.00
Shelia M. Taylor	Deputy Justice Court Clerk	Brierfield	50,000.00
Lauren Canoy	Deputy Justice Court Clerk	Brierfield	50,000.00
Earnestine Brown	Deputy Justice Court Clerk	Brierfield	50,000.00
Sara B. Albritton	Deputy Circuit Clerk	Brierfield	50,000.00
Priscilla D. Blankenship	Deputy Circuit Clerk	Brierfield	50,000.00
Monica L. Henderson	Deputy Circuit Clerk	Brierfield	50,000.00
Margaret A. Jones	Deputy Circuit Clerk	Brierfield	50,000.00
Laurie A. Prince	Deputy Circuit Clerk	Brierfield	50,000.00
Wanda Jefferson	Deputy Circuit Clerk	Brierfield	50,000.00
Natalie S. Kirby	Deputy Circuit Clerk	Brierfield	50,000.00
Fannie M. Sanders	Deputy Circuit Clerk	Brierfield	50,000.00
Kimberly Sievers	Deputy Chancery Clerk	Brierfield	50,000.00
Karen Tripp	Deputy Chancery Clerk	Brierfield	50,000.00
Marie Luckett	Deputy Chancery Clerk	Brierfield	50,000.00
Stacey Toten	Deputy Chancery Clerk	Brierfield	50,000.00
Jeff Luckett	Deputy Chancery Clerk	Brierfield	50,000.00
Billie Jo Arnold	Deputy Chancery Clerk	Brierfield	50,000.00
Sarah L. Sasnett	Deputy Chancery Clerk	Brierfield	50,000.00
Regina Ferguson	Deputy Chancery Clerk	Brierfield	50,000.00
Charles Laseter	Deputy Chancery Clerk	Brierfield	50,000.00
Cynthia Parker	Deputy Chancery Clerk	Brierfield	50,000.00
Debbie Dean	Deputy Chancery Clerk	Brierfield	50,000.00
Holli McCarra	Deputy Chancery Clerk	Brierfield	50,000.00
Donnie Caughman	Deputy Chancery Clerk	Brierfield	50,000.00
Myrtis Sims	Deputy Chancery Clerk	Brierfield	50,000.00
Myrtis Sims	Assistant Comptroller	Brierfield	50,000.00
Alexis F. Boutwell	Deputy Tax Assessor	Brierfield	10,000.00
Lionel K. Hawkins	Deputy Tax Assessor	Brierfield	10,000.00
Kay Jerome	Deputy Tax Assessor	Brierfield	10,000.00
Kathleen Ketchum	Deputy Tax Assessor	Brierfield	10,000.00
Evelyn Mixon	Deputy Tax Assessor	Brierfield	10,000.00
Vent Mixon	Deputy Tax Assessor	Brierfield	10,000.00

MADISON COUNTY
 Schedule of Surety Bonds for County Officials
 For the Year Ended September 30, 2012
 UNAUDITED

Name	Position	Company	Bond
Adriane D. Odom	Deputy Tax Assessor	Brierfield	10,000.00
Jeff Peterson	Deputy Tax Assessor	Brierfield	10,000.00
Howard Snyder	Deputy Tax Assessor	Brierfield	10,000.00
William Stewart	Deputy Tax Assessor	Brierfield	10,000.00
Ira H. Thorn	Deputy Tax Assessor	Brierfield	10,000.00
Brad D. Harbour	Deputy Tax Assessor	Brierfield	10,000.00
John Anderson	Deputy Tax Assessor	Brierfield	10,000.00
Margaret E. Anderson	Deputy Tax Assessor	Brierfield	10,000.00
Sue R. Anglin	Deputy Tax Assessor	Brierfield	10,000.00
Tina Blount	Deputy Tax Assessor	Brierfield	10,000.00
Angelina Brown	Deputy Tax Assessor	Brierfield	10,000.00
Norman Cannady	Deputy Tax Assessor	Brierfield	10,000.00
Shirley R. Egger	Deputy Tax Assessor	Brierfield	10,000.00
James I. Ford	Deputy Tax Assessor	Brierfield	10,000.00
John F. Fox	Deputy Tax Assessor	Brierfield	10,000.00
Christopher J. Garavelli	Deputy Tax Assessor	Brierfield	10,000.00
Alice Simpson	Deputy Tax Assessor	Brierfield	10,000.00
Chris Wimberley	AOP Director	Brierfield	10,000.00

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 the 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, 2012, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 15, 2013. 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. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Madison County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 12-1 and 12-2 to be material weaknesses.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 12-3 through 12-7 to be significant deficiencies.

