

WAYNE COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2015

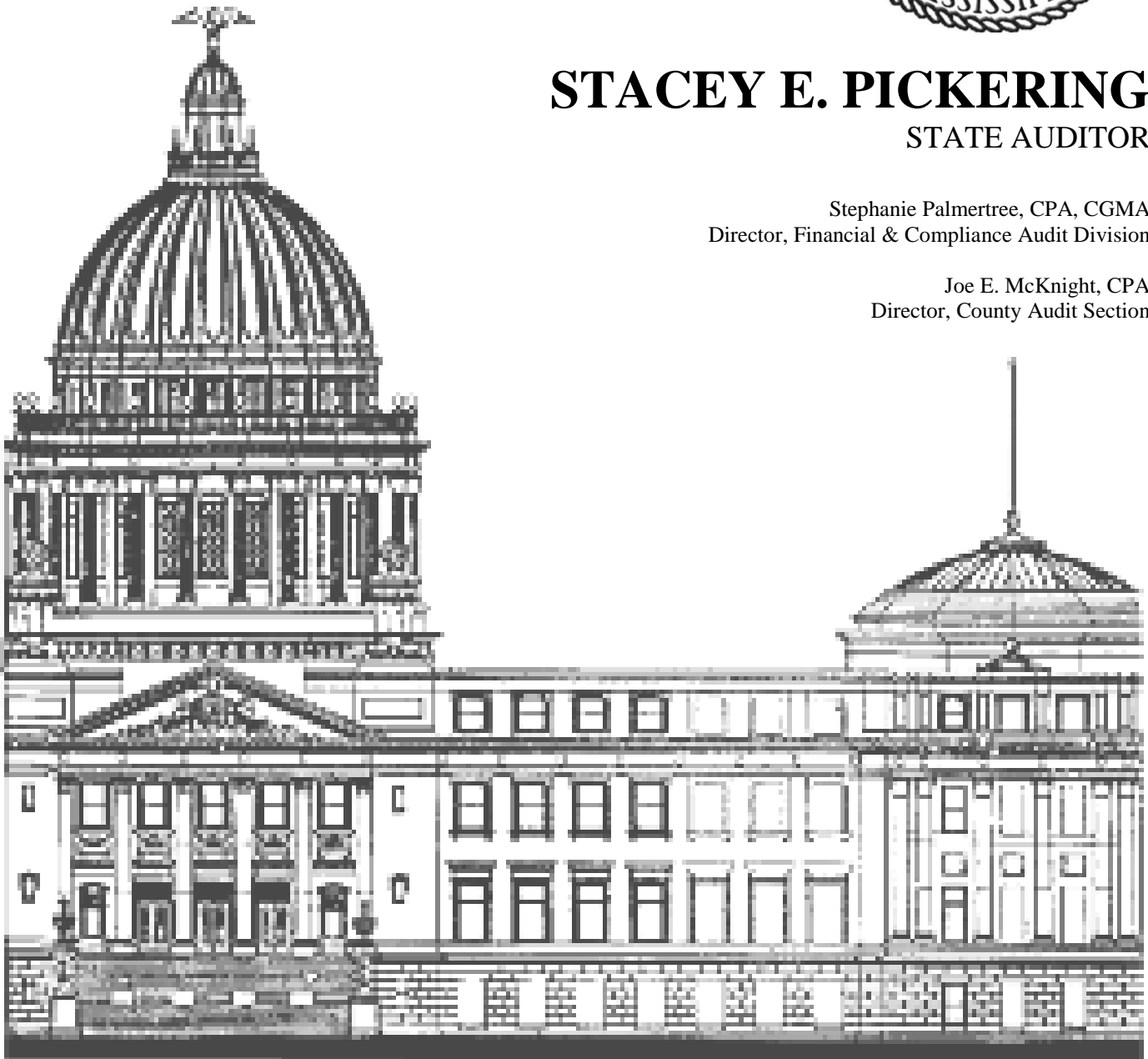


STACEY E. PICKERING

STATE AUDITOR

Stephanie Palmertree, CPA, CGMA
Director, Financial & Compliance Audit Division

Joe E. McKnight, CPA
Director, County Audit Section



A Report from the County Audit Section

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

February 17, 2017

Members of the Board of Supervisors
Wayne County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2015 financial and compliance audit report for Wayne County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering", is written over a horizontal line.

Stacey E. Pickering
State Auditor

WAYNE COUNTY

TABLE OF CONTENTS

FINANCIAL SECTION	1
INDEPENDENT AUDITOR’S REPORT	3
FINANCIAL STATEMENTS	7
Statement of Net Position – Cash Basis	9
Statement of Activities – Cash Basis.....	10
Statement of Cash Basis Assets and Fund Balances – Governmental Funds	11
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances – Governmental Funds	12
Statement of Fiduciary Assets and Liabilities – Cash Basis.....	13
Notes to Financial Statements	15
SUPPLEMENTAL INFORMATION	23
Schedule of Expenditures of Federal Awards	25
Reconciliation of Operating Costs of Solid Waste	26
OTHER INFORMATION	27
Budgetary Comparison Schedule – (Budget and Actual (Non-GAAP Basis) - General Fund	29
Schedule of Interfund Loans	30
Schedule of Capital Assets	31
Schedule of Changes in Long-term Debt	32
Schedule of Surety Bonds for County Officials	34
Notes to the Other Information.....	35
SPECIAL REPORTS.....	37
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	39
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133	41
Independent Accountant’s Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules (Required by Section 31-7-115, Miss. Code Ann. (1972))	45
Limited Internal Control and Compliance Review Management Report	53
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	61
AUDITEE’S CORRECTIVE ACTION PLAN	69

WAYNE COUNTY

FINANCIAL SECTION

WAYNE COUNTY

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

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Wayne County, Mississippi

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting, as described in Note 1. This includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

The financial statements do not include financial data for the County's legally separate component units. Accounting principles applicable to the County's cash basis of accounting require the financial data for those component units to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. The County has not issued such reporting entity financial statements. The amount by which this departure would affect the cash basis assets, net position, receipts, and disbursements of the aggregate discretely presented component units is not reasonably determinable.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly the cash basis financial position of the aggregate discretely presented component units of Wayne County, Mississippi, as of September 30, 2015, or the changes in cash basis financial position thereof for the year then ended in accordance with accounting principles applicable to the County's cash basis of accounting.

Unmodified Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the major funds, and the aggregate remaining fund information of Wayne County, Mississippi, as of September 30, 2015, and the respective changes in cash basis financial position thereof for the year then ended, in accordance with the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements which describes that Wayne County, Mississippi prepares its financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Report on Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wayne County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Schedule of Operating Costs of Solid Waste are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards and the Schedule of Operating Costs of Solid Waste are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and the Schedule of Operating Costs of Solid Waste are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Budgetary Comparison Schedule, Schedule of Interfund Loans, Schedule of Capital Assets, Schedule of Changes in Long-term Debt, Schedule of Surety Bonds for County Officials and corresponding notes have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2017, on our consideration of Wayne County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Wayne County, Mississippi's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Joe E. McKnight". The signature is fluid and cursive, with the first name "Joe" and last name "McKnight" clearly legible.

JOE E. MCKNIGHT, CPA
Director, County Audit Section

February 17, 2017

WAYNE COUNTY

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WAYNE COUNTY

FINANCIAL STATEMENTS

WAYNE COUNTY

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WAYNE COUNTY
Statement of Net Position - Cash Basis
September 30, 2015

Exhibit 1

		<u>Primary Government</u>
		<u>Governmental</u>
		<u>Activities</u>
ASSETS		
Cash	\$	<u>13,231,595</u>
Total Assets		<u><u>13,231,595</u></u>
NET POSITION		
Restricted:		
Expendable:		
General government		184,658
Public safety		302,989
Public works		3,309,936
Economic development and assistance		4,287,018
Unrestricted		<u>5,146,994</u>
Total Net Position	\$	<u><u>13,231,595</u></u>

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

WAYNE COUNTY
Statement of Activities - Cash Basis
For the Year Ended September 30, 2015

