

WAYNE COUNTY, MISSISSIPPI

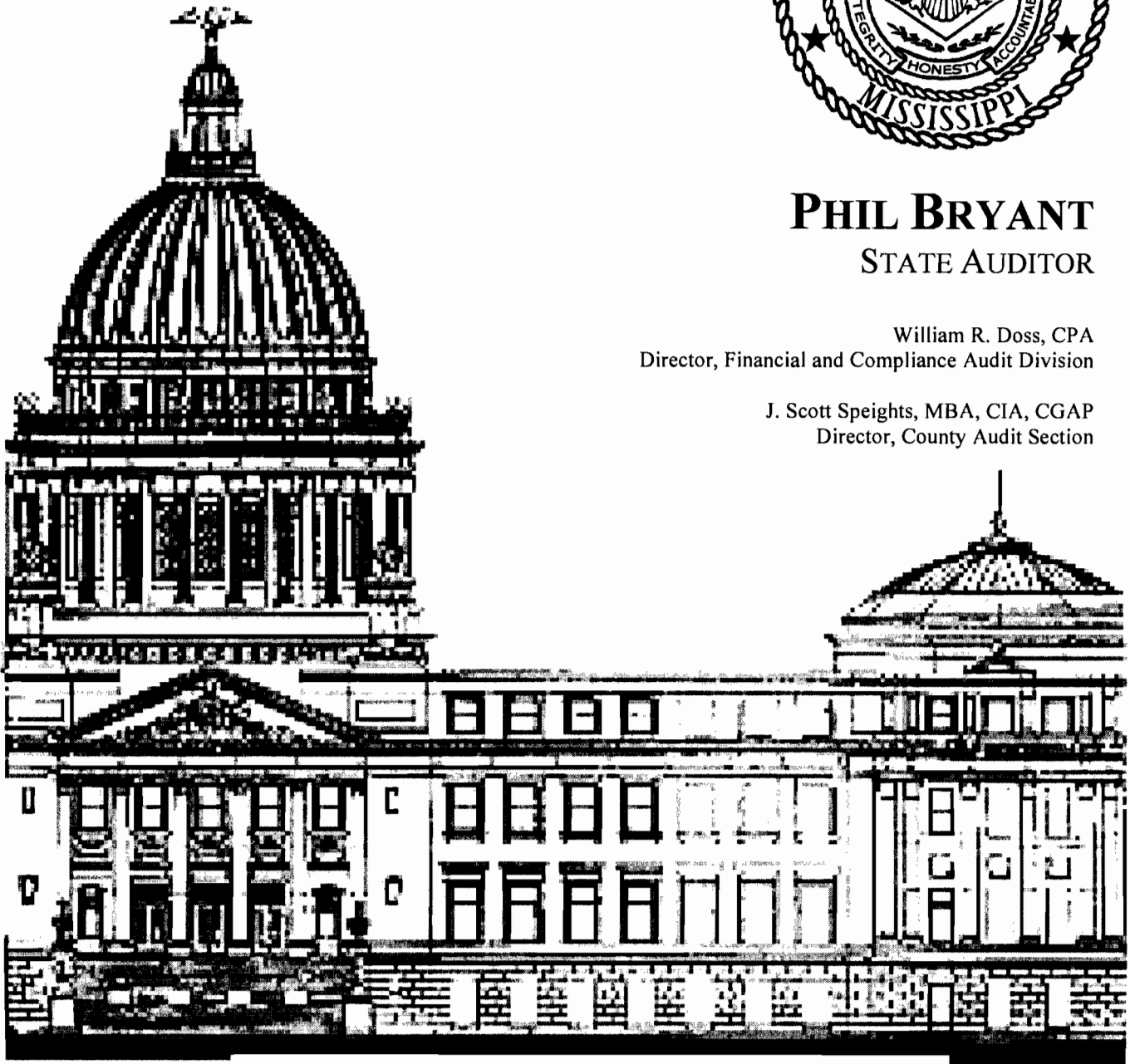
Audited Primary Government Financial Statements and Special Reports
For the Year Ended September 30, 2006



PHIL BRYANT
STATE AUDITOR

William R. Doss, CPA
Director, Financial and Compliance Audit Division

J. Scott Speights, MBA, CIA, CGAP
Director, County Audit Section



A Report from the County Audit Section

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WAYNE COUNTY

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WAYNE COUNTY

FINANCIAL SECTION

WAYNE COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Members of the Board of Supervisors
Wayne County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Wayne County, Mississippi, as of and for the year ended September 30, 2006, which collectively comprise the county's primary government financial statements as listed in the table of contents. These financial statements are the responsibility of the county's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements referred to above include only the primary government of Wayne County, Mississippi, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the county's legal entity. The financial statements do not include financial data for the county's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the county's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Wayne County, Mississippi, as of September 30, 2006, and the respective changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the aggregate remaining fund information for the primary government of Wayne County, Mississippi, as of September 30, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2007, on our consideration of Wayne County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

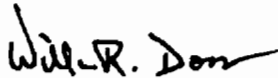
Wayne County, Mississippi, has not presented Management's Discussion and Analysis that is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

The Budgetary Comparison Schedule and corresponding notes are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the primary government financial statements that collectively comprise Wayne County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The accompanying Reconciliation of Operating Costs of Solid Waste is also presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



PHIL BRYANT
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

April 29, 2007

WAYNE COUNTY

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

WAYNE COUNTY
Statement of Net Assets
September 30, 2006

Exhibit 1

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS	
Cash	\$ 5,683,072
Property tax receivable	3,511,532
Fines receivable (net of allowance for uncollectibles of \$469,671)	490,008
Capital leases receivable	598,684
Intergovernmental receivables	3,225,496
Other receivables	3,246
Capital assets:	
Land	1,123,596
Other capital assets, net	76,118,581
Total Assets	<u>90,754,215</u>
LIABILITIES	
Claims payable	3,334,360
Intergovernmental payables	269,282
Accrued interest payable	39,147
Deferred revenue	3,590,216
Unearned revenue	40,231
Other payables	137,913
Long-term liabilities	
Due within one year:	
Capital related debt	1,626,095
Due in more than one year:	
Capital related debt	4,751,491
Non-capital debt	17,353
Total Liabilities	<u>13,806,088</u>
NET ASSETS	
Invested in capital assets, net of related debt	70,864,591
Restricted:	
Expendable:	
General government	132,945
Debt service	155,931
Public safety	254,803
Public works	1,859,977
Culture and recreation	5,682
Conservation of natural resources	17,561
Economic development	50,895
Unrestricted	3,605,742
Total Net Assets	<u>\$ 76,948,127</u>

