

# WEBSTER COUNTY, MISSISSIPPI

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

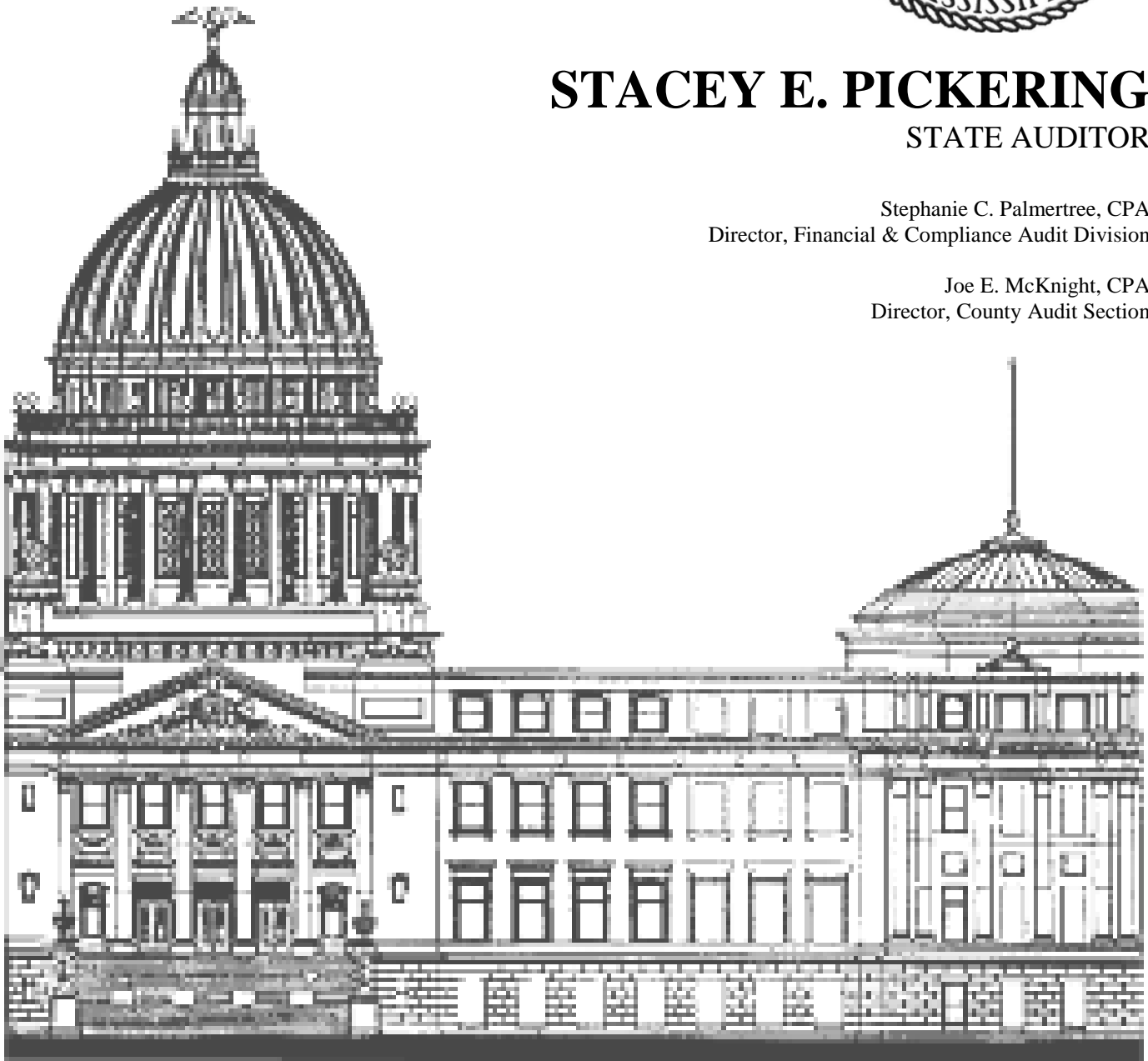


## STACEY E. PICKERING

STATE AUDITOR

Stephanie C. Palmertree, CPA  
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

June 7, 2017

Members of the Board of Supervisors  
Webster County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2015 financial and compliance audit report for Webster 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 Webster County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Webster 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



WEBSTER COUNTY  
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WEBSTER COUNTY

FINANCIAL SECTION

WEBSTER 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  
Webster County, Mississippi

**Report on the Financial Statements**

We have audited the accompanying cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Webster 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 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.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Webster 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 Webster 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 Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Webster County, Mississippi's basic financial statements. The Budgetary Comparison Schedules, 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 June 7, 2017 on our consideration of Webster 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 Webster County, Mississippi's internal control over financial reporting and compliance.



