

# CLARKE COUNTY, MISSISSIPPI

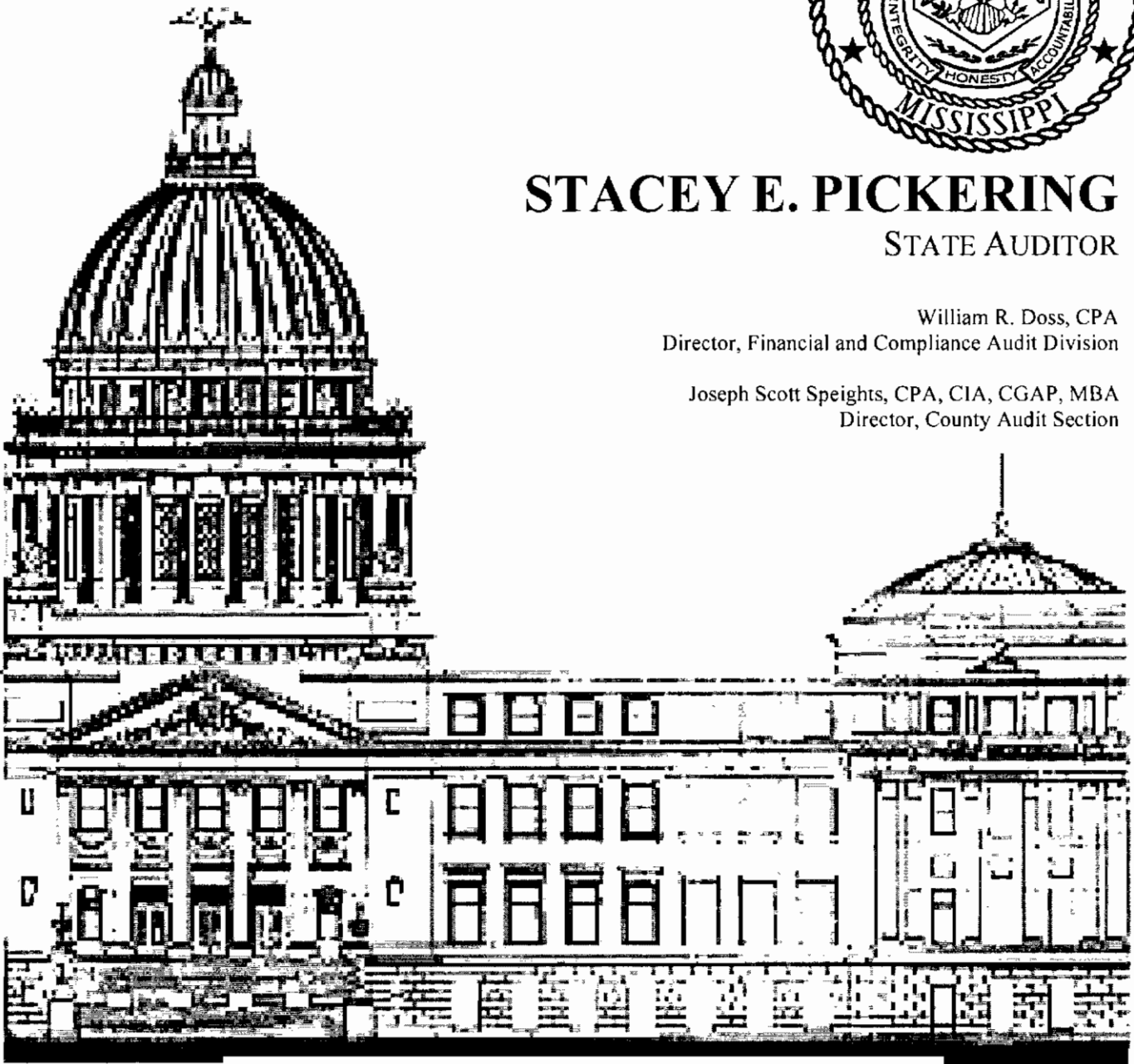
Audited Financial Statements and Special Reports  
For the Year Ended September 30, 2009



## STACEY E. PICKERING STATE AUDITOR

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

Joseph Scott Speights, CPA, CIA, CGAP, MBA  
Director, County Audit Section



A Report from the County Audit Section

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# State of Mississippi

OFFICE OF THE STATE AUDITOR  
STACEY E. PICKERING  
AUDITOR

August 25, 2010

Members of the Board of Supervisors  
Clarke County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2009 financial and compliance audit report for Clarke County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

I appreciate the cooperation and courtesy extended by the officials and employees of Clarke County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Forrest County. If I or this office can be of any further assistance, please contact me or J. Scott Speights of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering".

