



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

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State Auditor

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CLARKE COUNTY, MISSISSIPPI

**Audited Primary Government Financial Statements and Special Reports
For the Year Ended September 30, 2005**

*The Office of the State Auditor does not discriminate on the basis of
race, religion, national origin, sex, age or disability*

CLARKE COUNTY

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CLARKE COUNTY

FINANCIAL SECTION

CLARKE 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
Clarke County, Mississippi

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Clarke County, Mississippi, as of and for the year ended September 30, 2005, 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 Clarke 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 Clarke County, Mississippi, as of September 30, 2005, 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, each major fund and the aggregate remaining fund information for the primary government of Clarke County, Mississippi, as of September 30, 2005, 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.

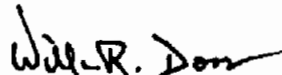
Clarke County, Mississippi, has not presented Management's Discussion and Analysis that is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

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 Clarke 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

February 10, 2006

CLARKE COUNTY

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

CLARKE COUNTY
Statement of Net Assets
September 30, 2005

Exhibit 1

	<u>Primary Government</u>
	<u>Governmental</u>
	<u>Activities</u>
ASSETS	
Cash	\$ 2,298,173
Accrued interest receivable	640
Property tax receivable	4,365,571
Fines receivable (net of allowance for uncollectibles of \$775,186)	140,914
Loans receivable	961,239
Intergovernmental receivables	324,035
Other receivables	121,813
Capital assets, net	<u>31,069,806</u>
Total Assets	<u>39,282,191</u>
LIABILITIES	
Claims payable	96,685
Intergovernmental payables	184,584
Unearned revenue	4,365,571
Other payables	106,599
Long-term liabilities	
Due within one year:	
Capital debt	681,861
Non-capital debt	111,168
Due in more than one year:	
Capital debt	3,466,421
Non-capital debt	<u>248,053</u>
Total Liabilities	<u>9,260,942</u>
Invested in capital assets, net of related debt	26,921,524
Restricted:	
Expendable:	
Debt service	96,501
Public works	393,176
Economic development	700,695
Unemployment compensation	22,438
Unrestricted	<u>1,886,915</u>
Total Net Assets	<u>\$ 30,021,249</u>

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

CLARKE COUNTY
Statement of Activities
For the Year Ended September 30, 2005

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Changes in Net Assets
					Primary Government
					Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 2,067,069	324,762	13,191		(1,729,116)
Public safety	1,696,653	186,832	367,291	22,134	(1,120,396)
Public works	3,134,610	299,206	1,056,156	101,771	(1,677,477)
Health and welfare	144,922		45,636	33,149	(66,137)
Culture and recreation	5,092				(5,092)
Conservation of natural resources	157,014		1,270		(155,744)
Economic development and assistance	175,189		125,000		(50,189)
Interest on long-term debt	208,719				(208,719)
Total Governmental Activities	\$ 7,589,268	810,800	1,608,544	157,054	(5,012,870)
General revenues:					
Property taxes				\$ 4,550,567	
Road & bridge privilege taxes				202,248	
Grants and contributions not restricted to specific programs				940,470	
Unrestricted interest income				83,159	
Miscellaneous				76,580	
Total General Revenues				5,853,024	
Changes in Net Assets				840,154	
Net Assets - Beginning				29,068,362	
Prior period adjustment				112,733	
Net Assets - Beginning, as restated				29,181,095	
Net Assets - Ending				\$ 30,021,249	