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

WAYNE COUNTY
 Statement of Activities
 For the Year Ended September 30, 2006

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 2,819,680	563,862	14,350	177,726	(2,063,742)
Public safety	2,087,069	347,505	428,772	230,368	(1,080,424)
Public works	32,156,643		27,194,559	102,573	(4,859,511)
Health and welfare	262,298		192,096		(70,202)
Culture and recreation	20,703				(20,703)
Conservation of natural resources	75,264			83,849	8,585
Economic development and assistance	37,182				(37,182)
Interest on long-term debt	281,058				(281,058)
Total Governmental Activities	\$ 37,739,897	911,367	27,829,777	594,516	(8,404,237)
General revenues:					
Property taxes				\$ 5,164,250	
Road & bridge privilege taxes				253,540	
Grants and contributions not restricted to specific programs				1,869,909	
Unrestricted interest income				162,044	
Miscellaneous				965,926	
Total General Revenues				8,415,669	
Changes in Net Assets					11,432
Net Assets - Beginning					76,936,695
Net Assets - Ending					\$ 76,948,127

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

WAYNE COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2006

Exhibit 3

	<u>Major Fund</u>	Other	Total
	General	Governmental	Governmental
	Fund	Funds	Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash	\$ 2,973,939	2,709,133	5,683,072
Property tax receivable	1,776,242	1,735,290	3,511,532
Fines receivable (net of allowance for uncollectibles \$469,671)	490,008		490,008
Capital leases receivable		598,684	598,684
Intergovernmental receivables	3,207,073	18,423	3,225,496
Other receivables	3,246		3,246
Due from other funds		124,508	124,508
Total Assets	<u>\$ 8,450,508</u>	<u>5,186,038</u>	<u>13,636,546</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Claims payable	\$ 3,000,594	333,766	3,334,360
Intergovernmental payables	250,708	1,357	252,065
Due to other funds	141,725		141,725
Deferred revenue	2,266,250	2,333,974	4,600,224
Unearned revenue	40,231		40,231
Other payables	137,913		137,913
Total Liabilities	<u>5,837,421</u>	<u>2,669,097</u>	<u>8,506,518</u>
 Fund balances:			
Reserved for:			
Debt service		195,078	195,078
Unreserved, reported in:			
General Fund	2,613,087		2,613,087
Special Revenue Funds		2,321,863	2,321,863
Total Fund Balances	<u>2,613,087</u>	<u>2,516,941</u>	<u>5,130,028</u>
 Total Liabilities and Fund Balances	<u>\$ 8,450,508</u>	<u>5,186,038</u>	<u>13,636,546</u>

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

WAYNE COUNTY
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2006

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 5,130,028
Amounts reported for governmental activities in the Statement of Net Assets (Exhibit 1) are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$66,904,577.	77,242,177
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	490,008
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	(6,394,939)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(39, 147)
Capital leases are not available to pay for current period expenditures and are deferred in the funds.	<u>520,000</u>
Total Net Assets - Governmental Activities	<u>\$ 76,948,127</u>

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

WAYNE COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2006

	<u>Major Fund</u>		Total Governmental Funds
	<u>General Fund</u>	<u>Other Governmental Funds</u>	
REVENUES			
Property taxes	\$ 2,647,959	2,516,291	5,164,250
Road and bridge privilege taxes		253,540	253,540
Licenses, commissions and other revenue	161,015	11,887	172,902
Fines and forfeitures	205,513		205,513
Intergovernmental revenues	28,268,008	2,026,194	30,294,202
Charges for services	93,122	216,829	309,951
Interest income	51,556	110,488	162,044
Miscellaneous revenues	353,885	450,965	804,850
Total Revenues	<u>31,781,058</u>	<u>5,586,194</u>	<u>37,367,252</u>
EXPENDITURES			
Current:			
General government	2,546,247	88,503	2,634,750
Public safety	1,214,305	2,109,718	3,324,023
Public works	26,543,564	5,139,525	31,683,089
Health and welfare	262,298		262,298
Culture and recreation	10,000	10,703	20,703
Conservation of natural resources	75,204	60	75,264
Economic development and assistance	34,218		34,218
Debt service:			
Principal	21,088	2,143,017	2,164,105
Interest	8,485	279,067	287,552
Total Expenditures	<u>30,715,409</u>	<u>9,770,593</u>	<u>40,486,002</u>
Excess of Revenues over (under) Expenditures	<u>1,065,649</u>	<u>(4,184,399)</u>	<u>(3,118,750)</u>
OTHER FINANCING SOURCES (USES)			
Long-term capital debt issued		2,432,111	2,432,111
Proceeds from sale of capital assets	2,046	1,488,712	1,490,758
Transfers in		48,751	48,751
Transfers out	(30,751)	(18,000)	(48,751)
Lease principal payments		105,000	105,000
Total Other Financing Sources and Uses	<u>(28,705)</u>	<u>4,056,574</u>	<u>4,027,869</u>
Net Changes in Fund Balances	1,036,944	(127,825)	909,119
Fund Balances - Beginning	<u>1,576,143</u>	<u>2,644,766</u>	<u>4,220,909</u>
Fund Balances - Ending	<u>\$ 2,613,087</u>	<u>2,516,941</u>	<u>5,130,028</u>

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

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2006

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 909,119
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$5,796,820 exceeded depreciation of \$5,222,306 in the current period.	574,514
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus the change in net assets differs from the change in fund balances by the amount of the gain of \$176,249 less the proceeds from the sale of \$1,490,758 in the current period.	(1,314,509)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	223,001
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the statement of assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments of \$2,164,105 were exceeded by debt proceeds of \$2,432,111.	(268,006)
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long- term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
The amount of decrease in accrued interest payable.	6,494
The amount of decrease in compensated absences.	4,676
In the statement of activities, only interest income from payments received on capital leases are reported, whereas in the governmental funds, both the principal and interest payments received increase financial resources. Thus, the change in net assets differs from the change in fund balances by the principal collections on the capital lease.	(105,000)
The reversal of a receivable for housing prisoners that was accrued for full accrual basis in prior year.	<u>(18,857)</u>
Change in Net Assets of Governmental Activities	<u>\$ 11,432</u>

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

WAYNE COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2006

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 274,300
Due from other funds	<u>17,217</u>
Total Assets	<u><u>\$ 291,517</u></u>
LIABILITIES	
Other accrued liabilities	\$ 132,717
Intergovernmental payables	<u>158,800</u>
Total Liabilities	<u><u>\$ 291,517</u></u>

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

WAYNE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2006

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

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

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

- Wayne County Economic Development District
- Wayne General Hospital

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

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

B. Basis of Presentation.

The county's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities and fund financial statements, which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities 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 revenues and other nonexchange revenues.

