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**Madison County, Mississippi**  
Audited Financial Statements  
and Special Reports  
For the Year Ended  
September 30, 2015

**Fortenberry & Ballard, PC**  
Certified Public Accountants

**Madison County, Mississippi**  
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## Madison County Location in Mississippi



Madison County was named for the fourth president of the United States, James Madison. It was the 23<sup>rd</sup> county in Mississippi formed in 1828 from portions of Yazoo and Hinds counties. As of the 2010 census, the population was 95,203.

## FINANCIAL REPORT

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors  
Madison County, Mississippi

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Madison County, Mississippi (the County) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units**

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

## **Adverse Opinion**

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Unit" paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of Madison County, Mississippi, as of September 30, 2015, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Unmodified Opinions**

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Madison County, Mississippi, as of September 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 1 to the financial statements, the County adopted Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. As a result, net position as of October 1, 2014, has been restated. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, the Schedule of the County's Proportionate Share of the Net Pension Liability and the Schedule of the County's Contributions and corresponding notes, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial



statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Madison County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* (Circular A-133), the Reconciliation of Operating Costs of Solid Waste, and the other information section, which includes the Schedule of Surety Bonds for County Officials are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* (Circular A-133) and the Reconciliation of Operating Costs of Solid Waste are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information 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 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 accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2016, on our consideration of the Madison County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Madison County, Mississippi's internal control over financial reporting and compliance.

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
August 29, 2016

Certified Public Accountants

## FINANCIAL STATEMENTS

**MADISON COUNTY, MISSISSIPPI**  
Statement of Net Position  
September 30, 2015

Exhibit 1

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
<b>ASSETS</b>	
Cash	\$ 34,788,827
Property tax receivable	35,745,353
Fines receivable (net of allowance for uncollectibles of \$989,717)	493,830
Intergovernmental receivables	2,001,323
Other receivables	391,577
Capital assets:	
Land and construction in progress	11,558,747
Other capital assets, net	<u>115,417,876</u>
Total Assets	<u>200,397,533</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	8,051,309
Deferred amount on refunding	<u>4,124,038</u>
Total Deferred Outflow of Resources	<u>12,175,347</u>
<b>LIABILITIES</b>	
Claims payable	1,337,341
Intergovernmental payables	1,791,526
Accrued interest payable	1,762,554
Other payables	3,225,803
Claims and judgments payable	84,601
Long-term liabilities	
Due within one year:	
Capital debt	8,351,074
Non-capital debt	118,155
Due in more than one year:	
Capital debt	90,768,112
Non-capital debt	8,546,050
Net pension liability	<u>40,110,027</u>
Total Liabilities	<u>156,095,243</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property tax for future reporting period	<u>35,745,353</u>
Total Deferred Inflows of Resources	<u>35,745,353</u>
<b>NET POSITION</b>	
Net investment in capital assets	31,981,475
Restricted:	
Expendable:	
General government	327,672
Public safety	1,987,124
Public works	12,099,309
Culture and recreation	70,555
Economic development and assistance	28,193
Debt service	1,312,791
Unemployment compensation	55,190
Unrestricted	<u>(27,130,025)</u>
Total Net Position	<u>\$ 20,732,284</u>

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

**MADISON COUNTY, MISSISSIPPI**  
Statement of Activities  
For the Year Ended September 30, 2015

Exhibit 2

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
<b>Primary government:</b>					
<b>Governmental activities:</b>					
General government	\$ 20,010,590	7,967,197	705,345	44,188	(11,293,860)
Public safety	12,941,353	3,215,308	549,328		(9,176,717)
Public works	20,254,787		1,868,043	818,850	(17,567,894)
Health and welfare	1,237,104		280,765		(956,339)
Culture and recreation	2,412,494		81,742		(2,330,752)
Conservation of natural resources	321,992		3,410		(318,582)
Economic development and assistance	315,492		65,748		(249,744)
Interest on long-term debt	3,802,642				(3,802,642)
Pension expense	5,134,016				(5,134,016)
<b>Total Governmental Activities</b>	<b>\$ 66,430,470</b>	<b>11,182,505</b>	<b>3,554,381</b>	<b>863,038</b>	<b>(50,830,546)</b>
General revenues:					
Property taxes					\$ 43,295,463
Road & bridge privilege taxes					1,402,607
In lieu tax					630,219
Grants and contributions not restricted to specific programs					3,021,647
Unrestricted interest income					72,232
Miscellaneous					3,743,514
<b>Total General Revenues</b>					<b>52,165,682</b>
Changes in Net Position					1,335,136
Net Position - Beginning, as originally reported					48,877,961
Prior Period Adjustments					(29,480,813)
Net Position - Beginning, as restated					19,397,148
Net Position - Ending					<b>20,732,284</b>

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

	Major Funds						Total Governmental Funds
	General Fund	Road Maintenance Fund	General County I & S Fund	\$15M Road Bond Maint. Fund	Other Governmental Funds		
<b>ASSETS</b>							
Cash	\$ 17,542,381	992,193	2,848,098	9,047,539	4,358,616	34,788,827	
Property tax receivable	18,874,513	2,926,401	7,847,817		6,096,622	35,745,353	
Fines receivable (net of allowance for for uncollectibles of \$989,717)	493,830					493,830	
Capital lease receivables	1,688,930	29,359	3,421		279,613	2,001,323	
Intergovernmental receivables	99,155				292,422	391,577	
Other receivables	264,283	444,702	115,794		83,382	908,161	
Due from other funds	36,769					36,769	
Advances to other funds							
Total Assets	\$ 38,999,861	4,392,655	10,815,130	9,047,539	11,110,655	74,365,840	
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>							
<b>Liabilities:</b>							
Claims payable	\$ 784,325	192,952		72,948	287,116	1,337,341	
Intergovernmental payables	1,786,991	1,080			3,455	1,791,526	
Due to other funds	363,562				544,599	908,161	
Advances from other funds					36,769	36,769	
Other payables	3,225,803					3,225,803	
Claims and judgments payable	84,601					84,601	
Total Liabilities	6,245,282	194,032	-	72,948	871,939	7,384,201	
<b>Deferred Inflows of Resources:</b>							
Unavailable revenue - property taxes	18,874,513	2,926,401	7,847,817		6,096,622	35,745,353	
Unavailable revenue - fines	493,830					493,830	
Total Deferred Inflows of Resources	19,368,343	2,926,401	7,847,817	-	6,096,622	36,239,183	
<b>Fund balances:</b>							
Nonspendable:							
Advances	36,769					36,769	
Restricted for:							
General government					327,672	327,672	
Public safety					1,987,124	1,987,124	
Public works		1,272,222		8,974,591	1,852,496	12,099,309	
Culture and recreation					70,555	70,555	
Economic development and assistance					28,193	28,193	
Debt service			2,967,313		108,032	3,075,345	
Unemployment compensation					55,190	55,190	
Unassigned	13,349,467				(287,168)	13,062,299	
Total Fund Balances	13,386,236	1,272,222	2,967,313	8,974,591	4,142,094	30,742,456	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 38,999,861	4,392,655	10,815,130	9,047,539	11,110,655	74,365,840	

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

**MADISON COUNTY, MISSISSIPPI**

Exhibit 3-1

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position  
September 30, 2015

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 30,742,456
Amounts reported for governmental services in the Statement of Net Position are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$103,979,444.	126,976,623
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	493,830
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	(107,783,391)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(1,762,554)
Deferred amounts on refunding	4,124,038
Net pension liabilities are not due and payable in the current period and therefore are not reported in the funds.	(40,110,027)
Deferred outflows of resources related to pension reported in governmental activities are not a financial resource and therefore, not reported in the funds.	8,051,309
Total Net Position - Governmental Activities	\$ <u><u>20,732,284</u></u>

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

**MADISON COUNTY, MISSISSIPPI**  
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended September 30, 2015

	Major Funds					Total Governmental Funds
	General Fund	Road Maintenance Fund	County I & S Fund	\$15 M Road Bond Maint. Fund	Other Governmental Funds	
<b>REVENUES</b>						
Property taxes	23,356,461	3,467,662	9,146,123		7,325,217	43,295,463
Road and bridge privilege taxes		1,402,607				1,402,607
Licenses, commissions and other revenue	3,368,321	345	617		23,289	3,392,572
Fines and forfeitures	764,425				33,630	798,055
Intergovernmental revenues	2,573,218	949,886	23,485		3,892,477	7,439,066
Charges for services	5,670,437	2,037	2,789	17,424	1,299,449	6,969,886
Interest income	42,637		10,984		7,345	72,232
Miscellaneous revenues	1,190,091	31,610			2,282,862	3,515,547
In Lieu Tax					630,219	630,219
<b>Total Revenues</b>	<b>36,965,590</b>	<b>5,854,147</b>	<b>9,183,998</b>	<b>17,424</b>	<b>15,494,488</b>	<b>67,515,647</b>
<b>EXPENDITURES</b>						
Current:						
General government	19,752,177				935,668	20,687,845
Public safety	11,405,571				3,258,503	14,664,074
Public works		7,999,558	529,793	7,957,992	9,457,196	25,944,539
Health and welfare	1,042,414				134,828	1,177,242
Culture and recreation	111,164				2,308,532	2,419,696
Conservation of natural resources	337,490					337,490
Economic development and assistance	73,614		19,453		721,296	814,363
Debt service:						
Principal	476,565	334,840	6,151,626		295,801	7,258,832
Interest	132,634	24,449	2,028,009		476,604	2,661,696
<b>Total Expenditures</b>	<b>33,331,629</b>	<b>8,358,847</b>	<b>8,728,881</b>	<b>7,957,992</b>	<b>17,588,428</b>	<b>75,965,777</b>
Excess of Revenues over (under) Expenditures	3,633,961	(2,504,700)	455,117	(7,940,568)	(2,093,940)	(8,450,130)
<b>OTHER FINANCING SOURCES (USES)</b>						
Long-term capital debt issued		1,500,000		15,000,000	574,374	17,074,374
Proceeds from sale of capital assets	74,024	509,135			169,038	752,197
Lease principal payments	50,000					50,000
Refunding bonds issued			24,665,000		1,135,000	25,800,000
Payment to bond refunding escrow agent			(24,953,009)		(1,103,000)	(26,056,009)
Premiums on bonds issued	142,197	956,827	817,802	1,946,359	1,350,614	2,764,161
Transfers in	(1,368,219)	(332,981)	(5,667)		(1,046,252)	(2,753,119)
Transfers out	(1,101,998)	2,632,981	827,607	16,946,359	1,079,774	20,384,723
<b>Total Other Financing Sources and Uses</b>	<b>2,531,963</b>	<b>128,281</b>	<b>1,282,724</b>	<b>9,005,791</b>	<b>(1,014,166)</b>	<b>11,934,593</b>
<b>Net Changes in Fund Balances</b>						
Fund Balances - Beginning, as previously reported	10,868,890	1,129,324	1,684,589		5,125,060	18,807,863
Prior period adjustment	(14,617)	14,617		(31,200)	31,200	
Fund Balances - Beginning, as restated	10,854,273	1,143,941	1,684,589	(31,200)	5,156,260	18,807,863
Fund Balances - Ending	\$ 13,386,236	\$ 1,272,222	\$ 2,967,313	\$ 8,974,591	\$ 4,142,094	\$ 30,742,456

