



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR**

PHIL BRYANT
State Auditor

RAMONA HILL, CPA
Director, Financial and Compliance Audit Division

ED YARBOROUGH, CPA, CIA, CFE, CGFM
Director, County Audit Section

MADISON COUNTY, MISSISSIPPI

**Primary Government Financial Statements and Special Reports
For the Year Ended September 30, 2000**

MADISON COUNTY

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MADISON COUNTY

FINANCIAL SECTION

MADISON COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

INDEPENDENT AUDITOR'S REPORT
ON
THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

October 22, 2001

Members of the Board of Supervisors
Madison County, Mississippi

We have audited the accompanying primary government financial statements of Madison County, Mississippi, as of and for the year ended September 30, 2000, as listed in the table of contents. These primary government financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these primary government financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The county failed to properly reconcile the bank account to the cash balance in the general ledger. As a result, the accompanying Combined Statement of Revenues, Expenditures and Changes in Fund Balances includes a material unidentified amount of \$(105,054) in the other financing sources (uses) section of the General Fund. We were unable to satisfy ourselves as to the fair presentation of revenues, expenditures and other financing sources (uses) and the resulting effect on ending cash and investment balances reported.

A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate. Such legally separate entities are referred to as component units. In our opinion, except for the effect on the financial statements from the material unidentified other financing use and the resulting effect on ending cash and investments described in the preceding paragraph, the primary government financial statements referred to above present fairly, in all material respects, the financial position of the primary government of Madison County, Mississippi, as of September 30, 2000, and the results of its operations and cash flows of its Proprietary Fund Type for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

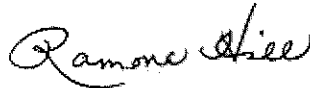
However, the primary government financial statements, because they do not include the financial data of component units of Madison County, Mississippi, do not purport to, and do not present fairly the financial position of Madison County, Mississippi, as of September 30, 2000, and the results of its operations and cash flows of its Proprietary Fund Type for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 22, 2001, on our consideration of Madison County, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit

Our audit was performed for the purpose of forming an opinion on the primary government financial statements of Madison County, Mississippi, taken as a whole. The accompanying Reconciliation of Operating Costs of Solid Waste is presented for purposes of additional analysis and is not a required part of the primary government financial statements. Such information has been subjected to the auditing procedures applied in the audit of the primary government financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the primary government financial statements taken as a whole.



PHIL BRYANT
State Auditor



RAMONA HILL, CPA
Director, Financial and Compliance Audit Division

MADISON COUNTY

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

MADISON COUNTY
 Combined Balance Sheet - All Fund Types and Account Groups
 September 30, 2000

Exhibit A

	Governmental Fund Types		Proprietary Fund Type		Fiduciary Fund Type		Account Groups			Totals Memorandum	
	General	Special Revenue	Debt Services	Internal Service	Agency	General Fixed Assets	General Long-term Debt	Only Primary Government			
ASSETS											
Cash and investments (Note 4)	\$ 3,181,963	696,454	404,711	10,140	240,596						4,533,864
Other receivables	18,308										18,308
Intergovernmental receivables	615,189										615,189
Interfund receivables (Note 5)	455,258	210,044	41,611	100,425	13,281						820,619
Special assessments receivable - deferred			3,630,000								3,630,000
Loans receivable (Note 6)	1,055,000										1,055,000
Lease payments receivable (Note 9)		4,225,954									4,225,954
Fixed assets (Note 7)						28,968,130					28,968,130
Amount to be provided for retirement of special assessment debt							3,630,000				3,630,000
Amount to be provided for retirement of general long-term debt											
Total Assets	\$ 5,325,718	5,132,452	4,076,322	110,565	253,877	28,968,130	27,533,219	31,163,219	27,533,219	75,030,283	
LIABILITIES AND FUND EQUITY											
Liabilities:											
Claims payable	\$ 360,956	193,065									554,021
Amounts held in custody for others					98,562						98,562
Intergovernmental payables	827,587				155,315						982,902
Interfund payables (Note 5)	349,926	15,435	455,258								820,619
Deferred revenue - lease principal payments (Note 9)		2,598,346									2,598,346
Deferred revenue - lease interest payments (Note 9)		1,627,608									1,627,608
Deferred revenue - federal		13,021									13,021
Deferred revenue - special assessment											
Claims and judgments liability (Note 8)			3,630,000	84,638							3,630,000
Compensated absences liability (Note 10)											
General obligation bonds payable (Note 10)									472,110		472,110
Limited obligation bonds payable (Note 10)									18,360,000		18,360,000
Special assessment debt with government commitment (Note 10)									2,435,000		2,435,000
Capital leases payable (Note 10)									3,630,000		3,630,000
Other loans payable (Note 10)									3,324,054		3,324,054
Total Liabilities	1,338,469	4,447,475	4,085,258	84,638	253,877	0	31,163,219	2,942,055	2,942,055	41,572,936	

Fund Equity:					
Investment in general fixed assets					28,968,130
Retained earnings:					
Unreserved			25,927		25,927
Fund balances:					
Reserved for loans receivable	1,055,000				1,055,000
Unreserved	2,732,249				3,408,290
Total Fund Equity	3,787,249		25,927	0	33,457,347
Total Liabilities and Fund Equity	5,325,718		110,565	253,877	75,030,283
	\$				

MADISON COUNTY

Combined Statement of Revenues, Expenditures and Changes in Fund Balances -
All Governmental Fund Types
For the Year Ended September 30, 2000

Exhibit B

	Governmental Fund Types			Totals Memorandum Only
	General	Special Revenue	Debt Service	Primary Government
Revenues				
Property taxes	\$ 8,596,180	5,416,115	1,702,337	15,714,632
Licenses, commissions and other revenue	1,307,345	909,501		2,216,846
Fines and forfeitures	416,360			416,360
Intergovernmental revenues	1,397,836	1,493,652	279,432	3,170,920
Charges for services	1,245,412	740,052		1,985,464
Use of money and property	355,366	249,847	96,371	701,584
Miscellaneous revenues	311,624	275,367	25,360	612,351
Special assessment			386,117	386,117
Total Revenues	13,630,123	9,084,534	2,489,617	25,204,274
Expenditures				
Current:				
General government	6,423,182	776,111		7,199,293
Public safety	3,957,541	758,431		4,715,972
Public works		6,592,934		6,592,934
Health & welfare	795,750			795,750
Culture & recreation	66,390	659,634		726,024
Conservation of natural resources	238,019	527,852		765,871
Economic development & assistance	500,446	484,456		984,902
Capital projects		198,719		198,719
Debt service:				
Principal retirement	1,178,350	3,077,960	1,646,925	5,903,235
Interest and fiscal charges	419,338	343,969	1,090,256	1,853,563
Total Expenditures	13,579,016	13,420,066	2,737,181	29,736,263
Excess of Revenues over (under) Expenditures	51,107	(4,335,532)	(247,564)	(4,531,989)
Other Financing Sources (Uses)				
Proceeds of other debt	84,356	2,946,102		3,030,458
Proceeds from sale of assets	37,035	1,426,484		1,463,519
Insurance recoveries	9,839	142,018		151,857
Operating transfers in	642,023	307,774		949,797
Operating transfers out	(269,528)	(542,855)	(137,414)	(949,797)
Lease principal payments		305,429		305,429
Other uses - unidentified expenditures	(105,054)			(105,054)
Total Other Financing Sources (Uses)	398,671	4,584,952	(137,414)	4,846,209
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	449,778	249,420	(384,978)	314,220
Fund Balances				
Beginning of year, as previously reported	3,368,789	435,557	376,042	4,180,388
Prior period adjustment: (Note 3) Error correction	(31,318)			(31,318)
Beginning of year as restated	3,337,471	435,557	376,042	4,149,070
End of year	\$ 3,787,249	684,977	(8,936)	4,463,290

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

MADISON COUNTY

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MADISON COUNTY
 Combined Statement of Revenues, Expenditures and Changes in Fund Balances -
 Budget (Non-GAAP Budgetary Basis) and Actual - All Governmental Fund Types
 For the Year Ended September 30, 2000