Exhibit 2

Functions/Programs	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 3,116,336	580,243	25,303		(2,510,790)
Public safety	2,900,404	424,895	384,654	11,886	(2,078,969)
Public works	5,447,800		1,328,844	69,259	(4,049,697)
Health and welfare	319,920		76,102		(243,818)
Culture and recreation	18,668				(18,668)
Education	145,447		145,447		-
Conservation of natural resources	85,360				(85,360)
Economic development and assistance	290,079				(290,079)
Debt service:					
Principal	1,273,598				(1,273,598)
Interest	416,603				(416,603)
Total Governmental Activities	\$ 14,014,215	1,005,138	1,960,350	81,145	(10,967,582)
General receipts:					
Property taxes				\$	4,877,010
Road & bridge privilege taxes					266,499
Grants and contributions not restricted to specific programs					2,257,624
Unrestricted interest income					52,724
Miscellaneous					239,364
Proceeds from debt issuance					1,095,145
Sale of county property					733,143
Compensation for loss of county property					10,223
Total General Receipts and Other Cash Sources					9,531,732
Change in Net Position					(1,435,850)
Net Position - Beginning					14,667,445
Net Position - Ending				\$	13,231,595

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

WAYNE COUNTY
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
September 30, 2015

Exhibit 3

	<u>Major Funds</u>			
	<u>General</u>	<u>Meadowland Park</u>	<u>Other</u>	<u>Total</u>
	<u>Fund</u>	<u>Construction</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
ASSETS				
Cash	\$ 5,146,994	4,257,449	3,827,152	13,231,595
Total Assets	<u>\$ 5,146,994</u>	<u>4,257,449</u>	<u>3,827,152</u>	<u>13,231,595</u>
FUND BALANCES				
Restricted for:				
General government	\$		184,658	184,658
Public safety			302,989	302,989
Public works			3,309,936	3,309,936
Economic development and assistance		4,257,449	29,569	4,287,018
Unassigned	5,146,994			5,146,994
Total Fund Balances	<u>\$ 5,146,994</u>	<u>4,257,449</u>	<u>3,827,152</u>	<u>13,231,595</u>

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

WAYNE COUNTY

Exhibit 4

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances -
Governmental Funds
For the Year Ended September 30, 2015

	Major Funds			
	General Fund	Meadowland Park Construction Fund	Other Governmental Funds	Total Governmental Funds
RECEIPTS				
Property taxes	\$ 1,938,735	500,113	2,438,162	4,877,010
Road and bridge privilege taxes			266,499	266,499
Licenses, commissions and other receipts	260,645		28,125	288,770
Fines and forfeitures	348,604		5,202	353,806
Intergovernmental receipts	1,803,728		2,495,391	4,299,119
Charges for services	140,700		221,862	362,562
Interest income	28,427	14,852	9,445	52,724
Miscellaneous receipts	192,418		46,946	239,364
Total Receipts	4,713,257	514,965	5,511,632	10,739,854
DISBURSEMENTS				
General government	3,020,597		95,739	3,116,336
Public safety	1,995,120		905,284	2,900,404
Public works			5,447,800	5,447,800
Health and welfare	319,920			319,920
Culture and recreation	10,000		8,668	18,668
Education	145,447			145,447
Conservation of natural resources	85,360			85,360
Economic development and assistance	51,822	238,100	157	290,079
Debt service:				
Principal		155,000	1,118,598	1,273,598
Interest		368,245	48,358	416,603
Total Disbursements	5,628,266	761,345	7,624,604	14,014,215
Excess (Deficiency) of Receipts over (under) Disbursements	(915,009)	(246,380)	(2,112,972)	(3,274,361)
OTHER CASH SOURCES (USES)				
Proceeds from long-term debt issuance			1,095,145	1,095,145
Sale of county property	21,389		711,754	733,143
Compensation for loss of county property			10,223	10,223
Transfers in			26,388	26,388
Transfers out	(19,081)		(7,307)	(26,388)
Total Other Cash Sources and Uses	2,308	-	1,836,203	1,838,511
Excess (Deficiency) of Receipts and other Cash Sources over (under) Disbursements and other Cash Uses	(912,701)	(246,380)	(276,769)	(1,435,850)
Cash Basis Fund Balances - Beginning	6,059,695	4,503,829	4,103,921	14,667,445
Cash Basis Fund Balances - Ending	\$ 5,146,994	4,257,449	3,827,152	13,231,595

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

WAYNE COUNTY
Statement of Fiduciary Assets and Liabilities - Cash Basis
September 30, 2015

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash	\$ <u>41,346</u>
Total Assets	\$ <u><u>41,346</u></u>
LIABILITIES	
Amounts held in custody for others	\$ <u>41,346</u>
Total Liabilities	\$ <u><u>41,346</u></u>

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

WAYNE COUNTY

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WAYNE COUNTY

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

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Wayne County, Mississippi (the County), is a political subdivision of the State of Mississippi. The County is governed by an elected five-member Board of Supervisors. The financial statements of the County are presented on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America as established by the Governmental Accounting Standards Board. These accounting principles require Wayne County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the County.

Management has chosen to omit from these financial statements the following component units which have significant operational or financial relationships with the County. Accordingly, the financial statements do not include the data of all of the County's component units necessary for reporting in accordance with accounting principles applicable to the County's cash basis of accounting.

- Wayne County Economic Development District
- Wayne General Hospital

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-Collector
- Sheriff

B. Individual Component Unit Disclosures.

Blended Component Units

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

The Wayne County Volunteer Fire Department, Inc. was organized under Section 19-5-151, Miss. Code Ann. (1972), and is a legally separate entity. The fire department provides fire protection and other emergency services to all areas of the county outside the cities of Waynesboro and State Line. A majority of the Department's funding is supplied by the County. The fire department is included as a special revenue fund in the County's financial statements.

The Emergency Management District of Wayne County was created by Wayne County and the City of Waynesboro under the authority of Section 33-15-17, Miss. Code Ann. (1972), to provide emergency management and communications services and facilities (E-911), including emergency radio and telephone dispatching service, in a manner which best fills the needs of all local communities.

WAYNE COUNTY

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

The President of the Board of Supervisors and the Wayne County Sheriff serve as two of the five members of the governing council of the District. The County is legally entitled to and can access the District's resources; and the County is obligated for the debt of the District. The Emergency Management District of Wayne County is included in the County's financial statements as a special revenue fund.

C. Basis of Presentation.

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

Government-wide Financial Statements:

The Statement of Net Position – Cash Basis and Statement of Activities – Cash Basis display information concerning the County as a whole. The statements include all non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental receipts and other non-exchange receipts.

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

Fund Financial Statements:

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

D. Measurement Focus and Basis of Accounting.

The Government-wide, Governmental Funds, and Fiduciary Funds financial statements are presented on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. This basis of accounting involves the reporting of only cash and cash equivalents and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) reported in the period in which they occurred. This cash basis of accounting differs from GAAP primarily because revenues (cash receipts) are recognized when received in cash rather than when earned and susceptible to accrual, and expenditures or expenses (cash disbursements) are recognized when paid rather than when incurred or subject to accrual.

WAYNE COUNTY

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

The County reports the following major Governmental Funds:

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

Meadowland Park Construction Fund - This fund is used to account for resources accumulated and used for infrastructure construction in the Meadowland Industrial Park.

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for and report the proceeds of specific cash sources that are restricted or committed to disbursement for specified purposes other than debt service or capital projects.

Debt Service Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to disbursement for principal and interest.

Capital Projects Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to disbursement for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

FIDUCIARY FUND TYPE

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

E. Account Classifications.

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

F. Deposits.

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

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less).

G. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net position and displayed in two components:

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

WAYNE COUNTY

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

Unrestricted net position - All other net position not meeting the definition of "restricted."

Net Position Flow Assumption:

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

Fund Financial Statements:

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

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

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

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

Fund Balance Flow Assumption:

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

H. Property Tax Receipts.

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

The Board of Supervisors, each year at a meeting in September, levies property 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. All property taxes are recognized as receipts when collected.

WAYNE COUNTY

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

- (2) The government-wide statement of net position – cash basis reports \$8,084,601 of restricted net position, of which \$7,038,595 is restricted by enabling legislation.

- (3) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2015, was \$13,272,941, and the bank balance was \$13,368,372. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

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

- (4) Interfund Transfers.

The following is a summary of interfund transfers for the year ended September 30, 2015:

Transfers In/Out:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 19,081
Other Governmental Funds	Other Governmental Funds	<u>7,307</u>
Total		<u>\$ 26,388</u>

The principal purpose of these transfers was to correct errors in posting receipts.

- (5) Claims and Judgments.

Risk Financing.

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2015, to January 1, 2016. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

WAYNE COUNTY

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

(6) 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 disbursements of resources for allowable purposes. The County may be responsible for any disallowances.

