

MADISON COUNTY ECONOMIC
DEVELOPMENT AUTHORITY

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED
SEPTEMBER 30, 2019 AND 2018

MADISON COUNTY ECONOMIC DEVELOPMENT AUTHORITY

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Madison County Economic Development Authority
Canton, Mississippi

We have audited the accompanying financial statements of Madison County Economic Development Authority (the Authority), as of and for the years ended September 30, 2019 and 2018, and the related notes to the financial statements which collectively comprise the Authority's basic financial statements 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 the 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 circumstance, 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Madison County Economic Development Authority, as of September 30, 2019 and 2018, and the respective changes in the financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-8 and 37-38 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2020, on our consideration of Madison County Economic Development Authority'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Madison County Economic Development Authority's 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 Economic Development Authority's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Matthews, Cutler & Lindsay, P.A." The signature is written in a cursive style.

Ridgeland, MS
February 19, 2020

MADISON COUNTY ECONOMIC DEVELOPMENT AUTHORITY
MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2019

The following is a discussion and analysis of the financial performance of Madison County Economic Development Authority (MCEDA) for the fiscal year ended September 30, 2019. We encourage readers to consider the information presented in conjunction with MCEDA's Independent Audit Report, basic financial statements, accompanying notes and supplementary information which are attached.

FINANCIAL HIGHLIGHTS

1. The assets of MCEDA were \$14,947,018 at the close of 2019 fiscal year.
2. The Net Position at September 30, 2019, was \$10,743,549 representing an decrease of \$126,353 from the 2018 fiscal year.
3. MCEDA's cash balance at September 30, 2019, was \$1,925,792 which represents an decrease of \$3,690,079 from 2018.
4. The revenues for fiscal year 2019 were \$1,988,320.

OVERVIEW OF THE FINANCIAL STATEMENTS

In accordance with the Governmental Accounting Standards Board Statement 34 (GASB 34), there are three components to the basic financial statements: (1) the government-wide financial statements, (2) the fund financial statements, and (3) the notes supporting the financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of MCEDA finances, in a manner similar to private-sector business.

The statement of net position presents information on all MCEDA assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual amount being reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of MCEDA is improving or deteriorating.

The Statement of activities presents information showing how net position changed during the most recent fiscal year.

Fund Financial Statements

The financial statements of MCEDA include balance sheets and statements of revenues, expenditures, and changes in net position. The balance sheet summarizes and describes the assets, liabilities and financial condition of MCEDA. The statement of revenues, expenditures and changes in net position summarize the revenue, expenditures and other financing sources. MCEDA has one fund category: governmental funds.

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

MCEDA maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in net position for the general fund and capital projects fund. The general and capital projects funds are considered to be major funds.

MCEDA adopts an annual budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with the budget.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

OVERALL FINANCIAL ANALYSIS

MCEDA's operating budget is funded by a millage appropriated by Madison County Economic Development Authority. The 2019 millage rate of 0.45 mill equated to \$699,299 in millage income and \$553,254 in general income for a total of \$1,252,553. Millage rates are determined annually by the Board of Supervisors. Tax collections are subject to fluctuation in value based on property values. In addition, MCEDA receives funds from other governmental entities for reimbursement of capital projects undertaken by MDECA. MCEDA leases facilities to businesses and receives revenue from these leases. MCEDA also purchases property and receives funds from the sale of land.

The funds are used by MCEDA to undertake capital projects as well as to promote economic development. Examples include the purchase and development of land for industrial parks and constructing or renovating facilities and infrastructure including roads, sewer, water and rail facilities, and industrial and commercial building structures. MCEDA also has the authority to build and lease facilities for businesses to aid in recruiting and maintaining high paying jobs in Madison County.

As previously noted, net position may serve over time as a useful indicator of an entity's financial position. For MCEDA, assets exceeded liabilities at the close of the most recent fiscal year.

OVERALL FINANCIAL ANALYSIS (Continued)

MCEDA's net position reflects its investment in capital assets less any related debt used to acquire those assets. Key elements of the net position are as follows:

CONDENSED STATEMENT OF NET POSITION

	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 1,978,727	\$ 5,685,553
Capital assets, net of depreciation	<u>12,691,530</u>	<u>9,299,666</u>
	14,670,257	14,985,219
Deferred outflows of resources	<u>276,761</u>	<u>5,185</u>
Total assets and deferred outflows of resources	<u>\$ 14,947,018</u>	<u>\$ 14,990,404</u>
Current liabilities	\$ 1,108,136	\$ 1,249,459
Long-term liabilities	<u>3,078,823</u>	<u>2,845,352</u>
	4,186,959	4,094,811
Deferred inflows of resources	<u>16,510</u>	<u>25,691</u>
Total liabilities and deferred inflows of resources	<u>4,203,469</u>	<u>4,120,502</u>
Net position		
Net investment in capital assets	10,013,961	6,526,526
Restricted for economic development	<u>729,588</u>	<u>4,343,376</u>
Total net position	<u>10,743,549</u>	<u>10,869,902</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 14,947,018</u>	<u>\$ 14,990,404</u>

MCEDA's net position increased during the most recent fiscal year. Assets increased mainly due to sale of land. Overall liabilities increased due to pension liability. These factors contributed to the overall increase in net position.

