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CLARKE COUNTY, MISSISSIPPI

**AUDITED BASIC FINANCIAL STATEMENTS
AND SPECIAL REPORTS**

FOR THE YEAR ENDED SEPTEMBER 30, 2007

CLARKE COUNTY, MISSISSIPPI
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FINANCIAL SECTION

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

Members of the Board of Supervisors
Clarke County, Mississippi

I 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, 2007, which collectively comprise the basic financial statements of the county's primary government as listed in the table of contents. These financial statements are the responsibility of the county's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinions.

The financial statements do not include financial data for the county's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data of its component units. The county has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net assets, revenues and expenses of the aggregate discretely presented component units is not reasonably determinable.

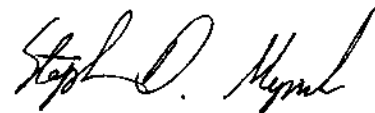
In my opinion, because of the omission of the discretely presented component units, as discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of Clarke County, Mississippi, as of September 30, 2007, or the changes in financial position thereof for the year then ended.

In addition, in my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the government activities, each major fund and the aggregate remaining fund information of Clarke County, Mississippi, as of September 30, 2007, 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 *Governmental Auditing Standards*, I have also issued my report dated June 13, 2008, on my consideration of Clarke County, Mississippi's internal control over financial reporting and on my 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 my 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 my audit.

Clarke County, Mississippi, has not presented Management's Discussion and Analysis and the Budgetary Comparison Schedule and the corresponding notes that are not a required part of the financial statements but are supplementary information required by the Governmental Accounting Standards Board.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clarke County, Mississippi's 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 my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Stephen D. Myrick
Certified Public Accountant

Quitman, Mississippi
June 13, 2008

BASIC FINANCIAL STATEMENTS

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CLARKE COUNTY, MISSISSIPPI
Statement of Net Assets
September 30, 2007

	Primary Government
	Governmental Activities
ASSETS	
Cash	\$ 1,722,126
Property tax receivable	4,589,805
Accounts receivable (net of allowance for uncollectibles of \$114,848)	12,056
Fines receivable (net of allowance for uncollectibles of \$887,956)	211,394
Loans receivable (net of allowance for uncollectibles of \$163,194)	940,200
Intergovernmental receivables	84,187
Capital assets, not depreciated:	
Land	258,059
Other capital assets, net of accumulated depreciation	30,609,279
Total assets	\$ 38,427,106
LIABILITIES	
Claims payable	\$ 233,749
Intergovernmental payables	117,292
Deferred revenues	4,589,805
Other payables	213,843
Long-term liabilities	
Due within one year:	
Capital related debt, net	633,238
Non-capital debt	232,480
Due in more than one year:	
Capital related debt, net	2,433,488
Non-capital debt	751,518
Total liabilities	9,205,413
NET ASSETS	
Invested in capital assets, net of related debt	27,800,612
Restricted:	
Expendable:	
General government	110,911
Debt service	94,763
Public safety	551,879
Public works	36,450
Economic development	13,384
Unemployment compensation	22,566
Unrestricted	591,128
Total net assets	\$ 29,221,693

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

CLARKE COUNTY, MISSISSIPPI
 Statement of Activities
 For the Year Ended September 30, 2007

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary
					Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 2,807,796	\$ 397,149	\$ 8,155	\$ -	\$ (2,402,492)
Public safety	2,446,241	214,627	125,063	338,000	(1,768,551)
Public works	3,481,317	312,023	664,601	86,902	(2,417,791)
Health and welfare	165,328	-	47,496	-	(117,832)
Culture and recreation	23,195	-	-	-	(23,195)
Conservation of natural resources	122,198	-	657	-	(121,541)
Economic development and assistance	109,448	-	-	-	(109,448)
Interest on long-term debt	158,790	-	-	-	(158,790)
Total governmental activities	<u>\$ 9,314,313</u>	<u>\$ 923,799</u>	<u>\$ 845,972</u>	<u>\$ 424,902</u>	<u>(7,119,640)</u>
General revenues:					
Property taxes					4,556,709
Road & bridge privilege taxes					209,523
Grants and contributions not restricted to specific programs					1,005,698
Unrestricted investment income					155,802
Miscellaneous					397,928
Total general revenues					<u>6,325,660</u>
Changes in net assets					<u>(793,980)</u>
Net assets - beginning					29,928,367
Prior period adjustment					87,306
Net assets - beginning, as restated					<u>30,015,673</u>
Net assets - ending					<u>\$ 29,221,693</u>