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Property taxes	\$ 8,566,490	8,566,490		5,396,858	5,396,858	
Licenses, commissions and other revenue	1,302,125	1,302,125		905,504	905,504	
Fines and forfeitures	305,852	305,852				
Intergovernmental revenues	2,039,469	2,039,469		1,389,715	1,389,678	(37)
Charges for services	1,245,412	1,245,412		740,052	740,052	
Use of money and property	339,555	339,655	100	22,301	22,301	
Miscellaneous revenues	1,182,494	1,182,494		356,065	356,065	
Total Revenues	14,981,397	14,981,497	100	8,810,495	8,810,458	(37)
Expenditures						
General government	9,394,885	6,673,543	2,721,342	781,187	781,174	13
Public safety	5,018,569	4,597,036	421,533	1,505,728	1,129,449	376,279
Public works				7,100,967	6,884,137	216,830
Health and welfare	2,434,263	2,434,247	16			
Culture and recreation	67,030	67,030		666,363	659,634	6,729
Education	481,234	481,234				
Conservation of natural resources	237,035	237,022	13	515,081	512,146	2,935
Economic development and assistance	563,393	530,093	33,300	568,308	472,130	96,178
Capital projects				40,744	40,744	
Debt service	876,472	876,472				
Other costs	171,219	171,219				
Total Expenditures	19,244,100	16,067,896	3,176,204	11,178,378	10,479,414	698,964
Excess of Revenues over (under) Expenditures	(4,262,703)	(1,086,399)	3,176,304	(2,367,883)	(1,668,956)	698,927
Other Financing Sources (Uses)	837,496	108,340	(729,156)	1,890,473	1,886,510	(3,963)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(3,425,207)	(978,059)	2,447,148	(477,410)	217,554	694,964
Fund Balances						
Beginning of year	3,425,205	3,374,735		477,402	469,900	
End of year	\$ (2)	2,396,676		(8)	687,454	

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

Exhibit C

<u>Debt</u>		
<u>Service Funds</u>		
<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
1 696.331	1 696.331	
279 452	279 432	(20)
510 939	510 939	
<u>411,477</u>	<u>411,477</u>	
<u>2,898,199</u>	<u>2,898,179</u>	<u>(20)</u>
3 270,156	3,270,156	
<u>3,270,156</u>	<u>3,270,156</u>	<u>0</u>
(371 957)	(371,977)	(20)
<u>436,251</u>	<u>436,251</u>	<u>0</u>
64,294	64,274	<u>(20)</u>
<u>340,436</u>	<u>340,437</u>	
<u>404,730</u>	<u>404,711</u>	

MADISON COUNTY

Exhibit D

Statement of Revenues, Expenses and Changes in Retained Earnings -
 Proprietary Fund Type - Internal Service
 For the Year Ended September 30, 2000

	<u>Proprietary Fund Type</u>
	<u>Internal Service</u>
Operating Revenues	
Premiums	\$ <u>1,014,927</u>
Total Operating Revenues	<u>1,014,927</u>
Operating Expenses	
Claims payment	703,517
Administrative	43,869
Insurance premiums	<u>171,984</u>
Total Operating Expenses	<u>919,370</u>
Operating Income (Loss)	<u>95,557</u>
Net Income (Loss) for the Year	<u>95,557</u>
Retained Earnings	
Beginning of year	<u>(69,630)</u>
End of year	\$ <u><u>25,927</u></u>

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

MADISON COUNTY
Statement of Cash Flows
Proprietary Fund Type - Internal Service
For the Year Ended September 30, 2000

Exhibit E

	Proprietary Fund Type
	Internal Service
Cash Flows From Operating Activities	
Cash received as premiums	\$ 1,044,332
Cash payments for claims	(815,949)
Cash payments to administrator for services	(43,869)
Cash payments for insurance premiums	(171,984)
Net Cash Provided (Used) by Operating Activities	<u>12,530</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>12,530</u>
Cash and Cash Equivalents at Beginning of Year	<u>(2,390)</u>
Cash and Cash Equivalents at End of Year	<u>\$ 10,140</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	
Operating income (loss)	\$ <u>95,557</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
(Increase) decrease in interfund receivables	29,405
Increase (decrease) in claims and judgments liability	<u>(112,432)</u>
Total adjustments	<u>(83,027)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 12,530</u>

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

MADISON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2000

(1) Significant Accounting Policies

A Financial Reporting Entity

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

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

- Lake Lorman Utility District
- West Madison Utility District
- Madison County Library System
- Madison County Economic Development District
- Farmhaven Fire District
- South Madison Fire District
- Madison County Medical Center
- Madison County Nursing Home

Madison County has executed a trust agreement and other legal documents with Madison County Public Improvement Corporation, a component unit of the county. The trust accounts created by the agreement constitute an inseparable part of the county. Therefore, the assets, liabilities, equity, revenues, expenditures and other financing sources/uses of the trust accounts created by the agreements are included as part of the county's financial statements, thereby eliminating the effects of the lease agreement for financial reporting purposes (See Note 12).

Madison County has also entered into various transactions with Madison County Economic Development Authority (MCEDA), a component unit of the county. The county has issued limited obligation industrial development bonds, the proceeds of which were used by MCEDA to construct various buildings and improvements. These projects were simultaneously acquired by various enterprises by executing lease purchase agreements with MCEDA. The lease payments are made by the lessees directly to the county and are approximately equal to the amounts required to pay the annual principal and interest due on the related limited obligation bonds.

Madison County has issued general obligation bonds and incurred other indebtedness to acquire various industrial parks and other real estate which are owned by MCEDA. The authority is required by statute to remit to the county 90% of any sales of land acquired using the proceeds of this indebtedness until such indebtedness has been repaid.

The county also provided funding of approximately \$488,783 in the current fiscal year for MCEDA's operations through levying of property taxes and from other sources.

The assets, liabilities, equity, revenues, expenditures and other financing sources/uses related to these transactions are included as part of the county's financial statements because they constitute an inseparable part of the county.

MADISON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2000

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

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

B Basis of Presentation

The accompanying financial statements of the primary government have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. However, the primary government financial statements, because they do not include the financial data of the county's component units, do not present fairly, in all material respects, the financial position and results of operations and cash flows of its Proprietary Fund Type for the entire reporting entity.

C 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 1994 by the Government Finance Officers Association and the *Mississippi County Financial Accounting Manual* as revised in 1993 by the Office of the State Auditor.

D Fund Accounting

The financial activities of the county are recorded in individual funds and account groups used to report financial position and results of operations. Fund accounting is used to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts, segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions or limitations. An account group is a financial reporting device designated to provide accountability for certain assets and liabilities that are not recorded in funds because they do not directly affect net expendable available financial resources. The following fund categories, which are further subdivided into separate "fund types", are utilized by the county:

GOVERNMENTAL FUND TYPES

General Fund - This fund is used to account for all activities of the general government for which a separate fund has not been established.

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Special Revenue Funds account for, among others, certain federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose.

MADISON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2000

Debt Service Funds - These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

PROPRIETARY FUND TYPE

Internal Service Funds - These funds are used to account for those operations that provide services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis.

FIDUCIARY FUND TYPE

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

ACCOUNT GROUPS - The General Fixed Assets Account Group is used to account for general fixed assets. The General Long-term Debt Account Group is used to account for general long-term debt and certain other liabilities that are not specific liabilities of Proprietary Funds.

E Basis of Accounting/Measurement Focus

Governmental Fund Types and Agency Funds - All Governmental Funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all Governmental Fund Types and Agency Funds. Under this method, revenues are recognized in the accounting period in which they become both available and measurable to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current year or soon enough after year end to liquidate liabilities existing at the end of the year. Expenditures are recognized in the accounting period in which the fund liability is incurred. Modifications to the accrual basis of accounting include:

- Licenses, fees, fines and forfeits and other miscellaneous revenues are recognized when received since they normally are only measurable at that time.
- Property taxes are recognized as revenue when received because the remaining delinquent property taxes not collected before the close of the fiscal year are considered immaterial. See Note 1K for further explanation.
- Principal and interest on general long-term debt are recognized when due.
- Obligations for accumulated unpaid employee benefits are recognized when paid.

Proprietary Fund Type - All Proprietary Funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. The accrual basis of accounting is utilized. Under this method, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred.

MADISON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2000

F. Cash and Investments

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

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

G. Receivables

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

H. Interfund Receivables/Payables

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 "interfund receivables/payables "

I. Fixed Assets

Fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in Governmental Funds, and the related assets are reported in the General Fixed Assets Account Group. All purchased fixed assets are stated at cost where historical records are available and at an estimated historical cost where no historical records exist. The extent to which fixed assets costs have been estimated and the methods of estimation are not readily available. Donated fixed assets are recorded at their fair 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 general fixed assets. Public domain (infrastructure) fixed assets consisting of certain improvements other than buildings, such as roads, bridges, sidewalks, drainage systems, lighting systems and similar assets that are immovable and of value only to the county, are not capitalized. Depreciation is not provided on general fixed assets.

J. Fund Equity

Unreserved fund balance represents the amount available for budgeting future operations. Unreserved retained earnings represents the net assets available for future operations or distribution. Reservation of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose

K. Property Tax Revenues

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

MADISON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2000

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

Special assessment property tax is levied only on property owners benefited by the construction of the "South Madison County Parkway" project as authorized by Senate Bill 3036, Laws of 1989 (Chapter 817 Local and Private Bills of 1989). Special assessment taxes become a lien on property in the same manner as real property taxes. Property owners may pay special assessments in full at the beginning of the fiscal year or make periodic payments throughout the year.