OVERALL FINANCIAL ANALYSIS (Continued)

Key elements of the change in net position are reflected in the following table:

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	<u>2019</u>	<u>2018</u>
Revenues:		
Program Revenues		
Charges for services	\$ 336,320	\$ 408,031
Operating grants and contributions	1,252,553	1,429,170
Other general revenue	<u>399,447</u>	<u>3,001,179</u>
Total revenues	<u>1,988,320</u>	<u>4,838,380</u>
Expenses:		
Personnel	795,099	823,334
Office and Occupancy	663,185	715,685
Other	595,693	587,225
Interest & fees payments	<u>60,696</u>	<u>71,832</u>
Total expenses	<u>2,114,673</u>	<u>2,198,076</u>
Change in net position	(126,353)	2,640,304
Net position - beginning of year	<u>10,869,902</u>	<u>8,229,598</u>
Net position - end of year	<u>\$ 10,743,549</u>	<u>\$ 10,869,902</u>

As noted above and in the Statement of Activities, the cost of all governmental activities during the fiscal year ended September 30, 2019 was \$2,114,673.

CAPITAL ASSETS

MCEDA's investment in capital assets for the governmental activities as of September 30, 2019, was \$18,590,337. This includes land, infrastructure, buildings, furniture and equipment.

Total accumulated depreciation as of September 30, 2019, was \$5,898,807. The balance in total net capital assets was \$12,691,530. More detailed information about MCEDA's capital assets is presented in the notes to the financial statements.

FUTURE EVENTS THAT WILL FINANCIALLY IMPACT MCEDA

The mission of MCEDA is to stimulate economic growth in Madison County by attracting new jobs and investments and by enhancing the overall business climate that allows for the maximization of economic development in Madison County. At the close of 2019 fiscal year, MCEDA's outstanding long-term debt was approximately \$1,704,890 which is reported in the government wide financial statement of Madison County. Beginning October 1, 2005, Madison County Board of Supervisors voted unanimously to fund MCEDA operations account on a quarterly basis and to allow oversight of the expenditures to become MCEDA's sole responsibility.

CONTACTING MCEDA'S FINANCIAL MANAGEMENT

MCEDA's financial statements are designed to provide users with a general overview of its finances and to demonstrate its accountability for the financial resources it manages. If you have any questions about the report or need additional information, contact the Director, Madison County Economic Development.

BASIC GOVERNMENT FINANCIAL STATEMENTS

MADISON COUNTY ECONOMIC DEVELOPMENT AUTHORITY

STATEMENTS OF NET POSITION
AT SEPTEMBER 30, 2019 AND 2018

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,925,792	\$ 5,615,871
Accounts receivable	-	32,140
Millage receivable	25,292	24,885
Rent receivable	12,657	12,657
Prepaid expenses	<u>14,986</u>	<u>-</u>
	<u>1,978,727</u>	<u>5,685,553</u>
NONCURRENT ASSETS		
Capital assets not being depreciated:		
Land	5,600,717	1,827,396
Capital assets, net of accumulated depreciation		
Furniture and equipment	60,171	109,743
Infrastructure	322,593	332,166
Building	<u>6,708,049</u>	<u>7,030,361</u>
	<u>12,691,530</u>	<u>9,299,666</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pensions	14,283	5,185
Changes in assumptions related to pensions	<u>262,478</u>	<u>-</u>
	<u>276,761</u>	<u>5,185</u>
	<u>\$ 14,947,018</u>	<u>\$ 14,990,404</u>

MADISON COUNTY ECONOMIC DEVELOPMENT AUTHORITY

STATEMENTS OF NET POSITION - CONTINUED
AT SEPTEMBER 30, 2019 AND 2018

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	<u>2019</u>	<u>2018</u>
CURRENT LIABILITIES		
Accounts payable	\$ 51,086	\$ 218,175
ACE grant payable	890,000	890,000
Accrued expenses	84,371	61,108
Loans payable, current	<u>82,679</u>	<u>80,176</u>
	<u>1,108,136</u>	<u>1,249,459</u>
 LONG-TERM LIABILITIES		
Net pension liability	1,373,933	1,042,388
Loans payable, net of current portion	<u>1,704,890</u>	<u>1,802,964</u>
	<u>3,078,823</u>	<u>2,845,352</u>
 DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions	<u>16,510</u>	<u>25,691</u>
 NET POSITION		
Net investment in capital assets	10,013,961	6,526,526
Restricted for economic development	<u>729,588</u>	<u>4,343,376</u>
	<u>10,743,549</u>	<u>10,869,902</u>
	<u>\$ 14,947,018</u>	<u>\$ 14,990,404</u>