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

CLARKE COUNTY, MISSISSIPPI
Balance Sheet
Governmental Funds
September 30, 2007

	<u>Major Funds</u>			<u>Total</u> <u>Governmental</u> <u>Funds</u>
	<u>General Fund</u>	<u>General Road</u> <u>Fund</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	
ASSETS				
Cash	\$ 1,031,968	\$ -	\$ 690,158	\$ 1,722,126
Property tax receivable	2,202,158	867,984	1,519,663	4,589,805
Accounts receivable (net of allowance for uncollectibles of \$114,848)	-	-	12,056	12,056
Fines receivable (net of allowance for uncollectibles of \$887,956)	211,394	-	-	211,394
Loans receivable (net of allowance for uncollectibles of \$163,194)	940,200	-	-	940,200
Intergovernmental receivables	84,187	-	-	84,187
Due from other funds	-	22,846	29,921	52,767
Total assets	<u>\$ 4,469,907</u>	<u>\$ 890,830</u>	<u>\$ 2,251,798</u>	<u>\$ 7,612,535</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Claims payable	\$ 100,591	\$ 52,513	\$ 80,645	\$ 233,749
Intergovernmental payables	112,088	-	-	112,088
Due to other funds	57,971	-	-	57,971
Deferred revenue	2,413,552	867,984	1,531,719	4,813,255
Other payables	213,843	-	-	213,843
Total liabilities	<u>2,898,045</u>	<u>920,497</u>	<u>1,612,364</u>	<u>5,430,906</u>
Fund balances:				
Reserved for:				
Debt service	-	-	94,763	94,763
Loans receivable	940,200	-	-	940,200
Unemployment compensation	-	-	22,566	22,566
Unreserved, reported in:				
General fund	631,662	-	-	631,662
Special revenue funds	-	(29,667)	522,105	492,438
Total fund balances	<u>1,571,862</u>	<u>(29,667)</u>	<u>639,434</u>	<u>2,181,629</u>
Total liabilities and fund balances	<u>\$ 4,469,907</u>	<u>\$ 890,830</u>	<u>\$ 2,251,798</u>	<u>\$ 7,612,535</u>

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

CLARKE COUNTY, MISSISSIPPI
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
September 30, 2007

Total Fund Balance - Governmental Funds	\$ 2,181,629
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 \$44,693,846	30,867,338
Other long-term asset are not available to pay for current period expenditures and, therefore, are deferred in the funds.	223,450
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	(4,050,724)
Total Net Assets - Governmental Activities	\$ 29,221,693

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

CLARKE COUNTY, MISSISSIPPI
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2007