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



**MADISON COUNTY, MISSISSIPPI**Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended September 30, 2015

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 11,934,593
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that capital outlays of \$6,676,706 plus adjustments of \$4,098,003 and depreciation of \$4,373,215.	6,401,494
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the cost of the asset sold.	(874,916)
Fine revenue recognized on the modified accrual basis in the funds during the current year is increased because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	21,992
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount of debt proceeds of \$42,874,374 exceeded debt repayments of \$7,258,832.	(35,615,542)
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by a combination of the following items:	
The amount of the change in compensated absences	(76,892)
The amount of the change in accrued interest payable	(1,043,576)
Payment to bond refunding agent	26,056,009
Premiums on bonds	(2,764,161)
The amortization of:	
Premiums on bonds	247,023
Discounts on bonds	(4,028)
Deferred amount on refunding bonds	(340,365)
Some items reported in the statement of activities related to the implementation of GASB 68 are not reported as revenues/expenditures in the Governmental Funds. These activities include:	
Recording of pension expense for the year	(5,134,016)
Contributions made after measurement date	670,052
Recording of difference in amount calculated for the net pension liability	1,907,469
In the Statement of Activities, only interest income from payments received on capital leases is reported, whereas in the governmental funds, both principal and interest payments received increased financial resources. Thus, the change in net position differs from change in fund balances by the principal collections on the capital leases.	(50,000)
Change in Net Position of Governmental Activities	\$ <u>1,335,136</u>

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

**MADISON COUNTY, MISSISSIPPI**  
Statement of Fiduciary Assets and Liabilities  
September 30, 2015

Exhibit5

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	\$ 77,203
Total Assets	\$ <u>77,203</u>
<b>LIABILITIES</b>	
Amounts held in custody for others	\$ 73,550
Intergovernmental payables	<u>3,653</u>
Total Liabilities	\$ <u>77,203</u>

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

**Madison County, Mississippi**

Notes to the Financial Statements  
For the year ended September 30, 2015

## Madison County, Mississippi

Notes to the Financial Statements  
For the Year ended September 30, 2015

### (1) Summary of Significant Accounting Policies

#### A. Financial Reporting Entity

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

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

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

## Madison County, Mississippi

Notes to the Financial Statements  
For the Year ended September 30, 2015

### B. Blended Component Units

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

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

### C. Basis of Presentation

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

#### Government-wide Financial Statements:

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

The Statement of Net Position presents the financial condition of the governmental activities of the County at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the county's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, 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 business-type activity or governmental function is self-financing or draws from the general revenues of the County.

## Madison County, Mississippi

Notes to the Financial Statements  
For the Year ended September 30, 2015

### Fund Financial Statements:

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

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

The Government-wide and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic assets 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.

## Madison County, Mississippi

Notes to the Financial Statements  
For the Year ended September 30, 2015

General County I & S Fund - This fund is used to account for monies from specific revenue sources that are restricted for repayment of general obligation debt.

\$15M Road Bond Maintenance Fund - This fund accounts for \$15,000,000 in bond proceeds that are restricted for road capital projects.

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 Project 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 TYPES

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

#### E. Account Classifications

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

#### F. Deposits

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

## Madison County, Mississippi

Notes to the Financial Statements  
For the Year ended September 30, 2015

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

### G. Receivables

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

### H. Interfund Transactions and Balances

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

### I. Capital Assets

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the (applicable) governmental or business-type 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



## Madison County, Mississippi

Notes to the Financial Statements  
For the Year ended September 30, 2015

assets.

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

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

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

### J. Deferred Outflows/Inflows of Resources

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

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

Deferred outflows related to pensions - This amount represents the County's proportionate share of the deferred outflows of resources reported by the pension plan in which the County participates. See Note 14 for additional details. In addition to liabilities, the statement of financial position will sometimes report

## Madison County, Mississippi

Notes to the Financial Statements  
For the Year ended September 30, 2015

a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The County has deferred inflows as follows:

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

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

### K. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System of Mississippi (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### L. 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 and in the Proprietary Fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or Proprietary Funds Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, Governmental Fund Types recognize bond premiums and discounts during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt

## Madison County, Mississippi

Notes to the Financial Statements  
For the Year ended September 30, 2015

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.

### M. Equity Classifications

Government-wide Financial Statements:

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

1. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvements of those assets.
2. Restricted net position - Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.
3. Unrestricted net position - All other net position not meeting the definition of "restricted" or "net investment in capital assets."

Net Position Flow Assumption:

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

Fund Financial Statements:

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

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

## Madison County, Mississippi

Notes to the Financial Statements  
For the Year Ended September 30, 2015

used by the County.

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

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

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

### Fund Balance Flow Assumption:

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

### N. Property Tax Revenues

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

The Board of Supervisors, each year at a meeting in September, levies property

## Madison County, Mississippi

Notes to the Financial Statements  
For the Year Ended September 30, 2015

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.

### O. 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 the expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

### P. 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.

### Q. Changes in Accounting Standards

Madison County implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. As a result, net position as of October 1, 2014, has been restated. The provisions of these standards have been incorporated into the financial statements and notes.

## Madison County, Mississippi

Notes to the Financial Statements  
For the Year Ended September 30, 2015

### (2) Prior Period Adjustment

#### Exhibit 2 - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
1. Implementation of GASB 68 & 71:	
Net Pension Liability at 10-01-14	\$ (30,143,808)
Deferred outflows - FY14 contributions	641,585
PPA related to GASB 68 & 71 implementation	(29,502,223)
2. Adjustments were made to transfer paid out leased property to its category.	21,410
Total Governmental Activities	\$ (29,480,813)

#### Exhibit 4 - Statement of Revenues, Expenditures and Changes in Fund Balances

<u>Major Fund</u>	<u>Explanation</u>	<u>Amount</u>
General Fund	Interfund balance adjustment	\$ (14,617)
Road Maintenance Fund	Interfund balance adjustment	14,617
\$15M Road Bond Maint. Fund	Claims payable recorded in wrong fund	(31,200)
Other Governmental Funds	Claims payable recorded in wrong fund	31,200
Total		\$ 0

### (3) Deposits

#### Deposits:

The carrying amount of the County's total deposits with financial institutions at September 30, 2015, was \$34,788,827 in the governmental funds and \$77,203 in the fiduciary funds. The bank balance was \$34,866,030. 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. In addition, Metropolitan bank deposits are distributed among multiple financial institutions to ensure FDIC coverage. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution,

## Madison County, Mississippi

Notes to the Financial Statements  
For the Year ended September 30, 2015

securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

**Custodial Credit Risk - Deposits.** Custodial credit risk is the risk that in the event of the failure of a financial institution, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. The County's policy to manage custodial credit risk utilizes a multiple financial institution pool that limits deposits to FDIC coverage by distributing them among multiple financial institutions by the financial institution of the County. The financial institution of the County monitors these accounts to ensure that deposits and subsequent interest do not exceed FDIC coverage. Deposits above FDIC coverage are collateralized by the pledging financial institutions' 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, 2015:

#### A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 264,283
Road Maintenance Fund	General Fund	164,386
Road Maintenance Fund	Other Governmental Funds	280,316
General County I & S Fund	General Fund	115,794
Other Governmental Funds	General Fund	83,382
Total		<u>\$ 908,161</u>

The receivables represent the tax revenue collected but not settled until October 2015, and monies paid to various funds to alleviate funding shortages. All interfund balances are expected to be repaid within one year.

#### B. Advances To/From Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	<u>\$ 36,769</u>

## Madison County, Mississippi

Notes to the Financial Statements  
For the Year ended September 30, 2015

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

### C. Transfers In/Out:

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Road Maintenance Fund	\$ 600,000
General Fund	Other Governmental Fund	768,219
Road Maintenance Fund	Other Governmental Fund	332,981
General County I & S Fund	Other Governmental Fund	5,667
Other Governmental Funds	General Fund	142,197
Other Governmental Funds	Road Maintenance Fund	356,827
Other Governmental Funds	General County I & S Fund	303,481
Other Governmental Funds	Other Governmental Fund	243,747
Total		<u>\$ 2,753,119</u>

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

### (5) Intergovernmental Receivables

Intergovernmental receivables at September 30, 2015 consisted of the following:



## Madison County, Mississippi

Notes to the Financial Statements  
For the Year ended September 30, 2015

### Governmental Activities:

<u>Description</u>	<u>Amount</u>
Legislative Tax Credit	\$ 1,065,791
Housing prisoners	423,523
Alcohol open container requirement grant	36,620
Emergency management performance grant	50,189
Joint law enforcement operation	2,722
Homeland Security CERT Grant	1,462
Adult Drug Court	20,510
Liquor privilege tax	1,575
Motor vehicle fuel tax	21,574
Motor vehicle license	53,632
Oil severance tax	379
Bulletproof vest partnership program	336
Juvenile Drug Court	19,214
AOC Adult Drug Court	7,882
Temporary assistance for needy families	9,819
Edward Byrne memorial justice assistance grant	6,162
State Aid Road	4,244
Welfare reimbursement	15,517
Social Services Block Grant	33,595
Timber severance tax	1,235
Develop Infrastructure Grant	200,000
District Attorney payroll	25,342
Total	\$ <u><u>2,001,323</u></u>

### (6) Capital Assets

The following is a summary of capital assets activity for the year ended September 30, 2015:

## Madison County, Mississippi

### Notes to the Financial Statements For the Year ended September 30, 2015

#### Governmental activities:

	Balance Oct. 1, 2014	Additions	Deletions	Adjustments	Balance Sept. 30, 2015
Non-depreciable capital assets:					
Land	\$ 2,333,237	576,000			2,909,237
Construction in progress	3,069,583	5,579,927			8,649,510
Total non-depreciable capital assets	<u>5,402,820</u>	<u>6,155,927</u>	<u>0</u>	<u>0</u>	<u>11,558,747</u>
Depreciable capital assets:					
Infrastructure	153,283,342				153,283,342
Buildings	42,568,847	696,000			43,264,847
Improvements other than buildings	5,271,450				5,271,450
Mobile equipment	10,979,283	1,489,231	2,677,100	481,758	10,273,172
Furniture and equipment	3,375,832	170,702	178,470		3,368,064
Leased property under capital leases	2,117,590	2,277,085		(458,230)	3,936,445
Total depreciable capital assets	<u>217,596,344</u>	<u>4,633,018</u>	<u>2,855,570</u>	<u>23,528</u>	<u>219,397,320</u>
Less accumulated depreciation for:					
Infrastructure	78,058,615	1,832,637			79,891,252
Buildings	13,676,164	963,221			14,639,385
Improvements other than buildings	130,895	237,033			367,928
Mobile equipment	7,090,420	853,005	1,802,662	208,312	6,349,075
Furniture and equipment	2,277,753	212,129	163,756		2,326,126
Leased property under capital leases	336,682	275,190		(206,194)	405,678
Total accumulated depreciation	<u>101,570,529</u>	<u>4,373,215</u>	<u>1,966,418</u>	<u>2,118</u>	<u>103,979,444</u>
Total depreciable capital assets, net	<u>116,025,815</u>	<u>259,803</u>	<u>889,152</u>	<u>21,410</u>	<u>115,417,876</u>
Governmental activities capital assets, net	<u>\$ 121,428,635</u>	<u>6,415,730</u>	<u>889,152</u>	<u>21,410</u>	<u>126,976,623</u>

Adjustments were made to transfer paid out leased property to its appropriate classification.