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.

(7) Joint Venture.

The County participates in the following joint venture:

Wayne County is a participant with the City of Waynesboro in a joint venture authorized by Section 39-3-8, Miss. Code Ann. (1972), to operate the Waynesboro-Wayne County Library System. The Library was created to provide free public library service to citizens of the respective county and city. The Library is governed by a ten-member board, one from each county and city district. The County and City are obligated by contract to levy not more than a four mill and three mill tax, respectively, as provided by Sections 9-3-5(1) and 39-3-7(1), Miss. Code Ann. (1972), respectively, for the ongoing financial support of the Library. By contractual agreement, the County's contribution to the joint venture this year amounted to \$129,154. Complete financial statements for the Library can be obtained from the Waynesboro-Wayne County Library, 1103A Mississippi Drive, Waynesboro, Mississippi 39367.

(8) Jointly-Governed Organizations.

The County participates in the following jointly-governed organizations:

Southern Mississippi Planning and Development District operates in a district composed of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jefferson Davis, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne Counties. The Wayne County Board of Supervisors appoints one of the 27 members of the board of directors. The County contributed \$35,187 for support of the district in fiscal year 2015, a small percentage of the district's total revenue.

Pine Belt Mental Health Care Resources operates in a district composed of Covington, Forrest, Greene, Jefferson Davis, Jones, Lamar, Marion, Perry and Wayne Counties. The Wayne County Board of Supervisors appoints one of the nine members of the board of commissioners. The County contributed \$47,500 for support of the entity in fiscal year 2015.

Jones County Junior College operates in a district composed of Clarke, Covington, Greene, Jasper, Jones, Perry, Smith and Wayne Counties. The college is governed by a 20-member board of trustees. Each county appoints two of the college's trustees, except Jones County, which appoints six. The County contributed \$595,378 for maintenance and support of the college in fiscal year 2015.

Multi-County Community Service Agency is a human resources agency created to administer programs conducted by community action agencies, limited purpose agencies and related programs authorized by federal laws. Its six members are as follows: Clarke, Jasper, Kemper, Lauderdale, Newton and Wayne Counties. Each member appoints three of the 18 board members. The County contributed \$30,000 for support of the agency in fiscal year 2015.

Regional Railroad Authority of East Mississippi was created in September 2009 by Clarke, George, Greene and Wayne Counties; Lauderdale County's membership was effective a month later. The Authority was created to preserve, develop, and maintain rail service in the member counties. Each member county appoints five commissioners to the Board of Commissioners of the Authority, while any municipality in each of these counties through which such railroad(s) run appoints one commissioner. The County contributed \$22,000 for support of the Authority in fiscal year 2015.

WAYNE COUNTY

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

(9) Defined Benefit Pension Plan.

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

Funding Policy. At September 30, 2015, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The rate at September 30, 2015 was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2015, 2014 and 2013 were \$612,980, \$588,367 and \$556,131 respectively, equal to the required contributions for each year.

WAYNE COUNTY

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WAYNE COUNTY

SUPPLEMENTAL INFORMATION

WAYNE COUNTY

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WAYNE COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2015

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture/ Passed-through the Mississippi State Treasurer's Office Schools and roads - grants to states*	10.665	N/A	\$ <u>335,064</u>
U.S. Department of Transportation - Federal Highway Administration/ Passed-through the Mississippi Department of Transportation Highway planning and construction	20.205	BR NBIS 081 B (77)	<u>29,790</u>
U.S. Department of Transportation - Pipeline and Hazardous Materials Safety Administration/ Passed-through the Mississippi Emergency Management Agency Interagency hazardous materials public sector training and planning grants	20.703	N/A	<u>31,561</u>
Total U.S. Department of Transportation			<u>61,351</u>
U.S. Department of Homeland Security/ Passed-through the Mississippi Emergency Management Agency Disaster grants - public assistance (presidentially declared disasters)*	97.036	FEMA-4101-DR-MS	66,654
Disaster grants - public assistance (presidentially declared disasters)*	97.036	FEMA-4175-DR-MS	<u>280,736</u>
Subtotal			<u>347,390</u>
Emergency management performance grants	97.042	N/A	24,241
Emergency management performance grants	97.042	N/A	<u>900</u>
Subtotal			<u>25,141</u>
Total U.S. Department of Homeland Security			<u>372,531</u>
Total Expenditures of Federal Awards			\$ <u><u>768,946</u></u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

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

* Denotes major federal award program

WAYNE COUNTY
Reconciliation of Operating Disbursements of Solid Waste
For the Year Ended September 30, 2015

Operating Disbursements, Cash Basis:

Salaries	\$	486,939
Expendable Commodities:		
Gasoline and petroleum products		57,658
Repair parts		28,275
Clothing		519
Hauling and landfill fees		81,486
Maintenance		13,005
Contractual services		14,904
Supplies		<u>115</u>
Solid Waste Operating Disbursements	\$	<u><u>682,901</u></u>

WAYNE COUNTY

OTHER INFORMATION

WAYNE COUNTY

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WAYNE COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2015
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
RECEIPTS				
Property taxes	\$ 2,007,081	1,982,080	1,982,080	
Licenses, commissions and other receipts	212,870	245,869	260,645	14,776
Fines and forfeitures	397,400	348,604	348,604	
Intergovernmental receipts	1,847,705	1,657,696	1,803,728	146,032
Charges for services	152,000	104,443	140,700	36,257
Interest income	27,000	28,427	28,427	
Miscellaneous receipts	217,278	246,345	192,418	(53,927)
Total Receipts	<u>4,861,334</u>	<u>4,613,464</u>	<u>4,756,602</u>	<u>143,138</u>
DISBURSEMENTS				
Current:				
General government	3,412,959	3,055,971	3,020,597	35,374
Public safety	2,142,804	1,995,120	1,995,120	
Health and welfare	328,717	319,920	319,920	
Culture and recreation	10,000	10,000	10,000	
Education			145,447	(145,447)
Conservation of natural resources	86,095	85,360	85,360	
Economic development and assistance	55,187	51,822	51,822	
Total Disbursements	<u>6,035,762</u>	<u>5,518,193</u>	<u>5,628,266</u>	<u>(110,073)</u>
Excess of Receipts over (under) Disbursements	<u>(1,174,428)</u>	<u>(904,729)</u>	<u>(871,664)</u>	<u>33,065</u>
OTHER CASH SOURCES (USES)				
Sale of county property			21,389	21,389
Transfers out			(62,426)	(62,426)
Other financing sources		35,373		(35,373)
Other financing uses		(43,345)		43,345
Total Other Cash Sources and Uses	<u></u>	<u>(7,972)</u>	<u>(41,037)</u>	<u>(33,065)</u>
Net Change in Fund Balance	(1,174,428)	(912,701)	(912,701)	
Fund Balances - Beginning	<u>6,081,040</u>	<u>6,059,695</u>	<u>6,059,695</u>	
Fund Balances - Ending	<u>\$ 4,906,612</u>	<u>5,146,994</u>	<u>5,146,994</u>	<u>-</u>

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

WAYNE COUNTY
Schedule of Interfund Loans
For the Year Ended September 30, 2015
UNAUDITED

The following is a summary of interfund balances at September 30, 2015:

Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Balance at Sept. 30, 2015</u>
General Fund	Other Governmental Funds	\$ 87,634
Meadowland Park Construction Fund	Other Governmental Funds	21,245
Other Governmental Funds	General Fund	106,404
Other Governmental Funds	Other Governmental Funds	88,696
Agency Funds	Other Governmental Funds	<u>15,296</u>
Total		\$ <u>319,275</u>

The amounts due represent various receipts posted to the incorrect fund. Interfund balances are expected to be repaid within one year from the date of the financial statements.

WAYNE COUNTY
Schedule of Capital Assets
For the Year Ended September 30, 2015
UNAUDITED

Governmental activities:

	Balance Oct. 1, 2014	Additions	Deletions	Adjustments*	Balance Sept. 30, 2015
Land	\$ 2,013,096			(52,566)	1,960,530
Construction in progress	393,272	808,473		476	1,202,221
Infrastructure	133,121,908		10,769		133,111,139
Buildings	9,379,925				9,379,925
Improvements other than buildings	1,094,481				1,094,481
Mobile equipment	7,387,074	470,728	340,357	296,320	7,813,765
Furniture and equipment	1,216,610	48,429	14,796		1,250,243
Leased property under capital leases	2,915,302	956,366	712,526	(161,800)	2,997,342
Total capital assets	\$ 157,521,668	2,283,996	1,078,448	82,430	158,809,646

*Adjustments are the reclassification of paid-off capital leases from leased property under capital leases to mobile equipment, as well as corrections of prior year errors.

