

WEBSTER COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2016

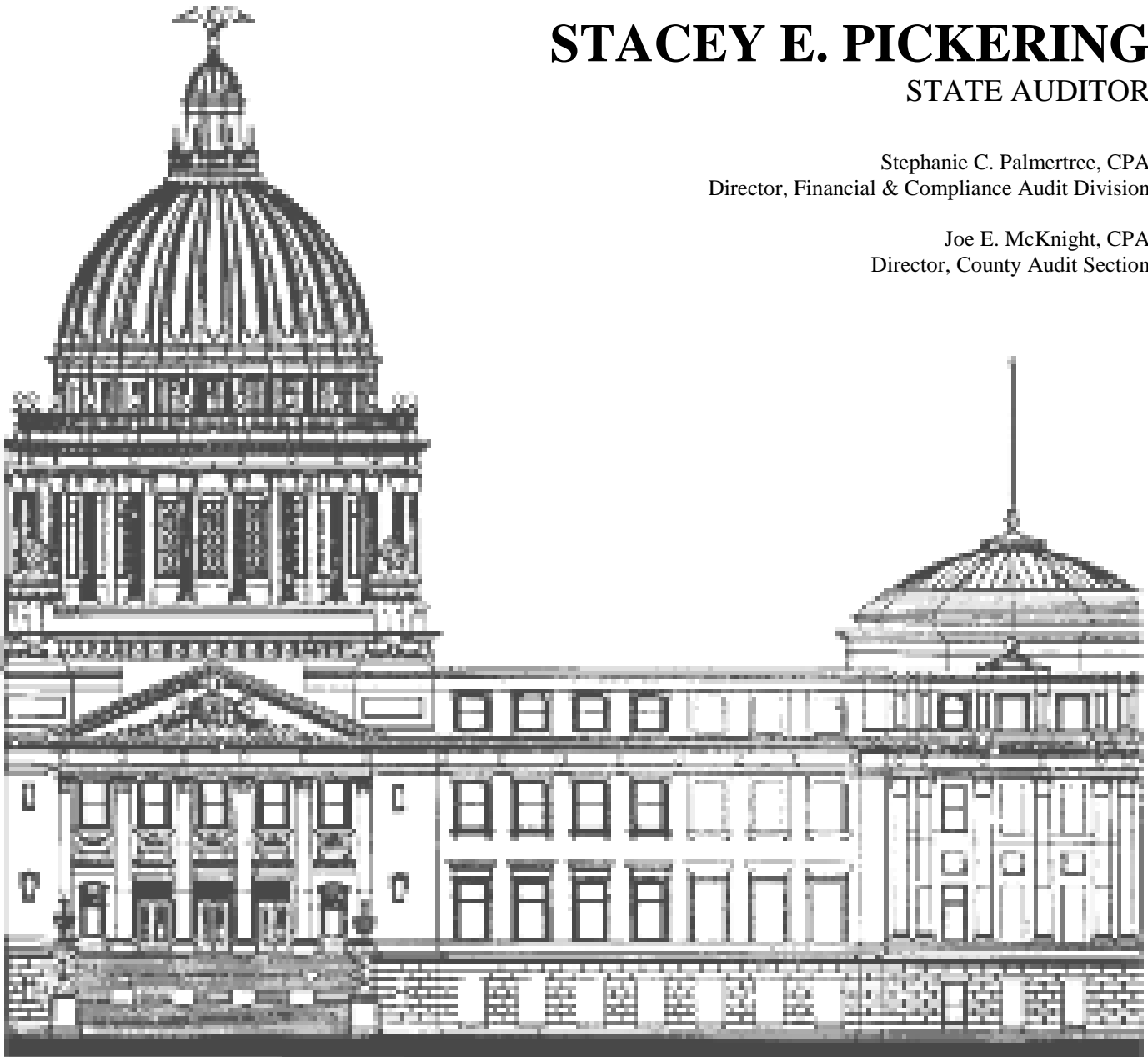


STACEY E. PICKERING

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

July 31, 2017

Members of the Board of Supervisors
Webster County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2016 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", written in a cursive style.