Depreciation expense was charged to the following functions:

## Madison County, Mississippi

Notes to the Financial Statements  
For the Year ended September 30, 2015

	<u>Amount</u>
Governmental Activities:	
General government	\$ 498,898
Public safety	1,133,286
Public works	2,402,606
Health and welfare	82,099
Economic development	235,575
Culture and recreation	<u>20,751</u>
 Total depreciation expense	 \$ <u><u>4,373,215</u></u>

### (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, 2015 to January 1, 2016. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

The County finances its exposure to risk of loss relating to employee health and accident coverage. Beginning in 1997 and pursuant to Section 25-15-101, Miss. Code Ann. (1972), the County established a risk management fund to account for and finance its self-funded health insurance plan. The Madison County Board of Supervisors has extended coverage to the employees of Madison County Economic Development Authority (MCEDA), Madison County Soil and Water Conservation District (MCSWD), and the Madison County Citizens Services Agency (MCCSA).

Under the plan, amounts payable to the risk management fund are based on historical cost estimates. Each participating entity pays a premium on a single coverage policy for respective employees. Employees pay an additional individual premium, and if electing dependent coverage, pay any additional premium through payroll deduction. Premium payments to the (risk management) fund are determined on a historical cost basis. The County has uninsured risk retention for all participating entities, to the extent that actual claims submitted exceed the predetermined premium. The County has implemented the following plan to minimize this potential loss:

## Madison County, Mississippi

Notes to the Financial Statements  
For the Year ended September 30, 2015

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 individual specific deductible of \$100,000 with an aggregate specific deductible of \$90,000. The County must meet an overall deductible of \$90,000 in addition to meeting the individual deductible of \$100,000 in claims paid.

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, 2015, the amount of these liabilities was \$84,601. An analysis of claims activities is presented below:

	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2013-2014	\$ 130,197	2,466,623	2,505,019	91,801
2014-2015	\$ 91,801	2,675,317	2,682,517	84,601

### (8) Capital Leases

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2015:

Classes of Property	Amount
Mobile equipment	\$ 3,729,765
Furniture and equipment	206,680
Total	<u>3,936,445</u>
Less: Accumulated depreciation	<u>405,678</u>
Leased Property Under Capital Leases	\$ <u><u>3,530,767</u></u>

The following is a schedule by years of the total payments due as of September 30, 2015:

## Madison County, Mississippi

Notes to the Financial Statements  
For the Year ended September 30, 2015

Year Ending September 30,	Principal	Interest
2016	\$ 631,453	46,247
2017	584,914	35,068
2018	596,106	23,897
2019	528,649	12,734
2020	262,658	1,956
Total	\$ <u>2,603,780</u>	<u>119,902</u>

### (9) Long-Term Debt

Debt outstanding as of September 30, 2015, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
<u>Governmental Activities:</u>			
A. General Obligation Bonds:			
G.O. Refunding Road and Bridge, Series 2006	\$ 1,435,000	4.13-5.0%	05/2017
MS Development Bank Special Obligation Bonds	1,610,000	1.5-4.0%	05/2024
G.O. Refunding Bonds, Series 2011 (Jail)	6,735,000	2.0-3.25%	06/2024
Road and Bridge Refunding Bonds, Series 2012	8,700,000	2.0-3.0%	05/2026
G.O. Nissan Refunding Bonds, Series 2006	1,060,000	4.0-5.0%	06/2026
G.O. Road and Bridge Bonds, Series 2007	1,710,000	4.0-5.0%	05/2027
G.O. Refunding Bonds, Series 2014	11,615,000	2.0-4.0%	05/2027
G.O. Road and Bridge Bonds, Series 2008	11,540,000	3.5-5.0%	03/2028
G.O. Road and Bridge Bonds, Series 2014	15,000,000	3.5-4.5%	11/2029
G.O. Refunding Bond, Series 2014	15,195,000	.775-3.3%	09/2026
G.O. Refunding Bond, Series 2015	9,325,000	1.5-4.0%	09/2023
Total General Obligation Bonds	\$ <u>83,925,000</u>		

## Madison County, Mississippi

Notes to the Financial Statements  
For the Year ended September 30, 2015

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
<u>Governmental Activities:</u>			
B. Limited Obligation Bonds:			
Urban Renewal Revenue Bonds (Sulphur Springs)	\$ 1,230,000	2.5%	03/2023
Urban Renewal Revenue Bonds (Lost Rabbit)	5,235,000	7.88%	09/2039
Tax Increment, Series 2015	1,135,000	5.37%	04/2035
	<u>\$ 7,600,000</u>		
C. Capital Leases:			
3 Sheriff's vehicles	\$ 8,632	1.68%	12/2015
3 Case backhoes	48,888	1.47%	04/2016
Phone system upgrade	136,551	1.89%	12/2018
8 Mack dump truck	491,297	1.64%	05/2019
Heavy equipment (Road)	1,380,561	1.97%	04/2020
3 Garbage Trucks	537,851	2.01%	06/2020
	<u>\$ 2,603,780</u>		
D. Other Loans:			
Industrial development capital improvement (CAP)	\$ 93,893	3.00%	09/2017
General obligation negotiable notes	4,196,318	1.00%	02/2018
Building south Madison fire station	399,750	2.00%	05/2021
Building Farmhaven fire station	443,794	2.00%	02/2022
South Madison annex- LO promissory note	1,568,523	3.69%	09/2023
Industrial development capital improvement (CAP)	785,500	3.00%	12/2028
Valley View fire station	666,567	2.00%	02/2034
	<u>\$ 8,154,345</u>		

Pledge of Future Revenues - The County has pledged future general county tax revenues to repay \$5,235,000 in limited obligation infrastructure acquisition revenue bonds issued on August 22, 2014. Proceeds from the bonds provided financing for the acquisition of land improvements within the Lost Rabbit Urban Renewal District. The bonds are not a general obligation of the County and, therefore, are not secured by the full faith and credit of the County. The bonds are payable solely from income derived from general county tax revenues collected from parcels of land located within the boundaries of the Lost Rabbit Urban Renewal

## Madison County, Mississippi

Notes to the Financial Statements  
For the Year ended September 30, 2015

District and income received from property fees assessed to land owners within the district. The total principal and accrued interest remaining to be paid on the bonds is \$12,003,856. Principal and interest paid for the current year and total net revenues at September 30, 2015 were \$0 and \$73,350, respectively.

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

### Governmental Activities:

Year Ending September 30,	General Obligation Bonds		Limited Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 5,800,000	3,793,019	160,700	508,300	1,877,076	155,176
2017	6,025,000	2,961,075	174,900	497,531	1,888,076	126,528
2018	6,240,000	2,750,187	276,500	492,238	1,857,274	98,395
2019	6,410,000	1,897,630	288,200	479,316	472,297	70,583
2020	6,595,000	1,719,945	300,000	465,452	482,436	56,346
2021 - 2025	35,380,000	5,454,748	1,400,500	2,098,819	1,028,929	122,517
2026 - 2030	17,475,000	1,252,603	1,296,800	1,693,966	415,610	36,051
2031 - 2035			2,017,400	1,140,245	132,647	5,153
2036 - 2039			1,685,000	344,137		
Total	\$ 83,925,000	19,829,207	7,600,000	7,720,004	8,154,345	670,749

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, 2015, the amount of outstanding debt was equal to 5.85% of the latest property assessments.

Current Refunding - On February 25, 2015, the County issued \$1,135,000 in tax increment limited obligation refunding bonds with an average interest rate of 5.37%. The net proceeds of \$1,110,912 (including \$24,088 in issuance costs) were used to refund the Taxable Tax Increment Limited Obligation Bond, Series 2011 at 5.37% interest rate. The amount refunded was \$1,103,000. The County refunded these bonds to increase its total debt service payments over the next 20 years by \$381,702.

Advance Refunding - On February 3, 2015, the County issued \$15,340,000 in general obligation refunding bonds with an average interest rate of .775-3.335% to advance refund \$14,210,000 of the G.O. Nissan Refunding Bond, Series 2006 with an interest rate of 4.0-5.00%.

## Madison County, Mississippi

Notes to the Financial Statements  
For the Year ended September 30, 2015

The G.O. Nissan Refunding Bond Series 2006 had an outstanding balance of \$15,270,000 at the time of refunding, but only \$14,210,000 of the bond was refunded, leaving a remaining principal balance of \$1,060,000. The net proceeds of \$15,052,692 (after payment of \$187,308 in underwriting fees and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, those bonds are considered to be defeased, and the liability for those bonds has been removed from the Statement of Net Position. The County advance refunded the bonds to reduce its total debt service payments over the next 10 years by almost \$379,792 to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$333,020.

Advance Refunding - On March 31, 2015, the County issued \$9,325,000 in general obligation refunding bonds with an average interest rate of 1.5-4.0% to advance refund \$8,950,000 of the G.O. Road and Bridge Bond, Series 2008 with an average interest rate of 3.5-5.00%.

The G.O. Road and Bridge Bond Series 2008 had an outstanding balance of \$20,490,000 at the time of refunding, but only \$8,950,000 of the bond was refunded, leaving a remaining principal balance of \$11,540,000. The net proceeds of \$9,903,545 (including a \$817,802 premium after payment of \$239,257 in underwriting fees and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, those bonds are considered to be defeased, and the liability for those bonds has been removed from the Statement of Net Position. The County advance refunded the bonds to reduce its total debt service payments over the next 8 years by almost \$218,571 to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$202,425.