WAYNE COUNTY
Schedule of Changes in Long-term Debt
For the Year Ended September 30, 2015
UNAUDITED

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

Description and Purpose	Issue Date	Maturity Date	Interest Rate	Balance Oct. 1, 2014	Issued	Principal Payments	Balance Sept. 30, 2015
Governmental Activities:							
A. General Obligation Bonds:							
General obligation industrial development bonds 2013							
Development Bonds 2013	12/19/2013	12/2033	4.00-5.25%	\$ 5,500,000		155,000	5,345,000
B. Capital Leases:							
E-911 communication equipment	6/29/2012	6/2019	2.02%	238,978		45,894	193,084
District 2 - John Deere 544K loader	10/10/2011	10/2014	2.89%	88,896		88,896	-
District 2 - 2013 Kubota M9540 tractor	4/25/2012	5/2016	2.16%	15,293		15,293	-
District 2 - Caterpillar backhoe	11/1/2012	11/2017	1.75%	61,425		728	60,697
District 2 - 12H Caterpillar grader	1/4/2013	1/2016	2.45%	29,479		29,479	-
District 2 - 2014 Mack dump truck	12/9/2013	1/2018	2.29%	92,756		9,855	82,901
District 2 - 2014 Mack dump truck	12/9/2013	1/2018	2.29%	94,394		10,346	84,048
District 2 - 2016 Freightliner truck	4/7/2015	4/2019	1.91%		77,935	7,843	70,092
District 2 - Kubota tractor w/ boom mower	10/1/2014	10/2018	1.93%		83,810	18,639	65,171
District 2 - 2014 Caterpillar 930K loader	10/30/2014	11/2019	2.12%		167,056	11,502	155,554
District 3 - 420E Caterpillar backhoe	9/27/2011	10/2014	2.78%	43,795		43,795	-
District 3 - 12M Caterpillar motor grader	8/1/2012	10/2015	1.78%	167,804		167,804	-
District 3 - 2011 John Deere motor grader	5/1/2013	6/2016	1.83%	132,087		10,890	121,197
District 3 - 2011 Freightliner Dump Truck	5/24/2013	5/2017	2.24%	34,853		12,426	22,427
District 3 - Used John Deere tractor	5/24/2013	5/2016	2.24%	22,771		12,902	9,869
District 3 - (2) 2014 Mack dump trucks	12/9/2013	12/2017	2.29%	108,161		108,161	-
District 3 - John Deere backhoe	12/1/2014	01/2018	1.98%		69,000	5,796	63,204
District 3 - Refinance 12M Caterpillar motor grader	8/20/2015	9/2017	1.91%		159,134	1,201	157,933
District 4 - 420E Caterpillar backhoe	9/27/2011	10/2015	2.87%	42,895		5,516	37,379
District 4 - 2012 Mack GU713 dump truck	4/25/2012	6/2017	2.17%	91,510		13,849	77,661
District 4 - Kubota Tractor	11/25/2012	11/2016	3.14%	9,400		4,259	5,141
District 4 - 2006 Western Star dump truck	9/9/2013	9/2018	2.45%	26,719		6,437	20,282
District 4 - 2013 Mack dump truck	12/9/2013	1/2018	2.29%	91,483		9,548	81,935
District 5 - 12H Caterpillar grader	12/15/2009	1/2015	3.25%	123,915		123,915	-
District 5 - 2012 Caterpillar 924HZ wheel loader	2/10/2012	3/2016	2.17%	94,575		4,732	89,843
District 5 - Kubota tractor w/ Tiger boom mower	10/25/2012	9/2016	1.96%	37,993		18,043	19,950

WAYNE COUNTY
Schedule of Changes in Long-term Debt
For the Year Ended September 30, 2015
UNAUDITED

Cont'd

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

<u>Description and Purpose</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance Oct. 1, 2014</u>	<u>Issued</u>	<u>Principal Payments</u>	<u>Balance Sept. 30, 2015</u>
B. Capital Leases:							
District 5 - 2015 Caterpillar 12M3 motor grader	1/21/2015	2/2020	2.03%		221,396	11,049	210,347
Countywide - John Deere 644k wheel loader	12/25/2011	2/2015	2.75%	134,613		134,613	-
Countywide - Caterpillar 320 DL excavator	6/20/2012	6/2017	2.00%	138,408		14,795	123,613
Countywide - Used Caterpillar dozer	8/25/2014	8/2017	1.95%	69,016		14,622	54,394
Countywide - Komatsu wheel loader	11/17/2014	12/2017	2.03%		212,054	14,477	197,577
Sanitation - 2013 Freightliner	11/19/2012	11/2016	1.84%	58,830		26,861	31,969
Sanitation - 2016 Western Star truck	7/2/2015	7/2018	1.86%		104,760	5,668	99,092
C. Other Loans:							
Fire trucks - CAP loan	12/1/2005	11/2015	2.00%	<u>130,227</u>		<u>108,764</u>	<u>21,463</u>
Total				<u>\$ 7,680,276</u>	<u>1,095,145</u>	<u>1,273,598</u>	<u>7,501,823</u>

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

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

Name	Position	Company	Bond
Clyde Revette	Supervisor District 1	RLI Insurance Company	\$100,000
Joe Dyess	Supervisor District 2	RLI Insurance Company	\$100,000
Jerry Hutto	Supervisor District 3	RLI Insurance Company	\$100,000
Ed Pitts	Supervisor District 4	RLI Insurance Company	\$100,000
Gaston Hutcherson	Supervisor District 5	RLI Insurance Company	\$100,000
Geary Jackson	Chancery Clerk	RLI Insurance Company	\$100,000
Tina Cochran	Purchase Clerk	Western Surety Company	\$75,000
Jill Cauley (Through 5/4/15)	Assistant Purchase Clerk	RLI Insurance Company	\$50,000
Lucindako Davis (Effective 5/4/15)	Assistant Purchase Clerk	RLI Insurance Company	\$50,000
Melissa Davis	Receiving Clerk	Western Surety Company	\$75,000
Brenda B. Mills	Assistant Receiving Clerk	RLI Insurance Company	\$50,000
Ralph Gardner	Assistant Receiving Clerk	RLI Insurance Company	\$50,000
Keith McLaughlin	Assistant Receiving Clerk	RLI Insurance Company	\$50,000
John P. Donald	Assistant Receiving Clerk	RLI Insurance Company	\$50,000
Gary L. Malone	Assistant Receiving Clerk	RLI Insurance Company	\$50,000
J. W. Freeman, Jr.	Assistant Receiving Clerk	RLI Insurance Company	\$50,000
Rakesia Gray	Assistant Receiving Clerk	RLI Insurance Company	\$50,000
Lisa Ferguson Tate	Inventory Control Clerk	RLI Insurance Company	\$75,000
Alan Scott Frost	Constable	RLI Insurance Company	\$50,000
Mark West	Constable	RLI Insurance Company	\$50,000
Rose Bingham	Circuit Clerk	RLI Insurance Company	\$100,000
(4) Deputies	Deputy Circuit Clerk	RLI Insurance Company	\$50,000
Darryl Woodson	Sheriff	RLI Insurance Company	\$100,000
	Sheriff's Deputy (hired under		
Bidmer Ray Walker	Section 45-5-9 Miss. Code Ann.	RLI Insurance Company	\$50,000
Charles Chapman	Justice Court Judge	Western Surety Company	\$50,000
Jane Hutto	Justice Court Judge	RLI Insurance Company	\$50,000
Christy James	Justice Court Clerk	Western Surety Company	\$50,000
LaRita Michelle McCann	Deputy Justice Court Clerk	RLI Insurance Company	\$50,000
Jimmie Ashley Pitts	Deputy Justice Court Clerk	RLI Insurance Company	\$50,000
Georgia M. Vaughn	Deputy Justice Court Clerk	Western Surety Company	\$50,000
Wanda Worsham	Deputy Justice Court Clerk	RLI Insurance Company	\$50,000
Debbie Richards	Tax Assessor-Collector	RLI Insurance Company	\$100,000
Seven Deputies	Deputy Tax Assessor-Collector	RLI Insurance Company	\$50,000

WAYNE COUNTY

Notes to the Other Information For the Year Ended September 30, 2015 UNAUDITED

(1) Budgetary Comparison Information.