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, 2016, 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, 2016, 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 Supplementary and 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 Advances, 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 July 31, 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

July 31, 2017

WEBSTER COUNTY

FINANCIAL STATEMENTS

WEBSTER COUNTY

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WEBSTER COUNTY
Statement of Net Position - Cash Basis
September 30, 2016

Exhibit 1

	<u>Primary Government</u>
	<u>Governmental</u>
	<u>Activities</u>
ASSETS	
Cash	\$ 7,824,010
Total Assets	<u>7,824,010</u>
NET POSITION	
Restricted:	
Expendable:	
General government	67,393
Public safety	90,036
Public works	1,567,086
Culture and recreation	1,051
Debt service	18,231
Unemployment compensation	8,338
Unrestricted	<u>6,071,875</u>
Total Net Position	<u>\$ 7,824,010</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, 2016

Exhibit 2

Functions/Programs	<u>Program Cash Receipts</u>				<u>Net (Disbursements) Receipts and Changes in Net Position</u>
	<u>Cash Disbursements</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government Governmental Activities</u>
Primary government:					
Governmental activities:					
General government	\$ 2,377,059	205,601	109,269		(2,062,189)
Public safety	1,112,391	159,406	78,835	15,000	(859,150)
Public works	2,403,653	353,378	850,328	12,109	(1,187,838)
Health and welfare	96,628		12,291		(84,337)
Culture and recreation	44,271				(44,271)
Conservation of natural resources	46,741				(46,741)
Economic development and assistance	69,000				(69,000)
Debt service:					
Principal	276,823				(276,823)
Interest	12,999				(12,999)
Total Governmental Activities	<u>6,439,565</u>	<u>718,385</u>	<u>1,050,723</u>	<u>27,109</u>	<u>(4,643,348)</u>
General receipts:					
Property taxes				\$ 3,541,594	
Road & bridge privilege taxes				123,547	
Grants and contributions not restricted to specific programs				355,309	
Unrestricted interest income				20,915	
Miscellaneous				97,875	
Proceeds from debt issuance				399,071	
Sale of county property				275,882	
Compensation for loss of county property				<u>3,411,984</u>	
Total General Receipts and Other Cash Sources				<u>8,226,177</u>	
Changes in Net Position					<u>3,582,829</u>
Net Position - Beginning of year					<u>4,241,181</u>
Net Position - Ending				\$	<u><u>7,824,010</u></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, 2016

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	\$ 518,308	5,553,567	1,752,135	7,824,010
Total Assets	\$ 518,308	5,553,567	1,752,135	7,824,010
FUND BALANCES				
Restricted for:				
General government	\$		67,393	67,393
Public safety			90,036	90,036
Public works			1,567,086	1,567,086
Culture and recreation			1,051	1,051
Debt service			18,231	18,231
Unemployment compensation			8,338	8,338
Committed to:				
General government		5,553,567		5,553,567
Unassigned	518,308			518,308
Total Fund Balances	\$ 518,308	5,553,567	1,752,135	7,824,010

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

WEBSTER COUNTY

Exhibit 4Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances -
Governmental Funds
For the Year Ended September 30, 2016

