

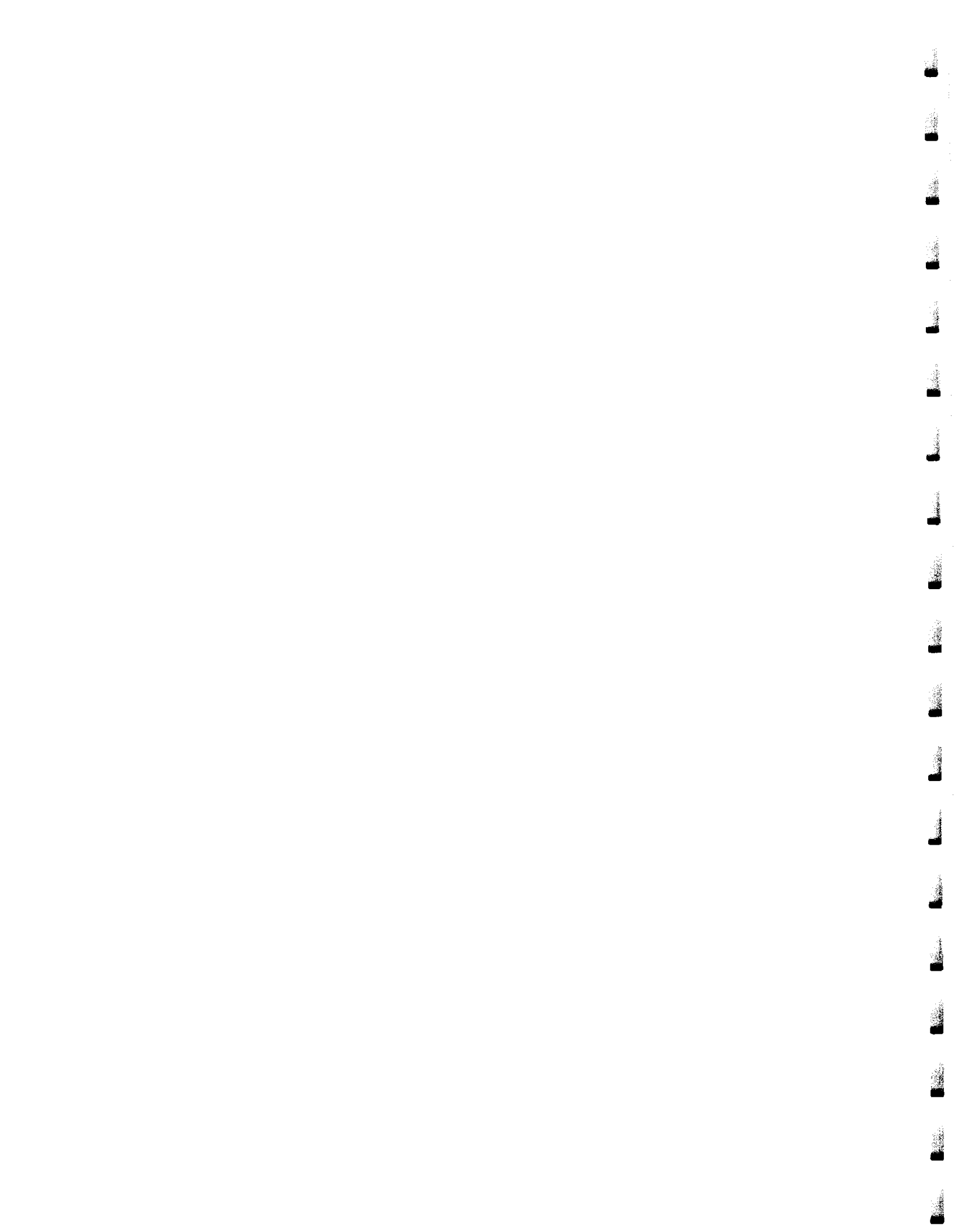


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CLARKE COUNTY, MISSISSIPPI

**AUDITED BASIC FINANCIAL STATEMENTS
AND SPECIAL REPORTS**

FOR THE YEAR ENDED SEPTEMBER 30, 2008



CLARKE COUNTY, MISSISSIPPI
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FINANCIAL SECTION

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Stephen D. Myrick C.P.A., L.L.C.