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

CLARKE COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2005

Exhibit 3

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	General Road Fund		
ASSETS				
Cash	\$ 1,371,474	242,610	684,089	2,298,173
Accrued interest receivable	640			640
Property tax receivable	2,080,080	893,462	1,392,029	4,365,571
Fines receivable (net of allowance for uncollectibles of \$775,186)	140,914			140,914
Loans receivable	961,239			961,239
Intergovernmental receivables	173,138	125,124	25,773	324,035
Other receivables			121,813	121,813
Duc from other funds		39,844	46,517	86,361
Total Assets	<u>\$ 4,727,485</u>	<u>1,301,040</u>	<u>2,270,221</u>	<u>8,298,746</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Claims payable	\$ 51,104	14,402	31,179	96,685
Intergovernmental payables	155,249		21,725	176,974
Due to other funds	93,971			93,971
Deferred revenue	140,914			140,914
Unearned revenue	2,080,080	893,462	1,392,029	4,365,571
Other payables	106,599			106,599
Total Liabilities	<u>2,627,917</u>	<u>907,864</u>	<u>1,444,933</u>	<u>4,980,714</u>
Fund balances:				
Reserved for:				
Debt service			96,501	96,501
Loans receivable	961,239			961,239
Unemployment compensation			22,438	22,438
Unreserved, reported in:				
General Fund	1,138,329			1,138,329
Special Revenue Funds		393,176	706,349	1,099,525
Total Fund Balances	<u>2,099,568</u>	<u>393,176</u>	<u>825,288</u>	<u>3,318,032</u>
Total Liabilities and Fund Balances	<u>\$ 4,727,485</u>	<u>1,301,040</u>	<u>2,270,221</u>	<u>8,298,746</u>

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

CLARKE COUNTY

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2005

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 3,318,032
Amounts reported for governmental services in the Statement of Net Assets 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 \$42,974,593.	31,069,806
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	140,914
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	<u>(4,507,503)</u>
Total Net Assets - Governmental Activities	<u>\$ 30,021,249</u>

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

CLARKE COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2005

	Major Funds			Total Governmental Funds
	General Fund	General Road Fund	Other Governmental Funds	
REVENUES				
Property taxes	\$ 1,993,365	931,983	1,625,219	4,550,567
Road and bridge privilege taxes		202,248		202,248
Licenses, commissions and other revenue	99,618	4,335	4,958	108,911
Fines and forfeitures	202,109			202,109
Intergovernmental revenues	1,586,075	757,569	362,424	2,706,068
Charges for services	34,452		437,147	471,599
Interest income	67,160	6,560	9,439	83,159
Miscellaneous revenues	49,972	9,281	17,327	76,580
Total Revenues	4,032,751	1,911,976	2,456,514	8,401,241
EXPENDITURES				
Current:				
General government	2,090,158		156,430	2,246,588
Public safety	1,166,550		1,049,695	2,216,245
Public works	214,622	1,364,678	1,186,783	2,766,083
Health and welfare	138,249			138,249
Culture and recreation			1,772	1,772
Conservation of natural resources	44,466		111,003	155,469
Economic development and assistance	192,807		65,977	258,784
Debt service:				
Principal	145,174	166,844	386,791	698,809
Interest	16,958	14,277	160,823	192,058
Total Expenditures	4,008,984	1,545,799	3,119,274	8,674,057
Excess of Revenues over (under) Expenditures	23,767	366,177	(662,760)	(272,816)
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued			676,749	676,749
Proceeds from sale of capital assets	2,280	22,692	84,475	109,447
Transfers in			95,214	95,214
Transfers out	(95,214)			(95,214)
Total Other Financing Sources and Uses	(92,934)	22,692	856,438	786,196
Net Changes in Fund Balances	(69,167)	388,869	193,678	513,380
Fund Balances - Beginning	2,168,735	4,307	631,610	2,804,652
Fund Balances - Ending	\$ 2,099,568	393,176	825,288	3,318,032

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

CLARKE COUNTY

Exhibit 4-1

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, 2005

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 513,380
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 \$1,458,766 exceeded depreciation of \$1,045,861 in the current period.	412,905
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 net loss of \$10,653 and the proceeds from the sale of \$109,447 in the current period.	(120,100)
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.	28,181
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net 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 \$698,809 exceeded debt proceeds of \$676,749.	22,060
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. 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 compensated absences	389
The amount of decrease in accrued interest payable	1,601
The amortization of discount on general obligation bonds	<u>(18,262)</u>
Change in Net Assets of Governmental Activities	<u>\$ 840,154</u>

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

CLARKE COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2005

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 200,823
Due from other funds	<u>7,610</u>
Total Assets	<u>\$ 208,433</u>
LIABILITIES	
Amounts held in custody for others	\$ 22,282
Intergovernmental payables	<u>186,151</u>
Total Liabilities	<u>\$ 208,433</u>

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

CLARKE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2005

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Clarke 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 Clarke 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.