JOE E. MCKNIGHT, CPA  
Director, County Audit Section

June 7, 2017

WEBSTER COUNTY

FINANCIAL STATEMENTS

WEBSTER COUNTY

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

Exhibit 1

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS	
Cash	\$ 4,241,181
Total Assets	<u>4,241,181</u>
NET POSITION	
Restricted:	
Expendable:	
General government	81,013
Public safety	47,448
Public works	1,175,388
Culture and recreation	1,194
Debt service	55,511
Unemployment compensation	8,409
Unrestricted	<u>2,872,218</u>
Total Net Position	<u>\$ 4,241,181</u>

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

WEBSTER 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	\$ 2,129,693	158,916	86,114		(1,884,663)
Public safety	1,226,088	127,458	54,032		(1,044,598)
Public works	2,163,936	400,793	676,204	9,466	(1,077,473)
Health and welfare	99,798		33,332		(66,466)
Culture and recreation	44,905				(44,905)
Conservation of natural resources	47,463				(47,463)
Economic development and assistance	264,916		195,916		(69,000)
Debt service:					
Principal	358,979				(358,979)
Interest	16,277				(16,277)
Total Governmental Activities	<u>6,352,055</u>	<u>687,167</u>	<u>1,045,598</u>	<u>9,466</u>	<u>(4,609,824)</u>
General receipts:					
Property taxes				\$	3,484,374
Road & bridge privilege taxes					120,539
Grants and contributions not restricted to specific programs					375,679
Unrestricted interest income					12,869
Miscellaneous					45,551
Proceeds from debt issuance					125,333
Sale of county property					81,000
Compensation for loss of county property					434,692
Total General Receipts and Other Cash Sources					<u>4,680,037</u>
Change in Net Position					<u>70,213</u>
Net Position - Beginning of year					<u>4,170,968</u>
Net Position - Ending				\$	<u>4,241,181</u>

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

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

Exhibit 3

	<u>Major Funds</u>			
	<u>General</u>	<u>Courthouse</u>	<u>Other</u>	<u>Total</u>
	<u>Fund</u>	<u>Recovery</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
ASSETS				
Cash	\$ 450,058	2,422,160	1,368,963	4,241,181
Total Assets	<u>\$ 450,058</u>	<u>2,422,160</u>	<u>1,368,963</u>	<u>4,241,181</u>
FUND BALANCES				
Restricted for:				
General government	\$		81,013	81,013
Public safety			47,448	47,448
Public works			1,175,388	1,175,388
Culture and recreation			1,194	1,194
Debt service			55,511	55,511
Unemployment compensation			8,409	8,409
Committed to:				
General government		2,422,160		2,422,160
Unassigned	450,058			450,058
Total Fund Balances	<u>\$ 450,058</u>	<u>2,422,160</u>	<u>1,368,963</u>	<u>4,241,181</u>

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

## WEBSTER 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	Courthouse Recovery Fund	Other Governmental Funds	Total Governmental Funds
RECEIPTS				
Property taxes	\$ 2,201,914		1,282,460	3,484,374
Road and bridge privilege taxes			120,539	120,539
Licenses, commissions and other receipts	72,867		8,815	81,682
Fines and forfeitures	87,884			87,884
Intergovernmental receipts	429,113	57,021	944,609	1,430,743
Charges for services	17,972		499,629	517,601
Interest income	2,815	6,445	3,609	12,869
Miscellaneous receipts	27,807	3,000	14,744	45,551
Total Receipts	2,840,372	66,466	2,874,405	5,781,243
DISBURSEMENTS				
General government	1,763,497	203,536	162,660	2,129,693
Public safety	781,298		444,790	1,226,088
Public works			2,163,936	2,163,936
Health and welfare	92,211		7,587	99,798
Culture and recreation	40,441		4,464	44,905
Conservation of natural resources	47,463			47,463
Economic development and assistance	69,000		195,916	264,916
Debt service:				
Principal	9,816		349,163	358,979
Interest	536		15,741	16,277
Total Disbursements	2,804,262	203,536	3,344,257	6,352,055
Excess (Deficiency) of Receipts over Disbursements	36,110	(137,070)	(469,852)	(570,812)
OTHER CASH SOURCES (USES)				
Proceeds from long-term debt issuance			125,333	125,333
Sale of county property			81,000	81,000
Compensation for loss of county property		434,692		434,692
Transfers in			264,399	264,399
Transfers out	(136,349)		(128,050)	(264,399)
Total Other Cash Sources and Uses	(136,349)	434,692	342,682	641,025
Excess (Deficiency) of Receipts and other Cash Sources over Disbursements and other Cash Uses	(100,239)	297,622	(127,170)	70,213
Cash Basis Fund Balances - Beginning	550,297	2,124,538	1,496,133	4,170,968
Cash Basis Fund Balances - Ending	\$ 450,058	2,422,160	1,368,963	4,241,181

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

WEBSTER COUNTY  
Statement of Fiduciary Assets and Liabilities - Cash Basis  
For the Year Ended September 30, 2015

Exhibit 5

	Agency Funds
ASSETS	
Cash	\$ 38,661
Total Assets	<u>38,661</u>
LIABILITIES	
Amounts held in custody for others	38,661
Total Liabilities	<u>38,661</u>

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

WEBSTER COUNTY

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## WEBSTER COUNTY

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

#### (1) Summary of Significant Accounting Policies.

##### A. Financial Reporting Entity.

Webster 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 a 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 Webster County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the County. There are no outside organizations that should be included as component units of the County's reporting entity.

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. 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 nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental receipts and other nonexchange 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.

## WEBSTER COUNTY

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

#### Fund Financial Statements:

Fund financial statements of the County are organized into funds, each of which is considered to be 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. Nonmajor funds are aggregated and presented in a single column as Other Governmental Funds.

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

The Government-wide, Governmental Funds and Fiduciary Funds financial statements are presented on a 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.