WAYNE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2006

The Statement of Net Assets presents the financial condition of the governmental activities of the county at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the county's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues 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 revenues not classified as program revenues, are presented as general revenues of the county, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues 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, liabilities, fund equity, revenues and expenditures. 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.

C. Measurement Focus and Basis of Accounting.

The Government-wide and Fiduciary Funds (excluding Agency Funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the county. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The county reports the following major Governmental Fund:

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

WAYNE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2006

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. Such resources are derived principally from proceeds of general obligation bond issues and federal grants.

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 2005 by the Government Finance Officers Association.

E. Deposits and Investments.

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

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

F. Receivables.

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

WAYNE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2006

G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

H. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to retroactively report major general infrastructure assets by September 30, 2007. Wayne County elected to report general infrastructure assets acquired after September 30, 1980, on the government-wide financial statements. Current year general infrastructure assets are reported on the government-wide financial statements as required. General infrastructure assets include all roads and bridges and other infrastructure assets.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives :

	<u>Capitalization Thresholds</u>	<u>Estimated Useful Life</u>
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

WAYNE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2006

I. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Assets.

J. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvements of those assets.

Restricted net assets - Consists of net assets 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 assets - All other net assets not meeting the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is classified as reserved or unreserved with unreserved classified as designated and undesignated.

Unreserved fund balance represents the amount available for budgeting future operations. Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose.

K. Property Tax Revenues.

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

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.

WAYNE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2006

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

L. Intergovernmental Revenues in Governmental Funds.

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

M. Compensated Absences.

The county has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

(2) Deposits and Investments.

Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2006, was \$5,957,372, and the bank balance was \$6,163,171. 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 Depository Insurance Corporation.

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.

WAYNE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2006

(3) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2006:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Other Governmental Funds	General	\$ 124,508
Agency Funds	General	<u>17,217</u>
Total		<u>\$ 141,725</u>

The receivables represent tax revenue collected but not settled until October 2006. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 30,751
Other Governmental Funds	Other Governmental Funds	<u>18,000</u>
Total		<u>\$ 48,751</u>

The principal purpose of interfund transfers was to provide funds for debt service or ordinary expenditures. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(4) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2006, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tax credit	\$ 118,536
Reimbursement for housing prisoners	13,680
Disaster grants - public assistance	3,041,582
State domestic preparedness equipment support program	33,275
Other state grants	<u>18,423</u>
Total Governmental Activities	<u>\$ 3,225,496</u>

WAYNE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2006

(5) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2006:

Governmental activities:

	Balance Oct. 1, 2005	Additions	Deletions	Adjustments	Balance Sept. 30, 2006
<u>Non-depreciable capital assets:</u>					
Land	\$ 1,119,596	4,000			1,123,596
Total non-depreciable capital assets	<u>1,119,596</u>	<u>4,000</u>	<u>0</u>	<u>0</u>	<u>1,123,596</u>
<u>Depreciable capital assets:</u>					
Infrastructure	122,376,017	2,549,623			124,925,640
Buildings	9,754,615				9,754,615
Improvements other than buildings	554,391				554,391
Mobile equipment	3,349,024	1,736,687	394,152		4,691,559
Furniture and equipment	644,332	74,399	36,771		681,960
Leased property under capital leases	2,302,482	1,432,111	1,319,600		2,414,993
Total depreciable capital assets	<u>138,980,861</u>	<u>5,792,820</u>	<u>1,750,523</u>	<u>0</u>	<u>143,023,158</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	57,030,991	4,256,085			61,287,076
Buildings	2,251,838	153,741			2,405,579
Improvements other than buildings	66,527	22,176			88,703
Mobile equipment	2,112,711	376,408	275,851		2,213,268
Furniture and equipment	326,333	65,352	27,253		364,432
Leased property under capital leases	329,885	348,544	132,910		545,519
Total accumulated depreciation	<u>62,118,285</u>	<u>5,222,306</u>	<u>436,014</u>	<u>0</u>	<u>66,904,577</u>
Total depreciable capital assets, net	<u>76,862,576</u>	<u>570,514</u>	<u>1,314,509</u>	<u>0</u>	<u>76,118,581</u>
Governmental activities capital assets, net	<u>\$ 77,982,172</u>	<u>574,514</u>	<u>1,314,509</u>	<u>0</u>	<u>77,242,177</u>

WAYNE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2006

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 190,399
Public safety	232,737
Public works	4,796,206
Economic development	<u>2,964</u>
 Total governmental activities depreciation expense	 \$ <u><u>5,222,306</u></u>

(6) 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 \$750,000 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, 2005, to January 1, 2006. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(7) Capital Leases.

As Lessor:

The county leases the following property with varying terms and options as of September 30, 2006:

<u>Class of Property</u>	<u>Amount</u>
Buildings	\$ <u><u>6,000,000</u></u>

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2006, are as follows:

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 115,000	33,205
2008	125,000	24,742
2009	135,000	15,445
2010	<u>145,000</u>	<u>5,292</u>
Total	\$ <u><u>520,000</u></u>	<u><u>78,684</u></u>

WAYNE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2006

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2006:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 2,414,993
Less: Accumulated depreciation	<u>545,519</u>
Leased Property Under Capital Leases	<u>\$ 1,869,474</u>

The following is a schedule by years of the total payments due as of September 30, 2006:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 941,120	50,866
2008	155,250	31,589
2009	539,429	18,634
2010	<u>294,984</u>	<u>2,621</u>
Total	<u>\$ 1,930,783</u>	<u>103,710</u>

(8) Short-term Debt and Liquidity.