- Clarke County Airport Board
- Clarke County Economic Development District

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.

CLARKE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2005

The Statement of Net Assets presents the financial condition of the governmental activities and 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 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.

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 Funds:

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

General Road Fund - This fund is used to account for monies from specific revenue sources that are restricted for road maintenance.

CLARKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2005

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 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.

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.

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.

CLARKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2005

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 elect not to report major general infrastructure assets retroactively. Clarke County meets this criteria, but has elected to report major general infrastructure assets retroactively. Therefore, the major general infrastructure assets acquired prior to October 1, 2002, are reported in the government-wide financial statements. Also, general infrastructure assets acquired after October 1, 2002, are reported on the government-wide financial statements. 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.

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.

CLARKE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2005

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. Bond premiums and discounts, as well as, issuance costs are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

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, constructions 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.

Unreserved fund balance represents the amount available for budgeting future operations. Reservations of fund balance represent amounts that are not appropriate 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.

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.

CLARKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2005

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) Changes in Accounting Standards.

For the fiscal year ended September 30, 2005, the county implemented Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures, an amendment of GASB Statement No. 3*. GASB Statement No. 40 addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. The provisions of this new statement have been incorporated into the financial statements and the accompanying notes.

(3) Prior Period Adjustment.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 - Statement of Activities.

<u>Explanation</u>	<u>Amount</u>
To record fines receivable	\$ <u>112,733</u>

(4) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2005, was \$2,498,996, and the bank balance was \$2,676,695. 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.

CLARKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2005

(5) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2005:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Road	General	\$ 39,844
Other Governmental Funds	General	46,517
Agency Funds	General	<u>7,610</u>
Total		\$ <u><u>93,971</u></u>

The receivables represent the tax revenue collected but not settled until October, 2005. 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	\$ <u><u>95,214</u></u>

The purpose of the interfund transfer was to provide funds for reappraisal of county properties. The interfund transfer is routine and consistent with the activity of the fund making the transfer.

(6) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2005, consisted of the following:

<u>Description</u>	<u>Amount</u>
Legislative tax credit	\$ 96,072
Federal Emergency Management Agency grant	<u>227,963</u>
Total Governmental Activities	\$ <u><u>324,035</u></u>

(7) Loans Receivable.

Loans receivable balances at September 30, 2005, are as follows:

<u>Description</u>	<u>Date of Loan</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance Payable</u>
Industrial Development loan to Griffco Plastics	04/06/98	4.00%	09/01/08	\$ 386,088
CDBG Block Grant loan to USA Fabrics, Inc.	03/06/04	3.00%	08/01/14	<u>575,151</u>
Total				\$ <u><u>961,239</u></u>

CLARKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2005

(8) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2005:

	Balance Oct. 1, 2004	Additions	Deletions	Adjustments	Balance Sept. 30, 2005
<u>Non-depreciable capital assets:</u>					
Land	\$ 258,159	0	0	0	258,159
<u>Depreciable capital assets:</u>					
Infrastructure	61,656,099	46,267			61,702,366
Buildings	5,654,221	359,059			6,013,280
Improvements other than buildings	442,857				442,857
Mobile equipment	3,624,949	820,771	239,036		4,206,684
Furniture and equipment	479,425	55,920			535,345
Leased property under capital leases	708,959	176,749			885,708
Total depreciable capital assets	<u>72,566,510</u>	<u>1,458,766</u>	<u>239,036</u>	<u>0</u>	<u>73,786,240</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	38,233,022	421,163			38,654,185
Buildings	704,321	120,266			824,587
Improvements other than buildings	77,301	17,729			95,030
Mobile equipment	2,470,125	322,124	118,936		2,673,313
Furniture and equipment	433,216	25,187			458,403
Leased property under capital leases	129,683	139,392			269,075
Total accumulated depreciation	<u>42,047,668</u>	<u>1,045,861</u>	<u>118,936</u>	<u>0</u>	<u>42,974,593</u>
Total depreciable capital assets, net	<u>30,518,842</u>	<u>412,905</u>	<u>120,100</u>	<u>0</u>	<u>30,811,647</u>
Governmental activities capital assets, net	<u>\$ 30,777,001</u>	<u>412,905</u>	<u>120,100</u>	<u>0</u>	<u>31,069,806</u>