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.

Courthouse Recovery Fund - This fund is used to account for monies from specific sources that are committed for the replacement of equipment and for rebuilding of the courthouse.

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.

#### D. Account Classifications.

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

## WEBSTER COUNTY

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

#### E. 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).

#### F. 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.

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 nonspendable, restricted, committed, assigned 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.

*Committed fund balance* includes amounts that can be used only for specific purposes pursuant to constraints imposed by a formal action of the Board of Supervisors, the County's highest level of decision-making authority. This formal action is an order of the Board of Supervisors as approved in the board minutes.

*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.

## WEBSTER COUNTY

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

#### 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.

#### G. 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.

#### (2) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2015, was \$4,279,842, and the bank balance was \$4,696,523. The collateral for public entities' deposit 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.

# WEBSTER COUNTY

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

### (3) Interfund Transfers.

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

Transfers In/Out:

Transfers In	Transfers Out	Amount
Other Governmental Funds	General Fund	\$ 136,349
Other Governmental Funds	Other Governmental Funds	128,050
Total		\$ 264,399

The principal purpose of interfund transfers was to provide funds for operating expenses. All interfund transfers were routine and consistent with the activities of the fund making the transfer. The General Fund transferred \$78,000 to Volunteer Fire Department. Solid Waste Fund also transferred \$80,000 to Volunteer Fire Department to purchase a fire truck. Volunteer Fire Department transferred \$40,000 to repay part of the amount from the Solid Waste Fund.

### (4) 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.

### (5) 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.

### (6) Joint Venture.

The County participates in the following joint venture:

Webster County is a participant with the counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha and Winston and the Cities of Ackerman, Columbus, Eupora, Louisville, Macon, Starkville and West Point in a joint venture, authorized by Section 17-17-307, Miss. Code Ann. (1972), to operate the Golden Triangle Regional Solid Waste Management Authority. The joint venture was created for waste management purposes and is governed by 38 board members. No one primary government appoints a majority of the Authority's board members. Webster County did not contribute any funds to the organization in the fiscal year 2015. Complete financial statements for the Golden Triangle Regional Solid Waste Management Authority can be obtained from Golden Triangle Planning and Development District, Post Office box 828, Starkville, Mississippi 39760-0828.

## WEBSTER COUNTY

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

#### (7) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

Holmes Community College operates in a district composed of the Counties of Attala, Carroll, Choctaw, Grenada, Holmes, Madison, Montgomery, Webster and Yazoo. The Webster County Board of Supervisors appoints two of the 22 members of the board of trustees. The County contributed \$114,580 for maintenance and support of the college in fiscal year 2015.

The Golden Triangle Planning and Development District operates in a district composed of the Counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster and Winston. The Webster County Board of Supervisors appoints four of the 28 members of the board of directors. The County contributed \$29,000 to the district in fiscal year 2015.

Tombigbee Regional Library System provides services for the Counties of Choctaw, Clay, Monroe and Webster. The Webster County Board of Supervisors appoints one of the five members of the board of directors. The County appropriated \$34,000 for maintenance and support of the system in fiscal year 2015.

The Mississippi Regional Housing Authority IV operates in a district composed of the Counties of Carroll, Choctaw, Clay, Grenada, Lowndes, Montgomery, Oktibbeha, Webster and Winston. The Webster County Board of Supervisors appoints one of the nine board members. The counties generally provide no financial support to the organization.

Community Counseling Services operates in a district composed of the Counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster and Winston. The Webster County Board of Supervisors appoints one of the seven members of the board of directors. The County contributed \$20,000 for the support of the agency in fiscal year 2015.

Prairie Opportunity, Inc. operates in a district composed of the Counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster and Winston. The Webster County Board of Supervisors appoints one of the 21 members of the board of directors. The other 14 board members are appointed by the counties. Most of the funding for the district is derived from federal funds, and the County provides a modest amount of financial support when matching funds are required for federal grants.

#### (8) Defined Benefit Pension Plan.

Plan Description. Webster 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 \$264,189, \$251,886 and \$245,154, respectively, equal to the required contributions for each year.

## WEBSTER COUNTY

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

(9) Subsequent Event.

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Webster County evaluated the activity of the County through June 7, 2017, and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statements.

On November 9, 2015, Webster County reached a final settlement with Atlantic Specialty Insurance Company in regard to the January 2013 fire that destroyed the courthouse. Subsequent to September 30, 2015, the County received an additional \$3,846,675, net of expenses, from the insurance company after litigation, mediation and an appraisal process.