Compliance and Other Matters

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

However, we noted certain matters that we reported to the management of Madison County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated November 15, 2013, included within this document.

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

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



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

November 15, 2013



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

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

Members of the Board of Supervisors
Madison County, Mississippi

We have examined Madison County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2012. 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:

Receiving Clerk.

1. The Receiving Clerk should be properly bonded.

Finding

Section 31-7-124, Miss. Code Ann. (1972), requires that the Receiving Clerk be bonded for a minimum of \$75,000. As a result of audit procedures performed, it was determined that the Receiving Clerk was bonded for \$50,000. Failure to secure a bond in the amount required by statute could result in loss of public funds.

Recommendation

The Receiving Clerk should secure a bond in the amount of \$75,000, as required by law.

Receiving Clerk's Response

This statement is correct. My bond has now been increased to \$75,000 for the next fiscal year.

Inventory Clerk.

2. The Inventory Control Clerk should be properly bonded.

Finding

Section 31-7-124, Miss. Code Ann. (1972), requires that the Inventory Control Clerk be bonded for a minimum of \$75,000. As a result of audit procedures performed, it was determined that the Inventory Control Clerk was bonded for \$50,000. Failure to secure a bond in the amount required by statute could result in loss of public funds.

Recommendation

The Inventory Control Clerk should secure a bond in the amount of \$75,000, as required by law.

Inventory Control Clerk's Response


As of today, this issue has been corrected. My bond has been increased to \$75,000.

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, 2012.

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.



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

November 15, 2013

MADISON COUNTY
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2012

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, 2012

Schedule 2

Our test results did not identify any emergency purchases.

MADISON COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2012

Our test results did not identify any purchases made noncompetitively from a sole source.

MADISON COUNTY

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

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Madison County, Mississippi

In planning and performing our audit of the financial statements of Madison County, Mississippi (the County) for the year ended September 30, 2012, 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 November 15, 2013, 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 Board of Supervisors should not sign warrants unless there is sufficient money in the fund.

Finding

Section 19-13-43, Miss. Code Ann. (1972), prohibits the signing of warrants or the delivery of warrants until there is sufficient money in the fund upon which it is drawn to pay the same. Warrants were issued on funds which did not have sufficient money to pay the warrants. At September 30, 2012, the Adolescent Offense Program Fund, the Chancery Clerk Employees Fund and the Circuit Clerk Employees Fund had negative cash balances of \$2,397.46, \$45,551.78 and \$100,058.08 respectively. The signing of warrants or the delivery of warrants without sufficient money in the fund upon which it is drawn to pay the same could result in loss or misuse of public funds.

Recommendation

The Board of Supervisors should ensure that no warrants are signed or delivered until there is sufficient money in the fund upon which it is drawn to pay the same, as required by law.

Board of Supervisors' Response

For all of the funds above, no funds were misused or misappropriated. A timing difference did exist, such that an amount due from another government account or source was not received and deposited by the county prior to the issuance of the warrants. For many years, the county has adopted an approach of using temporary interfund loans into these funds.

For the Adolescent Offense Program, the grant reimbursement is not received until 30 or more days from the payment of the expense. DHS regulations restrict any financial activity in this fund, other than the expenditures and reimbursements, which leaves the county with little option to avoid this finding.

Madison County will not release warrants without sufficient amounts in the specific funds for which the warrant is being issued.

2. Improper reimbursement of travel expenses.

Finding

Section 25-3-41, Miss. Code Ann. (1972), allows the county to reimburse county officers or employees for expenses incurred while traveling on official business. Such officer or employee shall receive as expenses for each mile actually or necessarily traveled, when such travel is done by privately owned automobile or other privately owned motor vehicle, the mileage reimbursement rate allowable to federal employees for the use of privately owned vehicle while on official travel. For six months of the fiscal year, county employees were reimbursed \$.045 per mile claimed in excess of the maximum allowable reimbursement rate. Improper travel reimbursement resulted in overpayment of travel expenses to county employees and a loss of public funds.

Recommendation

The County should reimburse travel expenses at an allowable mileage rate in accordance with Section 25-3-41, Miss. Code Ann. (1972). Travel vouchers should be properly documented by date, purpose, and points of travel.

Board of Supervisors' Response

This error was corrected in April 2012. The county will reimburse travel at the state allowed rate going forward.