A. Budgetary Information.

Statutory requirements dictate how and when the County's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the County, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-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 receipt, each general item of disbursement, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

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

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary basis and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund.

(2) Long-term Debt Information:

- A. Legal Debt Margin - The amount of debt, excluding specific exempted debt that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2015, the amount of outstanding debt was equal to 1.26% of the latest property assessments.

WAYNE COUNTY

Notes to the Other Information For the Year Ended September 30, 2015 UNAUDITED

B. Subsequent Events.

Subsequent to September 30, 2015, the County issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
10/14/2015	1.94%	\$ 37,000	Capital lease	Ad valorem taxes
10/29/2015	2.14%	118,993	Capital lease	Ad valorem taxes
11/06/2015	1.87%	23,547	Capital lease	Ad valorem taxes
12/29/2015	1.86%	668,063	Capital lease	Ad valorem taxes
01/27/2016	1.94%	114,447	Capital lease	Ad valorem taxes
03/10/2016	2.09%	88,000	Capital lease	Ad valorem taxes
04/22/2016	1.84%	164,125	Capital lease	Ad valorem taxes
05/02/2016	1.82%	135,975	Capital lease	Ad valorem taxes
05/10/2016	1.67%	24,251	Capital lease	Ad valorem taxes
05/23/2016	1.84%	51,800	Capital lease	Ad valorem taxes
05/23/2016	1.84%	8,000,000	Promissory note	Federal grant and Ad valorem
08/26/2016	1.78%	48,300	Capital lease	Ad valorem taxes
09/12/2016	1.95%	112,613	Capital lease	Ad valorem taxes
09/13/2016	2.15%	77,500	Capital lease	Ad valorem taxes
12/05/2016	2.25%	112,682	Capital lease	Ad valorem taxes

WAYNE COUNTY

SPECIAL REPORTS

WAYNE COUNTY

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

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

Members of the Board of Supervisors
Wayne County, Mississippi

We have audited, 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, the financial statements of the governmental activities, the major funds, and the aggregate remaining fund information of Wayne County, Mississippi (the County), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated February 17, 2017. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles applicable to the County's cash basis of accounting to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 2015-001, 2015-002, 2015-003, 2015-004, 2015-005 and 2015-006 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as 2015-007 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wayne County, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2015-002 and 2015-003.

We also noted certain matters which we have reported to the management of Wayne County, Mississippi, in the Independent Accountant's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated February 17, 2017, included within this document.

Wayne County's Responses to Findings

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

Purpose of this Report

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



JOE E. MCKNIGHT, CPA
Director, County Audit Section

February 17, 2017



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

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

Members of the Board of Supervisors
Wayne County, Mississippi

Report on Compliance for Each Major Federal Program

We have audited Wayne County, Mississippi's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Wayne County, Mississippi's major federal programs for the year ended September 30, 2015. Wayne County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Wayne County, Mississippi's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Wayne County, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Wayne County, Mississippi's compliance.

Basis for Qualified Opinion on Schools and Roads – Grants to States

As described in the accompanying Schedule of Findings and Questioned Costs, Wayne County, Mississippi did not comply with requirements applicable to Schools and Roads – Grants to States regarding Special Tests and Provisions as described in finding number 2015-008. Compliance with such requirements is necessary, in our opinion, for Wayne County, Mississippi to comply with the requirements applicable to that program.

Qualified Opinion on Schools and Roads – Grants to States

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Wayne County, Mississippi complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Schools and Roads – Grants to States for the year ended September 30, 2015.

Basis for Qualified Opinion on Disaster Grants – Public Assistance

As described in the accompanying Schedule of Findings and Questioned Costs, Wayne County, Mississippi did not comply with requirements applicable to Disaster Grants – Public Assistance regarding Allowable Costs/Cost Principles as described in finding number 2015-009. Compliance with such requirements is necessary, in our opinion, for Wayne County, Mississippi to comply with the requirements applicable to that program.

Qualified Opinion on Disaster Grants – Public Assistance

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

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

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2015-008 and 2015-009 that we consider to be material weaknesses.

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

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

A handwritten signature in black ink, reading "Joe E. Mcknight". The signature is written in a cursive, flowing style with a large initial "J" and "M".

JOE E. MCKNIGHT, CPA
Director, County Audit Section

February 17, 2017

WAYNE COUNTY

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

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

Members of the Board of Supervisors
Wayne County, Mississippi

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

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Wayne 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 system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

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

Purchase Clerk.

1. Two competitive written bids should be obtained when required.

Finding

Section 31-7-13(b), Miss. Code Ann. (1972), states that at least two (2) competitive written bids must be obtained for purchases which involve an expenditure of more than \$5,000 but not more than \$50,000, exclusive of freight and shipping charges. Our audit procedures indicated that two written competitive bids were not obtained for purchases of petroleum products in excess of \$5,000. Failure to obtain written competitive bids could result in excess costs to the County.

Recommendation

The Purchase Clerk should ensure that at least two written bids are obtained prior to making any purchase more than \$5,000 but no more than \$50,000 as required by law.

Purchase Clerk's Response

I will comply on future purchases.

2. Required procedures should be followed when accepting other than the lowest bid for all purchases.

Finding

Section 31-7-13(d)(i), Miss. Code Ann. (1972), states that (1) if any governing authority accepts a bid other than the lowest bid actually submitted, it shall place on its minutes detailed calculations and narrative summary showing that the accepted bid was determined to be the lowest and best bid, including the dollar amount of the accepted bid and the dollar amount of the lowest bid; and (2) in determining the best and lowest competitive bid, the County shall not accept a bid based on items not included in the specifications. During our audit, we noted the following conditions:

- a. At its October 16, 2014 meeting, the Board of Supervisors accepted a bid other than the lowest bid for the purchase of a wheel loader due to the buyback plan and interest rate offered by the vendor. The calculations used to determine that the accepted bid was the best and lowest bid were not included in the Board's minutes as required.
- b. At its November 3, 2014 meeting, the Board of Supervisors accepted a bid other than the lowest bid for the purchase of a wheel loader due to the free service package offered by the vendor. The calculations used to determine that the accepted bid was the best and lowest bid were not included in the Board's minutes as required.
- c. At its May 14, 2015 meeting, the Board of Supervisors accepted a bid other than the lowest bid for the purchase of a mini excavator. The accepted bid was determined by the Board to be the best bid due to the specifications exceeding the advertised specifications and the enclosure being easier to remove in certain applications.

Failure to include the required calculations in the minutes and determination of the best bid based on items not included in the specifications places the County in violation of state statutes and could result in excess costs to the County.

Recommendation

The Purchase Clerk should ensure that the calculations used to determine the lowest and best bids are documented in the minutes; and that bids are not accepted based on items not included in the advertised specifications.

Purchase Clerk's Response

I will comply on future purchases.

In our opinion, except for the noncompliance referred to in the preceding paragraph, Wayne County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2015.

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

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

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

A handwritten signature in black ink, reading "Joe E. Mcknight". The signature is written in a cursive, flowing style.

JOE E. MCKNIGHT, CPA
Director, County Audit Section

February 17, 2017

WAYNE COUNTY

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WAYNE COUNTY

Schedule 1Schedule of Purchases From Other Than the Lowest Bidder
For the Year Ended September 30, 2015

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reason for Accepting Other Than the Lowest Bid</u>
10/30/2014	Caterpillar 930K wheel loader	\$ 167,356	Puckett Machinery	\$ 161,380	Guaranteed buyback and interest rate
11/17/2014	Komatsu WA380-7 loader	233,134	Lyle Machinery	226,033	Free service package
6/1/2015	Caterpillar mini excavator	22,642	Puckett Rents	22,458	Specifications exceeded those advertised

WAYNE COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2015

Schedule 2

Our tests did not identify any emergency purchases.

WAYNE COUNTY

Schedule 3

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

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

WAYNE COUNTY

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

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Wayne County, Mississippi

In planning and performing our audit of the financial statements of Wayne County, Mississippi (the County) for the year ended September 30, 2015, we considered Wayne County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Wayne County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated February 17, 2017, on the financial statements of Wayne County, Mississippi.

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

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

Board of Supervisors.

1. The County should strengthen controls over citations of code sections in the adopted tax levy and ensure the tax levies for bond payments are sufficient.