WEBSTER COUNTY

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WEBSTER COUNTY

OTHER INFORMATION

WEBSTER COUNTY

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WEBSTER 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)
<b>RECEIPTS</b>				
Property taxes	\$ 2,145,306	2,201,914	2,201,914	
Licenses, commissions and other receipts	89,300	72,867	72,867	
Fines and forfeitures	132,205	87,884	87,884	
Intergovernmental receipts	412,200	429,113	429,113	
Charges for services	10,000	17,972	17,972	
Interest income	10,075	2,815	2,815	
Miscellaneous receipts	24,400	27,807	27,807	
Total Receipts	<u>2,823,486</u>	<u>2,840,372</u>	<u>2,840,372</u>	<u>0</u>
<b>DISBURSEMENTS</b>				
Current:				
General government	1,899,147	1,763,497	1,763,497	
Public safety	803,809	781,298	781,298	
Health and welfare	93,925	92,211	92,211	
Culture and recreation	39,750	40,441	40,441	
Conservation of natural resources	49,513	47,463	47,463	
Economic development and assistance	69,000	69,000	69,000	
Debt service:				
Principal		9,816	9,816	
Interest		536	536	
Total Disbursements	<u>2,955,144</u>	<u>2,804,262</u>	<u>2,804,262</u>	<u>0</u>
Excess of Receipts over (under) Disbursements	<u>(131,658)</u>	<u>36,110</u>	<u>36,110</u>	<u>0</u>
<b>OTHER CASH SOURCES (USES)</b>				
Transfers out	(53,463)	(136,349)	(136,349)	
Total Other Cash Sources and Uses	<u>(53,463)</u>	<u>(136,349)</u>	<u>(136,349)</u>	<u>0</u>
Net Change in Fund Balance	(185,121)	(100,239)	(100,239)	0
Fund Balances - Beginning	<u>677,331</u>	<u>550,297</u>	<u>550,297</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 492,210</u>	<u>450,058</u>	<u>450,058</u>	<u>0</u>

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

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

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental receipts	\$ 250,000	57,021	57,021	
Interest income		6,445	6,445	
Miscellaneous receipts		3,000	3,000	
Total Receipts	<u>250,000</u>	<u>66,466</u>	<u>66,466</u>	<u>0</u>
DISBURSEMENTS				
Current:				
General government	2,085,084	203,536	203,536	
Total Disbursements	<u>2,085,084</u>	<u>203,536</u>	<u>203,536</u>	<u>0</u>
Excess of Receipts over (under) Disbursements	<u>(1,835,084)</u>	<u>(137,070)</u>	<u>(137,070)</u>	<u>0</u>
OTHER CASH SOURCES (USES)				
Compensation for loss of county property		434,692	434,692	
Total Other Cash Sources and Uses	<u>0</u>	<u>434,692</u>	<u>434,692</u>	<u>0</u>
Net Change in Fund Balance	(1,835,084)	297,622	297,622	0
Fund Balances - Beginning	<u>1,835,084</u>	<u>2,124,538</u>	<u>2,124,538</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>2,422,160</u>	<u>2,422,160</u>	<u>0</u>

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

WEBSTER 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	\$ 78,000
Other Governmental Fund	Other Governmental Funds	<u>40,000</u>
Total		<u>\$ 118,000</u>

The amount payable to General Fund and Solid Waste Fund represents fire trucks purchased for Volunteer Fire – Levy Fund, which are not expected to be repaid within one year.

WEBSTER 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	\$ 115,790	23,500			139,290
Construction in progress	0	174,428			174,428
Infrastructure	5,260,434				5,260,434
Buildings	1,641,802				1,641,802
Mobile equipment	3,307,686	340,500		320,472	3,968,658
Furniture and equipment	301,858				301,858
Leased property under capital leases	1,159,427	125,333	113,689	(320,472)	850,599
Total capital assets	\$ 11,786,997	663,761	113,689	0	12,337,069

\*The adjustment column includes reclassification of paid off capital leases to mobile equipment.

WEBSTER 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
<b>Governmental Activities:</b>							
A. General Obligation Bonds:							
1999 road equipment bonds	11/15/1999	11/1/2014	5.20%	\$ 45,000		45,000	
B. Capital Leases:							
Ford Ranger Pickup	2/7/2012	2/7/2016	1.95%	4,533		3,388	1,145
Motorgrader	12/21/2011	12/21/2015	2.29%	31,323		26,797	4,526
2008 Mack truck	4/12/2012	4/12/2015	1.55%	31,624		31,624	
2013 Mack dump truck	5/25/2013	6/25/2015	1.54%	86,340		86,340	
2014 Ford F-150 Super Cab - Sheriff	6/27/2014	6/27/2018	2.24%	24,289		6,428	17,861
Cat Model 12M2 motor grader	3/10/2014	4/10/2019	2.29%	143,687		21,621	122,066
2015 Mack tandem axel tractor/truck	6/9/2014	6/9/2016	1.49%	110,870		22,630	88,240
(2) John Deere CX cutters(bushhogs)	9/16/2014	9/15/2018	1.95%	31,850		7,903	23,947
2016 Mack Tractor Trailer	5/27/2015	6/1/2017	1.69%		125,333	9,078	116,255
C. Other Loans:							
Front Line Apparel MDA Loan	5/7/2007	11/1/2009	3.00%	108,833			108,833 *
Front Line Apparel MDA Loan	8/13/2008	7/1/2011	3.00%	242,500			242,500 *
\$500,000 Negotiable note, series 2012	11/30/2012	11/30/2017	1.83%	403,594		98,170	305,424
Total				\$ 1,264,443	125,333	358,979	1,030,797

\* On June 14, 2010, the Mississippi Development Authority (MDA) notified Webster County that based on the County's good faith attempts to secure repayment of the loans receivable associated with these loans, the Mississippi Development Authority does not expect Webster County to continue collection efforts on these loans. The Mississippi Development Authority approved the closeout of this project on January 15, 2011. However, due to state law, Mississippi Development Authority cannot write off this loan payable from the County to MDA.