Stacey E. Pickering  
State Auditor



CLARKE COUNTY  
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CLARKE COUNTY

FINANCIAL SECTION

CLARKE COUNTY

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# State of Mississippi

OFFICE OF THE STATE AUDITOR  
STACEY E. PICKERING  
AUDITOR

## INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors  
Clarke County, Mississippi

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Clarke County, Mississippi, as of and for the year ended September 30, 2009, 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. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements 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 for 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.

As discussed in Note 1(H) to the financial statements, management has not maintained adequate subsidiary records documenting the existence, completeness and valuation of the capital assets reported on the Statement of Net Assets at \$30,265,765, as of September 30, 2009. The amount by which this departure would affect the assets, revenues and expenses of the governmental activities is not reasonably determined.

Management did not maintain adequate subsidiary records documenting the existence and valuation of fines receivable of the Justice Court and Circuit Court or the aging of these fines receivable. Due to the nature of the county's records, we were unable to satisfy ourselves as to the fair presentation of fines receivable, net, reported on the Statement of Net Assets and in the General Fund at \$60,001, as of September 30, 2009. Also, because of the nature of the fines receivable records, we could not satisfy ourselves as to the fair presentation of the related transactions of the General Fund.

In our 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, 2009, or the changes in financial position thereof for the year then ended.

In our opinion, except for the effects of the matter discussed in the fourth paragraph, the financial statements referred to previously present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of Clarke County, Mississippi, as of September 30, 2009, and the changes in the financial position thereof for the year then ended.

In our opinion, except for the effects of such adjustments if any, as might have been determined to be necessary had we been able to examine evidence to determine the net realizable value of the Justice Court and Circuit Court fines receivable for the General Fund as described in the fifth paragraph, the financial statements referred to above present fairly, in all material respects, the respective changes in financial position, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

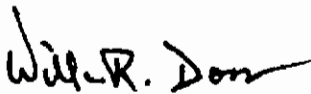
In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Road Fund and the aggregate remaining fund information of Clarke County, Mississippi, as of September 30, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2010, on our consideration of Clarke County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clarke County, Mississippi's basic financial statements. The accompanying Reconciliation of Operating Costs of Solid Waste is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



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

August 25, 2010

CLARKE COUNTY

FINANCIAL STATEMENTS

CLARKE COUNTY

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CLARKE COUNTY  
Statement of Net Assets  
September 30, 2009

Exhibit 1

|  | Primary<br>Government              |
|--|------------------------------------|
|  | <u>Governmental<br/>Activities</u> |
| <b>ASSETS</b>  |                                    |
| Cash   | \$ 1,714,357                       |
| Property tax receivable  | 6,372,518                          |
| Accounts receivable (net of allowance for uncollectibles of \$107,115) | 73,012                             |
| Fines receivable (net of allowance for uncollectibles of \$1,073,538)  | 60,001                             |
| Loans receivable (net of allowance for uncollectibles of \$163,194)    | 491,518                            |
| Intergovernmental receivables  | 263,354                            |
| Other receivables  | 2,663                              |
| Capital assets:  |                                    |
| Land and construction in progress                                      | 761,341                            |
| Other capital assets, net  | <u>29,504,424</u>                  |
| Total Assets   | <u>39,243,188</u>                  |
| <b>LIABILITIES</b>   |                                    |
| Claims payable   | 282,960                            |
| Intergovernmental payables   | 128,938                            |
| Deferred revenue   | 6,372,518                          |
| Amounts held in custody for others                                     | 205,001                            |
| Other payables   | 18,359                             |
| Long-term liabilities  |                                    |
| Due within one year:   |                                    |
| Capital debt   | 686,801                            |
| Non-capital debt   | 194,262                            |
| Due in more than one year:   |                                    |
| Capital debt   | 1,871,452                          |
| Non-capital debt   | <u>326,916</u>                     |
| Total Liabilities  | <u>10,087,207</u>                  |
| <b>NET ASSETS</b>  |                                    |
| Invested in capital assets, net of related debt                        | 27,707,512                         |
| Restricted:  |                                    |
| Expendable:  |                                    |
| General government   | 95,400                             |
| Debt service   | 66,961                             |
| Public safety  | 385,708                            |
| Public works   | 467,805                            |
| Economic development   | 20,064                             |
| Unemployment compensation  | 29,907                             |
| Unrestricted   | <u>382,624</u>                     |
| Total Net Assets   | <u>\$ 29,155,981</u>               |