MADISON COUNTY ECONOMIC DEVELOPMENT AUTHORITY

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
REVENUE		
Millage	\$ 1,252,553	\$ 1,319,170
Grant income	-	110,000
Land and building rental	336,320	408,031
Gain on sale of asset	362,681	2,998,526
Interest income	2,595	2,653
Miscellaneous income	34,171	-
Total revenue	<u>1,988,320</u>	<u>4,838,380</u>
 EXPENDITURES		
Personnel		
Salaries and taxes	539,144	541,905
State retirement	133,045	174,689
Social security matching	23,935	28,120
Unemployment services fees	-	231
Grouping insurance matching	37,741	32,726
Temp labor	-	15,748
Travel	61,234	29,915
	<u>795,099</u>	<u>823,334</u>
Office and Occupancy		
Accounting and auditing fees	24,780	24,080
Advertising/contractual print	13,707	13,908
Depreciation and amortization expense	414,496	417,852
Dues and subscriptions	46,143	52,908
Insurance and fidelity bonds	18,186	37,803
Office machine rental	5,854	4,977
Office supplies	22,017	34,787
Phone service	33,151	27,425
Postage and box rent	1,241	3,296
Utilities	57,440	71,378
Website	26,170	27,271
	<u>663,185</u>	<u>715,685</u>

MADISON COUNTY ECONOMIC DEVELOPMENT AUTHORITY

STATEMENTS OF ACTIVITIES - CONTINUED
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
EXPENDITURES - CONTINUED		
Other		
Capital projects - repairs	29,980	34,018
Consulting services	22,200	12,105
Engineering fees	123,833	128,322
Food for persons	12,762	14,034
Legal fees	136,036	181,217
Maintenance	64,893	67,119
Other contractual services	86,171	67,797
PR events	10,827	6,686
Projects	<u>108,991</u>	<u>75,927</u>
	<u>595,693</u>	<u>587,225</u>
Total expenditures	<u>2,053,977</u>	<u>2,126,244</u>
Excess (deficit) of revenue/expenditures	<u>(65,657)</u>	<u>2,712,136</u>
Other financing sources		
Debt service:		
Interest & fees payments	<u>60,696</u>	<u>71,832</u>
Total other financing sources	<u>60,696</u>	<u>71,832</u>
Excess (deficit) of revenues and other sources/ expenditures and other uses	<u>(126,353)</u>	<u>2,640,304</u>
NET POSITION AT BEGINNING OF YEAR	<u>10,869,902</u>	<u>8,229,598</u>
NET POSITION AT END OF YEAR	<u>\$ 10,743,549</u>	<u>\$ 10,869,902</u>

MADISON COUNTY ECONOMIC DEVELOPMENT AUTHORITY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from members/others	\$ 2,020,053	\$ 4,847,928
Payments to employees/benefits	(440,291)	(703,794)
Payments to vendors	<u>(1,449,834)</u>	<u>(3,856,692)</u>
Net cash provided by operating activities	<u>129,928</u>	<u>287,442</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of capital assets	(3,833,039)	-
Proceeds from sale of capital assets	389,360	3,987,756
(Increase) decrease in deferred outflow of resources	<u>(271,576)</u>	<u>5,107</u>
Net cash provided by (used in) investing activities	<u>(3,715,255)</u>	<u>3,992,863</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes payable	(95,571)	(72,440)
Increase (decrease) in deferred Inflow of resources	<u>(9,181)</u>	<u>19,548</u>
Net cash used in financing activities	<u>(104,752)</u>	<u>(52,892)</u>
NET INCREASE (DECREASE) IN CASH	(3,690,079)	4,227,413
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>5,615,871</u>	<u>1,388,458</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,925,792</u>	<u>\$ 5,615,871</u>

MADISON COUNTY ECONOMIC DEVELOPMENT AUTHORITY

STATEMENTS OF CASH FLOWS - CONTINUED
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
RECONCILIATION OF OPERATING ACTIVITIES		
Change in net position	\$ (126,353)	\$ 2,640,304
Adjustments to reconcile change in net position to net cash provided by operating activities		
Depreciation and amortization	414,496	417,852
Gain on sale of asset	(362,681)	(2,998,526)
(Increase) decrease in		
Accounts receivable	32,140	-
Millage receivable	(407)	(8,608)
Rent receivable	-	18,156
Prepaid expenses	(14,986)	-
Increase (decrease) in		
Accounts payable	(167,089)	208,724
ACE grant payable	-	(110,000)
Accrued expenses	23,263	47,998
Net pension liability	<u>331,545</u>	<u>71,542</u>
Net cash provided by operating activities	<u>\$ 129,928</u>	<u>\$ 287,442</u>