Depreciation expense was charged to the following functions:

	Amount
General government	\$ 43,886
Public safety	220,011
Public works	729,021
Health and welfare	6,673
Economic development	41,405
Conservation of natural resources	1,545
Culture and recreation	3,320
Total governmental activities depreciation expense	<u>\$ 1,045,861</u>

CLARKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2005

(9) 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.

(10) Operating Leases.

As Lessee:

The county has entered into certain operating leases which do not give rise to property rights. Total costs for such leases were \$16,640 for the year ended September 30, 2005. The future minimum lease payments for these leases are as follows:

<u>Year Ended September 30</u>	<u>Amount</u>
2006	\$ 16,640
2007	16,640
2008	16,640
2009	<u>16,640</u>
Total Minimum Payments Required	<u>\$ 66,560</u>

(11) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2005:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 885,708
Less: Accumulated depreciation	<u>269,075</u>
Leased Property Under Capital Leases	<u>\$ 616,633</u>

CLARKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2005

The following is a schedule by years of the total payments due as of September 30, 2005:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 265,777	17,836
2007	257,169	9,514
2008	86,523	1,846
Total	<u>\$ 609,469</u>	<u>29,196</u>

(12) Long-term Debt.

Debt outstanding as of September 30, 2005, consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
A. General Obligation Bonds:			
Series 2002A - Nazareth Century	\$ 1,270,000	5.20/5.70%	04/12
Series 2002B - Courthouse annex/jail	<u>1,930,000</u>	3.30/4.20%	04/13
Total General Obligation Bonds	<u>\$ 3,200,000</u>		
B. Capital Leases:			
(5) Crown Victoria sheriff's cars	\$ 62,820	2.89%	04/07
Truck, emulsion tank and pothole patcher	118,646	2.99%	04/08
(5) 2004 15ft. dump trucks	265,346	3.19%	07/07
Caterpillar loader	<u>162,657</u>	3.19%	06/08
Total Capital Leases	<u>\$ 609,469</u>		
C. Other Loans:			
A & B Components expansion loan	\$ 42,907	4.00%	04/07
Griffco Plastics expansion loan	260,544	4.00%	09/08
DECD loan for 5 fire trucks	<u>477,301</u>	2.00%	03/15
Total Other Loans	<u>\$ 780,752</u>		

CLARKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2005

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

<u>Year Ending September 30</u>	<u>General Obligation Bonds</u>		<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 370,000	135,020	157,252	19,310
2007	375,000	119,400	148,936	13,929
2008	400,000	102,900	138,323	9,216
2009	420,000	85,011	48,931	6,278
2010	435,000	65,765	49,918	5,290
2011 - 2013	<u>1,200,000</u>	<u>61,860</u>	<u>237,392</u>	<u>11,040</u>
Total	<u>\$ 3,200,000</u>	<u>569,956</u>	<u>780,752</u>	<u>65,063</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, 2005, the amount of outstanding debt was equal to 2.0% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2005:

	<u>Balance</u>				<u>Balance</u>	<u>Amount due</u>
	<u>Oct. 1, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments</u>	<u>Sept. 30, 2005</u>	<u>within one</u>
						<u>year</u>
General obligation bonds	\$ 3,550,000		(350,000)		3,200,000	370,000
Less deferred amounts:						
For issuance discounts	(156,750)		18,262		(138,488)	
Total bonds payable	3,393,250		(331,738)		3,061,512	370,000
Compensated absences	56,159		(389)		55,770	
Capital leases	651,878	176,749	(219,158)		609,469	265,777
Other loans	410,403	500,000	(129,651)		780,752	157,252
Total	\$ <u>4,511,690</u>	<u>676,749</u>	<u>(680,936)</u>	<u>0</u>	<u>4,507,503</u>	<u>793,029</u>

(13) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances at September 30, 2005:

<u>Fund</u>	<u>Deficit</u>
	<u>Amount</u>
Volunteer Fire Department Fund	\$ 8,964
Waste Tire Grant Fund	2,264

CLARKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2005

(14) 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.