Finding

In respect to the issuance of general obligation bonds by the County, Section 19-9-9, Miss. Code Ann. (1972), requires the Board of Supervisors to annually levy a special tax upon all of the taxable property within the County sufficient to provide for the payment of the principal and interest on the bonds according to the terms thereof. An effective system of internal control over the tax levy should ensure that the correct code section is cited in the board order adopting the levy. Our audit procedures revealed that the proceeds of the levy for principal and interest payments on the general obligation bonds were insufficient to make those payments as required. Additionally, the code sections cited for the Meadowland Park general obligation bonds, 19-9-5 and 19-5-99, Miss. Code Ann. (1972), address the county's limitation of indebtedness and the establishment of economic development districts, respectively. Therefore, taxes for this bond issue were levied under incorrect code sections. Failure to levy taxes at a sufficient rate could result in the misuse of funds restricted for other purposes. Failure to ensure that the correct code sections are cited for taxes levied could result in an unauthorized tax levy.

Recommendation

The Board of Supervisors should: (1) increase the Meadowland Park General Obligation Bond levy to provide sufficient funds to make principal and interest payments as required; (2) establish adequate control procedures to ensure the proper code sections are used in the board order establishing the tax levy and that all levies are in compliance with the applicable code section; and (3) establish a debt service fund to account for receipts restricted for bond payments and the disbursements of those receipts.

Board of Supervisors' Response

The County will ensure there are sufficient funds to cover the principal and interest of the Meadowland GO bond payment. A debt service fund will be set up to account for all receipts restricted for bond payments and the disbursement of those receipts. The County will ensure that the proper code sections are used in the board order establishing the tax levy.

2. The County should perform periodic physical and logical access reviews.

Finding

As reported in the prior year's audit report, we noted during our review, that the county does not have both formal policies and procedures that cover granting or removing logical access for terminated employees for either the AS400 or UNIX systems. We also noted that the county does not periodically review the levels of access that active users have been granted and determine if the access is appropriate for either system.

These reviews should include both physical and logical access. Physical access would be inclusive of buildings, rooms or cages where physical computer hardware and the supporting infrastructure such as wiring, environmental controls, etc. are housed. In dealing with physical access, reviews should include keys, proximity cards and biometric devices. An accurate inventory of such items issued for access should be kept and include the job title of persons with such access to facilitate review for appropriateness by management and auditors. Also, security of systems that control access such as personal computers that control proximity card access should also be under tight security controls.

Logical access usually refers to access to data and associated computer environments such as application software and operating systems. Areas that should be kept in mind in determining proper logical access are technical issues such as alternate indexes and back doors such as function keys and ability to travel directly from one menu to another. As with physical access, user IDs such as those used for network, application, or database security administration should be highly restricted and protected.

Recommendation

We recommend that the county implement periodic reviews of access for all individual users for both the AS400 and UNIX systems. These reviews should include both physical and logical access. Documentation of such reviews should be retained for reference and audit purposes for a reasonable period. Such retention should be according to guidelines such as policies of the county and regulations such as Internal Revenue Service guidelines. The county should seek legal counsel in determining retention periods.

In determining the appropriateness of both physical and logical access the reviewer should remain cognizant of job responsibilities, prior job responsibilities which persons may have held that are no longer pertinent, level of expertise of the user, segregation of duties, and regulatory guidelines which may be applicable. Both logical and physical access should be covered by a formal written policy for granting, terminating and changing access. These policies should be approved by management and distributed to employees through procedures that have those granted access to information assets indicate in writing or electronically that they have read and understand the policies and agree to follow them.

Board of Supervisors' Response

The County will comply.

3. The County should strengthen passwords.

Finding

As reported in the prior year's audit report, we noted during our review that the County is using some parameters associated with password strength that do not meet industry standard best practices, thereby creating unnecessary risk for the County's information assets on both the UNIX and AS400 systems.

Gaining access to data assets can often open doors to highly confidential information such as Personally Identifiable Information (PII), confidential governmental reports, and security information related to governmental entities. Through this type of unauthorized access situations such as data breaches and denial of service attacks can be initiated.

Attack methods can be slowed down significantly or even defeated through the use of strong passwords. Therefore, whenever possible, computer users should use strong passwords for all of their computer accounts.

Recommendation

We recommend that the County improve its password strength by changing password parameters on both the UNIX and AS400 systems to comply with password management best practices and industry standards. Characteristics of strong passwords include requirements for sufficient length, complexity (combinations of numbers, letters and special characters), and periodic change of passwords.

Board of Supervisors' Response

The County will comply.

4. The County should implement a formal information security policy.

Finding

As reported in the prior year's audit report, the County has not adopted a formal information security policy or Enterprise Security Plan for either the AS400 or the UNIX system. The lack of a formal information security policy can lead to a breakdown of basic security practices in the areas of application security, LAN/WAN security, management of the security application and internet protocol.

Recommendation

For both the AS400 and UNIX systems, a robust set of information technology policies should cover at least the following areas:

- Acceptable Use
- Portable Computing
- Change Management
- Encryption
- Security Incident Response
- Risk Management
- Backup and Recovery
- Business Continuity I Disaster Recovery

While full compliance with all facets of such a policy may be an economic challenge for the County, beginning steps to become compliant with a policy covering areas such as those listed above are necessary. We recommend that the County create a plan of compliance with industry standards to ensure progress towards a robust documented information security plan. This policy should be reviewed and approved by the County's Board of Supervisors. In addition, employees that utilize technology should review and accept such policies before access to computer resources is granted to employees. Proof of approval by management and acceptance by employees should be retained for review by auditors.

Board of Supervisors' Response

The County is in the process of creating the proper policies.

5. The County should establish and test a disaster recovery process.

Finding

As reported in the prior year's audit report, during our review of the information systems controls of the County, we noted that the County has not established a disaster recovery process for either the UNIX or the AS400 system. As a result, the County cannot fully ensure that the information systems can be restored in a timely manner. Disaster recovery involves defining and documenting plans to help sustain and recover critical information technology resources, information systems, and associated business functions. Control Objectives for Information and Related Technology (CobiT, Section DS4), as well as recognized industry best practices, require a written disaster recovery plan be developed and tested regularly to provide orderly recovery of vital functions in the event of a hardware or environmental disaster. Failure to maintain an adequate recovery plan could impede the County's ability to regain computer operations in the event of a disaster.

There are a number of steps that an organization can take to prevent or minimize the damage to automated operations that may occur from unexpected events. One example is routinely backing up data files and programs and periodically restoring these files and programs as part of a formal, documented disaster recovery exercise. Such actions maintain the organization's ability to restore data files, which may be impossible to re-create.

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

Recommendation

We recommend that the County develop, implement, and test a plan for both the UNIX and AS400 systems to ensure that critical data and applications are recoverable in case of a disaster scenario. In order to do this it will be necessary to gain an understanding from vendors involved in the backup process of the types of backups that should be created, on what frequency these backups should be created, the processes necessary to create the various types of backups and the responsibilities of the various parties involved, including county personnel and vendor personnel. Furthermore, these procedures and responsibilities should be documented and agreed upon by all parties involved.

Board of Supervisors' Response

The County will take the appropriate steps to solve this problem.

6. The County should expire all individual passwords on a periodic basis.

Finding

As reported in the prior year's audit report, a review of the County's security settings on both the AS400 and UNIX systems revealed that some users' passwords were set to expire on a more infrequent basis than recommended in best business practices. All passwords should be set to expire in accordance with policy to be determined by the county using best business practices guidelines.

Recommendation

We recommend that a policy be implemented to ensure that passwords on both the AS400 and UNIX systems are expired on a regular basis. In addition, the County should conduct access reviews for information assets on a periodic basis (at least annually). Documentation of these reviews should be signed by the person conducting them and retained for review by auditors.

Board of Supervisors' Response

The County will comply.

7. The County should improve its server rooms environment management.

Finding

The County's computer rooms for both the AS400 and UNIX systems are not dedicated rooms with limited, controlled access and proper environmental equipment for electronic equipment. The rooms are secure in that there are people working during business hours in and around the computers. However, the computers are in the open and have the potential to be accessed by unauthorized personnel. Although the rooms do have air conditioning, they do not have monitoring equipment for other conditions that can have an adverse effect on electronic equipment.