The following is a summary of short-term debt activity for the year ended September 30, 2006:

<u>Description of Debt</u>	<u>Balance Oct. 1, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments</u>	<u>Balance Sept. 30, 2006</u>
Grant anticipation note	\$ <u>1,000,000</u>	<u>0</u>	<u>1,000,000</u>	<u>0</u>	<u>0</u>

In the month of September, 2005, the county issued a \$1,000,000 grant anticipation note in order to alleviate a temporary operating cash flow deficiency, pursuant to Section 19-9-28, Miss. Code Ann. (1972). This note was repaid in December, 2005.

(9) Long-term Debt.

Debt outstanding as of September 30, 2006, consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
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Governmental Activities:

A. General Obligation Bonds:

Improvement bonds 1993 series	\$ 230,000	4.00-5.25%	08-08
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WAYNE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2006

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
General obligation industrial taxable bonds	520,000	8.50%	04-10
General obligation jail bonds 1998 series	<u>2,545,000</u>	6.00%	08-13
Total General Obligation Bonds	\$ <u>3,295,000</u>		
B. Capital Leases:			
Tax Collector's office - IBM CPU upgrade	\$ 8,993	3.29%	02/07
Sanitation - 2006 International 4300 truck	27,816	3.45%	07/08
Sanitation - 2005 LT9500 tractor truck	19,204	3.04%	03/07
Sanitation - 2005 WF/trailer	16,531	3.25%	03/07
Sanitation - 1999 Ford rescue truck	11,902	3.29%	11/07
Countywide - Komatsu WA 380-5L backhoe	144,968	3.71%	03/09
District 1 - Caterpillar 12H motor grader	135,906	3.24%	12/09
District 1 - 2007 Mack CV713 dump truck	84,978	3.29%	04/07
District 1 - 2007 Mack CV713 dump truck	85,962	3.25%	04/07
District 2 - 2004 Sterling LT7500 truck w/dump body	24,432	3.04%	04/08
District 2 - backhoe	9,143	3.04%	11/07
District 2 - 2005 Caterpillar 12H motor grader	136,908	3.24%	01/10
District 3 - New Holland tractor w/boom mower	20,513	3.04%	03/08
District 3 - 2007 International dump truck w/dump body	14,608	4.37%	07/09
District 3 - (2) Mack CV713 dump trucks	174,966	3.25%	04/07
District 3 - (2) Caterpillar 12H motor graders	287,668	3.71%	02/09
District 4 - 2003 New Holland tractor w/boom mower	16,586	3.04%	11/07
District 4 - Case 865 motor grader	132,120	3.71%	04/09
District 4 - (2) Mack CV713 dump trucks	174,966	3.25%	04/07
District 4 - Komatsu WB140-2N backhoe	53,891	3.71%	03/09
District 5 - 2003 Case loader/backhoe	31,809	4.09%	06/09
District 5 - 2005 Caterpillar 12H motor grader	135,906	3.24%	12/09
District 5 - (2) Mack CV713 dump trucks	<u>181,007</u>	3.25%	04/07
Total Capital Leases	\$ <u>1,930,783</u>		
C. Other Loans:			
Cap loan - fire trucks	\$ 462,042	2.00%	11/15
Cap loan - fire trucks	462,042	2.00%	11/15
Sunbeam roof - cap loan	<u>227,719</u>	4.65%	09/10
Total Other Loans	\$ <u>1,151,803</u>		

WAYNE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2006

Annual debt service requirements to maturity for the following debt reported in the Statement of Net Assets are as follows:

Governmental Activities:

<u>Year Ending September 30</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 540,000	156,395
2008	570,000	128,778
2009	475,000	99,265
2010	510,000	74,152
2011	380,000	52,800
2012 - 2013	<u>820,000</u>	<u>54,560</u>
Total	\$ <u>3,295,000</u>	<u>565,950</u>

<u>Year Ending September 30</u>	<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 144,975	26,944
2008	149,324	22,595
2009	153,829	18,088
2010	162,113	13,423
2011	100,504	9,914
2012 - 2016	<u>441,058</u>	<u>19,000</u>
Total	\$ <u>1,151,803</u>	<u>109,964</u>

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, 2006, the amount of outstanding debt was equal to 1.50% of the latest property assessments.

WAYNE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2006

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2006:

	Balance Oct. 1, 2005	Additions	Reductions	Adjustments	Balance Sept. 30, 2006	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 22,029		4,676		17,353	
General obligation bonds	3,805,000		510,000		3,295,000	540,000
Capital leases	2,031,017	1,432,111	1,532,345		1,930,783	941,120
Other loans	273,563	1,000,000	121,760		1,151,803	144,975
Total	<u>\$ 6,131,609</u>	<u>2,432,111</u>	<u>2,168,781</u>	<u>0</u>	<u>6,394,939</u>	<u>1,626,095</u>

(10) Contingencies.

Federal Grants - The county has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the county. No provision for any liability that may result has been recognized in the county's financial statements.

Litigation - The county is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the county with respect to the various proceedings. However, the county's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the county.

(11) Joint Ventures.

The county participates in the following joint ventures:

Wayne County is a participant with the City of Waynesboro in a joint venture authorized by Section 39-3-8, Miss. Code Ann. (1972), to operate the Waynesboro-Wayne County Library System. The Library was created to provide free public library service to citizens of the respective county and city. The Library is governed by a ten-member board, one from each county and city district. The county and city are obligated by contract to levy not more than a four mill and three mill tax, respectively, as provided by Sections 39-3-5(3) and 39-3-7(1), Miss. Code Ann. (1972), respectively, for the ongoing financial support of the Library. By contractual agreement, the county's appropriation from the General Fund this year to the joint venture amounted to \$106,757. Complete financial statements for the Library can be obtained from the Waynesboro-Wayne County Library, Waynesboro, Mississippi.

WAYNE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2006

Wayne County is a participant with George County, Greene County, the City of Quitman, the City of Lucedale and the City of Waynesboro in a joint venture to operate the South Mississippi Narcotics Task Force organized under the Interlocal Cooperation Act of 1974, Sections 17-13-1 through 17-13-11, Miss. Code Ann. (1972). The Task Force was created to provide a joint law enforcement effort between the participants. The Task Force is governed by a six-member board, consisting of the sheriff/police chief from each participating entity. By contractual agreement, the county's appropriation from the General Fund this year to the joint venture amounted to \$69,449. Complete financial statements for the Task Force can be obtained from the South Mississippi Narcotics Task Force, Waynesboro, Mississippi.