(15) Joint Venture.

The county participates in the following joint venture:

Clarke County is a participant with Jasper County in a joint venture, authorized by Section 39-3-11, Miss. Code Ann. (1972), to operate the East Mississippi Regional Library System. The joint venture was created to provide free public library service to citizens of the respective counties, and is governed by a five-member board. The two counties rotate board appointments so that each county has a majority of board members in alternate years. Each county is obligated by contract to levy not less than one-half mill tax as provided by Section 39-3-35, Miss. Code Ann. (1972), for the ongoing financial support of the joint venture. For fiscal year 2005, Clarke County contributed \$80,000 to the joint venture. Complete financial statements for the East Mississippi Regional Library System can be obtained from the East Mississippi Regional Library, Quitman, Mississippi.

(16) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Mid-Mississippi Development District operates in a district composed of the Counties of Clarke, Jasper, Lauderdale, Newton, Scott and Smith. The district was organized to foster, encourage and facilitate economic development in the member counties. The district's board of trustees is composed of 30 members, five each from the six-member counties. The county provides only modest financial support for the district.

Central Mississippi Emergency Medical Services District operates in a district composed of the Counties of Attala, Clarke, Copiah, Holmes, Lauderdale, Leake, Madison, Neshoba, Rankin, Scott, Smith, Warren and Yazoo. The Clarke County Board of Supervisors appoints two of the 26 members of the board. The county provides only modest financial support for the district.

East Central Mississippi Planning and Development District operates in a district composed of the Counties of Clarke, Jasper, Kemper, Lauderdale, Leake, Neshoba, Newton, Scott and Smith. The Clarke County Board of Supervisors appoints one of the 15 members of the board of directors. The county contributes a small percentage of the district's total revenue. The county appropriated \$12,958 for support of the district in fiscal year 2005.

Jones County Junior College operates in a district composed of the Counties of Clarke, Covington, Greene, Jasper, Jones, Perry, Smith and Wayne. The Clarke County Board of Supervisors appoints two of the 20 members of the college board of trustees. The county appropriated \$237,999 for maintenance and support of the college in fiscal year 2005.

CLARKE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2005

Multi-County Community Service Agency operates in a district composed of the Counties of Clarke, Jasper, Kemper, Lauderdale, Newton and Wayne. The entity was created to administer programs conducted by community action agencies, limited purpose agencies and related programs authorized by federal law. The Clarke County Board of Supervisors appoints one of the 24 members of the board of directors. Most of the funding for the entity is derived from federal funds. The county appropriated \$4,000 for the support of the agency in fiscal year 2005.

Region Ten Mental Health-Mental Retardation Commission operates in a district composed of the Counties of Clarke, Jasper, Kemper, Lauderdale, Leake, Neshoba, Newton, Scott and Smith. The Clarke County Board of Supervisors appoints one of the nine members of the board of commissioners. The county appropriated \$26,012 for support of the commission in fiscal year 2005.

(17) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The current rate is 10.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2005, 2004 and 2003 were \$247,490, \$236,335 and \$219,303, respectively, equal to the required contributions for each year.

CLARKE COUNTY

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CLARKE COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

CLARKE COUNTY

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CLARKE COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2005