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



CLARKE COUNTY  
 Balance Sheet - Governmental Funds  
 September 30, 2009

Exhibit 3

|   | Major Funds     |                      | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|-----------------|----------------------|--------------------------------|--------------------------------|
|   | General<br>Fund | General Road<br>Fund |                                |                                |
| <b>ASSETS</b>   |                 |                      |                                |                                |
| Cash  | \$ 716,521      | 69,064               | 928,772                        | 1,714,357                      |
| Property tax receivable   | 3,609,935       | 969,572              | 1,793,011                      | 6,372,518                      |
| Accounts receivable (net of allowance<br>for uncollectibles of \$107,115) |                 |                      | 73,012                         | 73,012                         |
| Fines receivable (net of allowance for<br>uncollectibles of \$1,073,538)  | 60,001          |                      |                                | 60,001                         |
| Loans receivable  | 491,518         |                      |                                | 491,518                        |
| Intergovernmental receivables   | 263,354         |                      |                                | 263,354                        |
| Other receivables   | 2,663           |                      |                                | 2,663                          |
| Due from other funds  |                 | 27,898               | 28,547                         | 56,445                         |
| Advances to other funds   |                 |                      | 7,820                          | 7,820                          |
| Total Assets  | \$ 5,143,992    | 1,066,534            | 2,831,162                      | 9,041,688                      |
| <b>LIABILITIES AND FUND BALANCES</b>                                      |                 |                      |                                |                                |
| Liabilities:  |                 |                      |                                |                                |
| Claims payable  | \$ 161,511      | 38,465               | 82,984                         | 282,960                        |
| Intergovernmental payables  | 124,292         |                      |                                | 124,292                        |
| Due to other funds  | 61,091          |                      |                                | 61,091                         |
| Advances from other funds   |                 | 7,820                |                                | 7,820                          |
| Deferred revenue  | 3,669,936       | 969,572              | 1,866,023                      | 6,505,531                      |
| Amounts held in custody for others  | 205,001         |                      |                                | 205,001                        |
| Other payables  | 18,359          |                      |                                | 18,359                         |
| Total Liabilities   | 4,240,190       | 1,015,857            | 1,949,007                      | 7,205,054                      |
| Fund balances:  |                 |                      |                                |                                |
| Reserved for:   |                 |                      |                                |                                |
| Debt service  |                 |                      | 66,961                         | 66,961                         |
| Loans receivable  | 491,518         |                      |                                | 491,518                        |
| Advances  |                 |                      | 7,820                          | 7,820                          |
| Unemployment compensation   |                 |                      | 29,907                         | 29,907                         |
| Unreserved - undesignated, reported in:                                   |                 |                      |                                |                                |
| General Fund  | 412,284         |                      |                                | 412,284                        |
| Special Revenue Funds   |                 | 50,677               | 777,467                        | 828,144                        |
| Total Fund Balances   | 903,802         | 50,677               | 882,155                        | 1,836,634                      |
| Total Liabilities and Fund Balances                                       | \$ 5,143,992    | 1,066,534            | 2,831,162                      | 9,041,688                      |

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

CLARKE COUNTY  
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets  
September 30, 2009

Exhibit 3-1

|   | <u>Amount</u>        |
|---|----------------------|
| Total Fund Balance - Governmental Funds   | \$ 1,836,634         |
| Amounts reported for governmental activities in the Statement of Net Assets<br>are different because:   |                      |
| Capital assets are used in governmental activities and are not financial resources and,<br>therefore, are not reported in the funds, net of accumulated depreciation of \$46,693,591. | 30,265,765           |
| Other long-term assets are not available to pay for current period expenditures and,<br>therefore, are deferred in the funds.   | 133,013              |
| Long-term liabilities are not due and payable in the current period and,<br>therefore, are not reported in the funds.   | <u>(3,079,431)</u>   |
| Total Net Assets - Governmental Activities  | <u>\$ 29,155,981</u> |