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 when received. Real property taxes are recognized as revenue when received because most delinquent real property taxes are collected by selling real property for taxes, together with all fees, penalties and damages accruing until date of sale, before the close of the fiscal year. The remaining amount of real property not sold for taxes at the tax sale is considered immaterial; therefore, no end of year delinquent taxes receivable is recorded. The amount of delinquent personal property taxes unpaid at year end is also considered immaterial. Motor vehicle and mobile home taxes do not meet the measurability and collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

L. Intergovernmental Revenues in Governmental Funds.

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

M. Compensated Absences.

The county has adopted a policy of compensation for accumulated unpaid employee personal leave and compensatory time. 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 in Governmental Funds to the extent that they are to be paid with current assets and the remainder of the liability to be reported in the General Long-term Debt Account Group, representing the county's commitment to fund such costs from future operations. Due to immateriality, the current portion of the liability was not estimated and reported in the Governmental Funds. Therefore, the county's full liability in the amount of \$472,110 for accumulated unpaid personal leave up to a maximum of 30 days per employee and compensatory time up to a maximum of 60 days for Sheriff's department employees and 30 days for road department employees is reported in the General Long-term Debt Account Group of the accompanying combined balance sheet.

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2000

N Total Column on Primary Government Financial Statements

The total column on the primary government financial statements is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position and results of operations in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

(2) Stewardship, Compliance and Accountability.

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, the Tax Assessor and the 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 Budget/GAAP Reconciliation

The following schedule reconciles the amounts on the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual to the amounts on the Combined Statement of Revenues, Expenditures and Changes in Fund Balances:

Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses

	Governmental Fund Types		
	General	Special Revenue	Debt Service
Budget (Cash Basis)	\$ (978,059)	217,554	64,274
Increase (Decrease)			
Net adjustment for revenue accruals	(1,685,147)	3,510,607	(982,227)
Net adjustment for expenditure accruals	3,112,984	(3,478,741)	532,975
GAAP Basis	\$ 449,778	249,420	(384,978)

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2000

C. Individual Fund Deficits.

The following funds had deficit fund balances at September 30, 2000:

<u>Styling</u>	<u>Deficit Amount</u>
Debt Service Funds:	
Special assessment parkway I & S	\$ 73,591
District 1 road I & S	428
General County I & S	366,115

(3) Prior Period Adjustment.

Governmental Funds

The effects of an error correction on the prior period financial statements are summarized in the table below:

<u>General Fund Type</u>	<u>Fund Balance</u>
As previously reported	\$ 3,368,789
Cash and investments	<u>(31,318)</u>
As adjusted	<u>\$ 3,337,471</u>

(4) Deposits

The carrying amount of the county's total deposits with financial institutions at September 30, 2000, was \$4,533,864 and the bank balance was \$5,043,140. The bank balance is categorized below to reflect the level of credit risk assumed by the county at year end

	<u>Bank Balance</u>
Amount federally insured.	\$ 635,971
Amount collateralized with securities held by the pledging financial institution's trust department or agent in the county's name	4,403,856
Amount uncollateralized	<u>3,313</u>
Total Bank Balance	\$ <u>5,043,140</u>

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2000

(5) Interfund Receivables and Payables

The composition of interfund balances at September 30, 2000, consists of the following:

Interfund Receivables/Payables:

Receivable Fund	Payable Fund	Amount
Grand Gulf	Special assessment parkway	\$ 73,591
Grand Gulf	General county I & S	381,202
Grand Gulf	District 1 road I & S	465
Economic development	General Fund	12,020
Library	General Fund	15,907
Mapping and reappraisal	General Fund	12,798
Solid waste	General Fund	14,017
Fire protection	General Fund	1,222
Road maintenance	General Fund	121,927
Bridge and culvert	General Fund	32,153
Parkway interest and sinking	General Fund	14,411
District 3 road I & S	General Fund	1,491
General county I & S	General Fund	15,087
District 1 road I & S	General Fund	37
District 2 road I & S	General Fund	318
District 5 road I & S	General Fund	611
Hospital interest and sinking	General Fund	3,731
Industrial park construction I & S	General Fund	5,925
HCC maintenance	General Fund	7,537
HCC building	General Fund	5,744
Self-funded insurance	General Fund	84,990
Self-funded insurance	Economic development authority	781
Self-funded insurance	Mapping and reappraisal	4,103
Self-funded insurance	Solid waste	1,392
Self-funded insurance	Enhanced 911	586
Self-funded insurance	Countywide road maintenance	7,034
Self-funded insurance	Countywide bridge and culvert	1,539
Total		<u>\$ 820,619</u>

(6) Loans Receivable

Loans receivable at September 30, 2000, consists of the following:

Styling	Date of Loan	Interest Rate	Maturity Date	Balance Payable
Madison County Medical Center	Aug \Sept 2000	N/A	N/A	\$ 1,055,000
Total				<u>\$ 1,055,000</u>

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2000

(7) Fixed Assets

Changes in the General Fixed Assets Account Group at September 30, 2000, are as follows:

	Balance <u>Oct. 1, 1999</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	Balance <u>Sept. 30, 2000</u>
Land	\$ 2,229,912	157,975	54,513	(198,058) *	2,135,316
Buildings	16,819,594	412,572		313,150 **	17,545,316
Construction in progress	371,828	40,744	412,572		
Mobile equipment	906,001	2,110,816	43,753		2,973,064
Other furniture and equipment	1,279,781	410,923	99,812		1,590,892
Leased property under capital leases	<u>5,948,255</u>	<u>2,831,739</u>	<u>4,056,452</u>		<u>4,723,542</u>
Total	<u>\$ 27,555,371</u>	<u>5,964,769</u>	<u>4,667,102</u>	<u>115,092</u>	<u>28,968,130</u>

* As discussed in Note 1 A , Madison County has issued general obligation bonds and incurred other indebtedness to acquire various industrial parks and other real estate which is owned by Madison County Economic Development Authority (MCEDA). The authority is required by statute to remit to the county 90% of any sales of land acquired using the proceeds of this indebtedness until such indebtedness has been repaid. The county's investment in industrial parks and other real estate owned by MCEDA has previously been recorded at historical cost. During 2000, an adjustment of \$198,058 was made to land to reduce the fixed asset owned by MCEDA to the lesser amount of debt outstanding.

** This adjustment is to correct prior year errors.

(8) Claims and Judgments

Risk Financing

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$350,000 for each accident and completely covers all 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, 2000, to January 1, 2001. 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 is exposed 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 (included as an Internal Service Fund) to account for and finance its uninsured risk of loss. The Madison County Board of Supervisors has extended coverage to the employees of the Madison County Human Resource Agency.

Under the plan, amounts payable to the risk management fund are based on actuarial estimates. Each participating public entity, including Madison County, pays the premium on a single coverage policy for its respective employees. Employees desiring additional and/or dependent coverage pay the additional premium through a payroll deduction. Premium payments to the risk management fund are determined on an actuarial basis. The county has a minimum uninsured risk retention for all participating entities, including Madison County, to the extent that actual claims submitted exceed the predetermined premium. The county has implemented the following plans to minimize this potential loss:

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2000

The county has purchased coinsurance which functions on specific loss coverage. This coverage is purchased from an outside commercial carrier. For the current fiscal year, the specific coverage begins when an individual participant's claim exceeds \$25,000.

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, 2000, the amount of these liabilities was \$84,638. An analysis of claims activities is presented below:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
1998-1999	\$ 145,524	714,150	(662,604)	197,070
1999-2000	\$ 197,070	703,517	(815,949)	84,638

(9) Capital Leases

As Lessor:

The county leases the following property with varying terms and options as of September 30, 2000:

Class of Property	Amount
Land and buildings	\$ <u>4,865,000</u>

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2000, are as follows:

	Amount
Year Ending September 30:	
2001	\$ 527,403
2002	376,585
2003	322,941
2004	321,424
2005	314,245
Later years	<u>2,363,356</u>
Total Minimum Lease Receivables	4,225,954
Less: Amount representing interest	<u>1,627,608</u>
Present Value of Net Minimum Lease Receivables	<u>\$ 2,598,346</u>

MADISON COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2000

As Lessee:

The county is obligated for the following assets acquired through capital leases as of September 30, 2000:

Classes of Property	General Fixed Assets Group
Mobile equipment	\$ 3,976,464
Other furniture and equipment	<u>747,078</u>
Leased Property Under Capital Leases	<u>\$ 4,723,542</u>

The future minimum lease payments together with the present value of the net minimum lease payables as of September 30, 2000, are as follows:

	General Long-term Debt Group
Year Ending September 30:	
2001	\$ 1,445,123
2002	1,346,658
2003	740,441
2004	<u>23,654</u>
Total Minimum Lease Payments	3,555,876
Less: Amount representing interest	<u>231,822</u>
Present Value of Net Minimum Lease Payments	<u>\$ 3,324,054</u>
(10) Long-term Debt	

Debt outstanding as of September 30, 2000, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rates	Final Maturity Date
General Long-term Debt Account Group:			
A General Obligation Bonds:			
G O Hospital	\$ 760,000	7	3-2006
District 3	35,000	8	3-2001
District 4	10,000	8 3	3-2001
District 5	25,000	8 1	3-2001
District 2	50,000	6 75	4-2002
District 3	50,000	6 75	4-2002