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 2,032,731	2,006,891	1,997,953	(8,938)
Licenses, commissions and other revenue	85,500	86,944	90,588	3,644
Fines and forfeitures	212,600	198,582	198,582	
Intergovernmental revenues	1,419,833	1,494,906	1,494,906	
Charges for services	80,500	44,247	44,247	
Interest income	28,000	37,877	37,877	
Miscellaneous revenues	247,000	220,162	213,516	(6,646)
Total Revenues	<u>4,106,164</u>	<u>4,089,609</u>	<u>4,077,669</u>	<u>(11,940)</u>
EXPENDITURES				
Current:				
General government	2,723,719	2,211,071	2,115,857	95,214
Public safety	1,163,230	1,200,436	1,159,798	40,638
Public works	263,970	214,622	214,622	
Health and welfare	156,487	138,176	138,176	
Conservation of natural resources	46,306	43,712	43,712	
Economic development and assistance	12,958	137,958	137,958	
Debt service:				
Principal	159,537	159,537	200,175	(40,638)
Interest	34,957	34,957	34,957	
Total Expenditures	<u>4,561,164</u>	<u>4,140,469</u>	<u>4,045,255</u>	<u>95,214</u>
Excess of Revenues over (under) Expenditures	<u>(455,000)</u>	<u>(50,860)</u>	<u>32,414</u>	<u>83,274</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets		2,559	14,498	11,939
Transfers in			29,868	29,868
Transfers out			(95,214)	(95,214)
Other uses			(10,092)	(10,092)
Total Other Financing Sources and Uses	<u>0</u>	<u>2,559</u>	<u>(60,940)</u>	<u>(63,499)</u>
Net Change in Fund Balance	(455,000)	(48,301)	(28,526)	19,775
Fund Balances - Beginning	<u>2,168,735</u>	<u>2,168,735</u>	<u>2,168,735</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 1,713,735</u>	<u>2,120,434</u>	<u>2,140,209</u>	<u>19,775</u>

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

CLARKE COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Road Fund
 For the Year Ended September 30, 2005

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 814,500	1,127,233	922,132	(205,101)
Road and bridge privilege taxes	196,000		198,242	198,242
Licenses, commissions and other revenue			6,859	6,859
Intergovernmental revenues	586,000	632,445	632,445	
Charges for services	900	84,973	6,560	(78,413)
Interest income			53,228	53,228
Total Revenues	<u>1,597,400</u>	<u>1,844,651</u>	<u>1,819,466</u>	<u>(25,185)</u>
EXPENDITURES				
Current:				
Public works	1,597,400	1,604,124	1,423,004	181,120
Debt service:				
Principal			171,078	(171,078)
Interest			10,042	(10,042)
Total Expenditures	<u>1,597,400</u>	<u>1,604,124</u>	<u>1,604,124</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>0</u>	<u>240,527</u>	<u>215,342</u>	<u>(25,185)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets			25,186	25,186
Transfers out			(7,500)	(7,500)
Total Other Financing Sources and Uses	<u>0</u>	<u>0</u>	<u>17,686</u>	<u>17,686</u>
Net Change in Fund Balance	<u>0</u>	<u>240,527</u>	<u>233,028</u>	<u>(7,499)</u>
Fund Balances - Beginning	<u>4,307</u>	<u>4,307</u>	<u>4,307</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 4,307</u>	<u>244,834</u>	<u>237,335</u>	<u>(7,499)</u>

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

CLARKE COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2005

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 and each major Special Revenue 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 and the major Special Revenue Fund:

	<u>Governmental Fund Types</u>	
	<u>General Fund</u>	<u>General Road Fund</u>
Budget (Cash Basis)	\$ (28,526)	233,028
Increase (Decrease)		
Net adjustments for revenue accruals	(54,589)	136,457
Net adjustments for expenditure accruals	<u>13,948</u>	<u>19,384</u>
GAAP Basis	<u>\$ (69,167)</u>	<u>388,869</u>