	<u>Major Funds</u>			
	<u>General Fund</u>	<u>Courthouse Recovery Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
RECEIPTS				
Property taxes	\$ 2,283,853		1,257,741	3,541,594
Road and bridge privilege taxes			123,547	123,547
Licenses, commissions and other receipts	75,909		9,697	85,606
Fines and forfeitures	131,116		23,277	154,393
Intergovernmental receipts	421,559	77,836	933,746	1,433,141
Charges for services	25,717		452,669	478,386
Interest income	2,802	14,123	3,990	20,915
Miscellaneous receipts	41,122		56,753	97,875
Total Receipts	<u>2,982,078</u>	<u>91,959</u>	<u>2,861,420</u>	<u>5,935,457</u>
DISBURSEMENTS				
General government	1,821,436	372,536	183,087	2,377,059
Public safety	790,304		322,087	1,112,391
Public works			2,403,653	2,403,653
Health and welfare	89,041		7,587	96,628
Culture and recreation	40,265		4,006	44,271
Conservation of natural resources	46,741			46,741
Economic development and assistance	69,000			69,000
Debt service:				
Principal	7,718		269,105	276,823
Interest	337		12,662	12,999
Total Disbursements	<u>2,864,842</u>	<u>372,536</u>	<u>3,202,187</u>	<u>6,439,565</u>
Excess of Receipts over Disbursements	<u>117,236</u>	<u>(280,577)</u>	<u>(340,767)</u>	<u>(504,108)</u>
OTHER CASH SOURCES (USES)				
Proceeds from long-term debt issuance			399,071	399,071
Sale of county property			275,882	275,882
Compensation for loss of county property		3,411,984		3,411,984
Transfers in	20,000		99,441	119,441
Transfers out	(68,986)		(50,455)	(119,441)
Total Other Cash Sources and Uses	<u>(48,986)</u>	<u>3,411,984</u>	<u>723,939</u>	<u>4,086,937</u>
Excess (Deficiency) of Receipts and other Cash Sources over (under) Disbursements and other Cash Uses	<u>68,250</u>	<u>3,131,407</u>	<u>383,172</u>	<u>3,582,829</u>
Cash Basis Fund Balances - Beginning	<u>450,058</u>	<u>2,422,160</u>	<u>1,368,963</u>	<u>4,241,181</u>
Cash Basis Fund Balances - Ending	<u>\$ 518,308</u>	<u>5,553,567</u>	<u>1,752,135</u>	<u>7,824,010</u>

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

WEBSTER COUNTY

Exhibit 5

Statement of Fiduciary Assets and Liabilities - Cash Basis

September 30, 2016

	Agency Funds
ASSETS	
Cash	\$ 40,524
Total Assets	\$ 40,524
LIABILITIES	
Amounts held in custody for others	\$ 40,524
Total Liabilities	\$ 40,524

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, 2016

(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.

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 balances, receipts and disbursements. Funds are organized into governmental and

WEBSTER COUNTY

Notes to Financial Statements For the Year Ended September 30, 2016

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

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.

WEBSTER COUNTY

Notes to Financial Statements For the Year Ended September 30, 2016

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.

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.

WEBSTER COUNTY

Notes to Financial Statements For the Year Ended September 30, 2016

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, 2016, was \$7,864,534, and the bank balance was \$8,352,114. 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. 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). 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.

(3) Interfund Transfers.

The following is a summary of interfund transfers at September 30, 2016:

Transfers In/Out:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 20,000
Other Governmental Funds	General Fund	68,986
Other Governmental Funds	Other Governmental Funds	30,455
Total		\$ <u>119,441</u>

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.

WEBSTER COUNTY

Notes to Financial Statements For the Year Ended September 30, 2016

(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, 2016, to January 1, 2017. 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 Ventures.

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 2016. 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.

(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 \$117,012 for maintenance and support of the college in fiscal year 2016.

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 appropriated \$29,000 for the district in fiscal year 2016.

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 2016.

WEBSTER COUNTY

Notes to Financial Statements For the Year Ended September 30, 2016

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 2016.

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. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) 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, 2016, 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, 2016 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, 2016, 2015 and 2014 were \$261,908, \$264,189 and \$251,886, respectively, equal to the required contributions for each year.