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Member
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INDEPENDENT AUDITOR'S REPORT

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, 2008, 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 previously, 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, 2008, 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, 2008, 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 17, 2009, 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 Schedules and the corresponding notes that are not a required part of the basic 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 Schedule of Expenditures of Federal Awards is presented for the 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 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 17, 2009

BASIC FINANCIAL STATEMENTS

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CLARKE COUNTY, MISSISSIPPI
Statement of Net Assets
September 30, 2008

	Primary Government
	Governmental Activities
ASSETS	
Cash	\$ 2,277,982
Property tax receivable	4,687,440
Accounts receivable (net of allowance for uncollectibles of \$138,104)	14,836
Fines receivable (net of allowance for uncollectibles of \$1,006,225)	230,526
Loans receivable (net of allowance for uncollectibles of \$163,194)	859,278
Intergovernmental receivables	99,222
Capital assets:	
Land	258,059
Other capital assets, net of accumulated depreciation	30,575,664
Total assets	\$ 39,003,007
LIABILITIES	
Claims payable	\$ 300,261
Intergovernmental payables	172,021
Deferred revenue	4,687,440
Other payables	256,429
Long-term liabilities	
Due within one year:	
Capital debt, net	649,031
Non-capital debt	168,517
Due in more than one year:	
Capital debt, net	2,558,843
Non-capital debt	719,624
Total liabilities	9,512,166
NET ASSETS	
Invested in capital assets, net of related debt	27,625,850
Restricted:	
Expendable:	
General government	69,060
Debt service	37,327
Public safety	614,825
Public works	396,342
Economic development	26,033
Unemployment compensation	29,337
Unrestricted	692,067
Total net assets	\$ 29,490,841

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, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and
					Changes in Net Assets
					Primary Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 2,473,258	\$ 389,782	\$ 10,099	\$ -	\$ (2,073,377)
Public safety	2,825,149	211,504	153,242	5,000	(2,455,403)
Public works	3,670,189	317,206	1,115,535	215,671	(2,021,777)
Health and welfare	147,689	-	48,179	-	(99,510)
Culture and recreation	6,320	-	-	-	(6,320)
Conservation of natural resources	125,065	-	1,656	-	(123,409)
Economic development and assistance	147,355	-	-	-	(147,355)
Interest on long-term debt	164,390	-	-	-	(164,390)
Total governmental activities	<u>\$ 9,559,415</u>	<u>\$ 918,492</u>	<u>\$ 1,328,711</u>	<u>\$ 220,671</u>	<u>(7,091,541)</u>
General revenues:					
Property taxes					4,601,655
Road & bridge privilege taxes					215,517
Grants and contributions not restricted to specific programs					1,804,961
Unrestricted interest income					261,229
Miscellaneous					391,459
Total general revenues					<u>7,274,821</u>
Changes in net assets					<u>183,280</u>
Net assets - beginning					29,221,693
Prior period adjustment					85,868
Net assets - beginning, as restated					<u>29,307,561</u>
Net assets - ending					<u>\$ 29,490,841</u>