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, 2015, \$39,475,000 of bonds outstanding were considered defeased.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2015:



## Madison County, Mississippi

Notes to the Financial Statements  
For the Year ended September 30, 2015

	Balance Oct. 1, 2014	Additions	Reductions	Adjustments	Balance Sept. 30, 2015	Amount due within one year
<u>Governmental Activities:</u>						
General obligation bonds	\$ 72,155,000	39,665,000	4,735,000	(23,160,000)	83,925,000	5,800,000
Limited obligation bonds	7,761,000	1,135,000	193,000	(1,103,000)	7,600,000	160,700
Capital leases	989,297	2,074,374	459,891		2,603,780	631,453
Other loans	10,025,286		1,870,941		8,154,345	1,877,076
Compensated absences	1,337,920	76,892			1,414,812	
Total	\$ <u>92,268,503</u>	<u>42,951,266</u>	<u>7,258,832</u>	<u>(24,263,000)</u>	<u>103,697,937</u>	<u>8,469,229</u>

Adjustment was made to record refunding of debt.

	Balance Oct. 1, 2014	Additions	Reductions	Balance Sept. 30, 2015
Premiums	\$ 1,603,146	2,764,161	247,023	4,120,284
Discounts	(38,858)		(4,028)	(34,830)
Total	\$ <u>1,564,288</u>	<u>2,764,161</u>	<u>242,995</u>	<u>4,085,454</u>

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

### (10) Deficit Fund Balances of Individual Funds

The following funds reported deficits in fund balance and net position at September 30, 2015:

Fund	Deficit Amount
Adolescent Opportunity Program Fund	\$ 75,765
Social Security Block Grant	30,938
Fire Station Construction Fund	2,400
\$6M MDOT Project	62,328
Mannsdale Turn Lane	115,737

## Madison County, Mississippi

Notes to the Financial Statements  
For the Year ended September 30, 2015

### (11) Contingencies

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

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

Hospital Revenue Bond Contingencies - The County issues revenue bonds to provide funds for constructing and improving capital facilities of the Madison County Nursing Home. Revenue bonds are reported as a liability of the hospital because such debt is payable primarily from the hospital's pledged revenues. However, the County remains contingently liable for the retirement of these bonds because the full faith, credit and taxing power of the County is secondarily pledged in case of default by the hospital. The principal amount of hospital revenue bonds outstanding at September 30, 2015, is \$6,160,000.

Parkway East Public Improvement District- The County entered into a limited agreement with the Parkway East Public Improvement District, pursuant to the "Public Improvement District Act", codified as Section 19-31-1 Miss. Code (1972), as amended. The purpose of the agreement was to construct a parkway financed by a bond issue to be repaid by special assessments to landowners along the parkway. The agreement provides that, in the event Parkway East fails, for any reason, to levy and/or collect a sufficient amount of special assessments from the owners of land within Parkway East to satisfy any debt service payment, the County shall pay the outstanding amount required to satisfy the deficient debt service payment. In the event of a sale of a parcel of land for taxes upon which a special assessment was levied but not collected, the County's reimbursement, plus interest would come from the tax sale. Parkway East contractually agreed to reimburse the County no later than two years after the deficiency payment was made. The agreement indicates that breach of the agreement by Parkway East relieves the County of additional liability for payment of the bonds. After receiving no reimbursement within two years for the shortfall payments, the County notified the trustee that no additional shortfall payments would be made. Subsequently, the bond insurer, Radian, filed suit against multiple parties challenging the County's interpretation of the contribution agreement. This case is currently pending in federal court.

## Madison County, Mississippi

Notes to the Financial Statements  
For the Year ended September 30, 2015

Parkway South Public Improvement District- The County has the same agreement with Parkway South Public Improvement District as it has with Parkway East Public Improvement District. In April 2015, the Board was notified that the District could not meet its obligation to pay the May 1, 2015 debt service. The County paid \$421,575 in April 2015. On October 2014 the District reimbursed the County \$662,880 for prior year shortfall payments and on April 22, 2015 the District reimbursed the County an additional \$62,511.

### (12) No Commitment Debt (Not Included in Financial Statements)

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

Madison County and the Mississippi Transportation Commission (Mississippi Department of Transportation) entered into an Interlocal Cooperative Agreement, dated October 11, 2006 and amended May 8, 2013 which among other things allowed the County to provide funds necessary to the Commission (MDOT) for the construction of a Highway Project. The funds come from the \$145,000,000 Mississippi Development Bank Bonds, Series 2006 (Madison County, Mississippi Highway Construction Project) and the \$88,865,000 Mississippi Development Bank Special Obligation Refunding Bonds, Series 2013C (Madison County, Mississippi Highway Construction Project) dated May 8, 2013. Under the Cooperative Agreement, the Commission (MDOT) agrees to pay to the Trustee amounts sufficient to pay the principal and interest on the Series 2006 and Series 2013 Bonds. Nothing in the bonds or any other document executed by the County will obligate the County financially in any way or be a charge against its general credit or taxing powers. The total amount outstanding as of September 30, 2015 is as follows:

Description	Balance at September 30, 2015
MS Development Bank Bonds, Series 2006	\$ 13,710,000
MS Development Bank Bonds, Series 2013 C	88,865,000
Total No Commitment Debt	\$ <u>102,575,000</u>

### (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, Mississippi

Notes to the Financial Statements  
For the Year ended September 30, 2015

Madison County Board of Supervisors appoints two of the 22 members of the college board of trustees. The County appropriated \$2,829,229 for maintenance and support of the College in fiscal year 2015.

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 2015.

Central Mississippi Planning and Development District operates in a district composed of the counties of Copiah, Hinds, Madison, Rankin, Simpson, Warren and Yazoo. The Madison County Board of Supervisors appoints three of the 33 members of the board of directors. The County appropriated \$11,279 for maintenance and support of the district in fiscal year 2015.

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 2015.

### (14) Defined Benefit Pension Plan

#### *General Information about the 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.

Benefits Provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire

## Madison County, Mississippi

Notes to the Financial Statements  
For the Year ended September 30, 2015

regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. At September 30, 2015, 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's rate at September 30, 2015 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers 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, 2015, 2014 and 2013 were \$2,533,214, \$2,388,961, and \$2,070,793, respectively. The contributions for each year met the required contributions.

### *Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At September 30, 2015, the County reported a liability of \$40,110,027 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2015, the County's proportion was 0.259477 percent, which was an increase from its proportion measured as of June 30, 2014.

For the year ended September 30, 2015, the County recognized pension expense of \$5,134,016. At September 30, 2015 the County reported deferred outflows of resources related to pensions from the following sources:

**Madison County, Mississippi**

Notes to the Financial Statements  
For the Year ended September 30, 2015

	Deferred Outflows of Resources
	<u>                    </u>
Differences between expected and actual experience	\$ 617,273
Net difference between projected and actual earnings on pension plan investments	2,346,866
Change of assumptions	3,455,342
Changes in proportion and differences between County contributions and proportionate share of contributions	961,776
County contributions subsequent to the measurement date	<u>670,052</u>
Total	<u><u>\$ 8,051,309</u></u>

\$670,052 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016	\$ 2,437,596
2017	2,437,596
2018	1,919,349
2019	<u>586,716</u>
Total	<u><u>\$ 7,381,257</u></u>

Actuarial assumptions. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.75 - 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2016, with males rates set forward one year.

## Madison County, Mississippi

Notes to the Financial Statements  
For the Year ended September 30, 2015

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Broad	34%	5.20%
International Equity	19%	5.00%
Emerging Markets Equity	8%	5.45%
Fixed Income	20%	0.25%
Real Assets	10%	4.00%
Private Equity	8%	6.15%
Cash	1%	-0.50%
Total	<u>100%</u>	

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's proportionate share of the net pension liability to changes in the discount rate. The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

## Madison County, Mississippi

Notes to the Financial Statements  
For the Year ended September 30, 2015

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension liability	\$ 52,868,690	\$ 40,110,027	\$ 29,522,722

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS Comprehensive Annual Report, publicly available at [www.pers.ms.gov](http://www.pers.ms.gov).

### (15) Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$27,130,025) in the governmental activities includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$8,051,309 balance of deferred outflow of resources in the governmental activities, at September 30, 2015 will be recognized as an expense and will decrease the unrestricted net position over the next 4 years.

The net investment in capital assets net position amount of \$31,981,475 includes the effect of deferring the recognition expenses resulting from a deferred outflow on refunding of County debt. The \$4,124,038, balance of the deferred outflow of resources at September 30, 2015 will be recognized as an expense and will decrease the net investment in capital assets net position.

The unrestricted net position amount of (\$27,130,025) in the governmental activities includes the effect of deferring the recognition of revenue resulting from property taxes for a future reporting period. The \$35,745,353 balance of deferred inflow of resources in the governmental activities, at September 30, 2015 will be recognized as a revenue and will increase the unrestricted net position next year.

### (16) Subsequent Events

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

The county issued the following debt obligations:



## Madison County, Mississippi

Notes to the Financial Statements  
For the Year ended September 30, 2015

Issue Date	Interest Rate	Issue Amount	Type of Financing
03-22-16	3-4%	\$ 6,895,000	General Obligation Bonds, Series 2016 Source of financing: advalorem taxes
02-01-16	2%	\$ 750,000	CAP Loan - South Madison County Fire Protection District Source of financing: advalorem taxes

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REQUIRED SUPPLEMENTARY INFORMATION

**MADISON COUNTY, MISSISSIPPI**

Budgetary Comparison Schedule -

Budget and Actual (Non-GAAP Basis)