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, 2016
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
RECEIPTS				
Property taxes	\$ 2,194,294	2,283,853	2,283,853	
Licenses, commissions and other receipts	69,130	75,909	75,909	
Fines and forfeitures	87,000	131,116	131,116	
Intergovernmental receipts	426,705	421,559	421,559	
Charges for services	8,000	25,717	25,717	
Interest income	15,075	2,802	2,802	
Miscellaneous receipts	24,000	41,122	41,122	
Total Receipts	<u>2,824,204</u>	<u>2,982,078</u>	<u>2,982,078</u>	<u>0</u>
DISBURSEMENTS				
Current:				
General government	1,854,988	1,821,436	1,821,436	
Public safety	803,450	790,304	790,304	
Health and welfare	93,925	89,041	89,041	
Culture and recreation	39,750	40,265	40,265	
Conservation of natural resources	49,695	46,741	46,741	
Economic development and assistance	69,000	69,000	69,000	
Debt service:				
Principal		7,718	7,718	
Interest		337	337	
Total Disbursements	<u>2,910,808</u>	<u>2,864,842</u>	<u>2,864,842</u>	<u>0</u>
Excess (deficiency) of Receipts over (under) Disbursements	<u>(86,604)</u>	<u>117,236</u>	<u>117,236</u>	<u>0</u>
OTHER CASH SOURCES (USES)				
Transfers in		20,000	20,000	
Transfers out	<u>(53,802)</u>	<u>(68,986)</u>	<u>(68,986)</u>	
Total Other Cash Sources and Uses	<u>(53,802)</u>	<u>(48,986)</u>	<u>(48,986)</u>	<u>0</u>
Net Change in Fund Balance	(140,406)	68,250	68,250	
Fund Balances - Beginning	<u>484,863</u>	<u>450,058</u>	<u>450,058</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 344,457</u>	<u>518,308</u>	<u>518,308</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, 2016
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental receipts	\$ 226,500	77,836	77,836	
Interest income		14,123	14,123	
Total Receipts	<u>226,500</u>	<u>91,959</u>	<u>91,959</u>	<u>0</u>
DISBURSEMENTS				
Current:				
General government	2,085,084	372,536	372,536	
Total Disbursements	<u>2,085,084</u>	<u>372,536</u>	<u>372,536</u>	<u>0</u>
Deficiency of Receipts under Disbursements	<u>(1,858,584)</u>	<u>(280,577)</u>	<u>(280,577)</u>	<u>0</u>
OTHER CASH SOURCES (USES)				
Compensation for loss of county property		3,411,984	3,411,984	
Total Other Cash Sources and Uses	<u>0</u>	<u>3,411,984</u>	<u>3,411,984</u>	<u>0</u>
Net Change in Fund Balance	(1,858,584)	3,131,407	3,131,407	
Fund Balances - Beginning	<u>2,400,000</u>	<u>2,422,160</u>	<u>2,422,160</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 541,416</u>	<u>5,553,567</u>	<u>5,553,567</u>	<u>0</u>

WEBSTER COUNTY
Schedule of Advances
For the Year Ended September 30, 2016
UNAUDITED

The following is a summary of interfund balances at September 30, 2016:

A. Advances From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	Balance at <u>Sept. 30, 2016</u>
General Fund	Other Governmental Funds	\$ 68,000
Other Governmental Funds	Other Governmental Funds	<u>27,200</u>
Total		\$ <u><u>95,200</u></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, 2016
UNAUDITED

Governmental activities:

	Balance Oct. 1, 2015	Additions	Deletions	Adjustments *	Balance Sept. 30, 2016
Land	\$ 139,290				139,290
Construction in progress	174,428	154,284		(191,172)	137,540
Infrastructure	5,260,434			191,172	5,451,606
Buildings	1,641,802				1,641,802
Mobile equipment	3,968,658	130,959	636,024	320,610	3,784,203
Furniture and equipment	301,858	15,000			316,858
Leased property under capital leases	850,599	629,275		(320,610)	1,159,264
Total capital assets	\$ 12,337,069	929,518	636,024	0	12,630,563

*The adjustment column includes completed construction projects transferred to infrastructure and reclassification of paid off capital leases to mobile equipment.