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

CLARKE COUNTY, MISSISSIPPI
Balance Sheet
Governmental Funds
September 30, 2008

	<u>Major Funds</u>			<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>General Road Fund</u>	<u>Other Governmental Funds</u>	
ASSETS				
Cash	\$ 1,238,453	\$ 181,787	\$ 857,742	\$ 2,277,982
Property tax receivable	2,371,990	709,917	1,605,533	4,687,440
Accounts receivable (net of allowance for uncollectibles of \$138,104)	-	-	14,836	14,836
Fines receivable (net of allowance for uncollectibles of \$1,006,225)	230,526	-	-	230,526
Loans receivable (net of allowance for uncollectibles of \$163,194)	859,279	-	-	859,279
Intergovernmental receivables	99,222	-	-	99,222
Due from other funds	-	34,819	37,667	72,486
Total assets	<u>\$ 4,799,470</u>	<u>\$ 926,523</u>	<u>\$ 2,515,778</u>	<u>\$ 8,241,771</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Claims payable	\$ 123,629	\$ 34,389	\$ 142,243	\$ 300,261
Intergovernmental payables	165,815	-	-	165,815
Due to other funds	70,871	7,820	-	78,691
Deferred revenue	2,602,516	709,918	1,620,370	4,932,804
Other payables	256,429	-	-	256,429
Total liabilities	<u>3,219,260</u>	<u>752,127</u>	<u>1,762,613</u>	<u>5,734,000</u>
Fund balances:				
Reserved for:				
Debt service	-	-	37,327	37,327
Loans receivable	859,279	-	-	859,279
Unemployment compensation	-	-	29,337	29,337
Unreserved - undesignated, reported in:				
General fund	720,931	-	-	720,931
Special revenue funds	-	174,396	686,501	860,897
Total fund balances	<u>1,580,210</u>	<u>174,396</u>	<u>753,165</u>	<u>2,507,771</u>
Total liabilities and fund balances	<u>\$ 4,799,470</u>	<u>\$ 926,523</u>	<u>\$ 2,515,778</u>	<u>\$ 8,241,771</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, 2008

Total Fund Balance - Governmental Funds	\$ 2,507,771
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 \$45,531,160.	30,833,723
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	245,362
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	(4,096,015)
Total Net Assets - Governmental Activities	<u>\$ 29,490,841</u>

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, 2008

	<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	\$ 2,050,043	\$ 989,678	\$ 1,561,933	\$ 4,601,654
Road and bridge privilege taxes	-	215,517	-	215,517
Licenses, commissions and other revenue	105,485	4,958	4,173	114,616
Fines and forfeitures	283,172	-	-	283,172
Intergovernmental revenues	2,348,500	621,017	384,828	3,354,345
Charges for services	36,685	-	453,857	490,542
Interest income	231,313	7,084	22,832	261,229
Miscellaneous revenues	332,225	16,671	50,913	399,809
Total revenues	<u>5,387,423</u>	<u>1,854,925</u>	<u>2,478,536</u>	<u>9,720,884</u>
EXPENDITURES				
Current:				
General government	2,841,934	-	215,521	3,057,455
Public safety	1,925,624	-	398,816	2,324,440
Public works	569,220	2,298,475	1,167,230	4,034,925
Health and welfare	138,647	-	-	138,647
Culture and recreation	-	-	3,000	3,000
Conservation of natural resources	43,811	-	81,255	125,066
Economic development and assistance	12,958	-	92,992	105,950
Debt Service:				
Principal	91,457	-	447,963	539,420
Interest	34,152	12,683	117,555	164,390
Total Expenditures	<u>5,657,803</u>	<u>2,311,158</u>	<u>2,524,332</u>	<u>10,493,293</u>
Excess of revenues over (under) expenditures	<u>(270,380)</u>	<u>(456,233)</u>	<u>(45,796)</u>	<u>(772,409)</u>
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued	510,176	419,672	-	929,848
Proceeds from sale of capital assets	-	357,000	-	357,000
Compensation for loss of capital asset	702	170,000	-	170,702
Transfers in	14,808	-	216,853	231,661
Transfers out	(216,853)	-	(14,808)	(231,661)
Lease principal payments	(30,105)	(286,376)	(42,518)	(358,999)
Total other financing sources and uses	<u>278,728</u>	<u>660,296</u>	<u>159,527</u>	<u>1,098,551</u>
Net change in fund balances	8,348	204,063	113,731	326,142
Fund balances - beginning	1,571,862	(29,667)	639,434	2,181,629
Fund balances - ending	<u>\$ 1,580,210</u>	<u>\$ 174,396</u>	<u>\$ 753,165</u>	<u>\$ 2,507,771</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, 2008