General Fund

For the Year Ended September 30, 2015

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Over (Under)
<b>Revenues</b>				
Property taxes	\$ 22,453,016	\$ 23,327,361	\$ 23,327,361	\$ -
Licenses, commissions and other revenue	3,034,100	3,360,014	3,360,014	-
Fines and forfeitures	905,534	758,834	758,834	-
Intergovernmental revenues	2,240,760	2,822,661	2,822,661	-
Charges for services	4,698,355	5,699,929	5,699,929	-
Interest income	12,621	46,310	46,310	-
Miscellaneous revenues	581,668	1,281,914	1,281,914	-
Total Revenues	<u>33,926,054</u>	<u>37,297,023</u>	<u>37,297,023</u>	<u>-</u>
<b>Expenditures by Major Budgetary Function</b>				
General government	20,098,393	21,070,084	21,070,084	-
Public safety	12,309,456	11,976,370	11,976,370	-
Health and welfare	1,083,539	1,034,651	1,034,651	-
Culture and recreation	202,377	99,155	99,155	-
Conservation of natural resources	340,154	338,313	338,313	-
Economic development and assistance	11,279	11,279	11,279	-
Debt service:				
Principal	1,223,682	476,565	476,565	-
Interest		132,634	132,634	-
Total Expenditures	<u>35,268,880</u>	<u>35,139,051</u>	<u>35,139,051</u>	<u>-</u>
Deficiency of Revenues Under Expenditures	<u>(1,342,826)</u>	<u>2,157,972</u>	<u>2,157,972</u>	<u>-</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in		281,118	281,118	
Transfers out				
Total Other Financing Sources (Uses)	<u>-</u>	<u>281,118</u>	<u>281,118</u>	<u>-</u>
Net Change in Fund Balance	(1,342,826)	2,439,090	2,439,090	-
Fund Balances - Beginning		<u>10,611,215</u>	<u>10,612,630</u>	<u>1,415</u>
Fund Balances - Ending	<u>\$ (1,342,826)</u>	<u>\$ 13,050,305</u>	<u>\$ 13,051,720</u>	<u>\$ 1,415</u>

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

**MADISON COUNTY, MISSISSIPPI**

Budgetary Comparison Schedule -

Budget and Actual (Non-GAAP Basis)

Road Maintenance Fund

For the Year Ended September 30, 2015

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Over (Under)
<b>Revenues</b>				
Property taxes	\$ 4,628,839	\$ 4,860,478	\$ 4,860,478	\$ -
Licenses, commissions and other revenue	310	343	343	-
Intergovernmental revenues	830,897	1,060,140	1,060,140	-
Interest income	2,502	2,038	2,038	-
Miscellaneous revenues	17,766	535,623	535,623	-
Total Revenues	<u>5,480,314</u>	<u>6,458,622</u>	<u>6,458,622</u>	<u>-</u>
<b>Expenditures by Major Budgetary Function</b>				
Public works	5,523,805	8,906,677	8,906,677	-
Total Expenditures	<u>5,523,805</u>	<u>8,906,677</u>	<u>8,906,677</u>	<u>-</u>
Deficiency of Revenues Under Expenditures	<u>(43,491)</u>	<u>(2,448,055)</u>	<u>(2,448,055)</u>	<u>-</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	75,028	956,827	956,827	-
Transfers out		(332,981)	(332,981)	-
Total Other Financing Sources (Uses)	<u>75,028</u>	<u>623,846</u>	<u>623,846</u>	<u>-</u>
Net Change in Fund Balance	31,537	(1,824,209)	(1,824,209)	-
Fund Balances - Beginning		1,201,773	1,201,773	-
Fund Balances - Ending	<u>\$ 31,537</u>	<u>\$ (622,436)</u>	<u>\$ (622,436)</u>	<u>\$ -</u>

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

**Madison County, Mississippi**

Schedule of the County's Proportionate Share of the Net Pension Liability

PERS

Last 10 Fiscal Years\*

	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset) \$	40,110,027	30,143,808
County's proportionate share of the net pension liability (asset)	0.259477%	0.248339%
County's covered - employee payroll	16,083,898	15,168,006
County's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	249.38%	198.73%
Plan fiduciary net position as a percentage of the total pension liability	61.70%	67.21%

The notes to the required supplementary information are an integral part of this schedule.

\* The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However GASB 68 was implemented in FYE 15, and, until a full 10-year trend is compiled, the County has only presented information for the years in which information is available.

**Madison County, Mississippi**  
 Schedule of the County's Contributions  
 PERS  
 Last 10 Fiscal Years\*

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 2,533,214	2,388,961
Contributions in relation to the contractually required contribution	2,533,214	2,388,961
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>
County's covered - employee payroll	16,083,898	15,168,006
Contributions as a percentage of covered - employee payroll	15.75%	15.75%

The notes to the required supplementary information are an integral part of this schedule.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 15, and, until a full 10-year trend is compiled, the County has only presented information for the years in which information is available.

## Madison County, Mississippi

Notes to the Required Supplementary Information  
For the year ended September 30, 2015

### 1) Budgetary Schedules

#### 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).



**Madison County, Mississippi**

Notes to the Required Supplementary Information  
For the Year Ended September 30, 2015

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

	<u>Governmental Funds</u>	
	General Fund	Road Maintenance Fund
Budget (Cash Basis)	\$ 2,439,090	(1,824,209)
Increase (Decrease)		
Net adjustments for revenue accruals	(331,433)	(604,475)
Net adjustments for expenditure accruals	1,807,422	547,830
Other reconciling items	<u>(1,383,116)</u>	<u>2,009,135</u>
GAAP Basis	<u>\$ 2,531,963</u>	<u>128,281</u>

2) Pension Schedules

A. Change of Benefit Terms

None

B. Change of Assumptions

In 2015 and later, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015. In 2015, the expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.5% to 3% and 8% to 7.75%, respectively.

SUPPLEMENTARY INFORMATION.

**MADISON COUNTY, MISSISSIPPI**

Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2015

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number		Pass-through Entity Identifying Number	Federal Expenditures
<b>U.S. Department of the Interior</b>				
Passed through the office of National Park Service				
ARRA - Save America's Treasures	15.929	*	28-10-ML-2021	\$ 452,491
Total passed through the office of National Park Service				<u>452,491</u>
Total U.S. Department of the Interior				<u>452,491</u>
<b>U.S. Department of Justice</b>				
Direct Program				
Bulletproof Vest Partnership Program	16.607			1,008
Equitable Sharing Program	16.922		MS0450000	1,920
Total Direct Programs				<u>2,928</u>
Passed through the Mississippi Department of Public Safety				
Edward Byrne Memorial Justice Assistance Grant Program	16.738		14DC1451	59,050
Total passed through the MS Department of Public Safety				<u>59,050</u>
Total U. S. Department of Justice				<u>61,978</u>
<b>U.S. Department of Transportation</b>				
Passed through the Mississippi Department of Transportation				
Highway Planning and Construction	20.205		BR NBIS 079 B(45)	37,250
Highway Planning and Construction	20.205		STP-0045-000-0024	102,819
Total passed through the MS Department of Transportation				<u>140,069</u>
Passed-through the Mississippi Department of Public Safety				
National Priority Safety Programs	20.616		15MD145-1	87,524
Total passed through the MS Department of Public Safety				<u>87,524</u>
Passed through the Mississippi Emergency Management Agency				
Interagency Hazardous Material Public Sector Training and Planning Grant	20.703		1741-MS	816
Total passed through the MS Emergency Management Agency				<u>816</u>
Total U. S. Department of Transportation				<u>228,409</u>
<b>U.S. Department of Health and Human Services</b>				
Passed through the Mississippi Department of Human Services				
Temporary Assistance for Needy Families	93.558	*	641WL411	81,742
Social Services Block Grant	93.667		6006186	23,434
Social Services Block Grant	93.667		6006187	80,429
Total passed through the MS Department of Human Services				<u>185,605</u>
Total U.S. Department of Health & Human Services				<u>185,605</u>
<b>U.S. Department of Homeland Security</b>				
Direct Program:				
Emergency Management Performance Grants	97.042		15EMPL	50,189
Total Direct Program				<u>50,189</u>
Passed through the Mississippi Department of Public Safety				
Homeland Security Grant Program	97.067		13CC045	1,462
Homeland Security Grant Program	97.067		13LE191	7,500
Total passed through the MS Department of Public Safety				<u>8,962</u>
Total U.S. Department of Homeland Security				<u>59,151</u>
<b>Total Expenditures of Federal Awards</b>				<u>\$ 987,634</u>

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

\* Denotes major federal award program

**MADISON COUNTY, MISSISSIPPI**  
Reconciliation of Operating Costs of Solid Waste  
For the Year Ended September 30, 2015

OPERATING EXPENDITURES, CASH BASIS:

Salaries	\$	1,129,413
Contractual services		148,145
Landfill charges		237,467
Recycling		234,202
Consumable supplies		236,212
Capital outlay and other		<u>574,374</u>

Solid Waste Operating Expenditures, Cash Basis \$ 2,559,813

FULL COST EXPENSES:

Indirect administrative costs	\$	38,492
Depreciation on equipment		<u>119,507</u>

Solid Waste Full Cost Operating Expenditures \$ 2,717,812

## OTHER INFORMATION

**MADISON COUNTY, MISSISSIPPI**  
Schedule of Surety Bonds for County Officials  
For the Year Ended September 30, 2015  
UNAUDITED