WEBSTER COUNTY
Schedule of Changes in Long-term Debt
For the Year Ended September 30, 2016
UNAUDITED

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2016:

Description and Purpose	Issue Date	Maturity Date	Interest Rate	Balance Oct. 1, 2015	Issued	Principal Payments	Balance Sept. 30, 2016
Governmental Activities:							
A. Capital Leases:							
Ford Ranger Pickup	2/7/2012	2/7/2016	1.95%	\$ 1,145		1,145	
Motorgrader	12/21/2011	12/21/2015	2.29%	4,526		4,526	
2014 Ford F-150 Super Cab - Sheriff	6/27/2014	6/27/2018	2.24%	17,861		6,573	11,288
Cat Model 12M2 motor grader	3/10/2014	4/10/2019	2.29%	122,066		22,505	99,561
2015 Mack tandem axel tractor/truck	6/9/2014	6/9/2016	1.49%	88,240		88,240	
(2) John Deere CX cutters(bushhogs)	9/16/2014	9/15/2018	1.95%	23,947		8,057	15,890
2016 Mack Tractor Trailer	5/27/2015	6/1/2017	1.69%	116,255		27,515	88,740
John Deer 6105D tractor w/JD H310 loader	2/8/2016	2/5/2020	2.10%		56,519	9,094	47,425
2016 Mack Tractor Trailer	3/28/2016	4/5/2018	1.89%		116,552	9,201	107,351
2016 Caterpillar Dozer - District 1	9/23/2016	10/5/2021	1.95%		98,000		98,000
2016 Caterpillar Dozer - District 2	9/23/2016	10/5/2021	1.95%		128,000		128,000
B. Other Loans:							
Front Line Apparel MDA Loan	5/7/2007	11/1/2009	3.00%	108,833			108,833 *
Front Line Apparel MDA Loan	8/13/2005	7/1/2011	3.00%	242,500			242,500 *
\$500,000 Negotiable note, series 2012	11/30/2012	11/30/2017	1.83%	305,424		99,967	205,457
Total				\$ 1,030,797	399,071 **	276,823	1,153,045

* 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.

** Lease purchase additions to capital assets exceed capital leases added to debt by \$230,204 due to down payments.

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

WEBSTER COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2016
UNAUDITED

Name	Position	Company	Bond
Robert Hitt	Supervisor District 1	Western Surety Company	\$100,000
Curtis Moore	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	Western Surety 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
Russell S. Turner	Inventory Control Clerk	Travelers Casualty and Surety Company	\$75,000
Jeremy Gilgore	Constable	Western Surety Company	\$50,000
Jeffrey D. McMinn	Constable	Travelers Casualty and Surety Company	\$50,000
Sherry Henderson	Circuit Clerk	Western 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 Fire and Casualty Company	\$50,000
Janice Brunty	Justice Court Clerk	Western Surety Company	\$50,000
Melissa Dean	Deputy Justice Court Clerk	Travelers Casualty and Surety Company	\$50,000
Irene M. Surma	Deputy Justice Court Clerk	FCCI Insurance Company	\$50,000
Barbara Gore	Tax Assessor-Collector	Western Surety Company	\$100,000
Bonnie Fulgham	Deputy Tax Assessor	Travelers Casualty and Surety Company	\$50,000
Jane Norman	Deputy Tax Assessor	Western Surety Company	\$50,000
Carolyn Lane	Deputy Tax Assessor	Travelers Casualty and Surety Company	\$50,000
Kristi Johnson	Deputy Tax Assessor	Western Surety Company	\$50,000
Kristi Johnson	Deputy Tax Assessor	Travelers Casualty and Surety Company	\$50,000
Christie Ross	Deputy Tax Assessor	Western Surety Company	\$50,000
Cindy Lynn Perkins	Deputy Tax Assessor	Travelers Casualty and Surety Company	\$50,000
Margaret Ann May	Deputy Tax Collector	Western Surety Company	\$50,000
Carolyn Lane	Deputy Tax Collector	Western Surety Company	\$50,000
Ronda L. McKee	Deputy Tax Collector	Western Surety Company	\$50,000
Nicole Meek	Deputy Tax Assessor Collector	Travelers Casualty and Surety Company	\$50,000

WEBSTER COUNTY

Notes to the Other Information
For the Year Ended September 30, 2016

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, 2016, there is no outstanding debt that is subject to these debt limitations.