Net Changes in Fund Balances - Governmental Funds	\$	326,142
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 \$1,480,345 exceeded depreciation \$1,250,434 in the current period.		229,911
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 \$7,606 the proceeds from the sale of \$357,000 in the current period.		(349,394)
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.		19,132
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.		2,780
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 of debt proceeds of \$929,848, debt repayments of \$901,682 and adjustments of 3,263.		(31,429)
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		4,400
The amortization of discount on general obligation bonds		(18,262)
Change in Net Assets of Governmental Activities	\$	183,280

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

CLARKE COUNTY, MISSISSIPPI
Statement of Fiduciary Assets and Liabilities
September 30, 2008

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 233,679
Due from other funds	6,205
Total assets	<u>\$ 239,884</u>
LIABILITIES	
Amounts held in custody for others	\$ 63,605
Intergovernmental payables	176,279
Total liabilities	<u>\$ 239,884</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 2008

(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 2008

(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 2008

(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 2008

(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 2008

(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 2008

(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 2008

(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 2008

(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 Proprietary Funds 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 capital asset purchased in prior year that was not included in capital assets in prior year.	\$ 85,868
Total prior period adjustment	<u>\$ 85,868</u>

(3) Deposits and Investments.

Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2008, was \$2,511,661, and the bank balance was \$2,776,875. 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 2008

(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, 2008:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Road Fund	General Fund	\$ 34,819
Other Governmental Funds	General Fund	29,847
Other Governmental Funds	General Road Fund	7,820
Fiduciary Funds	General Fund	6,205
Total		<u>\$ 78,691</u>

The receivables represent the tax revenue collected but not settled until October 2008. 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 Fund	Other Governmental Funds	\$ 14,808
Other Governmental Funds	General Fund	216,853
Total		<u>\$ 231,661</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, 2008 consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Motor Vehicle License Tax	\$ 99,222
Total Governmental Activities	<u>\$ 99,222</u>

CLARKE COUNTY, MISSISSIPPI
Notes To The Financial Statements
For the Year Ended 2008

(6) Loans Receivable.

Loans receivable balances at September 30, 2008, 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	458,891
CDBG Block Grant loan to Citadel Building Products	07/25/06	3%	07/01/13	400,388
				<u>\$ 1,022,473</u>

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2008:

Governmental activities:

	Balance 10/1/07	Additions	Deletions	Adjustments	Balance 9/30/08
<u>Non-depreciable capital assets:</u>					
Land	\$ 258,059	\$ -	\$ -	\$ -	\$ 258,059
Total non-depreciable capital assets	258,059	-	-	-	258,059
<u>Depreciable capital assets:</u>					
Infrastructure	61,690,733	-	-	-	61,690,733
Buildings	6,397,358	-	-	85,868	6,483,226
Improvements other than buildings	442,857	114,700	-	-	557,557
Mobile equipment	5,224,422	378,615	(343,998)	-	5,259,039
Furniture and equipment	812,585	57,182	(57,464)	-	812,303
Leased property under capital leases	735,170	929,848	(361,052)	-	1,303,966
Total depreciable capital assets	75,303,125	1,480,345	(762,514)	85,868	76,106,824
<u>Less accumulated depreciation for:</u>					
Infrastructure	(39,433,331)	(373,091)	-	-	(39,806,422)
Buildings	(1,072,932)	(129,024)	-	-	(1,201,956)
Improvements other than buildings	(128,199)	(21,158)	-	-	(149,357)
Mobile equipment	(3,296,657)	(502,236)	294,866	-	(3,504,027)
Furniture and equipment	(524,519)	(139,850)	53,264	-	(611,105)
Leased property under capital leases	(238,208)	(85,075)	64,990	-	(258,293)
Total accumulated depreciation	(44,693,846)	(1,250,434)	413,120	-	(45,531,160)
Total depreciable capital assets, net	30,609,279	229,911	(349,394)	85,868	30,575,664
Governmental activities capital assets, net	<u>\$ 30,867,338</u>	<u>\$ 229,911</u>	<u>\$ (349,394)</u>	<u>\$ 85,868</u>	<u>\$ 30,833,723</u>