MADISON COUNTY ECONOMIC DEVELOPMENT AUTHORITY

BALANCE SHEETS - GOVERNMENTAL FUNDS
AT SEPTEMBER 30, 2019 AND 2018

	2019			2018
	General Fund	Capital Projects Fund	Total Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 530,835	\$ 1,394,957	\$ 1,925,792	\$ 5,615,871
Accounts receivable	-	-	-	32,140
Millage receivable	25,292	-	25,292	24,885
Rent receivable	-	12,657	12,657	12,657
Prepaid expenses	7,103	7,883	14,986	-
	<u>\$ 563,230</u>	<u>\$ 1,415,497</u>	<u>\$ 1,978,727</u>	<u>\$ 5,685,553</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 7,563	\$ 43,523	\$ 51,086	\$ 218,175
Accrued expenses	84,371	-	84,371	61,108
	<u>91,934</u>	<u>43,523</u>	<u>135,457</u>	<u>279,283</u>
Fund Balances				
Unreserved, reported in:				
General fund	471,296	-	471,296	300,079
Capital projects fund	-	1,371,974	1,371,974	5,106,191
	<u>471,296</u>	<u>1,371,974</u>	<u>1,843,270</u>	<u>5,406,270</u>
	<u>\$ 563,230</u>	<u>\$ 1,415,497</u>	<u>\$ 1,978,727</u>	<u>\$ 5,685,553</u>

MADISON COUNTY ECONOMIC DEVELOPMENT AUTHORITY

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEETS
TO THE STATEMENTS OF NET POSITION
AT SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Total fund balance - governmental funds	\$ <u>1,843,270</u>	\$ <u>5,406,270</u>
Amounts reported for governmental activities in the Statements of Net Position are difference because:		
Capital assets used in the operation of governmental funds are not financial resources and, therefore, are not reported in the funds.		
Governmental capital assets	18,590,337	14,783,977
Less accumulated depreciation	<u>(5,898,807)</u>	<u>(5,484,311)</u>
	<u>12,691,530</u>	<u>9,299,666</u>
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore are not reported in the funds.		
Deferred outflows of resources related to pensions	276,761	5,185
Deferred inflows of resources related to pensions	<u>(16,510)</u>	<u>(25,691)</u>
	<u>260,251</u>	<u>(20,506)</u>
Long-term liabilities are not due and payable in the current period and, therefore they are not reported in the funds.		
	(1,787,569)	(1,883,140)
Net pension liability	(1,373,933)	(1,042,388)
ACE grants payable	<u>(890,000)</u>	<u>(890,000)</u>
	<u>(4,051,502)</u>	<u>(3,815,528)</u>
Total net position - governmental activities	\$ <u>10,743,549</u>	\$ <u>10,869,902</u>

MADISON COUNTY ECONOMIC DEVELOPMENT AUTHORITY

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	2019			2018
	General Fund	Capital Projects Fund	Total Governmental Funds	Total Governmental Funds
REVENUE				
Millage	\$ 1,252,553	\$ -	\$ 1,252,553	\$ 1,319,170
Land and building rental	-	336,320	336,320	408,031
Land sales	-	389,360	389,360	3,987,756
Interest income	1,387	1,208	2,595	2,653
Miscellaneous income	12,247	21,924	34,171	-
Total revenue	<u>1,266,187</u>	<u>748,812</u>	<u>2,014,999</u>	<u>5,717,610</u>
EXPENDITURES				
Personnel				
Salaries and taxes	539,144	-	539,144	541,905
State retirement	82,257	-	82,257	78,492
Social security matching	23,935	-	23,935	28,120
Uemployment service fees	-	-	-	231
Group insurance matching	37,741	-	37,741	32,726
Temp labor	-	-	-	15,748
Travel	61,234	-	61,234	29,915
	<u>744,311</u>	<u>-</u>	<u>744,311</u>	<u>727,137</u>
Office and Occupancy				
Accounting and auditing fees	16,380	8,400	24,780	24,080
Advertising/contractual print	13,707	-	13,707	13,908
Dues and subscriptions	45,144	999	46,143	52,908
Insurance and fidelity bonds	5,316	12,870	18,186	37,803
Office machine rental	5,854	-	5,854	4,977
Office supplies	18,697	3,320	22,017	34,787
Phone service	7,975	25,176	33,151	27,425
Postage and box rent	1,030	211	1,241	3,296
Utilities	8,628	48,812	57,440	71,378
Website	26,170	-	26,170	27,271
	<u>148,901</u>	<u>99,788</u>	<u>248,689</u>	<u>297,833</u>

MADISON COUNTY ECONOMIC DEVELOPMENT AUTHORITY

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - CONTINUED
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	2019			2018
	General Fund	Capital Projects Fund	Total Governmental Funds	Total Governmental Funds
EXPENDITURES - CONTINUED				
Other				
Capital assets purchased during the year	\$ -	\$ 3,800,000	\$ 3,800,000	\$ -
Capital projects - repairs	-	29,980	29,980	34,018
Consulting services	22,200	-	22,200	12,105
Engineering fees	39,812	84,021	123,833	128,322
Food for persons	12,762	-	12,762	14,034
Legal fees	61,667	74,369	136,036	181,217
Maintenance	9,615	55,278	64,893	67,119
Other contractual services	11,875	74,296	86,171	67,797
PR events	10,827	-	10,827	6,686
Projects	-	108,991	108,991	75,927
	<u>168,758</u>	<u>4,226,935</u>	<u>4,395,693</u>	<u>587,225</u>
Total expenditures	<u>1,061,970</u>	<u>4,326,723</u>	<u>5,388,693</u>	<u>1,612,195</u>
Excess (deficit) of revenue/expenditures	<u>204,217</u>	<u>(3,577,911)</u>	<u>(3,373,694)</u>	<u>4,105,415</u>
Other financing sources (uses)				
Debt service:				
Principal payments	-	(95,571)	(95,571)	(72,440)
Interest & fees payments	-	(60,696)	(60,696)	(71,832)
Operating transfers in	(33,000)	-	(33,000)	305,690
Operating transfers out	-	33,000	33,000	(305,690)
Total other financing sources (uses)	<u>(33,000)</u>	<u>(123,267)</u>	<u>(156,267)</u>	<u>(144,272)</u>