CLARKE COUNTY

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CLARKE COUNTY

SUPPLEMENTAL INFORMATION

CLARKE COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2005

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
MAJOR FEDERAL AWARDS			
U. S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority Community development block grants/state's program	14.228	1120-03-012-EI-01	\$ <u>214,334</u>
U. S. Department of Homeland Security/Passed-through the Mississippi Emergency Management Agency			
Public assistance grants	97.036	023-99023-00	26,962
Public assistance grants	97.036	N/A	<u>227,963</u>
Subtotal			<u>254,925</u>
Homeland Security Cluster			
State domestic preparedness equipment support program	97.004	3SSG - 3069	57,045
State domestic preparedness equipment support program	97.004	3SUP-105	4,836
State domestic preparedness equipment support program	97.004	04HS012	<u>26,713</u>
Subtotal Homeland Security Cluster			<u>88,594</u>
Total U. S. Department of Homeland Security			<u>343,519</u>
Total Expenditures of Major Federal Awards			<u>557,853</u>
OTHER FEDERAL AWARDS			
U. S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority HOME investment partnerships program	14.239	1263-M01-SG-28-01-1002	<u>20,375</u>
U. S. Department of Justice - Office of Community Oriented Policing Services			
Public safety partnership and community policing grants	16.710	2000SHWX00830	<u>22,134</u>
U. S. Department of Transportation Federal Aviation Administration			
Airport improvement program (Note B)	20.106	3-28-0063-003-2003	169,954

CLARKE COUNTY
 Schedule of Expenditures of Federal Awards
 For the Year Ended September 30, 2005

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
Federal Highway Administration/Passed-through the Mississippi Department of Transportation Highway planning and construction	20.205	N/A	<u>4,070</u>
Total U. S. Department of Transportation			<u>174,024</u>
Total Expenditures of Other Federal Awards			<u>216,533</u>
Total Expenditures of Federal Awards			<u>\$ 774,386</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 - Airport improvement program

Of the federal expenditures presented in the schedule, the county provided federal awards totaling \$169,954 to subrecipients during the year ended September 30, 2005.

CLARKE COUNTY
 Reconciliation of Operating Costs of Solid Waste
 For the Year Ended September 30, 2005

Operating Expenditures, Cash Basis:

Salaries	\$ 377,221
Expendable Commodities:	
Gasoline and petroleum products	32,248
Repair parts	15,982
Maintenance	12,229
Insurance on equipment	9,088
Supplies	9,935
Contractual garbage disposal costs	<u>96,230</u>
 Solid Waste Cash Basis Operating Expenditures	 552,933
Full Cost Expenses:	
Indirect administrative costs	6,594
Depreciation on equipment	64,242
Net effect of other accrued expenses	<u>5,754</u>
 Solid Waste Full Cost Operating Expenses	 \$ <u><u>629,523</u></u>

CLARKE COUNTY

SPECIAL REPORTS

CLARKE 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
Clarke County, Mississippi

We have audited the primary government financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Clarke County, Mississippi, as of and for the year ended September 30, 2005, which collectively comprise the county's basic primary government financial statements and have issued our report thereon dated February 10, 2006. 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 Clarke 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. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Clarke County, Mississippi's ability to initiate, record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 05-1.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

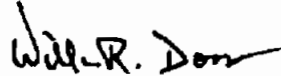
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clarke County, Mississippi's primary governmental 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*.

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

February 10, 2006



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
Clarke County, Mississippi

Compliance

We have audited the compliance of Clarke 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 its major federal programs for the year ended September 30, 2005. Clarke 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 Clarke County, Mississippi's management. Our responsibility is to express an opinion on Clarke 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 Clarke 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 Clarke County, Mississippi's compliance with those requirements.

In our opinion, Clarke 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, 2005.

Internal Control Over Compliance

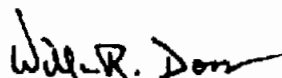
The management of Clarke County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Clarke County, Mississippi's 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.

Our consideration of the internal control over compliance 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 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. We noted no matters involving the internal control over compliance and its operation that we consider 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

February 10, 2006



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
Clarke County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Clarke County, Mississippi, as of and for the year ended September 30, 2005. 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 Clarke 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 Clarke 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.

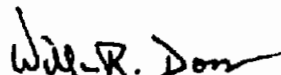
In our opinion, Clarke County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements.

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 Clarke 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

February 10, 2006

CLARKE COUNTY

Schedule 1

Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2005

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

CLARKE COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2005

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
04-28-05	Caterpillar loader	\$ 176,749	Puckett Machinery	Loader at the county landfill was burned and had to be replaced.