CLARKE COUNTY, MISSISSIPPI
Notes To The Financial Statements
For the Year Ended 2008

(7) Capital Assets – continued.

The adjustments column represents errors in the beginning balance.

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 61,811
Public safety	566,743
Public works	568,113
Health & welfare	9,042
Culture & recreation	3,320
Economic development	41,405
Total governmental activities depreciation expense	\$ 1,250,434

(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, 2008 to January 1, 2009. 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 certain operating leases which do not give rise to property rights. Total costs for the lease was \$16,640 for the year ended September 30, 2008. The future minimum lease payments for this lease are as follows:

CLARKE COUNTY, MISSISSIPPI
Notes To The Financial Statements
For the Year Ended 2008

(9) Operating Leases - continued.

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

(10) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2008:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 1,303,966
Total	1,303,966
Less: Accumulated depreciation	(258,293)
Leased Property Under Capital Leases	\$ 1,045,673

The following is a schedule by years of the total payments due as of September 30, 2008:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 198,362	\$ 39,063
2010	206,349	31,076
2011	214,688	22,737
2012	74,500	14,029
2013	78,851	9,677
2014-2019	126,994	5,798
Total	\$ 899,744	\$ 122,380

This debt will be retired from the General Road Fund.

CLARKE COUNTY, MISSISSIPPI
Notes To The Financial Statements
For the Year Ended 2008

(11) Long-term Debt.

Debt outstanding as of September 30, 2008, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Series 2002A - Nazareth Century	\$ 785,000	5.0 - 6.0%	4/12
Series 2002B - Annex/Jail	1,270,000	3.3 - 6.0%	4/13
Total General Obligation Bonds	<u>\$ 2,055,000</u>		
B. Capital Leases:			
Motorgraders	\$ 419,672	3.14%	8/11
Courthouse improvements and restoration	480,072	5.69%	11/14
Total Capital Leases	<u>\$ 899,744</u>		
C. Other Loans:			
USA Fabrics expansion loan	\$ 400,388	3.0%	8/14
DECD loan for five fire trucks	336,832	2.0%	3/15
Citidel Building Products expansion loan	448,355	3.0%	7/13
Total Other Loans	<u>\$ 1,185,575</u>		

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
	Principal	Interest	Principal
2009	\$ 420,000	\$ 85,011	\$ 178,050
2010	435,000	65,765	182,966
2011	455,000	45,021	188,021
2012	475,000	22,824	193,219
2013	270,000	5,670	289,385
2014-2019	-	-	153,934
Total	<u>\$ 2,055,000</u>	<u>\$ 224,291</u>	<u>\$ 1,185,575</u>

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 2008

(11) Long-term Debt - continued.

Other loans will be retired from the General, Volunteer Fire Department and Fire Insurance Rebate 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, 2008, the amount of outstanding debt was equal to 1.19% 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, 2008 \$1,390,000 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, 2008:

	Balance 10/1/07	Additions	Reductions	Adjustments	Balance 9/30/08	Amount due within one year
Governmental Activities:						
General obligation bonds	\$ 2,455,000	\$ -	\$ (400,000)	\$ -	\$ 2,055,000	\$ 420,000
Less: deferred charges	(101,964)	-	18,262	-	(83,702)	(18,262)
	2,353,036	-	(381,738)	-	1,971,298	401,738
Compensated absences	43,798	-	(4,400)	-	39,398	39,398
Capital leases	328,895	929,848	(362,262)	3,263	899,744	198,362
Other loans	1,324,995	-	(139,420)	-	1,185,575	178,050
Total	<u>\$ 4,050,724</u>	<u>\$ 929,848</u>	<u>\$ (887,820)</u>	<u>\$ 3,263</u>	<u>\$ 4,096,015</u>	<u>\$ 817,548</u>

CLARKE COUNTY, MISSISSIPPI
Notes To The Financial Statements
For the Year Ended 2008

(12) 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.