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2000

Description and Purpose	Amount Outstanding	Interest Rates	Final Maturity Date
District 3	75,000	7 4 to 7 6	9-2003
District 1	60,000	7 25 to 7 5	4-2004
District 5	40,000	7 5	4-2004
Industrial park, Series 1988	100,000	7 6	5-2001
Parkway and refunding, Series 1989	615,000	6 75 to 6 8	6-2003
G.O. refunding bonds, Series 1993A	2,410,000	4 25 to 4 75	6-2005
G.O. refunding bonds, Series 1993B	5,825,000	4 7 to 6 75	6-2014
G.O. refunding bonds (courthouse), Series 1998	6,410,000	4 4 to 5 5	6-2014
G.O. refunding bonds (detention center), Series 1998	<u>1,895,000</u>	6 2 to 6 7	10-2005
Total General Obligation Bonds	<u>\$ 18,360,000</u>		
B. Limited Obligation Bonds:			
Industrial development, Series 1985	\$ 110,000	9 25	5-2001
Industrial development, Series 1991	1,535,000	8 7 to 9 5	3-2016
Industrial development, Series 1992	350,000	5 6 to 6 3	5-2007
Certificates of participation, 1991 issue	<u>440,000</u>	6 4 to 6 75	10-2006
Total Limited Obligation Bonds	<u>\$ 2,435,000</u>		
C. Special Assessment Bonds:			
Parkway special assessment refunding bonds, Series 1998	<u>\$ 3,630,000</u>	* 4 35 to 5 9	4-2012
D. Capital Leases:			
IBM computer upgrade	\$ 7,272	5 96	10-2000
IBM computer upgrade	149	5 956	10-2000
IBM computer upgrade	2,669	6 217	9-2001
Fire truck	52,395	5 4	4-2002
IBM computer upgrade	15,796	6 144	5-2002
IBM computer upgrade	201,382	6 06	6-2003
1999 fire truck	120,072	4 34	5-2004
27 Sheriff vehicles	334,202	4 23	6-2002
5 pieces of road equipment	162,667	4 21	6-2002
14 pieces of road equipment	202,857	5 19	2-2003
19 pieces of road equipment	936,793	5 19	4-2003
11 pieces of road equipment	569,653	5 17	4-2003
6 pieces of road equipment	376,998	5 29	5-2003
2 2001 Freightliners	78,986	5 17	5-2003
2000 PF161 Blaw Knox paver w/truck hitch	179,955	5 54	7-2003
2000 Ford Crown Victoria	24,011	5 39	8-2003
3 2000 Chevrolet 4-Door Impalas	<u>58,197</u>	6 09	8-2003
Total Capital Leases	<u>\$ 3,324,054</u>		

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2000

Description and Purpose	Amount Outstanding	Interest Rates	Final Maturity Date
E Other Loans:			
Ray Thompson building	\$ 79,261	7	12-2002
Industrial development	705,086	7 228	12-2002
Capital improvement loan	126,538	4	9-2013
Industrial development	559,053	0	9-2007
Capital improvement loan	364,142	4 86	12-2019
Industrial development	950,000	7 65	12-2018
Flora Industrial Park	<u>157,975</u>	6 50	5-2005
Total Other Loans	\$ <u>2,942,055</u>		

* Special assessment debt of \$4,680,000 was issued on April 1, 1992 to construct a boulevard under the provisions of Senate Bill 3036, Laws of 1989. Refunding bonds of \$4,030,000 were issued on March 1, 1998 to pay off the original issue early. The bonds are secured by the full faith and credit of Madison County. A "Special Assessment Tax" was levied against all of the benefited property owners. The county will levy annually this special assessment tax upon all taxable property in the benefited area of the south Madison County Parkway adequate and sufficient to provide for the payment of the principal and interest on the bonds as the same falls due over a period of 14 years. The original bonds were considered defeased at September 30, 2000. The principal balance outstanding on the refunding issue at September 30, 2000 is \$3,630,000.

Annual debt service requirements to maturity for the following debt reported in the General Long-term Debt Account Group are as follows:

Year Ending September 30	General Obligation Bonds	Limited Obligation Bonds	Special Assessment	Other Loans	Total
2001	\$ 3,115,272	495,496	393,275	415,265	4,419,308
2002	2,943,339	371,806	389,940	397,181	4,102,266
2003	2,915,342	362,534	397,186	828,969	4,504,031
2004	2,534,763	357,734	395,366	267,307	3,555,170
2005	2,565,818	352,165	398,443	341,774	3,658,200
Later years	<u>11,543,331</u>	<u>1,971,185</u>	<u>2,792,229</u>	<u>1,883,208</u>	<u>18,189,953</u>
Total	25,617,865	3,910,920	4,766,439	4,133,704	38,428,928
Less: Amounts representing interest	<u>7,257,865</u>	<u>1,475,920</u>	<u>1,136,439</u>	<u>1,191,649</u>	<u>11,061,873</u>
Total at Present Value	\$ <u>18,360,000</u>	<u>2,435,000</u>	<u>3,630,000</u>	<u>2,942,055</u>	<u>27,367,055</u>

Legal Debt Margin - The amount of general obligation bonded debt that can be incurred by the county is limited by state statute. Total outstanding general obligation bonded 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, 2000, the amount of outstanding general obligation bonded debt was equal to 4.03% of the latest property assessments.

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2000

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, 2000, \$10,285,000 of bonds outstanding were considered defeased.

The following changes occurred in liabilities reported at year end:

Styling	Balance				Balance
	Oct. 1, 1999	Additions	Reductions	Adjustments	
General Long-term Debt Account Group:					
Compensated absences	\$ 414,324	57,786			472,110
General obligation bonds	20,125,000		1,765,000		18,360,000
Limited obligation bonds	2,720,000		285,000		2,435,000
Special assessment bonds	3,840,000		210,000		3,630,000
Capital leases	3,853,403	2,831,739	3,427,687	66,599 *	3,324,054
Other loans	2,958,884	198,719	215,548		2,942,055
Total	\$ 33,911,611	3,088,244	5,903,235	66,599	31,163,219

* This adjustment is to correct prior year errors.

(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 Medical Center. 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, 2000, is \$9,900,000.

Limited Continuing Guaranty - The county has executed an agreement to act as guarantor for a line of credit for operating expenses for the Madison County Medical Center. This line of credit is to be paid from hospital revenues. However, the county is liable if the hospital can not repay amounts borrowed against this line of credit. The principal amount outstanding on this line of credit at September 30, 2000, is \$1,970,000.

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2000

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

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

The trust agreements authorized the corporation to issue certificates of participation (a form of debt financing classified as limited obligation bonds) to be used to provide financing for the construction of various public facilities which are being leased to the county. The leases represent capital leases under which ownership of the projects will transfer to the county upon complete retirement of the certificates of participation. The county is obligated to make lease payments to the trustees in an amount equal to the debt service requirements for the certificates of participation. The amount of debt outstanding at September 30, 2000 was \$440,000 (See Note 10). The lease rental payments by the county will be used by the trustees to pay the principal and interest payments due on the certificates of participation.

In connection with the 1994 project, the county acquired certain property which has been subleased to the City of Madison (the City). Under the terms of the agreement, the City is required to make lease payments to the county for 20 years. The lease payments have been calculated to amortize the \$600,000 purchase price over 20 years at an average annual interest rate of 5.84%. The City has a right to purchase the leased property upon the expiration of the lease term, or upon such earlier date as may be agreed upon, at a price not to exceed the unpaid principal balance at that time. The amount due at September 30, 2000 was \$500,000. This amount has been recorded as lease payments receivable and a corresponding amount is shown as deferred revenue-leasing transactions at September 30, 2000.

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

(13) Jointly Governed Organizations

The county participates in the following jointly governed organizations:

Holmes Community College operates in a district composed of the Counties of Attala, Carroll, Choctaw, Grenada, Holmes, Madison, Montgomery, Webster and Yazoo. The Madison County Board of Supervisors appoints two of the 22 members of the college board of trustees. The county appropriated \$520,542 for maintenance and support of the college in fiscal year 2000.

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 \$109,800 for maintenance and support of the center in fiscal year 2000.

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 \$9,376 for maintenance and support of the district in fiscal year 2000.

The Madison County Human Resource Agency was organized under Section 17-15-1, Miss. Code Ann. (1972), to administer programs conducted by community action agencies, limited purpose agencies and related programs authorized by law. The Madison County Board of Supervisors appoints three of the 15 board members. The county appropriated \$274,586 for maintenance and support of the agency in fiscal year 2000.

MADISON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2000

(14) Defined Benefit Pension Plan

Plan Description Madison County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS

Funding Policy PERS members are required to contribute 7.25% of their annual covered salary and the county is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2000, 1999 and 1998 were \$629,006, \$570,002 and \$495,657, respectively, equal to the required contributions for each year.