Name	Position	Company	Bond
John Bell Crosby	Supervisor District 1	Brierfield Insurance Company	\$100,000
John Howland	Supervisor District 2	Liberty Mutual Surety	\$100,000
Gerald D. Steen	Supervisor District 3	Brierfield Insurance Company	\$100,000
Karl M. Banks	Supervisor District 4	Brierfield Insurance Company	\$100,000
Paul Griffin	Supervisor District 5	Brierfield Insurance Company	\$100,000
Mark Houston	County Administrator	Liberty Mutual Surety	\$100,000
Ronald W. Lott	Chancery Clerk	Liberty Mutual Surety	\$100,000
Shelton Vance	Deputy Chancery Clerk	Liberty Mutual Surety	\$50,000
Loretta Phillips	Deputy Chancery Clerk	Liberty Mutual Surety	\$50,000
Regina Ferguson	Deputy Chancery Clerk	Liberty Mutual Surety	\$50,000
Cynthia Parker	Deputy Chancery Clerk	Liberty Mutual Surety	\$50,000
Holli Mccarra	Deputy Chancery Clerk	Liberty Mutual Surety	\$50,000
Jeff Luckett	Deputy Chancery Clerk	Liberty Mutual Surety	\$50,000
Sarah Sasnett	Deputy Chancery Clerk	Liberty Mutual Surety	\$50,000
Stacey Toten	Deputy Chancery Clerk	Liberty Mutual Surety	\$50,000
Charles Laseter	Deputy Chancery Clerk	Liberty Mutual Surety	\$50,000
Debbie Dean	Deputy Chancery Clerk	Liberty Mutual Surety	\$50,000
Marie Lockett	Deputy Chancery Clerk	Liberty Mutual Surety	\$50,000
Myrtis Sims	Deputy Chancery Clerk	Liberty Mutual Surety	\$50,000
Karen Tripp	Deputy Chancery Clerk	Liberty Mutual Surety	\$50,000
Kimberly Sievers	Deputy Chancery Clerk	Liberty Mutual Surety	\$50,000
Megan Mawhorter	Deputy Chancery Clerk	Liberty Mutual Surety	\$50,000
Kim Arnold	Deputy Chancery Clerk	Liberty Mutual Surety	\$50,000
Cheryl Houston	Deputy Chancery Clerk	Liberty Mutual Surety	\$50,000
Hardy Crunk	Purchase Clerk	Liberty Mutual Surety	\$75,000
Cynthia Parker	Assistant Purchase Clerk	Liberty Mutual Surety	\$50,000
Jeremy Williams	Assistant Receiving Clerk	Liberty Mutual Surety	\$50,000
Wayne Wells	Assistant Receiving Clerk	Liberty Mutual Surety	\$50,000
Laura Leathers	Assistant Receiving Clerk	Liberty Mutual Surety	\$50,000
Lynn Thornburg	Assistant Receiving Clerk	Liberty Mutual Surety	\$50,000
Leeann Sanders	Assistant Receiving Clerk	Liberty Mutual Surety	\$50,000
Yahatta Johnson	Assistant Receiving Clerk	Liberty Mutual Surety	\$50,000
Rhine Chesteen	Inventory Control Clerk	Liberty Mutual Surety	\$75,000
Lawrence Morris	Road Manager	Liberty Mutual Surety	\$50,000
William L. Weisenberger Jr.	Constable	Brierfield Insurance Company	\$50,000
Johnny Sims	Constable	Brierfield Insurance Company	\$50,000
Matt Shackelford	Constable	Brierfield Insurance Company	\$50,000
Michael Brown	Constable	Brierfield Insurance Company	\$50,000
Lee Westbrook	Circuit Clerk	Brierfield Insurance Company	\$100,000
Sara B Albritton	Deputy Circuit Clerk	Liberty Mutual Surety	\$50,000
Priscilla D Blankenship	Deputy Circuit Clerk	Liberty Mutual Surety	\$50,000
Natalie S Kirby	Deputy Circuit Clerk	Liberty Mutual Surety	\$50,000
Monica L Henderson	Deputy Circuit Clerk	Liberty Mutual Surety	\$50,000
Wanda Jefferson	Deputy Circuit Clerk	Liberty Mutual Surety	\$50,000
Margaret Jones	Deputy Circuit Clerk	Liberty Mutual Surety	\$50,000
Laurie A Prince	Deputy Circuit Clerk	Liberty Mutual Surety	\$50,000
Fannie M Sanders	Deputy Circuit Clerk	Liberty Mutual Surety	\$50,000
Lindsay Johnson	Deputy Circuit Clerk	Liberty Mutual Surety	\$50,000
Randall Tucker	Sheriff	Brierfield Insurance Company	\$100,000
Albert Jones	Deputy Sheriff	Liberty Mutual Surety	\$50,000
Cline Wyman	Deputy Sheriff	Liberty Mutual Surety	\$50,000
Sam Howard	Deputy Sheriff	Liberty Mutual Surety	\$50,000
Kristopher J Stone	Deputy Sheriff	Liberty Mutual Surety	\$50,000
James C Mangum	Deputy Sheriff	Liberty Mutual Surety	\$50,000
James Cannon	Deputy Sheriff	Liberty Mutual Surety	\$50,000
Eric Rather	Deputy Sheriff	Liberty Mutual Surety	\$50,000
Tommy Squires	Deputy Sheriff	Liberty Mutual Surety	\$50,000
Joseph Butler	Deputy Sheriff	Liberty Mutual Surety	\$50,000
Cynthia Esco	Deputy Sheriff	Liberty Mutual Surety	\$50,000
Don Hicks	Deputy Sheriff	Liberty Mutual Surety	\$50,000
Earl Taylor	Deputy Sheriff	Liberty Mutual Surety	\$50,000
Elton Flax	Deputy Sheriff	Liberty Mutual Surety	\$50,000
George Elliot	Deputy Sheriff	Liberty Mutual Surety	\$50,000
George Smith	Deputy Sheriff	Liberty Mutual Surety	\$50,000
Harold Curtis	Deputy Sheriff	Liberty Mutual Surety	\$50,000

**MADISON COUNTY, MISSISSIPPI**  
Schedule of Surety Bonds for County Officials  
For the Year Ended September 30, 2015  
UNAUDITED

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
James Knight	Deputy Sheriff	Liberty Mutual Surety	\$50,000
James Thomas	Deputy Sheriff	Liberty Mutual Surety	\$50,000
Jason Barnes	Deputy Sheriff	Liberty Mutual Surety	\$50,000
William H Hudson	Deputy Sheriff	Liberty Mutual Surety	\$50,000
William L. Weisenberger Jr	Deputy Sheriff	Liberty Mutual Surety	\$50,000
William Lee Brock	Deputy Sheriff	Liberty Mutual Surety	\$50,000
John M Chapman	Deputy Sheriff	Liberty Mutual Surety	\$50,000
Rylon Thompson	Deputy Sheriff	Liberty Mutual Surety	\$50,000
Jacoby Cowan	Deputy Sheriff	Liberty Mutual Surety	\$50,000
Barry Chandler	Deputy Sheriff	Liberty Mutual Surety	\$50,000
Donovan Gerlach	Deputy Sheriff	Liberty Mutual Surety	\$50,000
Terry Barfield	Deputy Sheriff	Liberty Mutual Surety	\$50,000
Taylor Chastain	Deputy Sheriff	Liberty Mutual Surety	\$50,000
Scott McDonald	Deputy Sheriff	Liberty Mutual Surety	\$50,000
Russell Kirby	Deputy Sheriff	Liberty Mutual Surety	\$50,000
Robbin Welch	Deputy Sheriff	Liberty Mutual Surety	\$50,000
Robert S Graves	Deputy Sheriff	Liberty Mutual Surety	\$50,000
Richard T Davis III	Deputy Sheriff	Liberty Mutual Surety	\$50,000
Richard Clark	Deputy Sheriff	Liberty Mutual Surety	\$50,000
Randall Grewe	Deputy Sheriff	Liberty Mutual Surety	\$50,000
Radford G Shearrill	Deputy Sheriff	Liberty Mutual Surety	\$50,000
Perry Christopher Ables	Deputy Sheriff	Liberty Mutual Surety	\$50,000
Nathaniel Johnson	Deputy Sheriff	Liberty Mutual Surety	\$50,000
Michael Todd Wilson	Deputy Sheriff	Liberty Mutual Surety	\$50,000
Mark Sandridge	Deputy Sheriff	Liberty Mutual Surety	\$50,000
Kim W Henderson	Deputy Sheriff	Liberty Mutual Surety	\$50,000
Joshua H Fish	Deputy Sheriff	Liberty Mutual Surety	\$50,000
Newman Bernard Newsome	Deputy Sheriff	Liberty Mutual Surety	\$50,000
Howard Young	Deputy Sheriff	Liberty Mutual Surety	\$50,000
Jeremy Williams	Deputy Sheriff	Liberty Mutual Surety	\$50,000
Thomas Taylor	Deputy Sheriff	Liberty Mutual Surety	\$50,000
Tyler Wesley Burnell	Deputy Sheriff	Liberty Mutual Surety	\$50,000
Slade Moore	Deputy Sheriff	Liberty Mutual Surety	\$50,000
JP Pilgrim	Deputy Sheriff	Liberty Mutual Surety	\$50,000
James Hall	Deputy Sheriff	Liberty Mutual Surety	\$50,000
Joel Evans	Deputy Sheriff	Liberty Mutual Surety	\$50,000
Joseph Mangino	Deputy Sheriff	Liberty Mutual Surety	\$50,000
Kevin Moffett	Deputy Sheriff	Liberty Mutual Surety	\$50,000
Richard Ladner	Deputy Sheriff	Liberty Mutual Surety	\$50,000
Thomas Guy Jones	Deputy Sheriff	Liberty Mutual Surety	\$50,000
Thomas Kip Luby	Deputy Sheriff	Liberty Mutual Surety	\$50,000
Kyrie Lucas	Deputy Sheriff	Liberty Mutual Surety	\$50,000
Glen William Fox	Deputy Sheriff	Liberty Mutual Surety	\$50,000
Michael Seth Everett	Deputy Sheriff	Liberty Mutual Surety	\$50,000
Thomas Strait	Deputy Sheriff	Liberty Mutual Surety	\$50,000
Watts Johnson	Deputy Sheriff	Liberty Mutual Surety	\$50,000
Jeffery M Waldrop	Deputy Sheriff	Liberty Mutual Surety	\$50,000
Brad Sullivan	Deputy Sheriff	Liberty Mutual Surety	\$50,000
Brian Loveall	Deputy Sheriff	Liberty Mutual Surety	\$50,000
David Redd	Deputy Sheriff	Liberty Mutual Surety	\$50,000
Jeff Jones	Deputy Sheriff	Liberty Mutual Surety	\$50,000
Mamie Chinn	Justice Court Judge	Brierfield Insurance Company	\$50,000
Marsha Weems Stacey	Justice Court Judge	Brierfield Insurance Company	\$50,000
William Weisenberger	Justice Court Judge	Brierfield Insurance Company	\$50,000
William Bruce McKinley	Justice Court Judge	Brierfield Insurance Company	\$50,000
Susan McCarty	Justice Court Clerk	Liberty Mutual Surety	\$50,000
Sarah Steele	Deputy Justice Court Clerk	Liberty Mutual Surety	\$50,000
Lauren Canoy	Deputy Justice Court Clerk	Liberty Mutual Surety	\$50,000
Evelyn J Jackson	Deputy Justice Court Clerk	Liberty Mutual Surety	\$50,000
Earnestine Brown	Deputy Justice Court Clerk	Liberty Mutual Surety	\$50,000
Stephanie Burton	Deputy Justice Court Clerk	Liberty Mutual Surety	\$50,000
Cheryl Horn	Deputy Justice Court Clerk	Liberty Mutual Surety	\$50,000
Renata Carr	Deputy Justice Court Clerk	Liberty Mutual Surety	\$50,000
Brittany Horn	Deputy Justice Court Clerk	Liberty Mutual Surety	\$50,000

**MADISON COUNTY, MISSISSIPPI**  
Schedule of Surety Bonds for County Officials  
For the Year Ended September 30, 2015  
UNAUDITED