(13) 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 2008, 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.

(14) 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.

CLARKE COUNTY, MISSISSIPPI
Notes To The Financial Statements
For the Year Ended 2008

(14) Jointly Governed Organizations - continued.

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 2008.

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 \$217,561 for maintenance and support of the college in fiscal year 2008.

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 \$5,000 for the support of the agency in fiscal year 2008.

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 2008.

(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.

CLARKE COUNTY, MISSISSIPPI
Notes To The Financial Statements
For the Year Ended 2008

(16) Defined Benefit Pension Plan - continued.

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, 2008, 2007, and 2006 were \$331,221, \$303,333, and \$275,536 respectively, equal to the required contributions for each year.

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SUPPLEMENTAL INFORMATION

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CLARKE COUNTY, MISSISSIPPI
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2008

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U. S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority HOME Investment Partnerships Program	14.239	1219-M07-SG-280-239	\$ 40,000
* U. S. Department of Transportation - Federal Aviation Administration Passed-through the Mississippi Department of Transportation Airport Improvement Program	20.106	3-28-0063-006-2007 3-28-0063-006-2008	542,587
U. S. Department of Transportation - Federal Highway Administration/Passed-through the Mississippi Department of Transportation Highway Planning and Construction	20.205	BR NBIS 068 B (12)	18,030
U. S. Department of Homeland Defense Passed-through the Mississippi Emergency Management Agency Homeland Security Grant	97.036	S4HS012	14,808
Total Expenditures of Federal Awards			<u>\$ 615,425</u>

Note A - Significant Accounting Policies

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

Note B - Airport Improvement Program

Of the federal expenditures presented in the schedule, the county provided federal awards totaling \$542,587 to subrecipients during the year ended September 30, 2008.

* Denotes major federal award program.

CLARKE COUNTY, MISSISSIPPI
Reconciliation of Operating Costs of Solid Waste
For the Year Ended September 30, 2008

Operating expenditures, cash basis:	
Salaries	\$ 395,390
Contractural garbage disposal fees	111,760
Expendable commodities:	
Gasoline and petroleum products	74,656
Repair parts	33,701
Utilities & other operating expenses	8,527
Maintenance	900
Insurance on equipment	11,935
Supplies	598
Solid waste cash basis operating expenses	<u>637,467</u>
Full cost expenses:	
Indirect administrative costs	4,783
Depreciation on equipment	64,706
Interest on solid waste debt	611
Solid waste full cost operating expenses	<u><u>\$ 707,567</u></u>

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, 2008, which collectively comprise the county's basic financial statements and have issued my report thereon dated June 17, 2009. 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 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 Questioned Costs as 08-1 and 08-2 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 08-1 and 08-2 to be material weaknesses.

Compliance and Other Matters

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 17, 2009 included within this document.

Clarke County, Mississippi's responses to the findings identified in my audit are described in the accompanying Schedule of Findings and Questioned Costs. I did not audit Clarke County, Mississippi's responses and, accordingly, I express no opinion on them.

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



Stephen D. Myrick
Certified Public Accountant

Quitman, Mississippi
June 17, 2009

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

Members of the Board of Supervisors
Clarke County, Mississippi

Compliance

I have audited the compliance of the 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 program for the year ended September 30, 2008. Clarke County, Mississippi's major federal program is 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 its major federal program is the responsibility of the Clarke County, Mississippi's management. My responsibility is to express an opinion on Clarke County, Mississippi's compliance based on my audit.