Recommendation

We recommend that the County establish areas for both the AS400 and UNIX systems specifically for computerized equipment that can be locked and provisioned with environmental control and monitoring equipment in relation to heat, humidity, and other conditions that might affect computerized equipment. This equipment should also have the capability to notify the proper personnel when these conditions vary outside of preset ranges. A log should also be maintained of visitors entering and exiting the computer rooms. In addition, access reviews should be completed on a periodic basis to determine that only authorized personnel have access to the computer rooms. Documentation of visitors to the computer rooms as well as periodic access reviews should be maintained for review by audit personnel.

Board of Supervisors' Response

The County does not have the physical capability to dedicate rooms to the system servers at this time. The County will implement the recommendation if the opportunity arises in the future.

Purchase Clerk

8. Credit card charges were not properly documented for authorization.

Finding

Section 19-3-68, Miss. Code Ann. (1972), specifies the requirements governing the use of a county credit card for travel. The Chancery Clerk or Purchase Clerk shall maintain complete records of all credit card numbers and all receipts and other documentation relating to the use of such credit cards. The supervisors and county employees shall furnish receipts for the use of such credit cards each month to the Chancery Clerk or Purchase Clerk, who shall submit a written report monthly to the Board of Supervisors. The report shall include an itemized list of all expenditures and use of the credit card for the month, and such expenditures may be allowed for payment by the county in the same manner as other items in the claims docket. As reported in the prior four years' audit reports, travel charges to the credit card were not in complete compliance with this section. There are no written reports itemizing expenditures made on the credit card. Failure to enforce these requirements could result in the misuse of the credit card for unauthorized and unallowable expenditures.

Recommendation

The Purchase Clerk should ensure that a monthly report itemizing the expenditures and use of the credit card is submitted to the Board of Supervisors, as required.

Purchase Clerk's Response

The County will comply.

Tax Assessor/Collector

9. Deputy Tax Collectors should be bonded individually.

Finding

Section 27-1-9(a), Miss. Code Ann. (1972), requires each deputy tax collector to give bond, payable, conditioned and approved as provided by law in an amount not less than fifty thousand dollars (\$50,000.00) for the faithful discharge of his duties. The Deputy Tax Collectors are bonded under a position schedule bond rather than individual bonds. In the event of a loss of public funds involving Deputy Tax Collectors, the County would be responsible for recovery of funds and would have incurred an unnecessary liability.

Recommendation

The Tax Assessor/Collector should ensure that all deputies are bonded individually.

Tax Assessor/Collector's Response

As of September 22, 2016, all deputy tax collectors and deputy assessors are bonded individually as required by state law.

Circuit Clerk.

10. Deputy Circuit Clerks should be bonded individually.

Finding

Section 9-7-123(2), Miss. Code Ann. (1972), requires each deputy clerk of the circuit court to give bond, with sufficient surety, to be payable, conditioned and approved as provided by law in an amount not less than fifty thousand dollars (\$50,000). The Deputy Circuit Clerks are bonded under a position schedule bond rather than individual bonds. In the event of a loss of public funds involving Deputy Circuit Clerks, the County would be responsible for recovery of funds and would have incurred an unnecessary liability.

Recommendation

The Circuit Clerk should ensure that all deputies are bonded individually.

Circuit Clerk's Response

I understand and will make sure it won't happen again.

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

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



JOE E. MCKNIGHT, CPA
Director, County Audit Section

February 17, 2017

WAYNE COUNTY

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WAYNE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

WAYNE COUNTY

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WAYNE COUNTY

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

Section 1: Summary of Auditor's Results

Financial Statements:

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

Governmental activities	Unmodified
Aggregate discretely presented component units	Adverse
General fund	Unmodified
Meadowland Park Construction Fund	Unmodified
Aggregate remaining fund information	Unmodified
2. Internal control over financial reporting:
 - a. Material weaknesses identified? Yes
 - b. Significant deficiency identified? Yes
3. Noncompliance material to the financial statements noted? Yes

Federal Awards:

4. Internal control over major federal programs:
 - a. Material weaknesses identified? Yes
 - b. Significant deficiency identified? None Reported
5. Type of auditor's report issued on compliance for major federal programs:

CFDA #10.665, Schools and Roads - Grants to States	Qualified
CFDA #97.036, Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Qualified
6. Any audit finding disclosed that are required to be reported in accordance with Section __.510(a) of OMB Circular A-133? Yes
7. Identification of major federal programs:
 - a. CFDA #10.665, Schools and Roads - Grants to States
 - b. CFDA #97.036, Disaster Grants - Public Assistance (Presidentially Declared Disasters)
8. Dollar threshold used to distinguish between type A and type B programs: \$300,000
9. Auditee qualified as low-risk auditee? No

WAYNE COUNTY

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

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

2015-001. The County should establish controls to ensure the Schedule of Expenditures of Federal Awards is accurately prepared.

Finding

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

- a. Two programs with total expenditures of \$41,003 were erroneously included.
- b. The expenditures for two different awards from the same program were combined and reported with one identification number. Additionally, these expenditures were overstated by \$80,946.

These errors were due to the County's lack of subsidiary records documenting the details and transactions relative to federal awards received. The failure to maintain adequate records increases the possibility of reporting incorrect amounts on the Schedule of Expenditures of Federal Awards.

Recommendation

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

Material Weakness

Material Noncompliance

2015-002. The County should record ad valorem taxes in the proper funds and expend these taxes for authorized purposes only.

Finding

In accordance with authority granted through state statutes, the Board of Supervisors approved an order to levy taxes for fiscal year 2015 at its September 2, 2014 meeting. Included in this order were levies authorized by the Code Sections listed below for those specific purposes.

Code Section, Miss. Code Ann. (1972)	Purpose of Levy
19-9-9	General Obligation Bond, Meadowland Park
19-9-111	Wayne County Economic Development District
27-39-303	General County Purposes
27-39-305	Countywide Bridge and Culvert - Maintenance and/or construction
27-39-325	Reappraisal – To defray the costs of reappraisal
27-39-329(2)(b)	Mandatory County Ad Valorem Tax
39-3-5	Wayne County/Waynesboro Library
51-15-129	Pat Harrison Waterway District
83-1-39(5)(d)	Wayne County Volunteer Fire Department

WAYNE COUNTY

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

The assessment of those levies on a particular public utility property resulted in proceeds in the amount of \$212,871. These proceeds were recorded in the County's Sanitation and Solid Waste Fund and therefore were expended for a purpose other than the purposes for which they were levied. Failure to record the levy proceeds in the appropriate funds, according to the purpose for which they were levied, is a violation of state statutes and resulted in the expenditure of the funds for purposes not authorized by law.

Recommendation

The Board of Supervisors should ensure all ad valorem taxes are recorded in the correct funds for which they were levied upon receipt of the funds.

Material Weakness
Material Noncompliance

2015-003. The Board of Supervisors should advertise for bids prior to contracting for the feeding of prisoners.

Finding

Section 19-25-73(1)(a), Miss. Code Ann. (1972), authorizes the Board of Supervisors to contract with a local caterer or restaurant owner to bring in food for the prisoners, and the contract shall be awarded only after taking bids as provided by law for other county contracts. The County did not advertise for bids for the feeding of prisoners before executing a contract with the current provider of prisoners' meals. Failure to advertise for bids for county contracts could result in excess costs to the County in addition to placing the County in violation of state statutes.

Recommendation

The Board of Supervisors should advertise for bids before contracting for the feeding of prisoners.

Material Weakness

2015-004. Bond proceeds were used for purposes other than that for which the bonds were issued.

Finding

Section 19-9-21, Miss. Code Ann. (1972), states that the proceeds of bonds issued by the County shall be placed in the county treasury as a special fund and shall be used for no other purpose than that for which such bonds were issued. The County used \$23,132 of the proceeds of the Meadowland Park General Obligation Bond issue to make principal and interest payments due on the bonds. The levy set by the Board of Supervisors for the debt service payments on the bonds was not sufficient to make those payments. Use of the bond proceeds to make debt service payments before the purpose for which the bonds were issued was an illegal diversion of the bond proceeds and is considered a felony in Mississippi.

Recommendation

The Board of Supervisors should ensure the proceeds of the bond issue are spent for no purpose other than that for which the bonds were issued. The County should refund \$23,132 to the Meadowland Park Construction Fund and ensure that all debt service payments are made from a separate debt service fund.

WAYNE COUNTY

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

Material Weakness

2015-005. Required procedures should be followed when accepting other than the lowest bid for all purchases.