(15) Subsequent Events.

Subsequent to September 30, 2000, Madison County issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
12-22-00	7.75	\$ 2,000,000	Negotiable note	Tax levy
1-1-01	5 0/5 75	23,500,000	General obligation road and bridge bonds	Tax levy
1-5-01	Variable	3,000,142	Limited obligation notes	Available revenue
1-16-01	5.89	62,055	Lease purchase	Tax levy
1-19-01	4.86	99,520	Lease purchase	Tax levy
1-19-01	4.86	439,779	Lease purchase	Tax levy
1-19-01	4.86	39,404	Lease purchase	Tax levy
4-27-01	4.86	40,163	Lease purchase	Tax levy
9-14-01	Variable	3,500,000	Working capital loan	Available revenue

Subsequent to September 30, 2000, the Madison County Medical Center continued to experience financial difficulties. As a result of these financial difficulties, Madison County loaned the Madison County Medical Center an additional \$2,471,205. The county also gave the proceeds of the \$2,000,000 negotiable notes dated December 22, 2000, to the Madison County Medical Center to repay the \$1,970,000 line of credit for which the county had executed an agreement to act as guarantor for the debt.

There is an ongoing investigation by the Investigative Division of the Office of the State Auditor into certain financial activities of the county. The effects on the financial statements, if any, as a result of the outcome of this investigation, is unknown at this time. The Chancery Clerk and the chief deputy Chancery Clerk resigned August 6, 2001. The Board of Supervisors appointed an interim Chancery Clerk.

MADISON COUNTY

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MADISON COUNTY

SUPPLEMENTAL INFORMATION

MADISON COUNTY

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MADISON COUNTY
Reconciliation of Operating Costs of Solid Waste
For the Year Ended September 30, 2000

Operating Expenditures, Cash Basis:

Salaries	\$	210,838
Expendable Commodities:		
Gasoline and petroleum products		42,529
Repair parts		15,884
Clothing		1,642
Maintenance		99,190
Insurance on equipment		5,000
Landfill charges		204,156
Rental of land for waste site		<u>900</u>

Solid Waste Cash Basis Operating Expenditures 580,139

Full Cost Expenses:

Indirect administrative costs		17,874
Depreciation on equipment		96
Other accrued expenses		<u>7,128</u>

Solid Waste Full Cost Operating Expenses \$ 605,237

MADISON COUNTY

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MADISON COUNTY

SPECIAL REPORTS

MADISON COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR

PHIL BRYANT
AUDITOR

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

October 22, 2001

Members of the Board of Supervisors
Madison County, Mississippi

We have audited the primary government financial statements of Madison County, Mississippi, as of and for the year ended September 30, 2000, and have issued our report thereon dated October 22, 2001. The auditor's report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the county's component units, and the report is qualified because, due to the county's failure to properly reconcile the bank account to the cash balance in the general ledger, we were unable to satisfy ourselves as to the fair presentation of revenues, expenditures and other financing sources (uses) and the resulting effect on ending cash and investment balances. 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.

Compliance

As part of obtaining reasonable assurance about whether Madison County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings as item 00-3. We also noted certain instances of noncompliance that we have reported to the management of Madison County, Mississippi, in our Independent Auditor's Report on Compliance with State Laws and Regulations and the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules dated October 22, 2001, included within this document.

Internal Control Over Financial Reporting

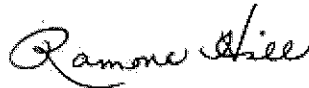
In planning and performing our audit, we considered Madison County, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the primary government financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Madison County, Mississippi's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 00-1, 00-2 and 00-4 through 00-18.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the primary government financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 00-1, 00-2 and 00-7 to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than this specified party.



PHIL BRYANT
State Auditor



RAMONA HILL, CPA
Director, Financial and Compliance Audit Division



State of Mississippi

OFFICE OF THE STATE AUDITOR

PHIL BRYANT
AUDITOR

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

October 22, 2001

Members of the Board of Supervisors
Madison County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Madison County, Mississippi, as of and for the year ended September 30, 2000. Our study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures as we considered necessary in the circumstances.

The Board of Supervisors of Madison County, Mississippi, is responsible for 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). In addition, the Board of Supervisors is responsible for purchasing in accordance with the bid requirements of Section 31-7-13, Miss Code Ann (1972). 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 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:

Purchase Clerk

1 Finding

Section 31-7-113, Miss. Code Ann (1972), gives the Office of the State Auditor the authority to prescribe systems of filing and also prescribe the systems of records necessary for the maintenance of a central purchasing system and a receiving system. We noted the following deviations from the prescribed systems:

- a As reported in the last two years' audit reports, some purchases were made without all required purchase documents
- b As reported in the last two years' audit reports, some purchase documents were not properly filled out as to description, quantity and amount
- c Some purchase transaction documents appeared to have been prepared after the fact as evidenced by the dates on the documents

Recommendation

The Purchase Clerk should ensure that purchase transaction documents are present, completed with sufficient detail and specific amounts as required, and in the proper time sequence.

Purchase Clerk's Response

The Purchase Clerk chose not to respond

Inventory Control Clerk

2 Finding

Section 7-7-211, Miss. Code Ann. (1972), gives the Office of the State Auditor the authority to prescribe accounting systems. We noted the following problems with the general fixed assets records:

- a As reported in the last two years' audit reports, inventory control numbers and serial numbers were not included for all items
- b As reported in the last three years' audit reports, some items had not been tagged
- c As reported in the last three years' audit reports, the annual inventory forms were not reconciled to the fixed assets detail records

Recommendation

The Inventory Control Clerk should maintain fixed assets records in accordance with the *Mississippi County Financial Accounting Manual*. The Inventory Control Clerk should also adequately document the annual inventory and reconcile it to the fixed assets records.

Inventory Control Clerk's Response

- a. Serial numbers, along with any other missing information, are also being picked up
- b. Madison County is still in an ongoing process of changing from metal number tags to bar coded labels. This process was started last year and, as witnessed by the auditor, is still in process
- c. I do not understand what "annual inventory forms" were not reconciled to the fixed assets detail records. It is my understanding from the discussion with Bill Pope, that the county may carry items on inventory that aren't required, thus not being reconciled. We will continue to add items that may not be required.

Auditor's Note

Any additional items that aren't required to be included would still need to be shown as reconciling items

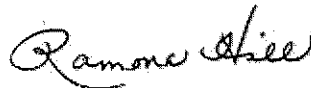
In our opinion, except for the noncompliance referred to in the preceding paragraph, Madison County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements.

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 study and evaluation.

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.



PHIL BRYANT
State Auditor



RAMONA HILL, CPA
Director, Financial and Compliance Audit Division

MADISON COUNTY
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2000

Schedule 1

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

MADISON COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2000

Schedule 2

Our test results did not identify any emergency purchases

MADISON COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2000

<u>Date</u>	<u>Item Purchased</u>		<u>Amount Paid</u>	<u>Vendor</u>
1-21-00	Pen map software	\$	2,395	Condor Earth Technologies, Inc
8-7-00	Fixed assets bar code scanning package/ software		4,899	Delta Computer Systems, Inc



State of Mississippi

OFFICE OF THE STATE AUDITOR

PHIL BRYANT
AUDITOR

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

October 22, 2001

Members of the Board of Supervisors
Madison County, Mississippi

We have audited the primary government financial statements of Madison County, Mississippi, as of and for the year ended September 30, 2000, and have issued our report thereon dated October 22, 2001. The auditor's report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the county's component units, and the report is qualified because, due to the county's failure to properly reconcile the bank account to the cash balance in the general ledger, we were unable to satisfy ourselves as to the fair presentation of revenues, expenditures and other financing sources (uses) and the resulting effect on ending cash and investment balances. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the procedures prescribed by the State Auditor, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. 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.

The results of our procedures and our audit of the primary government financial statements disclosed certain immaterial instances of noncompliance with state laws and regulations. Our findings and recommendations and your responses are disclosed below:

Board of Supervisors

1 Finding

Section 19-3-27, Miss. Code Ann. (1972), requires the Clerk of the Board of Supervisors to keep and preserve a complete and correct record of all board proceedings. We noted the following problems with the board minutes:

- a The board minutes did not include the claim numbers of the claims approved each month as required by Section 19-13-31, Miss. Code Ann. (1972)

- b The Board of Supervisors approved a board order dated July 21, 2000, that gave the Clerk of the Board of Supervisors the authority to do any and all things necessary, including the transfer of cash, if necessary, to assist the Madison County Medical Center in meeting its financial obligations. The Board of Supervisors should detail in the board minutes the specific actions approved instead of general authorizations.

Recommendation

The Board of Supervisors should ensure that all actions of the Board of Supervisors are recorded with sufficient detail to ensure that complete and correct records are kept of all board proceedings.

Board of Supervisors' Response

Mississippi law requires the Chancery Clerk, as clerk of the board, to keep and preserve complete and correct minutes. Complete and accurate minutes are being kept of all board proceedings. The minutes are available on the county's website.