B. Subsequent Events.

Subsequent to September 30, 2016, 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>
12/21/2016	1.97%	\$	169,899	Capital lease	Ad valorem taxes
02/23/2017	2.25%		21,943	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, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated July 31, 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 2016-001, 2016-002, 2016-003, 2016-005, 2016-006 and 2016-007 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 Responses as 2016-004 to be a significant deficiency.

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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2016-002.

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 dated July 31, 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

July 31, 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, 2016. 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 an instance of noncompliance with the aforementioned code sections. This instance of noncompliance was considered in forming our opinion on compliance. Our finding and recommendation and your response is disclosed below.

Board of Supervisors.

1. Board of Supervisors should ensure purchasing documents are completed before making purchases.

Criteria	Section 31-7-103, Miss. Code Ann. (1972), 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 31-7-113, Miss. Code Ann. (1972), except for purchases of not more than \$1,000.
Condition	During test work, we noted a purchase that was made without the retention of a requisition, purchase order or receiving report.
Cause	Unknown

Effect	Failure to complete and retain these documents could result in the loss or misappropriation of public funds.
Recommendation	The Board of Supervisors should ensure that purchasing documents are present and completed with sufficient detail and specific amounts, as required, prior to making purchases.
Repeat Finding	Yes
Board of Supervisors' Response	Through my error, there was not a requisition filled out for this purchase. I will, to the best of my ability, see this will not happen again.

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, 2016.

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

This report is intended for use in evaluating the central purchasing system and inventory control system of 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

July 31, 2017

WEBSTER COUNTY

Schedule 1Schedule of Purchases From Other Than the Lowest Bidder
For the Year Ended September 30, 2016

<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>
9/6/2016	Replace roof	\$ 37,110	Graham Roofing	\$ 31,875	Warranty
9/19/2016	Diesel	1.8365	Rackley Oil	1.7261	No fuel available
9/19/2016	Gas	1.9168	Rackley Oil	1.7569	No fuel available

WEBSTER COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2016

Schedule 2

Our tests did not identify any emergency purchases.

WEBSTER COUNTY

Schedule 3

Schedule of Purchases Made Noncompetively From a Sole Source
For the Year Ended September 30, 2016

Our tests did not identify any purchases made noncompetively 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, 2016, 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 July 31, 2017, on the financial statements of Webster County, Mississippi.

Although no findings came to our attention as a result of these review procedures and compliance tests, these procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of the internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

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 cursive script, reading "Joe E. Mcknight".

JOE E. MCKNIGHT, CPA
Director, County Audit Section

July 31, 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, 2016

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? | Yes |

Section 2: Financial Statement Findings

Tax Assessor-Collector.

Material Weakness

2016-001. Controls over cash collections and disbursements in the Tax Collector's office should be strengthened.

Criteria An effective system of internal control should include an adequate separation of duties.

Condition 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 is collecting taxes, she uses someone else's identification number.

Cause Unknown

Effect Failure to have an adequate separation of duties 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.

Repeat Finding Yes; 2015-009

Tax Assessor-Collector's
Response I now have my own cash box and there is still no way to have locked drawers. There will however be locked cash drawers in the new courthouse.

WEBSTER COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2016

Material Weakness
Material Noncompliance

2016-002.	<u>The Tax Assessor-Collector should settle all collections.</u>
Criteria	Section 27-29-11, Miss. Code Ann. (1972) requires the tax collector to make reports in writing, verified by his affidavit, on the first day of each month or within twenty (20) days thereafter, to the clerk of the board of supervisors, of all taxes collected by him during the preceding month for the county; and if he has collected none, the report shall be made out and state that fact.
Condition	The Tax Assessor-Collector did not settle November 2015 public utility and personal property collections.
Cause	Unknown
Effect	Failure to settle all collections could result in the loss or misappropriation of public funds.
Recommendation	The Tax Assessor-Collector should settle all collections on the first day of each month or within twenty (20) days thereafter.
Repeat Finding	No
Tax Assessor-Collector's Response	Due to a bookkeeping error I failed to settle the public utility taxes for 2015 in November settlement. I have since put into place steps that will hopefully insure that this does not happen again. I have ordered a manual cash journal to have as a double check for myself. I have also started at the end of each day adding the receipts to make sure they balance before the end of the month settlement is done. I will continue to do my best to keep accurate records so this doesn't happen in the future.