	<u>Major Funds</u>		<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>General Road Fund</u>		
REVENUES				
Property taxes	\$ 2,484,504	\$ 449,247	\$ 1,622,961	\$ 4,556,712
Road and bridge privilege taxes	-	209,520	-	209,520
Licenses commissions and other revenue	78,896	7,865	4,375	91,136
Fines and forfeitures	251,953	-	11,639	263,592
Intergovernmental revenues	1,103,832	639,335	250,406	1,993,573
Charges for services	41,678	-	450,570	492,248
Interest income	110,831	12,138	32,832	155,801
Miscellaneous revenues	367,472	11,225	19,231	397,928
Total revenues	<u>4,439,166</u>	<u>1,329,330</u>	<u>2,392,014</u>	<u>8,160,510</u>
EXPENDITURES				
Current:				
General government	2,670,358	-	155,628	2,825,986
Public safety	2,107,683	-	469,903	2,577,586
Public works	107,367	2,238,847	1,309,760	3,655,974
Health and welfare	156,215	-	-	156,215
Culture and recreation	15,000	-	4,875	19,875
Conservation of natural resources	31,163	-	91,035	122,198
Economic development and assistance	12,958	-	55,085	68,043
Debt Service:				
Principal	247,319	-	422,014	669,333
Interest	18,664	17,668	133,586	169,918
Total Expenditures	<u>5,366,727</u>	<u>2,256,515</u>	<u>2,641,886</u>	<u>10,265,128</u>
Excess (deficiency) of revenues over expenditures	<u>(927,561)</u>	<u>(927,185)</u>	<u>(249,872)</u>	<u>(2,104,618)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	61,352	456,529	3,745	521,626
Contributions	283,000	-	-	283,000
Compensation for loss of capital asset	-	1,355	-	1,355
Transfers in	-	88,910	135,620	224,530
Transfers out	(224,530)	-	-	(224,530)
Lease principal payments	(23,479)	(154,949)	(59,367)	(237,795)
Total other financing sources and uses	<u>96,343</u>	<u>391,845</u>	<u>79,998</u>	<u>568,186</u>
Net change in fund balances	(831,218)	(535,340)	(169,874)	(1,536,432)
Fund balances - beginning	2,403,080	505,673	809,308	3,718,061
Fund balances - ending	<u>\$ 1,571,862</u>	<u>\$ (29,667)</u>	<u>\$ 639,434</u>	<u>\$ 2,181,629</u>

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

CLARKE COUNTY, MISSISSIPPI
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, 2007

Net Changes in Fund Balances - Governmental Funds	\$ (1,536,432)
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 \$1,372,817 exceeded depreciation \$1,195,352 in the current period.	177,465
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 the financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net gain of \$103,928, the proceeds from the sale of \$521,626 in the current period and adjustments of \$40.	(417,738)
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.	78,781
Solid waste 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.	(1,960)
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 \$907,128 and adjustments of \$11,129.	918,257
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:	
Compensated absences	5,910
The amortization of discount on general obligation bonds	(18,262)
Rounding	(1)
Change in Net Assets of Governmental Activities	\$ (793,980)

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

CLARKE COUNTY, MISSISSIPPI
Statement of Fiduciary Assets and Liabilities
September 30, 2007

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 217,716
Due from other funds	5,204
Total assets	<u>\$ 222,920</u>
LIABILITIES	
Amounts held in custody for others	\$ 47,642
Intergovernmental payables	175,278
Total liabilities	<u>\$ 222,920</u>

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

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CLARKE COUNTY, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 2007

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Clarke County, Mississippi 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, Mississippi 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.

CLARKE COUNTY, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 2007

(1) Summary of Significant Accounting Policies - Continued.

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.

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, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise 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.

CLARKE COUNTY, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 2007

(1) Summary of Significant Accounting Policies - Continued.

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 sixty 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.

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 – 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.

CLARKE COUNTY, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 2007

(1) Summary of Significant Accounting Policies - Continued.

FIDUCIARY FUND TYPES

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 one year 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 within governmental activities are eliminated in the Statement of Net Assets.

CLARKE COUNTY, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 2007

(1) Summary of Significant Accounting Policies - Continued.

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 applicable 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, Mississippi meets this criterion but has elected to report major general infrastructure assets acquired after September 30, 1980 on the government-wide statements. General infrastructure assets include all roads and bridges and other infrastructure assets.

Capitalization thresholds (dollar value above which asset acquisitions 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	*	*

CLARKE COUNTY, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 2007

(1) Summary of Significant Accounting Policies Continued.

* 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.

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 applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

CLARKE COUNTY, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 2007

(1) Summary of Significant Accounting Policies - Continued.

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 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.

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.

CLARKE COUNTY, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 2007

(1) Summary of Significant Accounting Policies - Continued.

M. Compensated Absences.

The county has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accumulated 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 and the proprietary fund financial statements. In fund financial statements, Governmental Funds report the compensated absences liability payable only if the payable has matured, for example an employee resigns or retires.