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

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

Name	Position	Company	Bond
Robert Hitt	Supervisor District 1	Western Surety Company	\$100,000
Patrick S. Cummings, Sr.	Supervisor District 2	Travelers Casualty and Surety Company	\$100,000
Randy Rico	Supervisor District 3	Western Surety Company	\$100,000
Paul Crowley	Supervisor District 4	Western Surety Company	\$100,000
Doug Burgess	Supervisor District 5	FCCI Insurance Company	\$100,000
Russell S. Turner	Chancery Clerk	Travelers Casualty and Surety Company	\$100,000
Amanda F. Embry (Kay)	Purchase Clerk	RLI Insurance Company	\$75,000
Charlotte Jones	Assistant Purchase Clerk	Travelers Casualty and Surety Company	\$50,000
Steve Hodges	Receiving Clerk	Travelers Casualty and Surety Company	\$75,000
Jeff Peacock	Assistant Receiving Clerk	Travelers Casualty and Surety Company	\$50,000
Russell S. Turner	Inventory Control Clerk	Travelers Casualty and Surety Company	\$75,000
David Paul Murphy, Sr.	Constable	Travelers Casualty and Surety Company	\$50,000
Jeffrey D. McMinn	Constable	Travelers Casualty and Surety Company	\$50,000
Deborah Hood Neal	Circuit Clerk	Travelers Casualty and Surety Company	\$100,000
Sherry Henderson	Circuit Clerk	Travelers Casualty and Surety Company	\$100,000
Timothy S. Mitchell	Sheriff	Western Surety Company	\$100,000
Rebecca E. Ellison	Justice Court Judge	Travelers Casualty and Surety Company	\$50,000
Jerry Jones	Justice Court Judge	State Farm Insurance	\$50,000
Janice Brunty	Justice Court Clerk	RLI Insurance Company	\$50,000
Melissa Dean	Deputy Justice Court Clerk	Travelers Casualty and Surety Company	\$50,000
Barbara Gore	Tax Assessor-Collector	Western Surety Company	\$100,000
Bonnie Fulgham - Deputy Tax Assessor	Deputy Tax Assessor	Western Surety Company	\$50,000
Jane Norman - Deputy Tax Assessor	Deputy Tax Assessor	Western Surety Company	\$50,000
Kristi Johnson-Deputy Tax Assessor	Deputy Tax Assessor	Western Surety Company	\$50,000
Christie Ross-Deputy Tax Assessor	Deputy Tax Assessor	Western Surety Company	\$50,000
Margaret Ann May-Deputy Tax Collector	Deputy Tax Collector	Western Surety Company	\$50,000
Carolyn Lane-Deputy Tax Collector	Deputy Tax Collector	Western Surety Company	\$50,000
Ronda L. McKee-Deputy Tax Collector	Deputy Tax Collector	Western Surety Company	\$50,000

## WEBSTER COUNTY

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

(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, there is no outstanding debt that is subject to these debt limitations.

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>
02/23/17	2.25%		21,943	Capital lease	Ad valorem taxes
01/29/16	2.10%	\$	56,519	Capital lease	Ad valorem taxes
03/28/16	1.89%		116,118	Capital lease	Ad valorem taxes
09/23/16	1.95%		98,000	Capital lease	Ad valorem taxes
09/23/16	1.95%		128,000	Capital lease	Ad valorem taxes
12/21/16	1.97%		169,899	Capital lease	Ad valorem taxes

WEBSTER COUNTY

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## WEBSTER COUNTY

## SPECIAL REPORTS

WEBSTER 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  
Webster 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, each major fund, and the aggregate remaining fund information of Webster 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 June 7, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Webster 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 Webster 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 Responses, 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 Responses as 2015-001, 2015-003, 2015-005, 2015-007, 2015-009 and 2015-010 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 2015-002, 2015-004, 2015-006 and 2015-008 to be significant deficiencies.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Webster 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of Webster 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 June 7, 2017, included within this document.

## **Webster County's Responses to Findings**

Webster County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Webster 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

June 7, 2017



**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  
Webster County, Mississippi

We have examined Webster 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 Webster 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 Webster 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.

Board of Supervisors.

1. Requisitions should be submitted by the appropriate department head.

Finding

Section 31-7-103, Miss. Code Ann. (1972), requires the Purchase Clerk to maintain the central purchasing system of the County. This statute also requires a requisition, purchase order and receiving report for all purchases, except for those items enumerated by the Office of the State Auditor under the authority of Section 31-7-13, Miss. Code Ann. (1972), and except for purchases of not more than \$1,000. Requisitions from the appropriate department head were not being presented to the Purchase Clerk to initiate the purchasing process of obtaining quotes, issuing a purchase order and ordering items. Failure to issue requisitions by the appropriate department head has resulted in purchases made without the required purchasing documents. Failure to follow state purchasing laws and guidelines could result in the loss of public funds.

### Recommendation

Requisitions should be submitted by the appropriate department head to the Purchase Clerk prior to issuing purchase orders.

### Board of Supervisors' Response

We will comply.