Material Weakness

2016-003.	<u>The Tax Assessor-Collector settlements should include an identification of receipts being settled.</u>
Criteria	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.
Condition	The motor vehicle settlements do not identify the receipts being settled.
Cause	Unknown
Effect	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.
Repeat Finding	Yes; 2015-005
Tax Assessor-Collector's Response	I have been made aware of how to print a detailed listing of motor vehicle tags collected. I will start from now doing this.

WEBSTER COUNTY

Schedule of Findings and Responses For the Year Ended September 30, 2016

Significant Deficiency

2016-004.	<u>Tax Assessor-Collector should keep all voided receipts.</u>
Criteria	An effective system of internal control requires an accounting for missing and voided receipts.
Condition	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.
Cause	Voided receipts are not marked void and retained.
Effect	Failure to keep all voided receipts could result in the loss or misappropriation of public funds.
Recommendation	The Tax Assessor-Collector should implement a system of internal controls to ensure that the original copies of voided receipts are retained.
Repeat Finding	Yes; 2015-006
Tax Assessor-Collector's Response	I have started a file to keep voided receipts as of this day, March 29, 2017.

Circuit Clerk.

Material Weakness

2016-005	<u>Controls over cash collections and disbursements in the Circuit Clerk's office should be strengthened.</u>
Criteria	An effective system of internal control should include an adequate separation of duties over cash collections and disbursements.
Condition	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, disburses the funds and reconciles the bank statements.
Cause	Unknown
Effect	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.
Repeat Finding	Yes; 2015-007
Circuit Clerk's Response	As Circuit Clerk, I do post to the cash journal, disburse funds and reconcile all bank statements for the office. My deputy has checked my accounting records against the various checkbook accounts, also.

WEBSTER COUNTY

Schedule of Findings and Responses For the Year Ended September 30, 2016

Justice Court Clerk.

Material Weakness

2016-006. Controls over cash collections and disbursements in the Justice Court Clerk's office should be strengthened.

Criteria An effective system of internal control should include an adequate separation of duties and making timely deposits of cash collections.

Condition Cash collection and disbursement functions in the Justice Court office are not adequately segregated for effective internal control. Both Justice Court Clerks are involved in preparing deposits, calculating the monthly settlements, reconciling the bank statements, and disbursing funds. We also noted that cash collections are not deposited in a timely manner.

Cause Unknown

Effect Failure to have an adequate separation of duties and to make timely deposits 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.

Repeat Finding Yes; 2015-009

Justice Court Clerk's Response Small county, small office, only two employees. Deposits are made daily and deposit receipts received from the bank daily. Bank statements are reconciled for Clearing House and bond accounts and balanced with cash journals monthly. New justice court clerk, new accounts opened October 1, 2016. Bank statements and reconciled records to be reviewed by chancery clerk.

Material Weakness

2016-007. Controls over accounting for cash collections in Justice Court should be strengthened.

Criteria 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.

Condition 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 conducted on February 5, 2014, revealed a cash shortage of \$1,463 in the clearing account. A 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 \$48,383 for the bond account, however the bond listing shows a balance of \$25,607.

WEBSTER COUNTY

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For the Year Ended September 30, 2016

Cause	Unknown
Effect	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 are properly reconciled to the bank accounts, implement a system for review of the accounting records by another person, and provide reasonable documentation to resolve the cash shortages or pay the amount of these shortages to the County.
Repeat Finding	Yes; 2015 - 010
Justice Court Clerk's Response	New clerk, new accounts opened October 1, 2016 with good balance. All deposits are made daily and receipts picked up at bank daily. Bank statements are reconciled on both accounts monthly and balanced with cash journals. Reconciled statements to be reviewed by Chancery Clerk.
Auditor's Note	Previous Justice Court Clerk has settled all monies and closed the bank accounts. New Justice Court Clerk has opened new bank accounts and started with new cash journals.