(2) Prior Period Adjustment.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 - Statement of Activities

Explanation	Amount
Adjustment to record construction in progress from prior year	\$ 87,306
Total prior period adjustment	\$ 87,306

(3) Deposits and Investments.

Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2007, was \$1,939,842, and the bank balance was \$2,087,520. 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 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 of custodial credit risk.

CLARKE COUNTY, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 2007

(3) Deposits and Investments - continued.

However, the Mississippi State Treasurer manages that risk on behalf of the county. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the county.

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2007:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 29,921
General Road Fund	General Fund	22,846
Fiduciary Funds	General Fund	5,204
Total		<u>\$ 57,971</u>

The receivables represent the tax revenue collected but not settled until October 2007. 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>
General Road Fund	General Fund	\$ 88,910
Nonmajor Governmental Funds	General Fund	135,620
Total		<u>\$ 224,530</u>

The principle purpose of the interfund transfers was to provide funds for operating expenses and cover negative cash balances. All interfund transfers were routine and consistent with the fund making the transfer.

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2007 consisted of the following:

<u>Description</u>	<u>Amount</u>
Motor Vehicle License Tax	\$ 84,187
Total	<u>\$ 84,187</u>

CLARKE COUNTY, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 2007

(6) Loans Receivable.

Loans receivable balances at September 30, 2007, are as follows:

Description	Date of Loan	Interest Rate	Maturity Date	Balance Payable
Industrial development loan to Griffco Plastics	04/06/98	4%	07/01/13	\$ 163,194
CDBG Block Grant loan to USA Fabrics, Inc.	03/06/04	3%	08/01/14	460,396
CDBG Block Grant loan to Citadel Building Products	07/25/06	3%	07/01/13	479,804
				<u>\$ 1,103,394</u>

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2007:

Governmental activities:

	Balance 10/1/06	Additions	Deletions	Adjustments	Balance 9/30/07
<u>Non-depreciable capital assets:</u>					
Land	\$ 258,059	\$ -	\$ -	\$ -	\$ 258,059
Total non-depreciable capital assets	<u>258,059</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>258,059</u>
<u>Depreciable capital assets:</u>					
Infrastructure	61,702,366	-	-	(11,633)	61,690,733
Buildings	6,242,680	67,372	-	87,306	6,397,358
Improvements other than buildings	442,857	-	-	-	442,857
Mobile equipment	4,727,598	980,585	(582,973)	99,212	5,224,422
Furniture and equipment	592,422	324,860	(73,198)	(31,499)	812,585
Leased property under capital leases	828,486	-	-	(93,316)	735,170
Total depreciable capital assets	<u>74,536,409</u>	<u>1,372,817</u>	<u>(656,171)</u>	<u>50,070</u>	<u>75,303,125</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	(39,062,241)	(382,681)	-	11,591	(39,433,331)
Buildings	(944,853)	(128,079)	-	-	(1,072,932)
Improvements other than buildings	(111,614)	(16,585)	-	-	(128,199)
Mobile equipment	(2,949,775)	(456,597)	166,006	(56,291)	(3,296,657)
Furniture and equipment	(496,877)	(131,611)	72,467	31,502	(524,519)
Leased property under capital leases	(208,802)	(79,799)	-	50,393	(238,208)
Total accumulated depreciation	<u>(43,774,162)</u>	<u>(1,195,352)</u>	<u>238,473</u>	<u>37,195</u>	<u>(44,693,846)</u>
Total depreciable capital assets, net	<u>30,762,247</u>	<u>177,465</u>	<u>(417,698)</u>	<u>87,265</u>	<u>30,609,279</u>
Governmental activities capital assets, net	<u>\$ 31,020,306</u>	<u>\$ 177,465</u>	<u>\$ (417,698)</u>	<u>\$ 87,265</u>	<u>\$ 30,867,338</u>

CLARKE COUNTY, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 2007

(7) Capital Assets – continued.