## 2. Central purchasing laws should be followed.

### Finding

Section 31-7-57(2), Miss. Code Ann. (1972), states that the Board of Supervisors may not ratify any purchase or pay for the same out of county funds unless said purchase was made in the manner provided by law. Section 31-7-113, Miss. Code Ann. (1972), gives the Office of the State Auditor the authority to prescribe the forms and procedures for implementing the central purchasing system. During the audited fiscal year, the Board of Supervisors approved payment of invoices which exceeded the purchase order amount. Also, we noted claims approved and paid by the Board of Supervisors which had no purchasing documents. The Board of Supervisors has not established corrective policy and procedures to make sure that all purchases are made in accordance with state purchasing system laws. Officials who authorize payment for purchases not made in the manner provided by law could be personally liable for up to the full amount of the expenditure.

### Recommendation

The Board of Supervisors should establish corrective policy and procedures to ensure that all purchases are made in accordance with the central purchasing system laws. The Board of Supervisors should carefully review all claims presented to them for approval and should not approve payment for any purchases which are not made in the manner provided by law.

### Board of Supervisors' Response

We will comply.

In our opinion, except for the noncompliance referred to in the preceding paragraph, Webster 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.

Webster 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 Webster 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.



JOE E. MCKNIGHT, CPA  
Director, County Audit Section

June 7, 2017

WEBSTER COUNTY

Schedule 1

Schedule of Purchases From Other Than the Lowest Bidder

For the Year Ended September 30, 2015

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

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

Schedule 2

Our tests did not identify any emergency purchases.

WEBSTER 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.

WEBSTER 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  
Webster County, Mississippi

In planning and performing our audit of the financial statements of Webster County, Mississippi (the County) for the year ended September 30, 2015, we considered Webster 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 Webster 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 June 7, 2017, on the financial statements of Webster County, Mississippi.

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

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

Board of Supervisors.

1. Webster County should strengthen passwords.

Finding

The Mississippi Constitution Article 4 Section 100, does not allow for any obligation or liability owed to the County to be extinguished except by payment thereof into the proper treasury. The Board of Supervisors waived the penalty and interest due on some personal property taxes. Failure to comply with the Mississippi Constitution and laws could result in the loss of public funds.

Recommendation

The Board of Supervisors should not waive the penalty and interest due on personal property taxes that are legal obligations owed to the County. The Board of Supervisors should pay the interest owed to the County.

### Board of Supervisors' Response

We will comply.

### Auditor's Note

The industry paid these delinquent penalties and interest of \$5,100 at the request of the Tax Collector. These funds were deposited into the General Fund on August 4, 2016.

## 2. Webster County should strengthen passwords.

### Finding

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

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 Webster County improve its password strength by changing password parameters to comply with password management best practices and industry standards.

### Board of Supervisors' Response

Webster County will improve password strength.

## 3. Webster County should implement a formal Information Security Policy.

### Finding

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

### Recommendation

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 / 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 county supervisors. In addition,

employees that utilize technology should review and accept such policies before access to computer resources is granted to employees. Proof of approval by management and acceptance by employees should be retained for review by auditors.

#### Board of Supervisors' Response

Webster County will comply.

4. Webster County should require employees to use county assigned email accounts to conduct county business.

#### Finding

As reported in the prior year's audit report, Webster County does not require the use of county assigned email accounts to conduct county business. Factors noted during the Information Technology General Control (ITGC) assessment at the county indicate that county employees are conducting county business on personal email accounts.

Best business practices as well as standards for information technology provide various guidelines as to the importance of utilizing a county-owned email address.

A county-owned email system would also serve as a county's official record and could be subject to the same privacy protections as forms of written communication. To that end, it would be difficult to retrieve emails from employees private email accounts, and even more challenging to recover emails from former employees of the county. Additionally, any hardware (cell phones, personal computer at home) or software (personal email accounts, etc.) used to conduct business for the county is subject to e-discovery regulations and therefore subject to subpoena for investigations.

In many cases internet providers/carriers make email accounts available for customers such as the county. This service is widely used and would provide the county with a low/no cost solution to this necessary safeguard and protection. Failure to adhere to this recommendation can cost the county possible data breaches, bad public relations, customer distrust and personnel time to correct issues or search for necessary correspondence on private email accounts. Consequences can be both short-term (e.g., notification of breached parties, fines from courts) and long-term (e.g., lawsuits).

The e-discovery amendments to the Federal Rules of Civil Procedure put new pressure on entities to cooperate with legal authorities. The goal of these amendments is to control the length and expense of the data e-discovery process by defining the process or protocol beforehand, as well as to circumvent potential e-discovery disputes later in a trial.

In any investigation, whether criminal, civil, or industry-related, the parties involved will be required to find or help find the requested information. If the entity cannot perform this task sufficiently, the parties responsible for administrative duties such as email systems will face some very difficult (and potentially career-threatening) questions. Given the cost and burden associated with recovering electronic records, entities can no longer afford to plead ignorance or attempt to sidestep the courts by claiming that the requested data no longer exists in corporate information stores. In other words, it is the county that will feel the wrath of the court if e-discovery requests are not quickly met.

#### Recommendation

We recommend that Webster County require employees to use county assigned email accounts to conduct county business.

#### Board of Supervisors' Response

Webster County will start the process to set up and assign county email accounts.

Chancery Clerk.