2 Finding

Section 37-29-141, Miss. Code Ann. (1972), specifies that no county shall levy less than (a) one (1) mill for the support, and (b) one (1) mill for the enlargement, improvement and repair of the junior college within the district of which the county is a member. The county levied less than one mill on both of the Holmes Community College levies.

Recommendation

The Board of Supervisors should comply with the requirements of this section.

Board of Supervisors' Response

The county has been through general reassessment of property and has not lowered the aggregate budget for junior college purposes since that time as allowed in Section (1) of 37-29-141 Miss Code Ann. (1972). This procedure has been accepted by the junior college. The county has complied with all of the subsections of this statute for the previous years.

3 Finding

Section 19-13-31, Miss. Code Ann. (1972), states that the President or Vice-president of the board, in the absence of the President, shall sign at the end of the docket entries covering the day's business. The President and/or Vice-president failed to sign at the end of the docket entries covering each day's business.

Recommendation

The President and/or Vice-president should sign on the claims docket at the end of the docket entries covering each day's business.

Board of Supervisors' Response

All dockets are being signed by the appropriate board officials and filed as exhibits to the minutes.

4. Finding

Section 19-13-25, Miss. Code Ann. (1972), requires that all claims for allowance by the Board of Supervisors shall be sufficiently itemized to show in detail the kind, quantity and price of the articles purchased. The Board of Supervisors approved some claims without invoices.

Recommendation

The Board of Supervisors should only approve claims with a sufficiently itemized invoice.

Board of Supervisors' Response

The Purchase Clerk is responsible for making certain that all claims submitted to the board include required documentation prior to submission to the board. The board did not knowingly approve any claim that did not have sufficiently itemized invoices and has ordered that no claim be submitted to the board without this documentation being available.

Chancery Clerk

5. Finding

Section 19-13-29, Miss. Code Ann. (1972), specifies the manner in which the Chancery Clerk shall file claims against the county. The section also requires the Chancery Clerk to safely preserve these claims. As reported in the prior year's audit report, some claim files were not adequately organized or preserved.

Recommendation

The Chancery Clerk should file and preserve all claims against the county in an orderly manner as required.

Chancery Clerk's Response

I acknowledge receipt of finding and recommendation.

6. Finding.

Section 19-13-25, Miss. Code Ann. (1972), requires the Chancery Clerk to submit claims with adequate supporting documentation to the Board of Supervisors. The Chancery Clerk filed claims without attached invoices.

Recommendation

The Chancery Clerk should attach invoices to all claims filed with the board.

Chancery Clerk's Response

I acknowledge receipt of finding and recommendation.

7. Finding

Section 19-13-27, Miss. Code Ann. (1972), requires the Chancery Clerk to "enter monthly all demands, claims and accounts" on the claims docket. The Chancery Clerk did not enter all claims on the claims docket.

Recommendation

The Chancery Clerk should enter all claims on the claims docket

Chancery Clerk's Response

The Chancery Clerk chose not to respond.

8 Finding

Section 19-3-27, Miss Code Ann (1972), requires the board minutes to be a complete and correct record of all proceedings of the Board of Supervisors. The Chancery Clerk made loans to the Madison County Medical Center without specific approval being recorded in the board minutes (See Finding 1b)

Recommendation

The Chancery Clerk has no authority to loan funds to the Madison County Medical Center without specific approval of the Board of Supervisors documented in the board minutes

Chancery Clerk's Response

The Chancery Clerk chose not to respond.

9 Finding

Section 25-7-9(1)g, Miss. Code Ann. (1972), allows the Chancery Clerk to receive an annual sum not to exceed \$1,500 for services as Clerk of the Board of Supervisors. The Chancery Clerk received \$1,500 for services as Clerk of the Board of Supervisors. Section 25-7-9(1)j, Miss Code Ann. (1972), allows the Chancery Clerk to receive an annual sum not to exceed \$5,000 for public services not otherwise specifically provided upon an order of the Chancery Court. The Chancery Clerk received \$6,250 for public services not otherwise specifically provided. In addition, the Chancery Clerk received \$1,500 for services not otherwise provided for Board of Supervisors. There is no authority for the Chancery Clerk to receive this fee

Recommendation

The Chancery Clerk should receive no more than the law allows as compensation. He should refund \$2,750 to the General Fund.

Chancery Clerk's Response

The Chancery Clerk chose not to respond.

10 Finding

The Chancery Clerk received reimbursements from the county totaling \$11,691.74 during the fiscal year for which no documentation could be located. There is no authority for the Chancery Clerk to receive undocumented reimbursements from the county.

Recommendation

The Chancery Clerk should refund the undocumented payments to the General Fund.

Chancery Clerk's Response

The Chancery Clerk chose not to respond

11. Finding

Section 9-1-43, Miss. Code Ann. (1972), requires the Chancery Clerk to maintain a fee journal to account for the receipts and expenses related to the operation of the office. We noted the following problems with the Chancery Clerk's fee journal:

- a. Fees received for the filing of each instrument could not always be traced to the bank account because the daily cash records did not always identify amounts paid as to individual instruments
- b. Some payments from Madison County were not identified as such
- c. A check for the Jail Food Account in the amount of \$50,934 was deposited into the fee account. This money was not returned to the county's bank account for approximately three weeks

Recommendation

The Chancery Clerk should properly prepare and maintain the fee journal as required.

Chancery Clerk's Response

The Chancery Clerk chose not to respond

12. Finding

Section 9-1-45, Miss. Code Ann. (1972), requires the Chancery Clerk to file a true and accurate annual report. We noted the following problems with the Chancery Clerk's annual report:

- a. The Chancery Clerk claimed as an expense a payment of \$13,162 to the county for fees in excess of the salary cap for the previous year. This is not a valid expense; however, the disallowance of this expense did not cause the Chancery Clerk to exceed the salary cap.
- b. The Chancery Clerk claimed as an expense a payment of \$8,119.68 to the county for which he was later reimbursed. This is not a valid expense; however, the disallowance of this expense did not cause the Chancery Clerk to exceed the salary cap.
- c. The Chancery Clerk reported fees for copying homestead rolls as income not subject to the salary cap. These fees are subject to the salary cap. The amount for 1999 calendar year was \$1,462.50. Since the Chancery Clerk exceeded the salary cap in the 1999 calendar year, this amount should be refunded to the county. The amount for the 2000 calendar year was \$1,543.68; however, including this amount as income subject to the salary cap did not cause the Chancery Clerk to exceed the salary cap.
- d. The Chancery Clerk reported income of \$75,000 each for County Administrator, Purchase Clerk and Comptroller for the 1999 and the 2000 calendar year. The amount reported for Comptroller should have been for Record Restoration. He actually received \$70,000 for each of these positions during the 1999 calendar year and \$80,000 for each of these positions during the 2000 calendar year.

Recommendation

The Chancery Clerk should file an accurate annual report. He should pay \$1,462.50 to the General Fund for the amount incorrectly reported as income not subject to the salary cap in 1999 since he exceeded the salary cap during that year

Chancery Clerk's Response

The Chancery Clerk chose not to respond

The Mississippi Office of the State Auditor has taken exception to certain costs. The details of the exceptions and dispositions are as follows:

1. Exception Issued On:

Steve Duncan, Chancery Clerk

Nature of Exception:

Amount received in excess of statutory amount for public services not otherwise specifically provided and unauthorized fee. See Chancery Clerk's Finding #9 described in this report.

Amount of Exception:

\$2,750

Disposition of Exception:

This matter has been referred to the Investigative Division of the Office of the State Auditor for recovery

2. Exception Issued On:

Steve Duncan, Chancery Clerk

Nature of Exception:

Undocumented payments to Chancery Clerk. See Chancery Clerk's Finding #10 described in this report.

Amount of Exception:

\$11,691.74

Disposition of Exception:

This matter has been referred to the Investigative Division of the Office of the State Auditor for recovery

3 Exception Issued On:

Steve Duncan, Chancery Clerk

Nature of Exception:

1999 fees incorrectly reported as income not subject to the salary cap. See Chancery Clerk's Finding #12 described in this report

Amount of Exception:

\$1,462.50

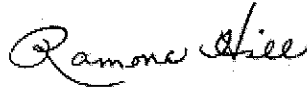
Disposition of Exception:

This matter has been referred to the Investigative Division of the Office of the State Auditor for recovery.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than this specified party



PHIL BRYANT
State Auditor



RAMONA HILL, CPA
Director, Financial and Compliance Audit Division

MADISON COUNTY

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MADISON COUNTY

SCHEDULE OF FINDINGS

MADISON COUNTY

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MADISON COUNTY

Schedule of Findings
For the Year Ended September 30, 2000

Section 1: Summary of Auditor's Results

1. A qualified opinion was issued on the primary government financial statements.
2. As described in Section 2 of this schedule, reportable conditions in internal control over financial reporting were disclosed by the audit of the primary government financial statements. The reportable conditions described in Findings 00-1, 00-2 and 00-7 are considered to be material weaknesses.
3. As described in Section 2, Finding 00-3 of this schedule, the audit disclosed noncompliance which is material to the primary government financial statements.