The adjustments column represents errors in the beginning balance and leased property that was paid off in the current year and transferred to mobile equipment.

Depreciation expense was charged to the following functions:

General government	\$ 55,091
Public safety	550,908
Public works	535,515
Health & welfare	9,113
Culture & recreation	3,320
Economic development	41,405
Total governmental activities depreciation expense	\$ 1,195,352

(8) 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 Worker's Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability.

However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2007, to January 1, 2008. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(9) Operating Leases.

As Lessee:

The county has entered into an operating lease which does not give rise to property rights. Total costs for the lease was \$16,640 for the year ended September 30, 2007. The future minimum lease payments for this lease are as follows:

CLARKE COUNTY, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 2007

(9) Operating Leases - continued.

<u>Year Ended September 30</u>	<u>Amount</u>
2008	16,640
2009	16,640
Total Minimum Payments Required	\$ 33,280

(10) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2007:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 735,170
Total	735,170
Less: Accumulated depreciation	(238,208)
Leased Property Under Capital Leases	\$ 496,962

The following is a schedule by years of the total payments due as of September 30, 2007:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 206,801	\$ 12,210
2009	122,094	5,289
Total	\$ 328,895	\$ 17,499

This debt will be retired from the General, General Road and Garbage/Solid Waste Funds.

CLARKE COUNTY, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 2007

(11) Long-term Debt.

Debt outstanding as of September 30, 2007, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Series 2002A - Nazareth Century	\$ 955,000	5.0 - 6.0%	4/12
Series 2002B - Annex/Jail	1,500,000	3.3 - 6.0%	4/13
Total General Obligation Bonds	\$ 2,455,000		
B. Capital Leases:			
Truck, emulsion tank and pothole patcher	\$ 40,735	2.99%	4/8
Caterpillar loader	42,520	3.19%	6/8
Motorgraders	245,640	4.14%	7/15
Total Capital Leases	\$ 328,895		
C. Other Loans:			
USA Fabrics expansion loan	\$ 460,396	3.0%	8/14
DECD loan for five fire trucks	384,795	2.0%	3/15
Citidel Building Products expansion loan	479,804	3.0%	7/13
Total Other Loans	\$ 1,324,995		

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

Governmental Activities:

Year Ending September 30	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2008	\$ 400,000	\$ 102,900	\$ 236,645	\$ 45,365
2009	420,000	85,011	178,050	27,059
2010	435,000	65,765	182,966	22,142
2011	455,000	45,021	188,021	17,088
2012	475,000	22,824	193,219	11,890
2013-2016	270,000	5,670	346,094	9,016
Total	\$ 2,455,000	\$ 327,191	\$ 1,324,995	\$ 132,560

General obligation bonds will be retired from the Nazareth Century Mills I & S and Courthouse Annex Funds.

CLARKE COUNTY, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 2007

(11) Long-term Debt - continued.

Other loans will be retired from the General and Volunteer Fire Department Funds.

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, 2007, the amount of outstanding debt was equal to 1.45% of the latest property assessments.

Prior Year Defeasance of Debt – In prior years, the county defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the county’s financial statements. On September 30, 2007 \$1,660,000 of bonds outstanding were considered defeased.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2007:

	Balance 10/1/06	Additions	Reductions	Adjustments	Balance 9/30/07	Amount due within one year
Governmental Activities:						
General obligation bonds	\$ 2,830,000	\$ -	\$ (375,000)	\$ -	\$ 2,455,000	\$ 400,000
Less: deferred charges	(120,226)	-	18,262	-	(101,964)	(18,262)
	<u>2,709,774</u>	-	<u>(356,738)</u>	-	2,353,036	381,738
Compensated absences	49,708	-	(5,910)	-	43,798	43,798
Capital leases	569,941	-	(237,795)	(3,251)	328,895	203,537
Other loans	1,627,206	-	(294,333)	(7,878)	1,324,995	236,645
Total	<u>\$ 4,956,629</u>	<u>\$ -</u>	<u>\$ (894,776)</u>	<u>\$ (11,129)</u>	<u>\$ 4,050,724</u>	<u>\$ 865,718</u>

CLARKE COUNTY, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 2007

(12) Deficit Fund Balance of Individual Funds.