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
Mary Luckett	Deputy Justice Court Clerk	Liberty Mutual Surety	\$50,000
James Ransburg	Deputy Justice Court Clerk	Liberty Mutual Surety	\$50,000
Shelia Taylor	Deputy Justice Court Clerk	Liberty Mutual Surety	\$50,000
Seth Everett	Deputy Justice Court Clerk	Liberty Mutual Surety	\$50,000
Richard T Davis	Deputy Justice Court Clerk	Liberty Mutual Surety	\$50,000
Kay S. Pace	Tax Collector	Brierfield Insurance Company	\$200,000
Gerald Barber	Tax Assessor	Brierfield Insurance Company	\$100,000
Sally C Baldwin	Deputy Tax Collector	Liberty Mutual Surety	\$50,000
Lisa k Duvall	Deputy Tax Collector	Liberty Mutual Surety	\$50,000
Lori A Butler	Deputy Tax Collector	Liberty Mutual Surety	\$50,000
Myrtle Rayburn	Deputy Tax Collector	Liberty Mutual Surety	\$50,000
Johnnie M Malone	Deputy Tax Collector	Liberty Mutual Surety	\$50,000
Brenda Y Winn	Deputy Tax Collector	Liberty Mutual Surety	\$50,000
Margaret Hayman	Deputy Tax Collector	Liberty Mutual Surety	\$50,000
Debra Johnson	Deputy Tax Collector	Liberty Mutual Surety	\$50,000
Paulette Cobb	Deputy Tax Collector	Liberty Mutual Surety	\$50,000
Jo Ann Tootle	Deputy Tax Collector	Liberty Mutual Surety	\$50,000
Brenda McKenzie	Deputy Tax Collector	Liberty Mutual Surety	\$50,000
Brad D Harbour	Deputy Tax Collector	Liberty Mutual Surety	\$50,000
Rosemarie Jones	Deputy Tax Collector	Liberty Mutual Surety	\$50,000
Brooke Burchfield	Deputy Tax Collector	Liberty Mutual Surety	\$50,000
Wanda Lancaster	Deputy Tax Collector	Liberty Mutual Surety	\$50,000
Debra Nason	Deputy Tax Collector	Liberty Mutual Surety	\$50,000
Sheila Woodard	Deputy Tax Collector	Liberty Mutual Surety	\$50,000
Laura Sullivan	Deputy Tax Collector	Liberty Mutual Surety	\$50,000
LaJuana Johnson	Deputy Tax Collector	Liberty Mutual Surety	\$50,000
William Stewart	Deputy Tax Assessor	Liberty Mutual Surety	\$10,000
Vent Mixon	Deputy Tax Assessor	Liberty Mutual Surety	\$10,000
Tina Blount	Deputy Tax Assessor	Liberty Mutual Surety	\$10,000
Norman Cannady	Deputy Tax Assessor	Liberty Mutual Surety	\$10,000
Margaret E Anderson	Deputy Tax Assessor	Liberty Mutual Surety	\$10,000
Lionel K Hawkins	Deputy Tax Assessor	Liberty Mutual Surety	\$10,000
Kathleen Ketchum	Deputy Tax Assessor	Liberty Mutual Surety	\$10,000
John F Fox	Deputy Tax Assessor	Liberty Mutual Surety	\$10,000
John Anderson	Deputy Tax Assessor	Liberty Mutual Surety	\$10,000
Jeff Peterson	Deputy Tax Assessor	Liberty Mutual Surety	\$10,000
James I Ford	Deputy Tax Assessor	Liberty Mutual Surety	\$10,000
Ira H thorn	Deputy Tax Assessor	Liberty Mutual Surety	\$10,000
Evelyn Mixon	Deputy Tax Assessor	Liberty Mutual Surety	\$10,000
Christopher J Garavelli	Deputy Tax Assessor	Liberty Mutual Surety	\$10,000
Brad D Harbour	Deputy Tax Assessor	Liberty Mutual Surety	\$10,000
Angelina Brown	Deputy Tax Assessor	Liberty Mutual Surety	\$10,000
Alice Simpson	Deputy Tax Assessor	Liberty Mutual Surety	\$10,000
Adriane D Odom	Deputy Tax Assessor	Liberty Mutual Surety	\$10,000
Leslie Lacour	Deputy Tax Assessor	Liberty Mutual Surety	\$10,000
Randi Jerome	Deputy Tax Assessor	Liberty Mutual Surety	\$10,000
Brent Smith	Deputy Tax Assessor	Liberty Mutual Surety	\$10,000
Carolyn Bryant	Deputy Tax Assessor	Liberty Mutual Surety	\$10,000
Lesly Barthel	Deputy Tax Assessor	Liberty Mutual Surety	\$10,000
Stacy Powell	Deputy Tax Assessor	Liberty Mutual Surety	\$10,000
Rudy Warnock	County Engineer	Liberty Mutual Surety	\$50,000
Richard Tolbert	County Surveyor	Liberty Mutual Surety	\$50,000
Shelton Vance	Comptroller	Liberty Mutual Surety	\$75,000



## SPECIAL REPORTS

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Members of the Board of Supervisors  
Madison County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Madison County, Mississippi, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the county's basic financial statements and have issued our report thereon dated August 29, 2016.

**Internal Control Over Financial Reporting**

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Findings 2015-001, 2015-002 and 2015-004 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Findings 2015-003, 2015-005 and 2015-006 to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Madison County, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings and Questioned Costs as Findings 2015-002 and 2015-004.

We also noted certain matters which we have reported to the management of Madison County, Mississippi, in the Independent Accountant's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated August 29, 2016, included within this document.

### **Madison County's Responses to the Findings**

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

### **Purpose of this Report**

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

*Fortenberry & Ballard, PC*

Fortenberry & Ballard PC  
August 29, 2016

Certified Public Accountants

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Members of the Board of Supervisors  
Madison County, Mississippi

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

We have audited Madison County, Mississippi's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015. Madison County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

As described in the accompanying Schedule of Findings and Questioned Costs, Madison County, Mississippi did not comply with the requirements regarding CFDA 93.558 Temporary Assistance for Needy Families as described in Finding 2015-007 for Eligibility. Compliance with such requirements is necessary, in our opinion, for Madison County, Mississippi to comply with the requirements applicable to that program.

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

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Madison County, Mississippi, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Temporary Assistance for Needy Families program for the year ended September 30, 2015.

## **Unmodified Opinion on the Other Major Federal Program**

In our opinion, Madison County, Mississippi complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its other major federal program for the year ended September 30, 2015.

Madison County's response to the noncompliance finding identified in our audit is described in the accompanying Auditee's Corrective Action Plan. Madison County's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

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

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

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Finding 2015-007 to be a material weakness.

## **Madison County's Response to the Finding**

Madison County's response to the finding identified in our audit is described in the accompanying Auditee's Corrective Action Plan. Madison County's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

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

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
August 29, 2016

Certified Public Accountants

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Members of the Board of Supervisors  
Madison County, Mississippi

We have examined Madison County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2015. The Board of Supervisors of Madison County, Mississippi, is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

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

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

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

Inventory Control Clerk.

Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to maintain an inventory system. An effective system of internal controls over capital assets should include proper recording of additions. As reported in the prior two years' audit reports, the County does not have a reliable system to account for its construction in progress activity. Since construction in progress was not properly recorded in capital assets' records, audit adjustments totaling \$4,098,003.19 were proposed for various project costs not inventoried by the County.

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Recommendation:

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

Inventory Control Clerk's Response:

Madison County has made progress in its accounting for capital assets. At the conclusion of the 2015 fiscal year, the Comptroller's office requested the County Engineer to provide an independent statement regarding which expenditures should be capitalized. This statement was never received by the Comptroller's Office.

Prior audit findings rejected the conclusions of the Comptroller's Office, related to capitalization of expenditures. Therefore, absent written documentation from the County Engineer, the County followed prior guidance and did not capitalize expenditures that could not be confirmed as capital.

Madison County will continue to work on improving internal controls related to accounting for capital assets. Madison County will initiate a practice of obtaining a written statement from the County Engineer of completed projects and projects in process at the end of the fiscal year.

In our opinion, Madison County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2015.

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

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

This report is intended for use in evaluating the central purchasing system and inventory control system of Madison County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.

*Fortenberry & Ballard, PC*

Fortenberry & Ballard, PC  
August 29, 2016

Certified Public Accountants



**Madison County, Mississippi**  
Schedule of Purchases Not Made From the Lowest Bidder  
For the Year Ended September 30, 2015

**Schedule 1**

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

**Madison County, Mississippi**  
Schedule of Emergency Purchases  
For the Year Ended September 30, 2015

**Schedule 2**

Our test results identified the following emergency purchase:

Date	Item Purchased	Amount Paid	Vendor	Reason for Emergency Purchase
01-05-15	Elevator repair	\$52,223.26	Thyssen Krupp	Compliance with Americans with Disabilities Act

**Madison County, Mississippi**

**Schedule 3**

Schedule of Purchases Made Noncompetitively From a Sole Source  
For the Year Ended September 30, 2015

Our test results identified the following purchase made noncompetitively from a sole source:

Date	Item Purchased	Amount Paid	Vendor
05-05-15	Paper Link Scan Licenses	\$ 6,500.00	Delta Computer Systems

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LIMITED INTERNAL CONTROL  
AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors  
Madison County, Mississippi

In planning and performing our audit of the financial statements of Madison County, Mississippi for the year ended September 30, 2015, 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 August 29, 2016, on the financial statements of Madison County, Mississippi.

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

The results of our review procedures and compliance tests identified certain areas and immaterial instances of noncompliance with state laws and regulations that are opportunities for strengthening internal control and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

**Board of Supervisors.**

**Finding #1:**

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

In respect to drainage districts with local commissioners, Section 51-29-47, Miss. Code Ann. (1972), requires the Board of Supervisors of each county to make an annual tax levy, at the same time when the county tax levy is made or at any succeeding regular meeting, in an amount not exceeding the installment of assessment levied for that year sufficient to meet the

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obligations of the district. An effective system of internal control over the tax levy should ensure the correct code section is cited in the board order adopting the levy. The code section cited for the Persimmon Burnt Corn Water Management District in the 2014 tax levy, 51-29-33, Miss. Code Ann. (1972), addresses the assessment roll of the district, rather than the tax levy. Failure to ensure that correct code sections are cited for taxes levied could result in an unauthorized tax levy.

Recommendation:

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

Board of Supervisors' Response:

The code section listed on the levy sheet will be changed.

**Board of Supervisors and Information Technology Department.**

**Finding #2:**

Password strength should be improved.

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

Recommendation:

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

Board of Supervisors' and Information Technology Department's Response:

Madison County will implement a minimum 8 character password policy.

**Sheriff.**

**Finding #3:**

Sheriff's office should deposit receipts daily and match reconciled bank statements to cash journal balances.

An effective system of internal control in the Sheriff's office should include daily bank deposits and maintaining copies of all accounting records. During our test of internal controls of the Sheriff's office, we noted that deposits were being made only one or two times per month. Also, the September 2015 reconciled bank statement did not match the cash journal balance. Inadequate controls surrounding the deposit of receipts and maintenance of accounting records could result in the loss or misappropriation of public funds.

Recommendation:

The Sheriff's should implement controls to ensure that all receipts are deposited daily and monthly reconciled bank statements match cash journal balances in an accurate manner.