MADISON COUNTY ECONOMIC DEVELOPMENT AUTHORITY

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - CONTINUED
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	2019			2018
	General Fund	Capital Projects Fund	Total Governmental Funds	Total Governmental Funds
Excess of revenues and other sources/ expenditures and other uses	\$ 171,217	\$ (3,701,178)	\$ (3,529,961)	\$ 3,961,143
NET POSITION AT BEGINNING OF YEAR	<u>300,079</u>	<u>5,106,191</u>	<u>5,406,270</u>	<u>1,445,127</u>
NET POSITION AT END OF YEAR	<u>\$ 471,296</u>	<u>\$ 1,405,013</u>	<u>\$ 1,876,309</u>	<u>\$ 5,406,270</u>

MADISON COUNTY ECONOMIC DEVELOPMENT AUTHORITY

RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Net changes in fund balance - total governmental funds	<u>\$ (3,529,961)</u>	<u>\$ 3,961,143</u>
Amounts reported for governmental activities in the Statements of Activities are difference because:		
Governmental funds report capital outlays as expenditures. However, in the Statements of Activities, the cost of those assets is depreciated over their estimated useful lives:		
Sale of assets	(389,360)	(3,987,756)
Gain on sale of assets	362,681	2,998,526
Expenditures for capital assets	3,800,000	-
Less current year depreciation expense	<u>(414,496)</u>	<u>(417,852)</u>
	<u>3,358,825</u>	<u>(1,407,082)</u>
Governmental funds report pension contributions as expenditures. However, the Statements of Activities reports pension expense and other activity related to net pension liability:		
Cost of benefits earned net of employee contributions (pension expense from pension schedule)	<u>(50,788)</u>	<u>(96,197)</u>
Governmental funds do not include the revenue earned on the ACE grant payable, but the income earned reduces the current liability in the Statements of Net Position.		
	<u>-</u>	<u>110,000</u>
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statements of Net Position.		
	<u>95,571</u>	<u>72,440</u>
Changes in net position of governmental activities	<u>\$ (126,353)</u>	<u>\$ 2,640,304</u>

MADISON COUNTY ECONOMIC DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

1. NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Madison County Economic Development Authority ("the Authority") (formerly Industrial Development Authority of Madison County) was established by the Madison County Board of Supervisors as authorized by Senate Bill No. 3040 enacted by the Mississippi Legislature of 1979 and amended by the Senate Bill no. 3133 enacted by the Mississippi Legislature of 1993. This act authorized the issuance of bonds for the purpose of acquiring and improving land for industrial parks, and the levying of special taxes to repay the bonds. The accounting for its debt service funds is included in the accounting for all Madison County funds under the control of the Madison County Board of Supervisors.

The financial statements were prepared in accordance with Governmental Accounting Standards Board (GASB) Statements. Under the provisions of those standards, the financial reporting entity consists of the primary government organizations for which the Authority Board of Supervisors are considered to be financially accountable, and other organizations for which the nature and significance of their relationship with the Authority are such that, if excluded, the financial statements of the Authority would be considered incomplete or misleading. There are no entities considered to be components of the Authority; therefore, the financial statements include only the operations of the Madison County Economic Development Authority.

Financial Statement Presentation

The accounting policies of the Authority conform to generally accepted accounting principles (GAAP) as applicable to governments and prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standards-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies.

Basic Financial Statements

The basic financial statements include both government-wide and fund financial statements. The government-wide financial statements (i.e., the statements of net position and the statements of activities) report financial information for the Authority as a whole excluding fiduciary activities. The effect of interfund activity, within the governmental activities, has been removed from these statements.

MADISON COUNTY ECONOMIC DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

1. NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basic Financial Statements - Continued

The primary government is presented separately within the financial statements with the focus on the primary government. The statements of activities report the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity.

Fund Accounting

The accounts of the Authority are organized within a General Fund and a Capital Projects Fund which are considered major funds. The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities. The General Fund is used to account for operations. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures.

The Authority reports the following major governmental funds:

General Fund

The general fund is used to account for all activities of the Authority for which a separate fund has not been established.

Capital Projects Fund

The capital projects fund is used to account for and report financial resources which are committed to capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Basis of Accounting

The government-wide financial statements are reporting using the economic resources management focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred. Grants and similar items are to be recognized as revenue as soon as eligibility requirements imposed by the provider have been met.