The following funds reported deficits in fund balance at September 30, 2007:

Fund	Deficit Amount
Special Revenue Funds:	
Homeland Security Fund	\$ 19,000
Solid Waste Fund	18,951
General Road Fund	29,667

(13) 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.

(14) 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 2003, Clarke County contributed \$100,000. Complete financial statements for the East Mississippi Regional Library System can be obtained from the East Mississippi Regional Library, Quitman, Mississippi.

CLARKE COUNTY, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 2007

(15) 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 from the six-member counties. The county provides only modest financial support for the district.

Central Mississippi Emergency Medical Services District is composed of the Counties of Attala, Clarke, Copiah, Holmes, Lauderdale, Leake, Madison, Neshoba, Rankin, Scott, Smith, Warren and Yazoo Counties. 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 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 appropriated \$12,958 for support of the district in fiscal year 2007.

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 \$218,559 for maintenance and support of the college in fiscal year 2007.

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 sources. The county appropriated \$4,000 for the support of the agency in fiscal year 2007.

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 2007.

CLARKE COUNTY, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 2007

(16) 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 11.85% 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, 2007, 2006, and 2005 were \$303,333, \$275,536, and \$247,490, respectively, equal to the required contributions for each year.

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SUPPLEMENTAL INFORMATION

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Clarke County, Mississippi
Reconciliation of Operating Costs of Solid Waste
For the Year Ended September 30, 2007

Operating expenditures, cash basis:	
Salaries	\$ 388,293
Contractural garbage disposal fees	113,974
Expendable commodities:	
Gasoline and petroleum products	59,035
Repair parts	31,466
Supplies	1,634
Utilities & other operating expenses	6,666
Maintenance	2,275
Insurance on equipment	11,692
Solid waste cash basis operating expenses	<u>615,035</u>
Full cost expenses:	
Indirect administrative costs	6,460
Depreciation on equipment	64,706
Interest on solid waste debt	2,491
Solid waste full cost operating expenses	<u><u>\$ 688,692</u></u>

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SPECIAL REPORTS

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

Members of the Board of Supervisors
Clarke County, Mississippi

I have audited the 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, 2007, which collectively comprise the county's basic financial statements and have issued my report thereon dated June 13, 2008. My report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the county's primary government unless the county issues financial statements for the reporting entity that include the financial data for its component units. I conducted my 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 my audit, I considered Clarke County, Mississippi's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the county's internal control over financial reporting.

My consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the county's financial statements that is more than inconsequential will not be prevented or detected by the county's internal control. I consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

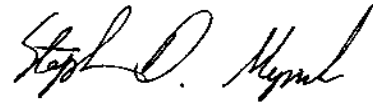
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the county's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, I consider items 07-1 and 07-2 to be material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether Clarke County, Mississippi's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, I noted certain matters that I have reported to the management of Clarke County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated June 13, 2008 included within this document.

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 specified party. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Stephen D. Myrick". The signature is fluid and cursive, with the first name being the most prominent.

Stephen D. Myrick
Certified Public Accountant

Quitman, Mississippi
June 13, 2008

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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

I have made a study and evaluation of the central purchasing system and inventory control system of Clarke County, Mississippi, as of and for the ended September 30, 2007. My study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures as I considered necessary in the circumstances.

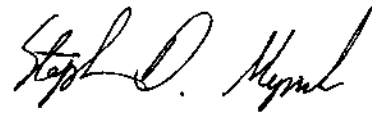
The Board of Supervisors of Clarke County, Mississippi, is responsible for establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss Code Ann. (1972). In addition, the Board of Supervisors is responsible for purchasing 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 my opinion, Clarke County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements.

The accompanying schedules of (1) purchase 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 my aforementioned study and evaluation of the purchasing system and, in my 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.