(12) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Southern Mississippi Planning and Development District operates in a district composed of the following counties: Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jefferson Davis, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The Wayne County Board of Supervisors appoints one of the 27 members of its board of directors. The county appropriated \$18,879 for support of the district in fiscal year 2006.

Pine Belt Mental Health Care Resources operates in a district composed of the counties of Covington, Forrest, Greene, Jefferson Davis, Jones, Lamar, Marion, Perry and Wayne. The Wayne County Board of Supervisors appoints one of the nine members of its board of commissioners. The county appropriated \$47,500 for support of the district in fiscal year 2006.

Jones County Community College operates in a district composed of the counties of Clarke, Covington, Greene, Jasper, Jones, Perry, Smith and Wayne. The college is governed by a 20-member board of trustees. Each county appoints two of the college's trustees, except Jones County, which appoints six. The county appropriated \$406,419 for maintenance and support of the college in fiscal year 2006.

Mississippi Regional Housing Authority IV operates in a district composed of the counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The Wayne County Board of Supervisors appoints one of the 15 members of its board of directors. The county generally provides no financial support to the organization.

Multi-County Community Service Agency is a human resources agency created to administer programs conducted by community action agencies, limited purpose agencies and related programs authorized by federal law. Its six members are as follows: Clarke, Jasper, Kemper, Lauderdale, Newton and Wayne Counties. Each member appoints one of its 24 board members, except Lauderdale, which appoints three. The county appropriated \$9,500 for the agency's support in fiscal year 2006.

(13) Defined Benefit Pension Plan.

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

WAYNE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2006

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2006 was 11.30% 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, 2006, 2005 and 2004 were \$310,598, \$266,892 and \$240,410, respectively, equal to the required contributions for each year.

(14) Subsequent Events.

Subsequent to September 30, 2006, Wayne County issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
12/22/06	4.17%	\$ 145,849	Lease purchase	Tax revenue
12/27/06	4.17%	145,849	Lease purchase	Tax revenue
12/29/06	4.17%	145,849	Lease purchase	Tax revenue
12/29/06	4.17%	145,849	Lease purchase	Tax revenue
12/29/06	4.17%	145,849	Lease purchase	Tax revenue
02/14/07	4.21%	98,500	Lease purchase	Tax revenue
02/14/07	4.21%	98,500	Lease purchase	Tax revenue
02/21/07	4.21%	197,000	Lease purchase	Tax revenue
02/21/07	4.21%	197,000	Lease purchase	Tax revenue
03/14/07	4.15%	300,000	Promissory note	Tax revenue
03/15/07	5.49%	75,599	Lease purchase	Tax revenue

WAYNE COUNTY

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WAYNE COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

WAYNE COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2006

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 2,639,982	2,594,406	2,594,406	
Licenses, commissions and other revenue	154,200	154,526	154,526	
Fines and forfeitures	245,000	207,239	207,239	
Intergovernmental revenues	1,248,657	28,947,545	28,947,545	
Charges for services	150,000	107,779	107,779	
Interest income	52,000	51,210	51,210	
Miscellaneous revenues	215,446	356,455	354,529	(1,926)
Total Revenues	<u>4,705,285</u>	<u>32,419,160</u>	<u>32,417,234</u>	<u>(1,926)</u>
EXPENDITURES				
Current:				
General government	2,606,071	2,389,439	2,389,439	
Public safety	1,419,184	29,525,834	29,525,834	
Health and welfare	281,802	262,907	262,907	
Culture and recreation	10,000	10,000	10,000	
Conservation of natural resources	76,714	74,439	74,439	
Economic development and assistance	42,683	34,218	34,218	
Debt service:				
Principal		21,088	21,088	
Interest		674	674	
Total Expenditures	<u>4,436,454</u>	<u>32,318,599</u>	<u>32,318,599</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>268,831</u>	<u>100,561</u>	<u>98,635</u>	<u>(1,926)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets			2,046	2,046
Transfers out	(30,751)	(30,751)	(30,751)	
Total Other Financing Sources and Uses	<u>(30,751)</u>	<u>(30,751)</u>	<u>(28,705)</u>	<u>2,046</u>
Net Change in Fund Balance	238,080	69,810	69,930	120
Fund Balances - Beginning	<u>1,083,035</u>	<u>2,353,649</u>	<u>2,353,649</u>	
Fund Balances - Ending	<u>\$ 1,321,115</u>	<u>2,423,459</u>	<u>2,423,579</u>	<u>120</u>

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

WAYNE COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2006

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 revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

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

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund.

	<u>Governmental Fund</u>
	General Fund
Budget (Cash Basis)	\$ 69,930
Increase (Decrease)	
Net adjustments for revenue accruals	(636,176)
Net adjustments for expenditure accruals	<u>1,603,190</u>
GAAP Basis	\$ <u><u>1,036,944</u></u>

WAYNE COUNTY

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WAYNE COUNTY

SUPPLEMENTAL INFORMATION

WAYNE COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2006

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditure
MAJOR FEDERAL AWARDS			
U. S. Department of Transportation-Federal Highway Administration/Passed-through the Mississippi Department of Transportation			
Highway planning and construction	20.205	ER 0077 17 B	\$ 1,310,534
Highway planning and construction	20.205	ER 0454-00 (006)	51,647
Highway planning and construction	20.205	BR NBIS 065 B 77 F	4,010
Highway planning and construction	20.205	BR NBIS 066 B 77 F	<u>10,390</u>
Total U.S. Department of Transportation			<u>1,376,581</u>
U. S. Department of Homeland Security/Passed-through the Mississippi Emergency Management Agency			
Disaster grants - public assistance	97.036	1604 DR MS	<u>25,465,414</u>
Total Expenditures of Major Federal Awards			<u>26,841,995</u>
OTHER FEDERAL AWARDS			
U. S. Department of Agriculture			
Community facilities loans and grants	10.766	N/A	<u>100,000</u>
U. S. Department of Justice/ Passed-through the Mississippi Department of Public Safety			
Edward Byrne memorial justice assistance grant program	16.738	06HR1771	<u>78,045</u>
U. S. Department of Transportation/Passed-through the Mississippi Emergency Management Agency			
Interagency hazardous materials public sector training and planning grants	20.703	N/A	<u>9,500</u>
U. S. Election Assistance Commission/Passed-through the Mississippi Secretary of State			
Help America vote act requirements payments (Note B)	90.401	N/A	<u>130,956</u>
U. S. Department of Health and Human Services - Administration for Children and Families/Passed-through the Mississippi Secretary of State			
Voting access for individuals with disabilities_grants to states	93.617	N/A	<u>14,350</u>