Sheriff's Response:

Policy will be to make daily deposits, reconcile bank statements monthly to reflect cash journal balance in civil process as well as the detention center.

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.

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
August 29, 2016

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## Madison County, Mississippi

### Schedule of Findings and Questioned Costs For the Year Ended September 30, 2015

#### Section I: Summary of Auditor's Results

##### Financial Statements:

1. Type of auditor's report issued on the financial statements:

Governmental activities:	Unmodified
Aggregate discretely presented component units:	Adverse
General Fund	Unmodified
Road Maintenance Fund	Unmodified
General I & S Fund	Unmodified
\$15M Road Bond Maint. Fund	Unmodified
Aggregate remaining fund information	Unmodified

2. Internal control over financial reporting:

- a. Material weakness identified? Yes.
- b. Significant deficiency identified? Yes.

3. Noncompliance material to financial statements noted? Yes.

##### Federal Awards:

4. Internal control over major federal programs:

- a. Material weakness identified? Yes.
- b. Significant deficiency identified? None reported.

5. Type of auditor's report issued on compliance for major federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>	<u>Opinion Given</u>
15.929	ARRA - Save America's Treasures	Unmodified
93.558	Temporary Assistance for Needy Families	Qualified

6. Any audit findings disclosed that are required to be reported in accordance with Section \_\_\_\_\_.510(a) of OMB Circular A-133? Yes.



7. Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
15.929	ARRA - Save America's Treasures
93.558	Temporary Assistance for Needy Families

8. Dollar threshold used to distinguish between type A and type B programs: \$300,000.

9. Auditee qualified as a low-risk auditee? No.

## Section II: Financial Statement Findings

The results of our tests disclosed the following findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

### **Finding 2015-001**

#### **Board of Supervisors**

#### **Material Weakness**

##### Criteria:

Generally accepted accounting principles require the financial data of its component units to be reported with the financial data of the County's primary government unless the County issues financial statements for the financial reporting entity that include the financial data of its component units.

##### Condition:

As reported in the prior seven year's audit report, the County's financial statements do not include the financial data of the county's component units.

##### Cause:

The County did not provide audited financial statements for the required presentation of the aggregate discretely presented component units (not presented in this report).

##### Effect:

Failure to include the data required by generally accepted accounting principles resulted in an adverse opinion on the aggregate discretely presented component units.

##### Recommendation:

The Board of Supervisors should provide the financial data of all its component units in accordance with generally accepted accounting principles.

## **Finding 2015-002**

### **Board of Supervisors**

#### **Material Weakness and material Noncompliance**

##### Criteria:

Section 19-5-189(2)(b), Miss. Code Ann. (1972), states that, in respect to fire protection purposes, the Board of Supervisors of the county in which any such district is created after July 1, 1987, may, according to the terms of the resolution of intent to incorporate the district, levy a special tax not to exceed two mills annually on all of the taxable real property in such district.

##### Condition:

The South Madison Fire Protection District was created by resolution of the Board of Supervisors on April 22, 1988. The tax levy adopted by the Board of Supervisors for fiscal year 2015 included a 4.00 mill levy for said district. Per examination of county accounting records, \$614,966.71 in fiscal year 2015 ad valorem was collected for the Fire Protection District.

##### Cause:

The County did not have the controls in place to ensure tax levies were within statutorily imposed limits.

##### Effect:

The adoption of the 4.00 mill levy for the South Madison Fire Protection District resulted in the collection of \$307,483 of ad valorem taxes in excess of the statutory limit and places the County in violation of state statute.

##### Recommendation:

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

## **Finding 2015-003**

### **Board of Supervisors and Information Technology Department**

#### **Significant Deficiency**

##### Criteria:

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

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

Network reviews should include vulnerability scans as well as penetration tests. A vulnerability scan or assessment looks for known vulnerabilities in your systems and reports potential exposures, many times in the form of a risk assessment. A penetration test is designed to actually exploit weaknesses in the architecture of systems. Hacks into networks, especially internet facing networks, are a common occurrence in today's information technology environment.

Condition:

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

Cause:

The County did not perform a network security assessment.

Effect:

Data breaches can cost breached entities fines, regulatory oversight, bad public relations, customer distrust and personnel time to correct issues caused by unauthorized access. Consequences can be both short-term (e.g., notification of breached parties) and long-term (e.g., lawsuits).

Recommendation:

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

**Finding 2015-004**

**Inventory Control Clerk**

**Material Weakness and Material Noncompliance**

Criteria:

Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to maintain an inventory system. An effective system of internal controls over capital assets should include proper

recording of additions.

Condition:

As reported in the prior two years' audit reports, the County does not have a reliable system to account for its construction in progress activity.

Cause:

Construction in progress was not properly recorded in capital assets' records.

Effect:

Audit adjustments totaling \$4,098,003.19 were proposed for various project costs not inventoried by the County.

Recommendation:

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

**Finding 2015-005**

**Tax Collector**

**Significant Deficiency**

Criteria:

A sound system of internal controls over cash disbursements should include the safeguarding of bank account checks and electronic signatures.

Condition:

The Tax Collector prints blank checks that include an electronic signature. These checks are held by deputies in the tax office and used to make settlements when the Tax Collector is out of the office and unavailable to sign and review the checks.

Cause:

Tax Collector printed signed checks that were not made out to payee and amount.

Effect:

The existence of blank signed checks could result in the loss or misappropriation of public funds.

Recommendation:

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

## **Finding 2015-006**

### **Tax Collector**

#### **Significant Deficiency**

##### Criteria:

An effective system of collection, recording, and disbursement of cash should include internal controls over the maintenance of cash journals and supporting documentation.

##### Condition:

In the prior audit period, a disbursement was noted that was improperly documented and recorded in the cash journal. A check written for \$53,992.13, which did not clear the bank, was improperly recorded in the cash journal because the amount and payee did not agree with the Tax Collector's disbursement records.

##### Cause:

Tax Collector did not implement controls to ensure that transactions are properly recorded in the cash journal.

##### Effect:

Disbursements were improperly documented and recorded.

##### Recommendation:

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

## **Section III: Federal Award Findings and Questioned Costs**

The results of our tests disclosed the following findings and questioned costs related to the federal awards.

## **Finding 2015-007**

### **Material Weakness and Material Noncompliance**

CFDA: 93.558

Name: Temporary Assistance for Needy Families

U.S. Department of Health and Human Services

Passed through the Mississippi Department of Human Services

Compliance Requirement: Eligibility

Criteria:

The terms of the subgrant agreement stipulate that, among other things, the recipients of program services must have a family income at or below 300% of the federal poverty level.

Condition:

During our testing procedures, we noted that no documentation was available to support the eligibility of program participants.

Cause:

The noncompliance resulted from the County's lack of internal controls over the eligibility compliance requirement.

Effect:

The County's failure to determine whether the participants were financially eligible to receive program services could result in the provision of services to ineligible individuals. Additionally, this noncompliance could result in the County being required to repay funds to the federal government, or make the County ineligible for future federal awards.

Recommendation:

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

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## AUDITEE'S CORRECTIVE ACTION PLAN





# MADISON COUNTY BOARD OF SUPERVISORS

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

August 29, 2016

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

Gentlemen:

Madison County respectfully submits the following corrective action plan for the year ended September 30, 2015.

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

Finding 2015-001 The Board of Supervisors should provide the financial data of all its component units in accordance with generally accepted accounting principles.

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

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

**Name of Contact Person Responsible for Corrective Action:** Tony Greer, County Administrator

Finding 2015-002 The County should implement controls to ensure tax levies are within statutorily-imposed limits.

**Corrective Action Plan:** Subsequent to the close of this fiscal year, Madison County recognized a defect in Section 19-5-189(2)(b), Miss Code Ann. (1972) that did not provide a mechanism for increasing millage in fire districts above the statutory 2 mills. Madison County helped introduce and get passed HB 1747 which gave counties a process to legally raise their millage. Included in HB 1747 was ratification from the legislature allowing those counties that had previously increased their millage to maintain the increase.

**Anticipated Completion Date for Corrective Action:** Completed

**Name of Contact Person Responsible for Corrective Action:** Tony Greer, County Administrator

Finding 2015-003 It is recommended that they County perform a network security assessment as soon as possible. All factors that might increase the risk of unauthorized access to an entity's data assets should be considered when determining the exact scope of the network review to be performed. This review should consist of risk assessments, vulnerability scans and penetration tests. These type tests should be conducted by qualified personnel that specialize in such assessments.

**Corrective Action Plan:** The County has selected a vendor to perform this test.

**Anticipated Completion Date for Corrective Action:** December 31, 2016

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

Finding 2015-004 The County should implement a system of internal controls to ensure that construction in progress is reclassified in the appropriate year and obtain written documentation of the cost and date of completion for each project from the county engineer.

**Corrective Action Plan:** Madison County has made progress in its accounting for capital assets. At the conclusion of the 2015 fiscal year, the Comptroller's office requested the County Engineer to provide an independent statement regarding which expenditures should be capitalized. This statement was never received by the Comptroller's Office.

Prior audit findings rejected the conclusions of the Comptroller's Office, related to capitalization of expenditures. Therefore, absent written documentation from the county engineer, the county followed prior guidance and did not capitalize expenditures that could not be confirmed as capital. Madison County will continue to work on improving internal controls related to accounting for capital assets. Madison County will initiate a practice of obtaining a written statement from the County Engineer of completed projects and projects in-process at the end of the fiscal year.

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

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

Finding 2015-005 The Tax Collector should not print signed checks that are not made out to payee and amount. Also, the Tax Collector should review all checks prior to them leaving the tax office and account for the number sequence of the checks reviewed.

**Corrective Action Plan:** The procedures for issuing checks were changed in June, 2015 and blank checks with electronic signatures are no longer maintained. All refunds are entered electronically by this office and issued by Bank Plus. Normally the only paper checks issued are to the Department of Revenue and the Forestry Commission. Neither one of these entities accept electronic transfers.

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

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

Finding 2015-006 The Tax Collector should implement internal controls to ensure that transactions are properly recorded in the cash journal.

**Corrective Action Plan:** An accounting firm was hired to review this transaction. It was determined that A disbursement for this amount did not occur and the check was improperly recorded in the cash journal. The above recommendation is being followed and an accounting firm is assisting in training of staff, reviewing bank reconciliations and cash journals.

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

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

Finding 2015-007 The Board of Supervisors should implement internal controls to ensure that the financial eligibility of individuals referred to the program is determined and documented prior to their admittance into the program.

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

**Corrective Action Plan:** This grant has been discontinued.

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

**Name of Contact Person Responsible for Corrective Action:** Tony Greer, County Administrator

Sincerely yours,



Trey Baxter  
President, Board of Supervisors  
601-855-5500