I conducted my 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 I 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 I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Clarke County, Mississippi's compliance with those requirements.

In my opinion, Clarke County, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2008.

Internal Control Over Compliance

The management of Clarke County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Clarke County, Mississippi's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing my opinion on compliance. Accordingly, I do not express an opinion on the effectiveness of the county's internal control over compliance.

My consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in county's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, I identified a deficiency in internal control over compliance that I consider to be a material weakness.

A control deficiency in a county's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the county's internal control. I consider the deficiency in internal over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 08-3 to be a significant deficiency

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the county's internal control. I consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness.

Clarke County, Mississippi's response to the findings identified in my audit is described in the accompanying Schedule of Findings and Questioned Costs. I did not audit Clarke County, Mississippi's responses and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, 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.



Stephen D. Myrick
Certified Public Accountant

Quitman, Mississippi
June 17, 2009

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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, 2008. 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.

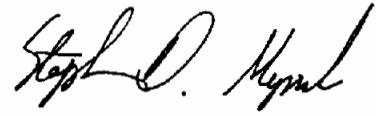
The Board of Supervisors of Clarke County, Mississippi, is responsible for establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss Code Ann. (1972). In addition, the Board of Supervisors is responsible for purchasing 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.



Stephen D. Myrick
Certified Public Accountant

Quitman, Mississippi
June 17, 2009

CLARKE COUNTY, MISSISSIPPI
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2008

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, 2008

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, 2008

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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Stephen D. Myrick C.P.A., L.L.C.

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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, 2008, 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 17, 2009, 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 deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of 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, 2008, the criminal journal restitutions collected and not distributed was \$97,026.43. Partial payments were oversettled by \$14,789.89. 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

We continue to work on making timely settlements to the county.

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 a copy of the audit department's findings and we are working on keeping the accounts and cash journals reconciled.

3. Finding

As reported in the prior year, 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 has not filed a true and accurate annual fee report.

Recommendation

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

Circuit Clerk's Response

The annual report was filed on May 11, 2009.

4. Finding

As reported in the prior year, 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 again be addressed with the bookkeeper to make sure this report is filed on time.

5. Finding

As reported in the prior year, I observed that the Circuit Clerk did not maintain a complete and accurate bond listing. The bond listing provided as part of my audit only identified \$37,600.00 of \$80,307.56 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

Bond refunds are made in every case that is brought to my attention, either as a refund or applied to court costs. Because of the large amount of unidentified bonds, I plan to follow the Audit Department's recommendation on settling the unidentified bond money to the county.

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 \$62,679 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

This finding is a carryover from the previous administration. There are two inactive accounts that have a significant amount in them. We are working closely with the state audit department to follow proper procedures in closing these inactive accounts and settling the funds. Unfortunately it is a time consuming matter. As stated previously a new bookkeeping program has been implemented with the hopes of eliminating this problem in the future.

Justice Court

7. Finding

As reported in the prior year, 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 reported in the prior year, 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 the bank statements to the cash journals.

Board of Supervisors

9. Finding

Section 9-7-121 Miss. Code Ann. (1972) requires the Circuit Clerk to be bonded for three percent of the sum of all state and county taxes shown by the assessment rolls and levies to have been collectible in the county for the year immediately preceding the commencement of the term of office. As a result of my audit procedures, it appears that the circuit clerk was not properly bonded from January 1, 2008 to April 21, 2009.

Recommendation

The Board of Supervisors should implement additional procedures to ensure that all officials required by state statute are properly bonded.

Board of Supervisor Response

This has already been corrected.

Chancery Clerk

10. Finding

Section 9-1-43, Miss. Code Ann. (1972) requires the Chancery Clerk to maintain a complete and accurate fee journal. Based on my audit procedures, it does not appear that the Chancery Clerk properly maintained her fee journal as required by statute.