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

## CLARKE COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended September 30, 2009

|   | Major Funds       |                      | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|-------------------|----------------------|--------------------------------|--------------------------------|
|   | General<br>Fund   | General Road<br>Fund |                                |                                |
| <b>REVENUES</b>                                 |                   |                      |                                |                                |
| Property taxes                                  | \$ 2,463,602      | 866,664              | 1,751,051                      | 5,081,317                      |
| Road and bridge privilege taxes                 |                   | 216,569              |                                | 216,569                        |
| Licenses, eommissions and other revenue         | 99,139            | 2,810                | 6,342                          | 108,291                        |
| Fines and forfeitures                           | 221,511           |                      | 966                            | 222,477                        |
| Intergovernmental revenues                      | 1,425,564         | 596,178              | 513,204                        | 2,534,946                      |
| Charges for services                            | 41,083            |                      | 444,804                        | 485,887                        |
| Interest income                                 | 58,184            | 6,298                | 20,615                         | 85,097                         |
| Miscellaneous revenues                          | 361,547           | 8,746                | 7,073                          | 377,366                        |
| Total Revenues                                  | <u>4,670,630</u>  | <u>1,697,265</u>     | <u>2,744,055</u>               | <u>9,111,950</u>               |
| <b>EXPENDITURES</b>                             |                   |                      |                                |                                |
| Current:  |                   |                      |                                |                                |
| General government                              | 2,801,013         |                      | 219,312                        | 3,020,325                      |
| Public safety                                   | 1,664,763         |                      | 408,920                        | 2,073,683                      |
| Public works                                    | 106,801           | 1,672,088            | 1,332,886                      | 3,111,775                      |
| Health and welfare                              | 135,000           |                      |                                | 135,000                        |
| Culture and recreation                          |                   |                      | 3,000                          | 3,000                          |
| Conservation of natural resources               | 46,510            |                      | 86,035                         | 132,545                        |
| Economic development and assistance             | 14,937            |                      | 113,597                        | 128,534                        |
| Debt service:                                   |                   |                      |                                |                                |
| Principal                                       | 423,462           | 135,527              | 469,515                        | 1,028,504                      |
| Interest  | 42,014            | 13,369               | 94,340                         | 149,723                        |
| Total Expenditures                              | <u>5,234,500</u>  | <u>1,820,984</u>     | <u>2,727,605</u>               | <u>9,783,089</u>               |
| Excess of Revenues over<br>(under) Expenditures | <u>(563,870)</u>  | <u>(123,719)</u>     | <u>16,450</u>                  | <u>(671,139)</u>               |
| <b>OTHER FINANCING SOURCES (USES)</b>           |                   |                      |                                |                                |
| Transfers in                                    |                   |                      | 112,538                        | 112,538                        |
| Transfers out                                   | <u>(112,538)</u>  |                      |                                | <u>(112,538)</u>               |
| Total Other Financing Sources and Uses          | <u>(112,538)</u>  | <u>0</u>             | <u>112,538</u>                 | <u>0</u>                       |
| Net Changes in Fund Balances                    | (676,408)         | (123,719)            | 128,988                        | (671,139)                      |
| Fund Balances - Beginning                       | <u>1,580,210</u>  | <u>174,396</u>       | <u>753,167</u>                 | <u>2,507,773</u>               |
| Fund Balances - Ending                          | <u>\$ 903,802</u> | <u>50,677</u>        | <u>882,155</u>                 | <u>1,836,634</u>               |