Section 2: Financial Statement Findings

Board of Supervisors.

00-1. Finding

During our audit, we noted the following weaknesses:

- a. As reported in the last four years' audit reports, there is a lack of segregation of duties in regard to disbursements. The County Administrator records transactions while also participating in duties such as the handling of disbursements, preparation of manual checks and preparation of bank reconciliations.
- b. As reported in the last two years' audit reports, expenditures were posted for which invoices were not available.
- c. There is a lack of oversight in regard to general journal entries. No documentation is maintained to support general journal entries. There is no review or authorization of general journal entries by management.

Recommendation

The Board of Supervisors should establish and maintain procedures to ensure:

- a. Adequate separation of duties concerning custody of assets and recording of transactions
- b. The availability of invoices to support recorded expenditures
- c. Adequate supporting documentation and management approval of general journal entries

Board of Supervisors' Response

The Chancery Clerk represented in connection with the 1999 audit that he would establish and maintain procedures to remedy this finding by October 1, 2000. The board has subsequently taken action to correct this situation.

MADISON COUNTY

Schedule of Findings
For the Year Ended September 30, 2000

00-2 Finding

Cash control procedures were inadequate for maintaining an accurate balance of cash. The financial statements contained a material unidentified other financing use. A material adjustment was made to reconcile bank balances to book balances, and no documentation was available to substantiate this adjustment. Therefore, the Independent Auditor's Report is qualified because we were unable to satisfy ourselves as to the fair presentation of revenues, expenditures and other financing sources (uses) and the resulting effect on ending cash balances reported in the primary government financial statements.

Recommendation

The Board of Supervisors should establish adequate control procedures to maintain properly balanced general ledgers and cash in bank reports documenting the day to day accounting activities of Madison County. They should also ensure that bank accounts are reconciled on a monthly basis and that any necessary adjustments are adequately supported and explained.

Board of Supervisors' Response

The board was not aware of any problems with cash control procedures as this matter was not mentioned in previous audits. Appropriate action was taken as soon as this matter was brought to their attention in July, 2001.

00-3. Finding

Section 65-15-15, Miss. Code Ann. (1972), authorizes the Board of Supervisors to levy a tax to pay road and bridge bonds. The Board of Supervisors levied a 1.26 mill tax under the authority of this code section. The avails of this levy were used to pay for bonds on the courthouse and jail. There is no authority to use the avails of this levy for these purposes.

Recommendation

The Board of Supervisors should use the proceeds of tax levies according to the purposes authorized by the statute under which it is levied.

Board of Supervisors' Response

This levy was used to pay for refunded general obligation bonds issued in 1998. These refunded bonds included public improvement obligations as well as a road and bridge bond. The tax levy has been revised to include Section 19-9-93, Miss. Code Ann. (1972), which covers public improvement obligations.

00-4 Finding

The Board of Supervisors paid the Chancery Clerk \$318,505.23 for various duties he performed for the county. The W-2 issued to the Chancery Clerk was for \$131,131.55. The Form 1099 issued to the Chancery Clerk was for \$155,507.36. The remaining amount of \$31,866.32 was not reported as income to the federal government. Of this amount, \$8,119.68 was refunded to the county by the Chancery Clerk. Inaccuracies in the Chancery Clerk's W-2 and Form 1099 for the previous year were reported to the Board of Supervisors in last year's audit report.

MADISON COUNTY

Schedule of Findings
For the Year Ended September 30, 2000

Recommendation

The Board of Supervisors should ensure that all wages or payments made to county employees and self-employed individuals are accurately reported on a W-2 or Form 1099

Board of Supervisors' Response

The accounting department prepares W-2's and 1099 forms for the county. It was the board's understanding that wages and other reportable payments were being correctly reported on a W-2 or Form 1099. Three payments were inadvertently omitted on the Form 1099 because the vendor number was not properly entered. The accounting department has implemented additional procedures to be sure that correct W-2's and 1099's are being issued.

Chancery Clerk

00-5 Finding

We noted an instance where the county advanced cash to an individual for travel. Some of the funds were later returned to the county. The remainder of the funds were not accounted for.

Recommendation

The Chancery Clerk should ensure that any cash advances for travel are properly accounted for either by the return of the cash or by documentation for expenditures.

Chancery Clerk's Response

The Chancery Clerk chose not to respond.

EDP Department

00-6 Finding

During our review the AS400 computer system at Madison County, we found the following control weaknesses:

- Passwords did not have an expiration date
- Passwords did not have an adequate minimal length
- Passwords did not limit repeating characters
- Duplicate password control was set to allow prior passwords
- User sessions were not limited
- IBM supplied profiles were not adequately controlled.

The Control Objectives for Information and Related Technology (CobiT) guidelines, as well as industry best practices, require adequate control over the county's computer resources. Without these access controls in place, network security could be compromised.

MADISON COUNTY

Schedule of Findings For the Year Ended September 30, 2000

Recommendation

We recommend that Madison County strengthen controls over the AS400 security by ensuring that all passwords to the network are set to expire on a regular basis and set to an acceptable length. Passwords should not allow repeating characters and not be duplicates of prior passwords. A review of the number of sessions needed by employees should be done and the system's session control set to that standard. All IBM supplied profiles should have adequate passwords that are different from the standard IBM passwords.

EDP Department's Response

Madison County agrees with the state that some weaknesses exist as they relate to internal controls over the AS400 security and the accounting software security. The county has taken corrective action in those instances where needed. The county does not agree with all the guidelines set out in the Control Objectives for Information and Related Technology (CobiT) as it relates to network security or accounting software security, specifically the IBM supplied profiles and passwords and controls over application software that is supplied from outside vendors. In Madison County's case, the outside vendor provides more than one application software package. With this in mind, the following items have been addressed:

Internal Controls over AS400 Security

Passwords have been assigned a ninety (90) day expiration limit.

Minimum length has been assigned a length of at least five (5) characters for passwords.

Repeating character limit was set at one (1). This allows a single repeating character in passwords. This allows each individual to continue to select an appropriate password that may incorporate a repeating character.

Duplicate password control has been set to two (2). This will prohibit usage of prior passwords.

Device session limit was left at zero (0). The county does not intend to limit user sessions. Most of the users are on personal computers that allow multiple sessions and we see no reason to limit these capabilities as they are required. The county also contends that the IBM supplied profiles are adequately controlled, three (3) user profiles (QPGMR, QUSER, QSRVBAS) and one (1) IBM supplied password (QSRV) and that access to the system using any of these profiles automatically limits your level of authority.

00-7 Finding

During our review of the accounting software system at Madison County, we found the following weaknesses:

- Inadequate separation of duties within accounting and payroll. Staff from accounting and payroll staff had access to the same menu system.
- Lack of control over data in accounting and payroll systems. All active accounting system users had the ability to edit critical permanent records. Users could edit payroll master file data, payroll history, 1099 file data, as well as W-2 file data. Users could edit or delete cash disbursements records in the claims system. Users could edit data in the purchase order system.

MADISON COUNTY

Schedule of Findings For the Year Ended September 30, 2000

- Inadequate security settings for staff. All active accounting staff had maximum security levels of 9.
- Inadequate security settings for menu options. The majority of menus and menu options were set to a security level of 3. Powerful options such as edit 1099 data, edit purchase order data, edit W-2 data and edit claims data were set to 3.

The Control Objectives for Information and Related Technology (CobiT) guidelines, as well as industry best practices, require adequate control over the county's accounting system and data. Without these access controls in place, data security could be compromised.

Recommendation

We recommend that Madison County strengthen controls over the accounting and tax systems.

- The county should review staff's roles and ensure adequate separation of duties. The system can be set up to limit access to only those options appropriate.
- There should be no option to edit or delete critical permanent records. Only selected supervisor staff should be able to edit critical data records. Security level and menu options should be assigned to ensure this.
- The county should evaluate staff security needs and set all active accounting staff at their appropriate security levels.
- The county should evaluate all security settings for menu options. Powerful options such as edit 1099 data, edit purchase order data, edit W-2 data and edit claims data should be set to a high level to limit users ability to perform.

EDP Department's Response

Delta Computers provides Madison County with accounting and appraisal software packages that are widely utilized across the state. Madison County is no different from any county currently using these packages. The fact the accounting and payroll staff have the same menu is an issue that Delta Computers will have to address, again not only in this county but in all that are currently using Delta's package. It is our understanding that Delta Computer will only make changes that are required by the State Auditor and that the State Auditor has not requested these changes.