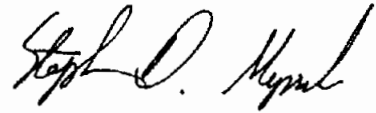
Recommendation

The Chancery Clerk should maintain her fee journal in a manner that fulfills state requirements.

Chancery Clerk Response

I have already corrected it.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity 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.



Stephen D. Myrick
Certified Public Accountant

Quitman, Mississippi
June 17, 2009

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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CLARKE COUNTY, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2008

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 |
| | 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 |

Federal Awards:

- | | | |
|----|--|-------------|
| 4. | Internal control over major programs: | |
| | a. Material weaknesses identified? | Yes |
| | b. Significant deficiencies identified that are not considered to be material weaknesses? | No |
| 5. | Type of auditor's report issued on compliance for major Programs? | Unqualified |
| 6. | Any audit finding disclosed that is required to be reported in accordance with Section ____ .510(a) of OMB Circular A-133? | No |
| 7. | Federal program identified as a major program: | |
| | a. Airport Improvement Program
20.106 | |
| 8. | The dollar threshold used to distinguish between type A and B programs: | \$300,000 |

CLARKE COUNTY, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2008

- | | | |
|-----|---|----|
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10. | Prior fiscal year audit findings and questioned cost relative to Federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____ .315(b) of OMB Circular A-133? | No |

Section 2: Financial Statement Findings

Board of Supervisors

Significant Deficiency - Material Weakness

08 - 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.

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.

Significant Deficiency - Material Weakness

08 - 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.

CLARKE COUNTY, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2008

Recommendation

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

Section 3: Federal Award Findings and Questioned Costs

Significant Deficiency - Material Weakness

08 - 3. Finding

Program: Airport Improvement Program, 20.106
Award Number: 3-28-0063-006-2007/2008
U. S. Department of Transportation – Federal
Aviation Administration – 2007 & 2008
Passed-through Mississippi Department
of Transportation

Compliance Requirement: Subrecipient Monitoring

The Board of Supervisors does not have a system in place to properly monitor its subrecipients. Without an adequate internal control system in place to properly monitor the county's subrecipients, the county does not have any assurance that its subrecipients have properly fulfilled federal compliance requirements. This could result in a misappropriation of federal grant funds.

Recommendation

The Board of Supervisors should establish an adequate system of internal control to ensure that subrecipients are properly monitored in accordance with A-133 Compliance Supplement requirements for "Subrecipient Monitoring".

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AUDITEE'S CORRECTIVE ACTION PLAN

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CORRECTIVE ACTION PLAN

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CLARKE COUNTY BOARD OF SUPERVISORS

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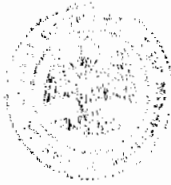
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PAUL MOSLEY
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DIANE WRIGHT
County Administrator
admin@clarkecountymms.gov



As required by section ____315(b) of OMB Circular A-133, Clarke County, Mississippi has proposed and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2008:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
08-1.	<p>a. Name of contact person responsible for corrective action: Diane Wright – County Administrator (601) 776-1012</p> <p>b. <u>Corrective Action Planned:</u> None - 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.</p>
08-2.	<p>a. Name of contact person responsible for corrective action: Diane Wright – County Administrator (601) 776-1012</p> <p>b. <u>Corrective Action Planned:</u> Due to funding limitations the respective boards of Clarke County, Mississippi's component units do not have the available funds to have audits performed. The Board of Supervisors will require audits when necessary to fulfill OMB Circular A-133 requirements.</p>
08-3.	<p>a. Name of contact person responsible for corrective action: Diane Wright – County Administrator (601) 776-1012</p> <p>b. <u>Corrective Action Planned:</u> The county will establish internal controls to monitor subrecipients that fulfills the requirements contained in OMB A-133, Compliance for Subrecipient Monitoring.</p>

Sincerely,


Cleveland Peebles
President, Board of Supervisors