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

## CLARKE COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended September 30, 2009

|   | <u>Amount</u>       |
|---|---------------------|
| Net Changes in Fund Balances - Governmental Funds   | \$ (671,139)        |
| Amounts reported for governmental activities in the Statement of Activities<br>are different because:   |                     |
| Governmental Funds report capital outlays as expenditures. However, in the<br>Statement of Activities, the cost of those assets is allocated over their estimated<br>useful lives and reported as depreciation expense. Thus, the change in net assets<br>differs from the change in fund balances by the amount that depreciation of \$1,162,431<br>exceeded capital outlays of \$594,473 in the current period.   | (567,958)           |
| Fine revenue recognized on the modified accrual basis in the funds during the<br>current year is reduced because prior year recognition would have been required<br>on the Statement of Activities using the full-accrual basis of accounting.  | (170,523)           |
| Solid waste revenue recognized on the modified accrual basis in the funds during the<br>current year is reduced because prior year recognition would have been required<br>on the Statement of Activities using the full-accrual basis of accounting.   | 58,176              |
| Debt proceeds provide current financial resources to Governmental Funds, but<br>issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment<br>of debt principal is an expenditure in the Governmental Funds, but the repayment<br>reduces long-term liabilities in the Statement of Net Assets. Thus, the change in<br>net assets differs from the change in fund balances by the amount of debt repayments.  | 1,028,504           |
| Under the modified accrual basis of accounting used in the Governmental Funds,<br>expenditures are not recognized for transactions that are not normally paid with<br>expendable available financial resources. However, in the Statement of Activities,<br>which is presented on the accrual basis, expenses and liabilities are reported<br>regardless of when financial resources are available. In addition, interest on<br>long-term debt is recognized under the modified accrual basis of accounting when<br>due, rather than as it accrues. Thus, the change in net assets differs from the change<br>in fund balances by a combination of the following items: |                     |
| The amount of decrease in compensated absences  | 6,342               |
| The amortization of discount on general obligation bonds  | <u>(18,262)</u>     |
| Change in Net Assets of Governmental Activities   | \$ <u>(334,860)</u> |

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

CLARKE COUNTY  
Statement of Fiduciary Assets and Liabilities  
September 30, 2009

Exhibit 5

|                            | <u>Agency<br/>Funds</u> |
|----------------------------|-------------------------|
| <b>ASSETS</b>              |                         |
| Cash                       | \$ 355,207              |
| Due from other funds       | <u>4,646</u>            |
| Total Assets               | <u>\$ 359,853</u>       |
| <b>LIABILITIES</b>         |                         |
| Intergovernmental payables | <u>\$ 359,853</u>       |
| Total Liabilities          | <u>\$ 359,853</u>       |

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

## CLARKE COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2009

#### (1) Summary of Significant Accounting Policies.

##### A. Financial Reporting Entity.

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

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

- Clarke County Airport Board
- Clarke County Economic Development District

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

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

##### B. Basis of Presentation.

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

##### Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the county as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues.

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.

## CLARKE COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2009

#### Fund Financial Statements:

Fund financial statements of the county are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into governmental and fiduciary. Major individual Governmental Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

#### C. Measurement Focus and Basis of Accounting.

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

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

The county reports the following major Governmental 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 that are legally restricted to expenditures for specified purposes. Special Revenue Funds account for, among others, certain federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose.

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

#### FIDUCIARY FUND TYPE

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the county, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

## CLARKE COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2009

#### D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association.

#### E. Deposits and Investments.

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

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

#### F. Receivables.

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

#### G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable Governmental Funds to indicate that they are not available for appropriation and are not expendable available financial resources. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

#### H. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements. However, the county did not maintain adequate subsidiary records documenting the county's infrastructure. 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.

CLARKE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2009

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Clarke County meets this criteria but has elected to report major general infrastructure assets acquired after September 30, 1980 on the government-wide statements. Therefore, the major general infrastructure assets acquired prior to October 30, 1980, are not reported in the government-wide financial statements. Some general infrastructure assets acquired subsequent to September 30, 1980 are not reported on the government-wide financial statements because the county did not maintain adequate records documenting the value of the county's infrastructure.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements and Proprietary Funds. 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:

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

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

I. Long-term Liabilities.

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

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities, Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. 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 improvement of those assets.

## CLARKE COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2009

Restricted net assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

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

#### Fund Financial Statements:

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

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

#### K. Property Tax Revenues.

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

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

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

#### L. Intergovernmental Revenues in Governmental Funds.

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

#### M. Compensated Absences.

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

CLARKE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2009

(2) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2009, was \$2,069,564, and the bank balance was \$2,387,928. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

**Custodial Credit Risk - Deposits.** Custodial credit risk is the risk that in the event of the failure of a financial institution, the county will not be able to recover deposits or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. 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.