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

Finding

Section 27-39-329 (2)(b), Miss. Code Ann. (1972), requires counties to levy a mandatory one mill upon all taxable property of the county which may be used for any purpose for which counties are authorized by law to levy an ad valorem tax. Madison County levied 0.20 mills for the fiscal year ending September 30, 2012, which is less than the amount required by statute. The County is not collecting the proper amount of tax revenue in the Reappraisal Trust Fund, which creates an insufficient balance to meet the requirements of Section 27-35-113(5)(b), Miss. Code Ann. (1972).

Recommendation

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

Board of Supervisors' Response

Madison County acknowledges that only a .20 mill levy was made for the Reappraisal Trust Fund. The purpose behind this fund is statutorily unclear. The Board appears to be required to enact this additional tax levy, but there is no provision to expend any of the avails of this levy until the Mississippi Department of Revenue has certified certain aspects of the county's mapping and reappraisal program. Even if certification is not granted, Madison County has an additional year to obtain this certification before any avails of this levy are to be paid into a state mandated trust fund. And then, the money will be returned to Madison County following re-certification of the mapping and reappraisal program. Therefore, this levy appears to be intended to make certain that Madison County can fund the state mandated trust fund, if certification of the mapping and reappraisal program is denied. In the event that Madison County's mapping and reappraisal program is not certified for any year, Madison County has maintained and does currently maintain sufficient cash reserves to fund this state mandated trust requirement. Any additional annual tax levy would be an un-warranted burden on the taxpayers of Madison County.

Tax Collector.

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

Finding

Section 27-31-101(1), Miss. Code Ann, (1972) states that county boards of supervisors are hereby authorized and empowered, in their discretion, to grant exemptions from ad valorem taxation, except state ad valorem taxation. Ad valorem tax levies for community colleges must be paid by industries that have been granted exemption under Section 27-31-101, Miss. Code Ann, (1972). Madison County collected one mill of ad valorem taxes from tax-exempt industries for the enlargement, improvement and repairs but did not collect the required one mill for support and maintenance of Holmes Community College. Failure to collect the required tax levy resulted in the loss of approximately \$32,658 in tax revenue for the support and maintenance of Holmes Community College in the fiscal year 2012.

Recommendation

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

Tax Collector's Response

This change will be made at the beginning of the new fiscal tax year which is October 2013.

5. The Tax Collector should be properly bonded.

Finding

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

Recommendation

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

Tax Collector's Response

The Surety Bond for Madison County Tax Collector, currently for \$200,000.00 was set at this amount because other Tax Collectors advised me to do so based on the fact they have had staff to embezzle amounts that exceeded \$100,000. The embezzlement took place in a small county and Madison County is a large county and growing. I was not aware of the limit stated by law but the bond amount will be changed to \$100,000 in order to comply with state statute before the end of this fiscal year.

Tax Assessor.

6. The Tax Assessor should be properly bonded.

Finding

Section 27-1-1, Miss. Code Ann. (1972), requires that the Tax Assessor be bonded in the amount of \$50,000. As a result of audit procedures performed, it was determined that the Tax Assessor was not properly bonded for the fiscal year 2012. The Tax Assessor's bond was executed for \$100,000. Purchasing a bond that is greater than the amount required by statute could constitute the misuse of public funds.

Recommendation

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

Tax Assessor's Response

This has been corrected by Cynthia Parker and I currently carry only a \$50,000 bond.

Chancery Clerk.

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

Finding

Section 25-3-21, Miss. Code Ann. (1972), allows the county to pay the Chancery Clerk reasonable compensation for making copies of assessment rolls required by law, not to exceed one and one-half cents for each personal exemption, but the payment is not to exceed one hundred fifty dollars for each copy of the personal roll. The Chancery Clerk was overpaid for copying the 2011 personal property assessment rolls. When calculating his fee for copying the assessment rolls, the Chancery Clerk requested payment of \$1,250.40 but was limited to \$300, therefore requesting and receiving payment of \$950.40 in excess of the allowable amount. Failure to comply with this statute resulted in overpayment of fees to the Chancery Clerk. However, the Chancery Clerk repaid the county as part of his reimbursement for exceeding the salary cap for the 2012 calendar year.

Recommendation

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

Chancery Clerk's Response

This finding was the result of an oversight on my part in that I overlooked the \$150 maximum limitation per tax roll. This error has been duly noted and will be corrected in the future. As noted above, the error did not result in financial loss to the county.

Justice Court Clerk.

8. The Justice Court Clerk should be properly bonded.

Finding

Section 9-11-29(2), Miss. Code Ann. (1972), requires that the Justice Court Clerk be bonded for a minimum of \$50,000. As a result of audit procedures performed, it was determined that the Justice Court Clerk was not bonded for the fiscal year 2012. Failure to secure a bond could result in loss of public funds.