CLARKE COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2005

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

CLARKE COUNTY

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CLARKE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CLARKE COUNTY

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CLARKE COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2005

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 weakness identified? | No |
| b. | Reportable condition identified that is not considered to be a material weakness? | Yes |
| 3. | Noncompliance material to the primary government financial statements? | No |

Federal Awards:

- | | | |
|-----|--|-------------|
| 4. | Internal control over major programs: | |
| a. | Material weakness identified? | No |
| b. | Reportable condition identified that is not considered to be a material weakness? | No |
| 5. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 6. | Any audit findings reported as required by Section __.510(a) of Circular A-133? | No |
| 7. | Federal programs identified as major programs: | |
| a. | Community development block grants/state's program, CFDA #14.228 | |
| b. | Public assistance grants, CFDA #97.036 | |
| c. | State domestic preparedness equipment support program, CFDA #97.004 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10. | Prior fiscal year audit findings and questioned costs 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? | Yes |

CLARKE COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2005

Section 2: Financial Statement Findings

Tax Assessor-Collector.

05-1. Finding

As reported in prior years' audit reports, we noted deficiencies in internal controls in accounting for cash collections and settlements. The cash journal does not identify the accumulation of tax collections caused by an incorrect monthly settlement of collections. As a result, personal property tax collections of \$28,502 were not settled to the proper authorities.

Recommendation

The Tax Assessor-Collector should settle the accumulation of personal property taxes to the proper parties. The cash journal should be posted correctly and the total amount of collections should be settled in the subsequent month.

Tax Assessor-Collector's Response

The overage is for unsettled prior years' personal property taxes. These taxes will be settled to the county with the February 2006 settlement. We have begun keeping a cash journal in the format requested.

Section 3: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to federal awards.

CLARKE COUNTY

AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

CLARKE COUNTY

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CLARKE COUNTY BOARD OF SUPERVISORS

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ARTHUR NELSON
District 1

CLEVELAND PEEBLES
District 2

WILLIE ROBERSON
District 3



PAUL MOSLEY
District 4

TONY FLEMING
District 5

DIANE WRIGHT
County Administrator

March 8, 2006

Office of the State Auditor
P. O. Box 956
Jackson, MS 39205

Gentlemen:

Clarke County respectfully submits the following summary schedule of prior audit findings relative to federal awards.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FINDING NO. 04-9.: Community Development Block Grant Program/Passed through the Mississippi Development Authority, CFDA No. 14.228.

Condition:

Compliance Requirement: Subrecipient monitoring

The grant agreement budget required \$250,000 of the loan funds to be spent on new equipment. East Central Planning and Development District, who was contracted with by Clarke County, Mississippi, to ensure grant compliance, could not provide documentation where it had monitored the local company to ensure that these funds were spend in accordance with the grant budget.

Recommendation:

In future grants, Clarke County, Mississippi, or its representative, should fully examine the final grant agreement and adequately monitor the subgrantee to ensure the proper usage of grant funds.

Corrective action taken:

In the future, Clarke County, Mississippi, or its representative, will examine, more closely, the final grant agreement and will properly monitor the proper usage of grant funds by the subgrantee.

FINDING NO. 04-10.: Community Development Block Grant Program/Passed through the Mississippi Development Authority, CFDA No. 14.228.

Condition:

Compliance Requirement: Subrecipient monitoring

The county should develop a system that ensures that subrecipients are adequately monitored in accordance with grant requirements. Specifically, the grant agreement required the county or its representative to receive monthly financial statements from the local company. The county's representative could not provide documentation where it had obtained these financial statements.

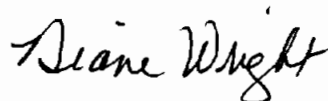
Recommendation:

In future grants, Clarke County, Mississippi, or its representative, should fully examine the final grant agreement and adequately monitor the subgrantee to ensure the proper monitoring of grant funds.

Corrective Action Taken:

In the future, Clarke County, Mississippi, or its representative, will examine, more closely, the requirements applicable for subrecipient monitoring and perform such.

Sincerely



DIANE WRIGHT
COUNTY ADMINISTRATOR
CLARKE COUNTY, MISSISSIPPI
(601) 776-1012