5. Board of Supervisors' minutes were not complete.

Finding

Section 19-3-27, Miss Code Ann (1972), requires the Clerk of the Board of Supervisors to keep and preserve a complete and correct record of all board proceedings. The board minutes were not complete in regards to all actions of the board throughout the year. Some contracts were not included in the board minutes. Failure to record the minutes could result in unlawful acts as there is not record as to what the board ordered.

Recommendation

The Chancery Clerk should keep a complete and correct record of all board proceedings.

Chancery Clerk's Response

I will comply.

Circuit Clerk.

6. The Circuit Clerk received compensation in excess of amounts allowed by statute.

Finding

Section 23-15-225(5) Miss. Code Ann. (1972), states the Circuit Clerk shall receive \$2,500 per year for duties performed in regard to the conduct of elections and the performance of other duties. The Circuit Clerk exceeded the authorized amounts by \$625 for calendar year 2015. Payments in excess of statutory authority result in the loss of public funds.

Recommendation

The Board of Supervisors, Chancery Clerk and the Payroll Clerk should ensure that all compensation paid to the Circuit Clerk is in accordance with amounts allowed by statute. The Circuit Clerk should repay the \$625 plus fringes of \$146 to the General Fund of the County.

Circuit Clerk's Response

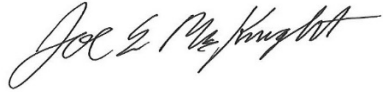
I will reimburse the County all amounts due by July 1, 2016.

Auditor's Note

The Circuit Clerk repaid the \$771 to the General Fund, as evidenced by receive warrant 12623 on July 6, 2016.

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

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

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

JOE E. MCKNIGHT, CPA  
Director, County Audit Section

June 7, 2017

WEBSTER COUNTY

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## WEBSTER COUNTY

### SCHEDULE OF FINDINGS AND RESPONSES

WEBSTER COUNTY

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## WEBSTER COUNTY

### Schedule of Findings and Responses 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: | Unmodified |
| 2. Internal control over financial reporting:                   |            |
| a. Material weaknesses identified?                              | Yes        |
| b. Significant deficiencies identified?                         | Yes        |
| 3. Noncompliance material to the financial statements noted?    | No         |

#### Section 2: Financial Statement Findings

Board of Supervisors.

##### Material Weakness

- 2015-001. The Board of Supervisors should establish a written disaster recovery process.

##### Finding

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. As reported in the prior three year's audit report, Webster County does not have a written disaster recovery process. Failure to maintain an adequate written recovery plan could impede the County's ability to regain computer operations in the event of a disaster.

##### Recommendation

Webster County should develop and implement a written disaster recovery plan documenting procedures to be followed in backing up data files and storage of these files as well as procedures to be followed during an emergency. All county officials should be made aware of their responsibilities in carrying out these procedures regarding backup and storage of data files as well as their responsibilities in the event of a disaster. Once the plan is completed, it should be subjected to proper testing to ensure that the data file and program backup is actually working as designed and that all data files and programs are included in the backup and are being stored at an off-site location.

##### Board of Supervisors' Response

Webster County will develop a written disaster recovery plan with procedures to follow in backing up data files and storage of these files. We will let county officials know their responsibility to carry out the plan and do proper testing of plan.

## WEBSTER COUNTY

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

#### Significant Deficiency

2015-002. Webster 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 revealed that some user's passwords were set to expire on a more infrequent basis than recommended in best business practices. All passwords should be set to expire in accordance with policy to be determined by the County using best business practices guidelines.

##### Recommendation

We recommend that a policy be implemented to ensure that passwords 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

Policy will be implemented to ensure passwords expire on regular basis.

#### Tax Assessor-Collector.

#### Material Weakness

2015-003. Controls over cash collections and disbursements in the Tax Collector's office should be strengthened.

##### Finding

An effective system of internal control should include an adequate separation of duties. As reported in the prior six years' audit reports, cash collection and disbursement functions in the Tax Assessor-Collector's office are not adequately separated for effective internal control. The Tax Assessor-Collector prepares deposits, calculates the monthly settlements, posts to the cash journal, reconciles the bank statements and disburses all funds. We also noted these additional deficiencies:

- a. Cash drawers cannot be locked.
- b. The Tax Collector and each deputy do not have their own cash drawer.
- c. When the Tax Collector collects taxes, she uses someone else's identification number.

Failure to have an adequate separation of duties, separate secure cash drawers and identification numbers could result in the loss of public funds.

##### Recommendation

The Tax Assessor-Collector should implement a system for review of the accounting records by another person. The Tax Assessor-Collector should provide a separate locked cash drawer for each person collecting taxes. The Tax Assessor-Collector should also use a separate identification number.

WEBSTER COUNTY

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

Tax Assessor-Collector's Response

We are doing our best in the temporary location to do this. We will have this fixed in the new courthouse.

Significant Deficiency

2015-004. The Tax Assessor-Collector should not allow employees to cash personal checks out of petty cash.

Finding

An effective system of internal control over tax collections should include an adequate separation of duties, the maintenance of and reconciliation of records documenting daily collections and adequate physical safeguards over cash collections. On the morning of June 16, 2016, the auditors conducted a cash count. During this cash count, the auditors noted that two of the cash drawers included personal checks that were being used to account for part of the petty cash balances. These checks were both dated as the same date of the cash count date. Failure to establish and enforce adequate controls over cash collections and petty cash could result in the loss of public funds.