Recommendation

The Justice Court Clerk should secure a bond in the amount of \$50,000, as required by law.

Justice Court Clerk's Response

This has been corrected by the Insurance Company, after they realized they had messed up, and I was covered for the fiscal year of 2012.

Road Manager.

9. The Road Manager should be properly bonded.

Finding

Section 65-17-1, Miss. Code Ann. (1972), requires that the Road Manager be bonded for a minimum of \$50,000. As a result of audit procedures performed, it was determined that the Road Manager was not bonded for the fiscal year 2012. Failure to secure a bond could result in loss of public funds.

Recommendation

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

Road Manager's Response

This issue has been corrected for fiscal year 2013.

Board of Supervisors and Information Technology Department.

10. Madison County should expire all individual's passwords on a periodic basis.

Finding

A review of Madison County's security settings revealed that some user's passwords were set to expire on a more infrequent basis than recommended in best business practices. All passwords should be set to expire in accordance with policy to be determined by Madison County.

Recommendation

We recommend that a policy be implemented to insure passwords are expired on a regular basis.

Board of Supervisors'/Information Technology Department's Response

User profiles will be reviewed by the IT department and necessary adjustments will be made to cause passwords to expire on appropriate profiles on a periodic basis.

The IT Director will oversee this review.

11. Password strength should be improved.

Finding

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'/Information Technology Department's Response

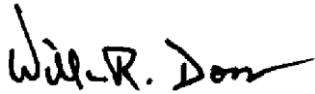
Madison County agrees with this finding.

Madison County will review industry standards and make appropriate changes, after sufficient notification is given to the end-user community.

The IT Director will perform this task.

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.

A handwritten signature in black ink that reads "Will-R. Doss". The signature is written in a cursive, slightly slanted style.

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

November 15, 2013

MADISON COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

MADISON COUNTY

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MADISON COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2012

Section 1: Summary of Auditor’s Results

Financial Statements:

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

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

12-1. 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 five years’ audit reports, the financial statements do not include the financial data for its component units. The failure to properly follow general accepted accounting principles resulted in an adverse opinion on the discretely presented component units.

Recommendation

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

Board of Supervisors’ Response

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

MADISON COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2012

Material Weakness

12-2. County should establish controls to ensure the proper preparation of financial statements.

Finding

An effective system of internal control over financial statement preparation and reporting should include a review of the financial statements and underlying documentation by management to ensure that they are complete, appropriately documented and supported by the County's underlying accounting records. The financial statements and supporting documentation provided at the beginning of the audit were incomplete and contained numerous inconsistencies with the financial statements and notes. We noted the following deficiencies in financial statement preparation and reporting:

- a. The financial statements initially presented to us did not include a Statement of Fiduciary Assets and Liabilities or the Notes to the Financial Statements. The Statement of Fiduciary Assets and Liabilities and the Notes to the Financial Statements were provided after auditors requested them.
- b. The working trial balances and adjusting entries initially provided to us did not agree with the financial statements. Updated copies were not provided until auditors detected the differences and requested corrected copies.
- c. The cash and other deposits workpaper provided in the workpaper file did not agree with the financial statement's cash balances because the workpaper did not include a significant amount of sub-office cash that was recorded on the financial statements.
- d. Support for the amounts recorded in the note disclosure for the county's deposits could not be found the workpapers provided. The note disclosure was amended to agree with support that was provided by the County's management.
- e. The county refunded two bonds during the year. The advance refunding note was not included in the notes to the financial statements. The note disclosure was drafted by auditors and approved by the County's management for inclusion.
- f. A limited obligation bond issue was omitted from the County's Statement of Net Assets and recorded as a contingent liability in the Notes to the Financial Statements. Correcting journal entries were proposed by auditors and recorded to the financial statements with management's approval.
- g. Documentation of amounts recorded for fines receivable and related allowance for uncollectible accounts could not be located in the supporting workpapers. An audit adjustment was proposed to decrease fines receivable to agree with reports provided by the County.
- h. The interfund transfers and loans workpaper did not agree to amounts reported in the financial statements. New schedules had to be prepared to trace interfund transfers made during the year and interfund loan balances at year end to the financial statements.
- i. Intergovernmental payables and other payables were not adequately documented in the supporting workpapers.
- j. Several audit adjustments were proposed to correct other significant errors and recorded with management's approval.