(3) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2009:

A. Due From/To Other Funds:

| <u>Receivable Fund</u>   | <u>Payable Fund</u> | <u>Amount</u>    |
|--------------------------|---------------------|------------------|
| General Road Fund        | General             | \$ 27,898        |
| Other Governmental Funds | General             | 28,547           |
| Agency Funds             | General             | <u>4,646</u>     |
| Total                    |                     | <u>\$ 61,091</u> |

The receivables represent the tax revenue collected but not settled until October, 2009. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances From/To Other Funds:

| <u>Receivable Fund</u>   | <u>Payable Fund</u> | <u>Amount</u>   |
|--------------------------|---------------------|-----------------|
| Other Governmental Funds | General Road Fund   | \$ <u>7,820</u> |

The amount payable to other governmental funds represents an operating loan. All advances are not expected to be repaid within one year from the date of the financial statements.

C. Transfers In/Out:

| <u>Transfer In</u>       | <u>Transfer Out</u> | <u>Amount</u>     |
|--------------------------|---------------------|-------------------|
| Other Governmental Funds | General Fund        | \$ <u>112,538</u> |

The principal purpose of interfund transfers was to provide funds for operating expenses. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

CLARKE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2009

(4) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2009, consisted of the following:

| Description                            | Amount     |
|--|------------|
| Governmental Activities:               |            |
| Legislative tax credit                 | \$ 63,515  |
| Historic preservation grant            | 197,221    |
| Emergency management performance grant | 2,618      |
| Total Governmental Activities          | \$ 263,354 |

(5) Loans Receivable.

Loans receivable balances at September 30, 2009, are as follows:

| Description  | Date of Loan | Interest Rate | Maturity Date | Receivable Balance |
|--|--------------|---------------|---------------|--------------------|
| Industrial development loan to Griffco<br>Plastics   | 04/06/1998   | 4.00%         | 07/01/2013    | \$ 163,194         |
| CDBG Block Grant loan to USA Fabrics                 | 03/06/2004   | 3.00%         | 08/01/2014    | 338,555            |
| CDBG Block Grant loan to Citadel<br>Building Product | 07/25/2006   | 3.00%         | 07/01/2013    | 152,963            |
| Total  |              |               |               | 654,712            |
| Less: Allowance for doubtful accounts                |              |               |               | 163,194            |
| Net Loans Receivable                                 |              |               |               | \$ 491,518         |

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2009:

Governmental activities:

|  | Balance<br>Oct. 1, 2008 | Additions | Deletions | Adjustments | Balance<br>Sept. 30, 2009 |
|--|-------------------------|-----------|-----------|-------------|---------------------------|
| <u>Non-depreciable capital assets:</u> |                         |           |           |             |                           |
| Land                                   | \$ 258,059              |           |           |             | 258,059                   |
| Construction in progress               |                         | 503,282   |           |             | 503,282                   |
| Total non-depreciable capital assets   | 258,059                 | 503,282   | 0         | 0           | 761,341                   |
| <u>Depreciable capital assets:</u>     |                         |           |           |             |                           |
| Infrastructure                         | 61,690,733              |           |           |             | 61,690,733                |
| Buildings                              | 6,483,226               |           |           |             | 6,483,226                 |
| Improvements other than buildings      | 557,557                 |           |           |             | 557,557                   |
| Mobile equipment                       | 5,259,039               | 83,796    |           | 344,618     | 5,687,453                 |

CLARKE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2009

|   | Balance<br>Oct. 1, 2008 | Additions          | Deletions | Adjustments | Balance<br>Sept. 30, 2009 |
|---|-------------------------|--------------------|-----------|-------------|---------------------------|
| Furniture and equipment                     | 812,303                 | 7,395              |           | 29,500      | 849,198                   |
| Leased property under capital leases        | 1,303,966               |                    |           | (374,118)   | 929,848                   |
| Total depreciable capital assets            | <u>76,106,824</u>       | <u>91,191</u>      | <u>0</u>  | <u>0</u>    | <u>76,198,015</u>         |
| <u>Less accumulated depreciation for:</u>   |                         |                    |           |             |                           |
| Infrastructure                              | 39,806,422              | 372,519            |           |             | 40,178,941                |
| Buildings                                   | 1,201,956               | 129,024            |           |             | 1,330,980                 |
| Improvements other than buildings           | 149,357                 | 21,158             |           |             | 170,515                   |
| Mobile equipment                            | 3,504,027               | 454,341            |           | 230,531     | 4,188,899                 |
| Furniture and equipment                     | 611,105                 | 120,327            |           | 7,080       | 738,512                   |
| Leased property under capital leases        | 258,293                 | 65,062             |           | (237,611)   | 85,744                    |
| Total accumulated depreciation              | <u>45,531,160</u>       | <u>1,162,431</u>   | <u>0</u>  | <u>0</u>    | <u>46,693,591</u>         |
| Total depreciable capital assets, net       | <u>30,575,664</u>       | <u>(1,071,240)</u> | <u>0</u>  | <u>0</u>    | <u>29,504,424</u>         |
| Governmental activities capital assets, net | <u>\$ 30,833,723</u>    | <u>(567,958)</u>   | <u>0</u>  | <u>0</u>    | <u>30,265,765</u>         |