WAYNE COUNTY
 Schedule of Expenditures of Federal Awards
 For the Year Ended September 30, 2006

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditure
U. S. Department of Homeland Security/Passed-through the Mississippi Emergency Management Agency State domestic preparedness equipment support program	97.004	3SSGR	21,708
Passed-through the Mississippi Department of Public Safety State domestic preparedness equipment support program	97.004	04CS077	10,000
State domestic preparedness equipment support program	97.004	04HS077	2,331
State domestic preparedness equipment support program	97.004	05HS077	<u>30,108</u>
Subtotal			<u>64,147</u>
Passed-through the Mississippi Emergency Management Agency Hazard mitigation grant	97.039	7212007-SP31	<u>11,049</u>
Passed-through the Mississippi Department of Public Safety Citizen corps	97.053	04CC013	<u>3,000</u>
Law enforcement terrorism prevention program	97.074	04LE077	24,749
Law enforcement terrorism prevention program	97.074	04LE077	<u>17,924</u>
Subtotal			<u>42,673</u>
Total U. S. Department of Homeland Security			<u>120,869</u>
Total Expenditures of Other Federal Awards			<u>453,720</u>
Total Expenditures of Federal Awards			<u>\$ 27,295,715</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

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

Note B - Help America Vote Act requirement payments (CFDA #90.401)

Of the federal expenditures presented in the schedule, federal awards totaling \$130,956 represent non-cash awards for computerized voting machines during the fiscal year ended September 30, 2006.

WAYNE COUNTY

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WAYNE COUNTY
 Reconciliation of Operating Costs of Solid Waste
 For the Year Ended September 30, 2006

Operating Expenditures, Cash Basis:

Salaries	\$ 243,050
Expendable Commodities:	
Gasoline and petroleum products	58,341
Repair parts	9,450
Office, field and shop supplies	1,456
Clothing	75
Tires	3,253
Maintenance	823
Solid waste disposal fee	71,143
Telephone and utilities	1,650
Insurance	23,394
Interest	<u>4,281</u>
 Solid Waste Cash Basis Operating Expenditures	 416,916
 Full Cost Expenses:	
Indirect administrative costs	830
Depreciation on equipment	31,527
Net effect of other accrued expenses	<u>14,883</u>
 Solid Waste Full Cost Operating Expenses	 <u><u>\$ 464,156</u></u>

WAYNE COUNTY

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WAYNE COUNTY

SPECIAL REPORTS

WAYNE COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Members of the Board of Supervisors
Wayne County, Mississippi

We have audited the primary government financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Wayne County, Mississippi, as of and for the year ended September 30, 2006, which collectively comprise the county's basic primary government financial statements and have issued our report thereon dated April 29, 2007. The auditor's report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the county's component units. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Wayne County, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the primary government financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the primary government financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

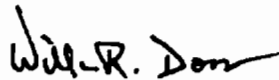
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wayne County, Mississippi's primary government financial statements are free of 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*. However, we noted a certain immaterial instance of noncompliance which we have reported to the management of Wayne County, Mississippi, in the Independent Auditor's Report on Purchasing System, Inventory Control System and Purchase Clerk Schedules dated April 29, 2007, included within this document.

This report is intended solely for the information and use of management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



PHIL BRYANT
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

April 29, 2007



State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Members of the Board of Supervisors
Wayne County, Mississippi

Compliance

We have audited the compliance of Wayne County, Mississippi, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2006. Wayne County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Wayne County, Mississippi's management. Our responsibility is to express an opinion on Wayne County, Mississippi's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Wayne County, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Wayne County, Mississippi's compliance with those requirements.

In our opinion, Wayne County, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2006.

Internal Control Over Compliance

The management of Wayne County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Wayne County, Mississippi's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

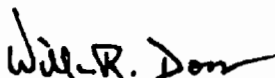
We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Wayne County, Mississippi's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 06-1, 06-2, 06-3, 06-4, 06-5, 06-6 and 06-7.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider all of the reportable conditions described above to be material weaknesses.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



PHIL BRYANT
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

April 29, 2007



State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Members of the Board of Supervisors
Wayne County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Wayne County, Mississippi, as of and for the year ended September 30, 2006. Our study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures as we considered necessary in the circumstances.

The Board of Supervisors of Wayne County, Mississippi, is responsible for establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972). In addition, the Board of Supervisors is responsible for purchasing in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972). The Board of Supervisors of Wayne County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

The results of our audit procedures disclosed a certain 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 are disclosed below:

Board of Supervisors.

Finding

Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to maintain an inventory system. Adequate control over capital assets requires that certain data elements be captured in capital asset records for all capital assets. Required data elements include descriptions of assets, cost, locations, acquisition dates, disposition dates, methods of disposition, and other relevant information. The presence of these data elements in capital asset records helps identify and distinguish county assets from one another, thereby safeguarding county assets from loss or misappropriation. This information is also very important to the financial reporting process.

As reported in the last two years' audit reports, test results indicated the following deficiencies in the capital asset records:

1. Various pieces of equipment and some parcels of land were not recorded.
2. Certain items were not properly transferred from Lease Property Under Capital Leases when paid off.
3. As noted by physical observation at the county barn site, serial numbers listed on county records sometimes did not agree with the corresponding pieces of equipment.
4. Adequate numbering of assets is an important internal control. Per physical observation, certain equipment has not been tagged properly.

Recommendation

Appropriate control procedures should be established to ensure that all items are recorded and valued properly in the county's capital asset records. The information listed in the county's capital asset records should be reconciled by all involved department heads through an annual inventory to ensure records are accurate and complete. Equipment should be properly tagged as required.

Board of Supervisors' Response

The Board will discuss this with the inventory clerk and stress the importance of accurate records.

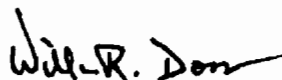
In our opinion, except for the noncompliance referred to in the preceding paragraph, Wayne County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements.