Failure to review the financial statements and underlying workpapers and documentation prior to submission for audit resulted in numerous misstatements on the financial statements and notes, some of which were material.

Recommendation

The Board of Supervisors should implement a system of internal control over financial statement preparation and reporting that includes a review of the financial statements and underlying workpapers by management to ensure they are complete, appropriately documented and supported by the County's underlying accounting records.

MADISON COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2012

Board of Supervisors' Response

Madison County contracted with experienced professionals for the preparation of its financial statements. Evidence can be provided that the work product was reviewed and that corrections were made. It is acknowledged that greater review of the professional's work product should be implemented. Madison County will initiate action to implement a more thorough review of the contractor's work product.

Sheriff.

Significant Deficiency

- 12-3. Sheriff's Office should deposit receipts daily and maintain proper safe-guarding of checks.

Finding

An effective system of internal control in the Sheriff's office should include daily bank deposits. We noted that the sheriff's office was not making daily deposits. During our test of internal controls of the Sheriff's Office, we noted that deposits were being made only once per month and monies were not properly safe-guarded until deposited. Inadequate controls surrounding the deposit of receipts could result in the loss or misappropriation of public funds.

Recommendation

The Sheriff should implement controls to ensure that all receipts collected are deposited daily and that collections received be maintained in a locked drawer until deposited.

Sheriff's Response

The Madison County Sheriff's Office will purchase a safe to keep checks and/or monies received in the office and deposits will be made at least once a week.

Significant Deficiency

- 12-4. Madison County should establish and test a formal disaster recovery process

Finding

During our review of the IS controls of Madison County, we noted that the County has not established a disaster recovery process including a complete plan and documented test of this plan. As 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

Schedule of Findings and Responses For the Year Ended September 30, 2012

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

Recommendation

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

Board of Supervisors' / Information Technology Department's Response

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

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

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

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

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

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

MADISON COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2012

Significant Deficiency

- 12-5. Madison County needs to replace obsolete computer hardware and software.

Finding

Madison County is running operating systems as well as the applications on many of its personal computers (PCs) that might not be supported by vendors. Due to lack of such support, these systems could become vulnerable to hackers and malware such as viruses.

Recommendation

We recommend that Madison County develop a plan to replace the operating systems, applications, and hardware where necessary that is associated with lack of support from vendors as soon as possible. Computers that originally came loaded with operating systems or applications that are no longer supported by vendors will have hardware that most likely cannot run the newest operating systems or applications, thereby requiring replacement of hardware, operating systems and applications in many cases. Due to the rather large number of PCs that possibly need replacing, this could involve a sizable expenditure by the County. Due to the cost and effort involved in such a project, this project should be begun as soon as possible.

Board of Supervisors' / Information Technology Department's Response

Madison County agrees with this finding.

Resources have been included in the current county budget to fund replacement of this equipment and software.

A private vendor and the IT Department are currently replacing the obsolete equipment and software.

Significant Deficiency

- 12-6. Madison County should implement a formal information security policy.

Finding

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

Recommendation

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

MADISON COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2012

Board of Supervisors' / Information Technology Department's Response

Madison County agrees with this finding.

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

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

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

Significant Deficiency

- 12-7. Madison County should encrypt laptops and other portable devices containing sensitive information.

Finding

Madison County is not using encryption where appropriate. Encryption can be used to protect data "at rest", such as files on computers and storage devices (e.g. USB flash drives). In recent years there have been numerous reports of confidential data such as customers' personal records being exposed through loss or theft of laptops or backup drives. Encrypting such files at rest helps protect them should physical security measures fail.

Recommendation

Madison County should define what data it considers to be sensitive and begin to protect this data appropriately, especially on laptops or other portable devices currently being used by county personnel to insure that they comply with House Bill 583 (Mississippi State Data Breach Law) which states: "For purposes of this section, the following terms shall have the meanings ascribed unless the context clearly requires otherwise:

(a) *"Breach of security" means unauthorized acquisition of electronic files, media, databases or computerized data containing personal information of any resident of this state when access to the personal information has not been secured by encryption or by any other method or technology that renders the personal information unreadable or unusable."*

Board of Supervisors' / Information Technology Department's Response

Madison County agrees with this finding, when a device contains confidential data.

The laptops and portable devices in Madison County are primarily utilized to connect to the internal network. This connection occurs through a secure VPN client, requiring a pre-authorized profile and the employee's network credentials. The employee then accesses data on internal file servers and desktops. This does not cause sensitive files to be downloaded to the portable computer.

A review by the IT Director will be conducted to verify the security of data on laptops and portable devices.