A handwritten signature in black ink, appearing to read "Stephen D. Myrick". The signature is fluid and cursive, with a large initial 'S' and 'M'.

Stephen D. Myrick
Certified Public Accountant

Quitman, Mississippi
June 13, 2008

CLARKE COUNTY, MISSISSIPPI
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2007

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

**CLARKE COUNTY, MISSISSIPPI
Schedule of Emergency Purchases
For the Year Ended September 30, 2007**

My test results did not identify any emergency purchases.

CLARKE COUNTY, MISSISSIPPI
Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2007

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

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**LIMITED INTERNAL CONTROL AND COMPLIANCE
REVIEW MANAGEMENT REPORT**

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LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Clarke County, Mississippi

In planning and performing my audit of the financial statements of Clarke County, Mississippi for the year ended September 30, 2007, I considered Clarke County, Mississippi's internal control to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Clarke County, Mississippi's financial reporting, I 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 State Auditor. My 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, I do not express such an opinion. This report does not affect my report date June 13, 2008, on the financial statements of Clarke County, Mississippi.

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

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

Circuit Clerk

1. Finding

An effective system for accounting for the collection of accounts receivable and restitution includes the subsequent timely settlement to the proper parties of these collections. As reported in prior years, partial payments and restitution are not settled to the proper parties on a timely basis. As of September 30, 2007, the criminal journal restitutions collected and not distributed was \$89,093.15 and partial payments unsettled were \$4,930.11. Additionally, fines, assessments and other fees were not settled monthly to the county. Failure to perform timely settlements of funds collected increases the possibility of loss or misappropriation of public funds.

Recommendation

The Circuit Clerk should settle collections to the proper parties on a timely basis.

Circuit Clerk's Response

During calendar years 2006 and 2007, we were consumed with election matters. Now that the election period has slowed down, I am able to devote more time to other duties. Along with the bookkeeper for the office, I am working on making timely settlements and disbursements to the proper parties.

2. Finding

An effective internal control system for cash includes the monthly reconciliation of bank accounts to the cash journal book balance. As reported in the prior year, the civil and criminal cash journals, the subsidiary bond ledger and fines receivable records are not reconciled to the bank accounts each month. Failure to reconcile the accounts could result in the loss or misappropriation of public funds.

Recommendation

The Circuit Clerk should ensure that bank statements are reconciled to the cash journals and supporting documentation monthly.

Circuit Clerk's Response

My bookkeeper has been given a copy of the audit department findings and we are working on keeping the accounts and cash journals reconciled.

3. Finding

Section 9-1-45, Miss. Code Ann. (1972), requires the Circuit Clerk to file a true and accurate annual fee report no later than April 15th of each year. The Circuit Clerk did not prepare a true and accurate annual fee report.

Recommendation

The Circuit Clerk should prepare a true and accurate annual report.

Circuit Clerk's Response

My annual fee report was filed by April 15; however, I was informed several weeks later that it contained an incorrect entry. We are in the process of making that correction and filing an amended report.

4. Finding

As a result of my audit procedures, I determined that the Circuit Clerk did not prepare timely a complete and accurate distribution of cash.

Recommendation

The Circuit Clerk should prepare timely a complete and accurate distribution of cash at the end of each fiscal year.

Circuit Clerk's Response

This will be addressed with my bookkeeper to determine how to make this correction.

5. Finding

As a result of my audit procedures, I observed that the Circuit Clerk did not maintain a complete and accurate bond listing. The bond listing provided to me as part of my audit only identified \$17,200.00 of \$56,817.56 held in the bond bank account.

Recommendation

The Circuit Clerk should prepare a complete and accurate bond listing. Any excess funds should be settled to the Board of Supervisors.

Circuit Clerk's Response

We are in an ongoing process of applying bond money to accounts receivable. As current accounts are identified eventually older, unclaimed, bond money will be settled to the board of supervisors.