MADISON COUNTY ECONOMIC DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

1. NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basis of Accounting - Continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority, in general, considers revenue to be available if collected within 30 days of the current fiscal period. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Expenditures are generally recognized when the related fund liability is incurred.

Use of Estimates

The Authority prepares its financial statements in accordance with accounting principles generally accepted in the United States of America, which require that management make estimates and assumptions that affect the reported amounts. Actual amounts could differ from those results. In the opinion of management, such differences would not be significant.

Cash and Cash Equivalents

For the purposes of the cash flows statement, the Authority considers cash and cash equivalents to include all highly liquid depository accounts with an initial maturity of six months or less.

Deposits

The collateral for public entities' deposits in financial institutions are held in the name of the State Treasurer under a program established by the Mississippi State legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities must be pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

MADISON COUNTY ECONOMIC DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

1. NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Deposits - Continued

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the county will not be able to recover deposits or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the county. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the county.

Unearned Revenue

Governmental funds report unearned revenues in connection with receivable for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental and enterprise funds also defer revenue recognition in connection with resources that have been received as of year-end, but are not yet earned.

Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the general long-term debt account group. No expenditure is reported for these amounts.

In accordance with the provisions, no liability is recorded for non-vesting accumulated rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement.

Reclassifications

Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

MADISON COUNTY ECONOMIC DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

2. CAPITAL ASSETS

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the statement of net position. Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital asset activity for the fiscal year ended September 30, 2019 were as follows:

	Beginning Balance <u>09/30/18</u>	<u>Increases</u>	<u>Decreases</u>	Ending Balance <u>09/30/19</u>
Land	\$ 1,827,396	\$ 3,800,000	\$ (26,679)	\$ 5,600,717
Furniture and equipment	321,202	-	-	321,202
Infrastructure	789,305	33,039	-	822,344
Building	<u>11,846,074</u>	<u>-</u>	<u>-</u>	<u>11,846,074</u>
	<u>14,783,977</u>	<u>3,833,039</u>	<u>(26,679)</u>	<u>18,590,337</u>
Less accumulated depreciation	<u>(5,484,311)</u>	<u>(414,496)</u>	<u>-</u>	<u>(5,898,807)</u>
Total capital assets, net	<u>\$ 9,299,666</u>	<u>\$ 3,418,543</u>	<u>\$ (26,679)</u>	<u>\$ 12,691,530</u>

MADISON COUNTY ECONOMIC DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

2. CAPITAL ASSETS - CONTINUED

Capital asset activity for the fiscal year ended September 30, 2018 were as follows:

	Beginning Balance <u>09/30/17</u>	<u>Increases</u>	<u>Decreases</u>	Ending Balance <u>09/30/18</u>
Land	\$ 2,816,626	\$ -	\$ (989,230)	\$ 1,827,396
Furniture and equipment	367,337	-	(46,135)	321,202
Infrastructure	789,305	-	-	789,305
Building	11,846,074	-	-	11,846,074
	<u>15,819,342</u>	<u>-</u>	<u>(1,035,365)</u>	<u>14,783,977</u>
Less accumulated depreciation	<u>(5,112,594)</u>	<u>(417,852)</u>	<u>46,135</u>	<u>(5,484,311)</u>
Total capital assets, net	<u>\$ 10,706,748</u>	<u>\$ (417,852)</u>	<u>\$ (989,230)</u>	<u>\$ 9,299,666</u>

Property, plant, and equipment are depreciated using the straight-line method over the useful life of the property, ranging from 5-39 years. Depreciation and amortization expense amounted to \$414,233 and \$414,496 for the years then ended September 30, 2019 and 2018, respectively.

MADISON COUNTY ECONOMIC DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

3. NOTES PAYABLE

Debt service requirements for the Authority were as follows:

	<u>2019</u>	<u>2018</u>
Note payable to MDA, due in monthly installments of \$6,023.40 including interest at 3.00%, beginning January 1, 2009, with the remaining balance due on December 1, 2028.	\$ 573,071	\$ 637,119
Note payable to PriorityOne Bank, due in monthly installments of \$5,997.06 including interest at 3.65%, beginning April 20, 2016 and maturing on November 4, 2024.	<u>1,214,498</u>	<u>1,246,021</u>
	1,787,569	1,883,140
Less current maturities	<u>(82,679)</u>	<u>(80,176)</u>
Long-term debt, less current maturities	<u>\$ 1,704,890</u>	<u>\$ 1,802,964</u>

The following is a schedule by years of the total payments due on this debt:

Year ended <u>September 30,</u>	
2020	\$ 82,679
2021	85,517
2022	88,325
2023	91,225
2024	91,494
2024-2028	<u>1,348,329</u>
Total	<u>\$ 1,787,569</u>

MADISON COUNTY ECONOMIC DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

4. LEASES

The Authority has lease agreements for land and facilities they own. During the years ended September 30, 2019 and 2018, the Authority received \$336,320 and \$408,031, respectively in rental income. These leases are cancellable and considered operating leases. Lease agreements are as follows:

Operating Leases

CMPDD

Lease payable \$8,400 per month (10/1/17 - 9/30/18); renewed for an additional year (10/1/18 - 9/30/19)

Global Training

Five-year and eight month lease payable \$8,507.42 per month (1/1/16 - 8/25/20)

Madison County Business League (MCBL)

Three-year lease payable \$1,060 per month (7/1/15 - 6/30/18); renegotiation a new lease payable \$250 per month (1/1/19 - 12/31/19)

MHB Tower Rentals

Tenant to remit 20% of any rental income to MCEDA

Mississippi Association of Nurse Practitioners (MANP)

Three-year lease payable \$600 per month (12/1/15 - 11/30/18); renegotiated a new lease payable \$1,050 per month for twenty-four months (7/1/19 - 6/30/21)

TelehealthONE

Four-year lease payable \$500 per month for the first twelve months and \$3,749.17 for the rest of the lease term (3/1/14 - 2/28/18); extended for three years (3/1/18 - 2/18/21)

MADISON COUNTY ECONOMIC DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

4. LEASES - CONTINUED

Five-year minimum annual payments under operating leases with remaining lease terms greater than one year are as follows:

Year ended <u>September 30,</u>	
2020	\$ 151,922
2021	<u>28,196</u>
	<u>\$ 180,118</u>

5. PENSION PLAN

The total pension liability was determined by an actuarial assumptions as of June 30, 2019 was determined by an actuarial valuation prepared as of June 30, 2018. Subsequent to the June 30, 2018 valuation, the Board adopted new actuarial assumptions based on the experience investigation for the four-year period ending June 30, 2018.

The following actuarial assumptions are applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	3.25 – 18.25 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

MADISON COUNTY ECONOMIC DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

5. PENSION PLAN - CONTINUED

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 most recent target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	27%	4.90%
International Equity	22%	4.75%
Global Equity	12%	5.00%
Fixed Income	20%	1.50%
Real Estate	10%	4.00%
Private Equity	8%	6.25%
Cash	1%	0.25%
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 (17.40%). 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.

MADISON COUNTY ECONOMIC DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

5. PENSION PLAN - CONTINUED

Plan Description - The Public Employees' Retirement System of Mississippi (PERS) is a defined benefit cost-sharing plan administered by the PERS System that provides retirement benefits to all eligible employees. Membership in PERS is a condition of employment granted upon hiring for qualifying employees including officials of the State of Mississippi (the State), state universities, community and junior colleges, and teachers and employees of the public school districts, and other public employees whose employers have elected to participate. For those persons employed by political subdivisions and instrumentalities of the State, membership is contingent upon approval of the entity's participation in PERS by the System's Board of Trustees. Members and employers are statutorily required to contribute certain percentages of salaries and wages as specified by the Board of Trustees. Current rates are 17.40 percent for employers and 9.00 percent for members. PERS employers contributed \$1,038.1 million and members contributed \$580.9 million for fiscal year 2019.

A member who terminates employment from all covered employers and who is not eligible to receive monthly retirement benefits may request a full refund of his or her accumulated member contributions plus interest. Upon withdrawal of contributions, a member forfeits service credit represented by those contributions. Participating members who are vested and retire at or after age 60 or those who retire 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.

A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. 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. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary.

MADISON COUNTY ECONOMIC DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

5. PENSION PLAN - CONTINUED

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 and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. § 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. The PERS plan financial report is included in the Comprehensive Annual Financial Report of the Public Employees' Retirement System available at www.PERS.ms.gov.

As stated previously, the Net Pension Liability (NPL) is equal to the Total Pension Liability (TPL) minus the Fiduciary Net Position (FNP). That result as of July 31, 2019 and 2018 is presented in the table below, along with additional required figures. Note that the following tables are stated to reflect the Bar's information.

	<u>2019</u>	<u>2018</u>
Total Pension Liability	\$ 3,576,869	\$ 2,782,307
Less: Fiduciary Net Position	<u>(2,202,936)</u>	<u>(1,739,919)</u>
Net Pension Liability	<u>\$ 1,373,933</u>	<u>\$ 1,042,388</u>
Ratio of Fiduciary Net Position to Total Pension Liability	61.59%	62.54%
Covered payroll	\$ 479,918	\$ 375,972
Net Pension Liability as a percentage of covered payroll	286.29%	277.25%

MADISON COUNTY ECONOMIC DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

5. PENSION PLAN - CONTINUED

In addition to the results in the table above, the sensitivity of the NPL to changes in the discount rate must be disclosed. The following presents the NPL of PERS, calculated using the discount rate of 7.75 percent, as well as what the PERS NPL 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.

	As of June 30, 2019:		
	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
System's Net Pension Liability	<u>\$ 1,806,083</u>	<u>\$ 1,373,933</u>	<u>\$ 1,017,232</u>
	As of June 30, 2018:		
	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
System's Net Pension Liability	<u>\$ 1,372,526</u>	<u>\$ 1,042,388</u>	<u>\$ 768,000</u>

Since certain expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce pension expense they are labeled deferred inflows. If they will increase pension expense they are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average remaining service life of the active and inactive PERS members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five-year period.