In Madison County, access to each system is defined by a user profile that determines which application you have access to. The following addresses each item. The duties of accounting and payroll is limited to that particular staff. All current accounting department users (two (2) staff members) have been assigned a security setting of level nine (9) and the appropriate menu and menu options have been set to level seven (7). All other users of the accounting system have been assigned a security level of three (3). The issue of the current staff's roles and separation of duties is an issue not related to data processing. The county has evaluated the needs of the contract appraisal staff and has set their security levels to three (3). Contract appraisers have been assigned unique id's and passwords.

The county will discuss the various security issued with Delta Computers and the State Auditor and revise security to improve controls where feasible.

MADISON COUNTY

Schedule of Findings
For the Year Ended September 30, 2000

00-8 Finding

Madison County does not have an adequate disaster recovery plan. Good EDP internal controls require that disaster recovery procedures be established to provide orderly and complete recovery of computer applications in case of the inability to use current files, programs and/or hardware. Failure by the county to develop an adequate plan could impede its ability to provide a successful and orderly recovery of vital functions in the event of hardware, software or environmental disaster.

Recommendation

To be prepared in the event of a disaster, we recommend that Madison County develop and implement a disaster recovery plan that would detail the steps necessary to safeguard the county's computer hardware, software and data. The county should include a risk analysis in its disaster recovery plan that will prioritize mission critical computer applications. The county should make written agreements with vendors to assure swift replacement of hardware and software, and, if necessary, a hot site for computer operations. Also, the county should store a copy of the disaster recovery plan at the off-site storage facility. Once the plan is completed, it should be subjected to proper testing and employees should be made aware of their responsibilities in the event of a disaster.

EDP Department's Response

Madison County will follow, where at all possible, the recommendations of the Mississippi State Auditor's Office, as set forth above.

00-9 Finding

During our audit, we noted the following physical security problems:

- The computer room door was not locked.
- The computer room does not have smoke detectors.
- Employees working in the computer room area have not been trained in what to do in case of a fire.
- The computer room is cluttered with wires.
- The computer room door is not fire resistant.
- Smoking is not prohibited in the computer room.

Appropriate physical security and access control measures should be established for the county's data processing facilities. Without these access control measures, unauthorized access, theft and/or damage could occur.

MADISON COUNTY

Schedule of Findings
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Recommendation

We recommend that the doors to the computer room be fire resistant, equipped with secure locks and locked at all times. The building where the computer room is located should have smoke detectors. The county should routinely inspect the detectors to assure that they are in proper working order. Also, the employees should be trained in the steps to take in case of a fire or disaster to assure that the computer equipment is protected as much as possible. The county should prohibit smoking in the computer room and area to control the chances of fire. The county should use the raised floor of the computer room to organize the wiring. This would help decrease the risk of an accidental shutdown of the computer or injury to county employees.

EDP Department's Response

Madison County will follow, where at all possible, the recommendations of the Mississippi State Auditor's Office as set forth above.

00-10 Finding

During our audit of the county's computer system, we observed the programmer performing maintenance changes to applications without testing the changes first. Also, some application users have access to program production and test libraries.

Recommendation

We recommend that in order to adequately control access to the database and maintenance of applications, programmers should be prohibited from making changes to live data. Maintenance changes should be properly tested in the test database before migrating the changes to the production database. Also, application users should not have access to program production and test libraries.

EDP Department's Response

Madison County will follow, where at all possible, the recommendations of the Mississippi State Auditor's Office as set forth above.

00-11. Finding

Madison County's Department of Data Processing does not have written policies and procedures for the following:

- Security over the data processing facility
- Usage policies and procedures
- Recovery from abnormal termination.

Although the county has written procedures and forms for users to request modifications to programs and changes to access, we observed that these forms are not used consistently. Without written policies and procedures, the Department of Data Processing and/or county personnel lack access to written standards.

MADISON COUNTY

Schedule of Findings
For the Year Ended September 30, 2000

Recommendation

We recommend that the county establish written policies and procedures for its Department of Data Processing operations that provides for security over the data processing facility and for recovery when processing is abnormally terminated. Also, the county should enforce the written policies and procedures for access security and establish written policies and procedures for usage of computers and computer information

EDP Department's Response

Madison County will follow, where at all possible, the recommendations of the Mississippi State Auditor's Office as set forth above.

00-12 Finding

Madison County does not maintain computer logs of hardware or software problems, abnormal terminations, access to program documentation, systems software, production programs and job control language, production data files, on-line application systems databases, password tables, invalid access attempts, virus related problems, and AS400 security. Also, the county has not appointed a database administrator. Without this monitoring, unauthorized access could result in loss of information

Recommendation

We recommend that Madison County implement a reporting system that would help ensure all logs are monitored and that all unusual activities are investigated immediately. Also, the county should appoint a database administrator.

EDP Department's Response

Madison County will follow, where at all possible, the recommendations of the Mississippi State Auditor's Office as set forth above.

00-13 Finding

Madison County does not have procedures in place to maintain a complete listing of all computer software installed on computers owned by Madison County; therefore, the county cannot verify software licenses. The Federal Copyright Infringement Law prohibits the installation and use of any copyrighted software without a license. Without a complete listing of all software on county-owned computers, the county cannot protect itself against possible copyright infringement charges

Recommendation

We recommend that the county implement procedures to maintain a current listing of software installed on all computers. The Department of Data Processing management should periodically check the county-owned personal computers for unauthorized software. The county should maintain documentation of these test results for future audits

MADISON COUNTY

Schedule of Findings
For the Year Ended September 30, 2000

EDP Department's Response

Madison County will follow, where at all possible, the recommendations of the Mississippi State Auditor's Office as set forth above

00-14 Finding

Madison County has not installed virus detection software. Also, the county does not maintain a log of virus-related problems that will document the problem and the solution. Without a virus detection software and log of virus attacks, software damages from viruses may occur.

Recommendation

We recommend that the county install an anti-virus software that will cover their AS400, personal computers and diskettes as soon as possible. Also, the county should maintain a log of virus attacks for audit purposes. Management should periodically review this log.

EDP Department's Response

Madison County will follow, where at all possible, the recommendations of the Mississippi State Auditor's Office as set forth above.

00-15 Finding

Madison County does not consistently maintain the before images, the changes and the after images on computer data table revisions. Management should ensure adequate documentation and an audit trail are available for all computer data table changes. Without this documentation, independent review cannot verify the accuracy and propriety of changes.

Recommendation

We recommend that Madison County keep proper documentation, including before images, the changes and after images, of all revisions made to computer data tables.

EDP Department's Response

Madison County will follow, where at all possible, the recommendations of the Mississippi State Auditor's Office as set forth above.

Justice Court Clerk.

00-16 Finding

We found numerous missing receipt numbers in the Justice Court computer system. Six receipts were missing during this fiscal year and 153 missing receipts since the inception of the Justice Court computer system in August 1992. Lack of documentation and change in personnel prohibited the auditor from documenting the reason for these missing receipts.

MADISON COUNTY

Schedule of Findings
For the Year Ended September 30, 2000

Recommendation

We recommend that Madison County's Department of Data Processing and the Justice Court Clerk work together to determine the reason for these missing receipts. Then, the county should implement the necessary steps to ensure that receipts will not be lost during processing

Justice Court Clerk's Response

Missing receipts probably occurred when the computer "blew up" and error message appeared. This has been corrected by implementing a special daily report that will alert staff to any missing receipts. All Justice Court personnel have been advised that any time an error message occurs they are to stop input immediately and contact the Data Processing Department

00-17 Finding

Section 7-7-211, Miss. Code Ann. (1972), gives the Office of the State Auditor the authority to prescribe accounting systems. We noted that the Justice Court Clerk was not making daily deposits and was not listing checks on the deposit slips.

Recommendation

The Justice Court Clerk should make daily deposits and list checks separately on the deposit slips

Justice Court Clerk's Response

We will comply

Inventory Control Clerk.

00-18 Finding

Section 7-7-211, Miss. Code Ann. (1972), gives the Office of the State Auditor the authority to prescribe accounting systems. We noted the following problems with the general fixed assets records:

- a. As reported in the last two years' audit reports, inventory control numbers and serial numbers were not included for all items
- b. As reported in the last three years' audit reports, some items had not been tagged
- c. As reported in the last three years' audit reports, the annual inventory forms were not reconciled to the fixed assets detail records

Recommendation

The Inventory Control Clerk should maintain fixed assets records in accordance with the *Mississippi County Financial Accounting Manual*. The Inventory Control Clerk should also adequately document the annual inventory and reconcile it to the fixed assets records.

MADISON COUNTY

Schedule of Findings
For the Year Ended September 30, 2000

Inventory Control Clerk's Response

- a Serial numbers along with any other missing information are also being picked up
- b Madison County is still in an ongoing process of changing from metal number tags to bar coded labels. This process was started last year and, as witnessed by the auditor, is still in process.
- c I do not understand what "annual inventory forms" were not reconciled to the fixed assets detail records. It is my understanding from the discussion with Bill Pope, that the county may carry items on inventory that aren't required, thus not being reconciled. We will continue to add items that may not be required

Auditor's Note

Any additional items that aren't required to be included would still need to be shown as reconciling items.