The accompanying schedules of (1) purchases not made from the lowest bidder, (2) emergency purchases and (3) purchases made noncompetitively from a sole source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned study and evaluation of the purchasing system and, in our opinion, is fairly presented when considered in relation to that study and evaluation.

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



PHIL BRYANT
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

April 29, 2007

WAYNE COUNTY

Schedule 1Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2006

<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>
12/08/2005	Two Caterpillar motor graders	\$ 155,574	Puckett Machinery	\$ 149,941	Two-day availability without grader

WAYNE COUNTY
 Schedule of Emergency Purchases
 For the Year Ended September 30, 2006

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
12/15/2005	Dump truck	\$ 94,990	Tri-State Mack	Wrecked dump truck; repair time - three months.
12/22/2005	Parts and labor	3,500	M & M A/C	Leaks at county jail.
05/05/2006	Parts and labor	75,599	MS Power-Contract	No air conditioner in jail.

WAYNE COUNTY
Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2006

Schedule 3

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



State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Wayne County, Mississippi

In planning and performing our audit of the financial statements of Wayne County, Mississippi for the year ended September 30, 2006, we considered Wayne County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Wayne County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated April 29, 2007, on the financial statements of Wayne 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 and is not intended to be and should not be used by anyone other than this party. However, this report is a matter of public record and its distribution is not limited.

Handwritten signature of Phil Bryant in black ink.

PHIL BRYANT
State Auditor

Handwritten signature of William R. Doss in black ink.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

April 29, 2007

WAYNE COUNTY

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WAYNE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

WAYNE COUNTY

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WAYNE COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2006

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|---------------|
| 1. | Type of auditor's report issued on the primary government financial statements: | Unqualified |
| 2. | Internal control over financial reporting: | |
| a. | Material weaknesses identified? | No |
| b. | Reportable condition identified that is not considered to be a material weakness? | None Reported |
| 3. | Noncompliance material to the primary government financial statements? | No |

Federal Awards:

- | | | |
|-----|--|---------------|
| 4. | Internal control over major programs: | |
| a. | Material weaknesses identified? | Yes |
| b. | Reportable condition identified that is not considered to be a material weakness? | None Reported |
| 5. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 6. | Any audit finding reported as required by Section __.510(a) of Circular A-133? | Yes |
| 7. | Federal programs identified as major programs: | |
| a. | Disaster grants - public assistance, CFDA #97.036 | |
| b. | Highway planning and construction, CFDA #20.205 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$818,871 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10. | Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? | No |

Section 2: Financial Statement Findings

The results of our tests did not disclose any findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

WAYNE COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2006

Section 3: Federal Award Findings and Questioned Costs

Board of Supervisors.

06-1. Finding

20.205 Highway planning and construction grant
U. S. Department of Transportation - Federal Highway Administration,
Passed-through the Mississippi Department of Transportation

Compliance Requirement: Activities allowed or unallowed
Allowable costs/cost principles

Reportable Condition - Material Weakness

The following internal control weaknesses were noted in the county's processing of federal transactions during the audit of the federal expenditures:

- a. The expenditures relating to the Highway Planning and Construction grant were not segregated into separate account codes in the General Ledger.
- b. The receipts relating to the Highway Planning and Construction grant were not segregated into separate account codes in the General Ledger.

The failure to identify specifically federal grant transactions in the General Ledger prevents proper accounting of federal funds.

Recommendation

The Wayne County Board of Supervisors should take steps to ensure that separate account codes are used when receipting and expending federal monies for multiple grants in order to facilitate accounting of grant transactions.

06-2. Finding

97.036 Disaster grants - public assistance
U. S. Department of Homeland Security
Passed-through the Mississippi Emergency Management Agency

Compliance Requirement: Activities allowed or unallowed
Allowable costs/cost principles

Reportable Condition - Material Weakness

The following internal control weaknesses were noted in the processing of federal transactions during the audit of the federal expenditures:

- a. The expenditures relating to the Disaster grants - public assistance were not segregated into separate account codes in the General Ledger.

WAYNE COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2006

- b. The receipts relating to the Disaster grants - public assistance were not segregated into separate account codes in the General Ledger.

The failure to identify specifically federal grant transactions in the General Ledger prevents proper accounting of federal funds.

Recommendation

The Wayne County Board of Supervisors should take steps to ensure that separate account codes are used when receipting and expending federal monies for multiple grants in order to facilitate accounting of grant transactions.

06-3. Finding

20.205 Highway planning and construction grant
U. S. Department of Transportation - Federal Highway Administration
Passed-through the Mississippi Department of Transportation

Compliance Requirement: Activities allowed or unallowed
Allowable costs/cost principles

Reportable Condition - Material Weakness

The following internal control weaknesses were noted in the proper monitoring of debris pick-up authorized by the grant.

- a. A detailed list of all sequences of pre-numbered load tickets was not maintained on file.
- b. Monitors were not required to sign out for each sequence of pre-numbered load tickets for which they were held responsible.

The failure to establish proper controls for load tickets resulted in deficiencies in monitoring the expenditures incurred in the debris pick-up.

Recommendation

The Board of Supervisors should require the project manager to take steps to ensure that proper measures are applied when organizing the disbursement of pre-numbered load tickets.

06-4. Finding

97.036 Disaster grants - public assistance Grant
U. S. Department of Homeland Security
Passed-through the Mississippi Emergency Management Agency

Compliance Requirement: Activities allowed or unallowed
Allowable costs/cost principles

Reportable Condition - Material Weakness

WAYNE COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2006

The following internal control weaknesses were noted in the proper monitoring of debris pick-up authorized by the grant.

- a. A detailed list of all sequences of pre-numbered load tickets was not maintained on file.
- b. Monitors were not required to sign out for each sequence of pre-numbered load tickets for which they were held responsible.

The failure to establish proper controls for load tickets resulted in deficiencies in monitoring the expenditures incurred in the debris pick-up.

Recommendation

The Board of Supervisors should require the project manager to take steps to ensure that proper measures are applied when organizing the disbursement of pre-numbered load tickets.

06-5. Finding

97.036 Disaster grants - public assistance
U. S. Department of Homeland Security
Passed-through the Mississippi Emergency Management Agency

Compliance Requirement: Activities allowed or unallowed
Allowable costs/cost principles

Reportable Condition - Material Weakness

The following internal control weaknesses were noted in specifically identifying, delineating and inspecting the parcels of private property participating in the debris removal project authorized in the grant.