MADISON COUNTY ECONOMIC DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

5. PENSION PLAN - CONTINUED

The table below provides a summary of the deferred outflows and inflows as of July 31, 2019 and 2018 (Measurement Date), respectively.

	<u>As of June 30, 2019:</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 813	\$ 1,479
Net difference between projected and actual earnings on pension plan investments	-	15,031
Changes of assumptions	<u>13,470</u>	<u>-</u>
Total	<u>\$ 14,283</u>	<u>\$ 16,510</u>
	<u>As of June 30, 2018:</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 4,570	\$ 4,394
Net difference between projected and actual earnings on pension plan investments	-	20,721
Changes of assumptions	<u>615</u>	<u>576</u>
Total	<u>\$ 5,185</u>	<u>\$ 25,691</u>

MADISON COUNTY ECONOMIC DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

6. CONTINGENT LIABILITIES

The Authority has received notice from the United States EPA of a potential claim for reimbursement of certain environmental cleanup costs in connection with a piece of property that the Authority owns in the Canton Industrial Park. The claim is unliquidated at this point and no litigation has been instituted concerning this matter. The property, acquired by the Authority in 1984, was subject to a Federal lien for clean-up costs related to possible environmental contamination. The cost of the real property of \$77,747 is included as a fixed asset.

Parkway East Public Improvement District has made a claim for past due assessments in the amount of approximately \$750,000. The Authority has sought and has received a Mississippi Attorney General's opinion that sets forth that the Authority does not owe and is not responsible for the payment of the PIO assessments. Litigation has been threatened against the Authority to collect these assessments.

7. RELATED PARTY TRANSACTIONS

Four Authority board members serve on the Madison County Business League. The Madison County Business League paid \$12,720 rent to the Authority.

8. SUBSEQUENT EVENTS

In accordance with FASB Accounting Standards Codification Topic 855, Subsequent Events, the Authority has evaluated subsequent events through February 19, 2020, which is the date the financial statements were available to be issued. All subsequent events requiring recognition as of February 19, 2020 have been incorporated into these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MANAGEMENT'S DISCUSSION
AND ANALYSIS

MADISON COUNTY ECONOMIC DEVELOPMENT AUTHORITY

BUDGETARY COMPARISON SCHEDULE - BUDGET AND
ACTUAL (NON-GAAP BASIS) GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Original & Final Budget	Actual amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUE			
Millage	\$ 1,258,000	\$ 1,252,553	\$ 5,447
Interest income	-	1,387	(1,387)
Miscellaneous income	-	12,247	(12,247)
Total Revenue	1,258,000	1,266,187	(8,187)
EXPENDITURES			
Personnel			
Salaries and taxes	590,000	539,144	50,856
State retirement	92,925	82,257	10,668
Social security matching	36,875	23,935	12,940
Unemployment service fees	344	-	344
Group insurance matching	37,740	37,741	(1)
Travel	35,172	61,234	(26,062)
Office and Occupancy			
Accounting and auditing fees	14,570	16,380	(1,810)
Advertising/contractual print	13,320	13,707	(387)
Dues and subscriptions	45,276	45,144	132
Insurance and fidelity bonds	13,347	5,316	8,031
Office machine rental	6,000	5,854	146
Office supplies	40,000	18,697	21,303
Phone service	16,152	7,975	8,177
Postage and box rent	4,146	1,030	3,116
Utilities	5,916	8,628	(2,712)
Website	16,800	26,170	(9,370)

MADISON COUNTY ECONOMIC DEVELOPMENT AUTHORITY

BUDGETARY COMPARISON SCHEDULE - BUDGET AND
ACTUAL (NON-GAAP BASIS) GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Original & Final Budget	Actual amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
EXPENDITURES (Continued)			
Other			
Consulting services	\$ 15,817	\$ 22,200	\$ (6,383)
Engineering fees	84,920	39,812	45,108
Food for persons	10,000	12,762	(2,762)
Legal fees	107,403	61,667	45,736
Maintenance	12,000	9,615	2,385
Other contractual services	9,770	11,875	(2,105)
PR events	9,507	10,827	(1,320)
Projects	<u>40,000</u>	<u>-</u>	<u>40,000</u>
 Total expenditures	 <u>1,258,000</u>	 <u>1,061,970</u>	 <u>196,030</u>
 Deficiency of budgeted revenues over budgeted expenditures	 <u>\$ -</u>	 <u>\$ 204,217</u>	 <u>\$ 204,217</u>

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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*

The Board of Directors
Madison County Economic Development Authority
Canton, 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 of Madison County Economic Development Authority, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise Madison County Economic Development Authority's basic financial statements, and have issued our report thereon dated February 19, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Madison County Economic Development Authority'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 Madison County Economic Development Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Madison County Economic Development Authority's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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.



Ridgeland, MS
February 19, 2020