Finding

Section 31-7-13(d)(i), Miss. Code Ann. (1972), states that (1) if any governing authority accepts a bid other than the lowest bid actually submitted, it shall place on its minutes detailed calculations and narrative summary showing that the accepted bid was determined to be the lowest and best bid, including the dollar amount of the accepted bid and the dollar amount of the lowest bid; and (2) in determining the best and lowest competitive bid, the County shall not accept a bid based on items not included in the specifications. During our audit, we noted the following conditions:

- a. At its October 16, 2014 meeting, the Board of Supervisors accepted a bid other than the lowest bid for the purchase of a wheel loader due to the buyback plan and interest rate offered by the vendor. The calculations used to determine that the accepted bid was the best and lowest bid were not included in the Board's minutes as required.
- b. At its November 3, 2014 meeting, the Board of Supervisors accepted a bid other than the lowest bid for the purchase of a wheel loader due to the free service package offered by the vendor. The calculations used to determine that the accepted bid was the best and lowest bid were not included in the Board's minutes as required.
- c. At its May 14, 2015 meeting, the Board of Supervisors accepted a bid other than the lowest bid for the purchase of a mini excavator. The accepted bid was determined by the Board to be the best bid due to the specifications exceeding the advertised specifications and the enclosure being easier to remove in certain applications.

Failure to include the required calculations in the minutes and determination of the best bid based on items not included in the specifications places the County in violation of state statutes and could result in excess costs to the County.

Recommendation

The Board of Supervisors should ensure that the calculations used to determine the lowest and best bids are documented in the minutes; and that bids are not accepted based on items not included in the advertised specifications.

Material Weakness

2015-006. Deficiencies exist in the recording of transactions.

Finding

An effective system of internal control over the recording of transactions should include the proper classification of receipts and expenditures. During our audit we noted that General Fund expenditures in the amount of \$110,721; Meadowland Park Construction Fund expenditures in the amount of \$19,580; and Other Governmental Fund expenditures in the amount of \$57,000 were coded incorrectly. The coding errors resulted in these expenditures being classified incorrectly in the financial statements.

Recommendation

The Board of Supervisors should implement a system of internal control that will ensure that all transactions are properly classified in the county's accounting records.

WAYNE COUNTY

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

Sheriff.

Significant Deficiency

2015-007. The Sheriff should establish adequate segregation of duties.

Finding

An effective system of internal controls for collecting, recording, and disbursing cash in the Sheriff's Office should include adequate segregation of duties. As reported in the prior three years' audit reports, the same individual receipts monies, prepares all deposits, reconciles the bank statements, posts receipts to the cash journal, prepares monthly settlement reports, and makes disbursements for all bond and process fees. Failure to implement controls over the collecting, recording, and disbursing of cash, and lack of segregation of duties in the Sheriff's Office could result in the loss or misappropriation of public funds.

Recommendation

The Sheriff should take steps to ensure that there is adequate segregation of duties in the cash collection and disbursement functions.

Section 3: Federal Award Findings and Questioned Costs

2015-008. The County should establish controls to ensure compliance with the public comment period requirement.

Finding

Program: 10.665 Schools and Roads – Grants to States
Award number: N/A
U.S. Department of Agriculture, Forest Service
Passed through the Mississippi Office of the State Treasurer

Material Weakness

Material Noncompliance

Compliance Requirement: Special Tests and Provisions

OMB Circular A-133 Compliance Supplement 2015 and U.S. Code, Title 16, Section 7142(b), specifies that a participating county can use Title III funds only after a 45-day public comment period, at the beginning of which the participating county is required to publish in any publications of local record a proposal that describes the proposed use of the county funds. The County's proposed use of Title III funds was published 24 days after the Title III funds were expended, thereby precluding the required 45-day public comment period. This noncompliance resulted from the County's lack of adequate internal controls over the public comment period federal requirement. Failure to provide the required public comment period before any Title III funds were expended could result in the funds being used for unallowable purposes.

Questioned Costs: \$44,170

Recommendation

The Board of Supervisors should implement internal controls to ensure that the County follows the required public comment period requirement before expending Title III funds.

WAYNE COUNTY

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

2015-009. The County should establish controls to ensure expenditures charged to federal programs are computed in accordance with applicable requirements.

Finding

Program: 97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters)
Award number: FEMA-4175-DR-MS
U.S. Department of Homeland Security
Passed through the Mississippi Emergency Management Agency

Material Weakness

Material Noncompliance

Compliance Requirement: Allowable Costs/Cost Principles

An effective system of internal control over federal programs should include computation of amounts charged to the grant in accordance with applicable cost principles. During our audit we noted that some charges to the federal program for force account labor and force account equipment were not substantiated by the county's payroll and capital asset records. No effective internal controls were found to be in place with respect to the allowable costs/cost principles compliance requirement. Failure to accurately compute the amounts charged to the federal program could result in the reporting of questioned costs for the program. The County could also be required to repay funds to the federal government.

Questioned Costs: \$11,746

Recommendation

The Board of Supervisors should implement internal controls to ensure that amounts charged to federal programs are substantiated by applicable payroll and capital asset records.

WAYNE COUNTY

AUDITEE'S CORRECTIVE ACTION PLAN

WAYNE COUNTY

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WAYNE COUNTY BOARD OF SUPERVISORS

**WAYNE COUNTY COURTHOUSE
609 AZALEA DRIVE
WAYNESBORO, MISSISSIPPI 39367
Telephone: (601) 735-3414
Fax: (601) 735-6248**

OFFICERS

*DAVID MILLS, District 1
JOE DYESS, District 2
TOMMY ROBERTS SR., District 4*

*JERRY HUTTO, President-District 3
GASTON HUTCHERSON, Vice President, District 5
GEARY JACKSON, Chancery Clerk*

*COOPER LEGGETT, Attorney
PO Box 384, Waynesboro, MS 39367
Telephone: (601) 735-4920*

CORRECTIVE ACTION PLAN

September 21, 2016

Mississippi Office of the State Auditor
501 N. West Street, Suite 801
Jackson, Mississippi 39201

Gentlemen:

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

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

SECTION 2: FINANCIAL STATEMENT FINDINGS

2015-001. Corrective Action Planned: The County will take steps to improve the record-keeping of Federal Awards.

Anticipated Completion Date: September 30, 2016

Name of Contact Person Responsible for Corrective Action: Jill Cauley, Comptroller

2015-002. Corrective Action Planned: The County will take steps to ensure that all ad valorem taxes are recorded in the correct fund for which they are levied.

Anticipated Completion Date: September 30, 2016

Name of Contact Person Responsible for Corrective Action: Jill Cauley, Comptroller

2015-003. Corrective Action Planned: The County will comply.

Anticipated Completion Date: The County will advertise for bids for calendar year 2017.

Name of Contact Person Responsible for Corrective Action: Jerry Hutto, President,
Board of Supervisors

2015-004. Corrective Action Planned: The County will comply with the recommendation of the State Auditor.

Anticipated Completion Date: Compliance will begin immediately.

Name of Contact Person Responsible for Corrective Action: Jill Cauley, Comptroller

- 2015-005. Corrective Action Planned: The Board will ensure that bid calculations are documented in the minutes and that bids are not accepted based on items not included in the advertised specifications.
Anticipated Completion Date: Compliance will begin immediately.
Name of Contact Person Responsible for Corrective Action: Jerry Hutto, President, Board of Supervisors
- 2015-006. Corrective Action Planned: The County will comply with the recommendation of the State Auditor.
Anticipated Completion Date: Compliance will begin immediately.
Name of Contact Person Responsible for Corrective Action: Jill Cauley, Comptroller
- 2015-007. Corrective Action Planned: I took office as Sheriff in January of 2016. My budget goes into effect October 2016 so I have hired another clerk for the front office so there will be a segregation of duties handling all public funds.
Anticipated Completion Date: October 1, 2016
Name of Contact Person Responsible for Corrective Action: Jody Ashley, Sheriff

SECTION 3: FEDERAL AWARD FINDINGS

- 2015-008. Corrective Action Planned: The County will be sure to follow the 45-day public comment period before expending Title III funds.
Anticipated Completion Date: Compliance will begin immediately.
Name of Contact Person Responsible for Corrective Action: Jill Cauley, Comptroller
- 2015-009. Corrective Action Planned: The County will take the necessary steps to ensure that all amounts charged to federal programs are substantiated by applicable payroll and capital asset records.
Anticipated Completion Date: Compliance will begin immediately.
Name of Contact Person Responsible for Corrective Action: Jill Cauley, Comptroller

Sincerely,



Jerry Hutto
President, Wayne County Board of Supervisors
(601) 735-3621