- a. The private property load tickets did indicate the road or street on which the right-of-entry property was located; however, in most instances, the load tickets did not identify the right-of-entry parcel of property from which the debris was removed.
- b. A work order or delineation for each parcel was not documented as part of the initial inspection of right-of-entry properties.
- c. No final inspection of right-of-entry properties was documented to ensure that all work required had actually been completed.

Deficient control procedures for identifying, delineating and inspecting the debris pick-up on private property prevent proper monitoring of the federal funds expended in this project.

Recommendation

The Board of Supervisors should require the project manager to take proper steps to ensure that control procedures be improved for debris pick-up on private property.

WAYNE COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2006

06-6. Finding

20.205 Highway planning and construction
U. S. Department of Transportation - Federal Highway Administration,
Passed-through the Mississippi Department of Transportation

Compliance Requirement: Activities allowed or unallowed
Allowable costs/cost principles

Reportable Condition - Material Weakness

The following weaknesses were noted in the internal control of payroll expenditures for monitors authorized by the grant.

- a. The hourly wage rates for the monitors were not approved by the Board of Supervisors in the minutes.
- b. Adequate background checks were not performed on monitor applicants.
- c. Time sheets submitted by employees for each pay period were not initialed by the project manager verifying their accuracy.
- d. *Force Account Labor Summary Record* sheets for each pay period were not signed by the project manager certifying that the information provided was accurate.

Weaknesses in internal controls for payroll prevent adequate monitoring of expenditures authorized in the grant.

Recommendation

The Wayne County Board of Supervisors should take proper steps to ensure that the hourly wage rates for contract employees are approved in the Board Minutes. They should also require the project manager to undertake background checks of prospective employees as well as to document his review and authorization of monitor payrolls submitted to the Board.

06-7. Finding

97.036 Disaster grants - public assistance
U. S. Department of Homeland Security
Passed-through the Mississippi Emergency Management Agency

Compliance Requirement: Activities allowed or unallowed
Allowable costs/cost principles

Reportable Condition - Material Weakness

WAYNE COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2006

The following weaknesses were noted in the internal control of payroll expenditures for monitors authorized by the grant.

- a. The hourly wage rates for the monitors were not approved by the Board of Supervisors in the minutes.
- b. Adequate background checks were not performed on monitor applicants.
- c. Time sheets submitted by employees for each pay period were not initialed by the project manager verifying their accuracy.
- d. *Force Account Labor Summary Record* sheets for each pay period were not signed by the project manager certifying that the information provided was accurate.

Weaknesses in internal controls for payroll prevent adequate monitoring of expenditures authorized in the grant.

Recommendation

The Wayne County Board of Supervisors should take proper steps to ensure that the hourly wage rates for contract employees are approved in the Board Minutes. They should also require the project manager to undertake background checks of prospective employees as well as to document his review and authorization of monitor payrolls submitted to the Board.

WAYNE COUNTY

AUDITEE'S CORRECTIVE ACTION PLAN

WAYNE COUNTY

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WAYNE COUNTY BOARD OF SUPERVISORS
WAYNESBORO, MISS. 39367

JERRY HUTTO, District 3
LARRY MARTIN, District 4
CLYDE REVETTE, Vice President-District 1

OFFICERS
FRED ANDREWS, President-District 2

MARLON WEST, Chancery Clerk
GASTON HUTCHERSON, District 5
CHARLES LEGGETT, Attorney

CORRECTIVE ACTION PLAN

April 29, 2007

Office of the State Auditor
Post Office Box 956
Jackson, Mississippi 39205

Gentlemen:

Wayne County, Mississippi, respectfully submits the following corrective action plan for the year ended September 30, 2006.

The findings from the Schedule of Findings are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section 1: Summary of Auditor's Results does not include findings and is not addressed. Section 2: Financial Statement Findings does not include findings and is not addressed.

SECTION 3: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS:

06-1 Corrective Action Planned: The county will insure that the Comptroller will assign separate account codes for each federal grant revenue and expenditures.

Anticipated Completion Date: Completed.

Name of Contact Person Responsible for Corrective Action: Sylvia Chancellor, Comptroller

06-2 Corrective Action Planned: The county will insure that the Comptroller will assign separate account codes for each federal grant revenue and expenditures.

Anticipated Completion Date: Completed

Name of Contact Person Responsible for Corrective Action: Sylvia Chancellor, Comptroller

06-3 Corrective Action Planned: In the event of another catastrophic hurricane, the County will school all private contractors concerning the rules and regulations set forth by the State Department of Audit regarding record keeping.

Anticipated Completion Date: Next disaster

Name of Contact Person Responsible for Corrective Action: Sylvia Chancellor, Comptroller

06-4 Corrective Action Planned: In the event of another catastrophic hurricane, the County will school all private contractors concerning the rules and regulations set forth by the State Department of Audit regarding record keeping.

Anticipated Completion Date: Next disaster

Name of Contact Person Responsible for Corrective Action: Sylvia Chancellor, Comptroller

06-5 Corrective Action Planned: In the event of another catastrophic hurricane, the County will school all private contractors concerning the rules and regulations set forth by the State Department of Audit regarding record keeping.

Anticipated Completion Date: Next disaster

Name of Contact Person Responsible for Corrective Action: Sylvia Chancellor, Comptroller

06-6 Corrective Action Planned: In the event of another catastrophic hurricane, the County will school all private contractors concerning the rules and regulations set forth by the State Department of Audit regarding record keeping.

Anticipated Completion Date: Next disaster

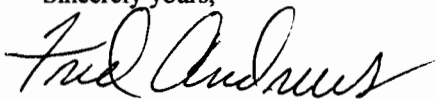
Name of Contact Person Responsible for Corrective Action: Sylvia Chancellor, Comptroller

06-7 Corrective Action Planned: In the event of another catastrophic hurricane, the County will school all private contractors concerning the rules and regulations set forth by the State Department of Audit regarding record keeping.

Anticipated Completion Date: Next disaster

Name of Contact Person Responsible for Corrective Action: Sylvia Chancellor, Comptroller

Sincerely yours,



Fred Andrews, President
Wayne County Board of Supervisors