\* All adjustments represent reclassification from leased property under capital assets to mobile equipment and furniture and equipment, along with related accumulated depreciation.

Depreciation expense was charged to the following functions:

|  | Amount              |
|--|---------------------|
| Governmental Activities:                           |                     |
| General government                                 | \$ 63,513           |
| Public safety                                      | 350,558             |
| Public works                                       | 683,451             |
| Health and welfare                                 | 9,042               |
| Culture and recreation                             | 9,946               |
| Economic Development                               | 45,921              |
| Total governmental activities depreciation expense | <u>\$ 1,162,431</u> |

Commitments with respect to unfinished capital projects at September 30, 2009, consisted of the following:

| Description of Commitment | Remaining Financial<br>Commitment | Expected Date of<br>Completion |
|---------------------------|-----------------------------------|--------------------------------|
| Senior citizens building  | \$ 122,913                        | March, 2010                    |
| Courtroom renovation      | 507,410                           | July, 2010                     |

CLARKE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2009

(7) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2009, to January 1, 2010. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(8) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2009:

| Classes of Property                  | Governmental<br>Activities |
|--------------------------------------|----------------------------|
| Mobile equipment                     | \$ 929,848                 |
| Less: Accumulated depreciation       | <u>85,744</u>              |
| Leased Property Under Capital Leases | <u>\$ 844,104</u>          |

The following is a schedule by years of the total payments due as of September 30, 2009:

| Year Ending September 30 | Governmental Activities |               |
|--------------------------|-------------------------|---------------|
|                          | Principal               | Interest      |
| 2010                     | \$ 206,349              | 31,076        |
| 2011                     | 214,688                 | 22,737        |
| 2012                     | 74,500                  | 14,029        |
| 2013                     | 78,851                  | 9,677         |
| 2014                     | 83,456                  | 5,072         |
| 2015 - 2019              | <u>43,538</u>           | <u>726</u>    |
| Total                    | <u>\$ 701,382</u>       | <u>83,317</u> |

CLARKE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2009

(9) Long-term Debt.

Debt outstanding as of September 30, 2009, consisted of the following:

| Description and Purpose                  | Amount Outstanding | Interest Rate | Final Maturity Date |
|--|--------------------|---------------|---------------------|
| Governmental Activities:                 |                    |               |                     |
| A. General Obligation Bonds:             |                    |               |                     |
| Series 2002A - Nazareth Century          | \$ 600,000         | 5.00/6.00%    | 04/2012             |
| Series 2002B - Annex/Jail                | 1,035,000          | 3.30/6.00%    | 04/2013             |
| Total General Obligation Bonds           | \$ 1,635,000       |               |                     |
| B. Capital Leases:                       |                    |               |                     |
| Motor graders                            | \$ 284,144         | 3.14%         | 08/2014             |
| Courthouse improvements and restoration  | 417,238            | 5.69%         | 11/2014             |
| Total Capital Leases                     | \$ 701,382         |               |                     |
| C. Other Loans:                          |                    |               |                     |
| USA Fabrics expansion loan               | \$ 343,779         | 3.00%         | 08/2014             |
| DECD loan for five fire trucks           | 287,310            | 2.00%         | 03/2015             |
| Citadel Building Products expansion loan | 144,344            | 3.00%         | 07/2013             |
| Total Other Loans                        | \$ 775,433         |               |                     |

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 |
| 2010                     | \$ 435,000               | 65,765   | 257,976     | 14,576   |
| 2011                     | 455,000                  | 45,021   | 116,578     | 11,630   |
| 2012                     | 475,000                  | 22,824   | 119,603     | 8,605    |
| 2013                     | 270,000                  | 5,670    | 122,710     | 5,499    |
| 2014                     |                          |          | 131,128     | 2,309    |
| 2015 - 2019              |                          |          | 27,438      | 161      |
| Total                    | \$ 1,635,000             | 139,280  | 775,433     | 42,780   |

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, 2009, the amount of outstanding debt was equal to 1.15% of the latest property assessments.