Recommendation

The Tax Assessor-Collector should stop allowing employees to cash personal checks out of petty cash.

Tax Assessor-Collector's Response

I was not aware that I can't cash personal checks for employees. I have stopped this and will not do this anymore.

Material Weakness

2015-005. The Tax Assessor-Collector settlements should include an identification of receipts being settled.

Finding

An effective system of internal control over tax collections and settlements should include a list of receipts collected, and the settlements should include an identification of receipts being settled. The motor vehicle settlements do not identify the receipts being settled. Failure to implement adequate controls over the collection, recording and disbursement functions could result in the loss of public funds.

Recommendation

The Tax Assessor-Collector should ensure that there is a detailed list of receipts being settled.

Tax Assessor-Collector's Response

I am working with Data Systems to make sure this is done.

Significant Deficiency

2015-006. Tax Assessor-Collector should keep all voided receipts.

Finding

An effective system of internal control requires an accounting for missing and voided receipts. As reported in the prior year's audit report, we noted that there is no accounting for voided receipts as original copies of voided receipts are not retained in the Tax Assessor-Collector's Office. Failure to keep all voided receipts could result in the loss or misappropriation of public funds.

WEBSTER COUNTY

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

Recommendation

The Tax Assessor-Collector should implement a system of internal controls to ensure that the original copies of voided receipts are retained.

Tax Assessor-Collector's Response

I have started a file for voided receipts and will do so from now on.

Circuit Clerk.

Material Weakness

2015-007. Controls over cash collections and disbursements in the Circuit Clerk's office should be strengthened.

Finding

An effective system of internal control should include an adequate separation of duties. As reported in the prior six years' audit reports, cash collection and disbursement functions in the Circuit Clerk's office are not adequately separated for effective internal control. One deputy circuit clerk posts the cash journal, calculates the monthly settlements and disburses the funds and reconciles the bank statements. Failure to have an adequate separation of duties could result in the loss of public funds.

Recommendation

The Circuit Clerk should implement a system for review of the accounting records by another person.

Circuit Clerk's Response

I am responsible for posting to the cash journal, disbursing funds and reconciling bank statements for the various funds. Since we are a small staff, I have one deputy; I will have my deputy, Wanda Robinson, review the accounting records also and make a notation in cash journal that she has done so.

Auditor's Note

The Deputy Circuit Clerk who performed these functions was appointed as Circuit Clerk on July 1, 2015.

Significant Deficiency

2015-008. Effective internal controls should be implemented over deposits in the Circuit Clerk's office.

Finding

An effective system of internal control over the collection of cash should include making timely deposits. The Circuit Clerk's Office is making one to four deposits each month. The Circuit Clerk did not have policies and procedures in place to ensure that deposits were made in a timely manner. Failure to make timely deposits could result in the loss of public funds.

Recommendation

The Circuit Clerk should ensure that all funds are deposited in a timely manner.

## WEBSTER COUNTY

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

#### Circuit Clerk's Response

I will ensure that my office will make daily deposits when monies are collected.

Justice Court Clerk.

#### Material Weakness

2015-009. Controls over cash collections and disbursements in the Justice Court Clerk's office should be strengthened.

#### Finding

An effective system of internal control should include an adequate separation of duties and making timely deposits of cash collections. As reported in the prior six years' audit reports, cash collection and disbursement functions in the Justice Court office are not adequately separated for effective internal control. Both Justice Court Clerks are involved in preparing deposits, calculating the monthly settlements, reconciling the bank statements, and disbursing funds. Failure to have an adequate separation of duties could result in the loss of public funds.

#### Recommendation

The Justice Court Clerk's office should implement a system for review of the accounting records by another person.

#### Justice Court Clerk's Response

I would like to have a separation of duties but having only two in the office it's hard to do. If one is out there other one has to do everything required. I would like to have another person to review our accounting records.

#### Material Weakness

2015-010. Controls over accounting for cash collections in Justice Court should be strengthened.

#### Finding

An effective system of internal control over cash collections in the Justice Court Clerk's office should include the proper recording of all collections and settlements in the cash journal and the reconciliation of the cash balances in the cash journals to the bank account each month. As reported in the prior five years' audit reports, the following deficiencies were noted:

- a. The clearing account and bond account were not properly reconciled to the cash balance reported in the Justice Court's cash journals.
- b. A Justice Court cash count on July 21, 2015, revealed a cash shortage of \$1,681 in the clearing account and \$1,408 in the bond account. A cash count conducted on June 15, 2016, revealed a cash shortage of \$966 in the clearing account.
- c. It was noted during the cash count that cash bonds entered into the computer system were not posting correctly to the bond listing and cash journal. The cash journal shows a cash balance of \$49,499 for the bond account, however the bond listing shows a balance of \$26,131.

## WEBSTER COUNTY

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

Failure to properly reconcile cash balances per cash journal to bank account and to adequately document reconciling items could result in the loss of public funds.

#### Recommendation

The Justice Court Clerk should ensure that cash reported in the cash journals is properly reconciled to the bank accounts, implement a system for review of the accounting records by another person, and provide documentation to resolve the cash shortages or pay the amount of these shortages to the County.

#### Justice Court Clerk's Response

I would like to see another person review our bank reconciliation to help ensure that everything is done properly to resolve the issues of shortages.