Tax Assessor-Collector

6. Finding

An effective system of internal control over cash collections and settlements includes maintaining a complete and accurate cash journal. As reported in prior years, the cash journal does not identify the accumulation of tax collections caused by an incorrect settlement of collections. As a result, various types of property taxes and other fees of \$45,570 were not settled to the proper authorities. Failure to perform timely and accurate settlements and not properly identify the accumulation of tax collections increases the possibility of loss or misappropriation of public funds.

Recommendation

The Tax Assessor-Collector should settle all collections to the proper parties in a timely manner. The cash journal should be properly maintained and the collections should be settled by the twentieth of the subsequent month as required by state statute.

Tax Assessor-Collector Response

A new procedure to balance checks to deposits will be done monthly to ensure all checks written equal deposits made. Also, a new bookkeeping system will be implemented within

Justice Court

7. Finding

As a result of my audit procedures, I determined that the Justice Court Clerk did not prepare a distribution of cash at the end of the fiscal year.

Recommendation

The Justice Court Clerk should prepare a timely, complete and accurate distribution of cash at the end of each fiscal year.

Justice Court Clerk Response

We will begin completing the distribution of cash.

8. Finding

An effective internal control system for cash includes the monthly reconciliation of bank accounts to the cash journal book balance. As a result of my audit procedures, I determined the civil and criminal cash journals are not reconciled to the bank accounts each month. Failure to reconcile the accounts could result in the loss or misappropriation of public funds.

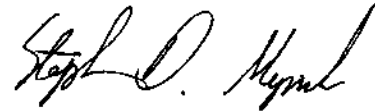
Recommendation

The Justice Court Clerk should ensure that bank statements are reconciled to the cash journals monthly.

Justice Court Clerk Response

We will begin reconciling bank statements to the cash journals.

This report is intended solely for the information and use of management and is not to be used by anyone other than this specified party. However, this report is a matter of public record and its distribution is not limited.



Stephen D. Myrick
Certified Public Accountant

Quitman, Mississippi
June 13, 2008

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SCHEDULE OF FINDINGS

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**CLARKE COUNTY, MISSISSIPPI
SCHEDULE OF FINDINGS
For the Year Ended September 30, 2007**

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|-------------|
| 1. | Type of auditor's report issued on the primary government financial statements: | |
| | Governmental activities | Unqualified |
| | Aggregate discretely presented component units | Adverse |
| | General fund | Unqualified |
| | General Road fund | Unqualified |
| | Each major fund | Unqualified |
| | Aggregate remaining fund information | Unqualified |
| 2. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | Yes |
| | b. Significant deficiencies identified that are not considered to be material weaknesses? | No |
| 3. | Noncompliance material financial statements? | No |

Section 2: Financial Statement Findings

Board of Supervisors

Significant Deficiency.

07 - 1. Finding

A critical aspect of effective financial management is the preparation of accurate financial statements. Management did not have personnel that possessed the necessary expertise to prepare financial statements in accordance with generally accepted accounting principles. Therefore, since the county personnel lacked expertise to apply generally accepted accounting principles in preparing its financial statements, the auditor was relied upon to perform these tasks. Without adequate controls in place over the preparation of financial statements in accordance with generally accepted accounting principles, the risk increases that inaccurate information may be reported.

CLARKE COUNTY, MISSISSIPPI
SCHEDULE OF FINDINGS
For the Year Ended September 30, 2007

Recommendation

The Board of Supervisors should establish adequate controls and procedures to ensure that financial statements are presented and disclosed in accordance with generally accepted accounting principles.

Board of Supervisors' Response

The benefits of contracting with a CPA firm to prepare financial statements, as well as, other schedules do not exceed the cost of performing such services.

Significant Deficiency.

07 - 2. Finding

Generally accepted accounting principles require the financial data for the county's component units to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. The financial statements do not include the financial data for the county's legally separate component units. The failure to properly follow generally accepted accounting principles resulted in an adverse opinion on the discretely presented component unit.

Recommendation

The county should provide the financial data for its discretely presented component units for the inclusion in the county's financial statements.

Board of Supervisors' Response

Due to funding limitations the respective boards of Clarke County, Mississippi's component units do not have the available fund to have audits performed.