CLARKE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2009

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, 2009, \$1,100,000 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, 2009:

|                          | Balance<br>Oct. 1, 2008 | Additions | Reductions       | Adjustments | Balance<br>Sept. 30, 2009 | Amount due<br>within one<br>year |
|--------------------------|-------------------------|-----------|------------------|-------------|---------------------------|----------------------------------|
| Governmental Activities: |                         |           |                  |             |                           |                                  |
| Compensated absences     | \$ 39,398               |           | 6,342            |             | 33,056                    |                                  |
| General obligation bonds | 2,055,000               |           | 420,000          |             | 1,635,000                 | 435,000                          |
| Less: deferred charges   | (83,702)                |           | (18,262)         |             | (65,440)                  | (18,262)                         |
|                          | <u>2,010,696</u>        |           | <u>408,080</u>   |             | <u>1,602,616</u>          | <u>416,738</u>                   |
| Capital leases           | 899,744                 |           | 198,362          |             | 701,382                   | 206,349                          |
| Other loans              | <u>1,185,575</u>        |           | <u>410,142</u>   |             | <u>775,433</u>            | <u>257,976</u>                   |
| Total                    | \$ <u>4,096,015</u>     | <u>0</u>  | <u>1,016,584</u> | <u>0</u>    | <u>3,079,431</u>          | <u>881,063</u>                   |

Compensated absences will be paid from the fund from which the employees' salaries were paid which are generally the General Fund, General Road Fund and Solid Waste Fund.

(10) Contingencies.

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

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

(11) Joint 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 2009, 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

### Notes to Financial Statements For the Year Ended September 30, 2009

#### (12) 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 \$17,982 for support of the district in fiscal year 2009.

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 25 members of the college board of trustees. The county appropriated \$244,215 for maintenance and support of the college in fiscal year 2009.

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 provides only modest financial support for the district.

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 2009.

#### (13) 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 rate at September 30, 2009 was 12% 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, 2009, 2008 and 2007 were \$346,835, \$331,221 and \$303,333, respectively, equal to the required contributions for each year.

CLARKE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2009

(14) Subsequent Events.

Subsequent to September 30, 2009, Clarke County issued the following debt obligation:

| <u>Issue Date</u> | <u>Interest Rate</u> |    | <u>Issue Amount</u> | <u>Type of Financing</u> | <u>Source of Financing</u>            |
|-------------------|----------------------|----|---------------------|--------------------------|---------------------------------------|
| 04/07/2010        | 3.00%                | \$ | 718,475             | CDBG loan                | Receivable from<br>Kamp-Rite Tent Co. |

CLARKE COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

CLARKE COUNTY

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CLARKE COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 General Fund  
 For the Year Ended September 30, 2009

|   | Original<br>Budget  | Final<br>Budget  | Actual<br>(Budgetary<br>Basis) | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|---------------------|------------------|--------------------------------|---|
| <b>REVENUES</b>                                 |                     |                  |                                |   |
| Property taxes                                  | \$ 2,422,190        | 2,468,087        | 2,468,087                      |   |
| Licenses, commissions and other revenue         | 83,200              | 110,591          | 110,591                        |   |
| Fines and forfeitures                           | 233,000             | 248,709          | 248,709                        |   |
| Intergovernmental revenues                      | 1,820,303           | 1,226,610        | 1,226,610                      |   |
| Charges for services                            | 32,000              | 41,083           | 41,083                         |   |
| Interest income                                 | 200,000             | 38,047           | 38,047                         |   |
| Miscellaneous revenues                          | 336,496             | 642,160          | 642,160                        |   |
| Total Revenues                                  | <u>5,127,189</u>    | <u>4,775,287</u> | <u>4,775,287</u>               | <u>0</u>  |
| <b>EXPENDITURES</b>                             |                     |                  |                                |   |
| Current:  |                     |                  |                                |   |
| General government                              | 3,108,325           | 2,867,293        | 2,608,617                      | 258,676   |
| Public safety                                   | 1,781,586           | 1,673,627        | 1,673,627                      |   |
| Public works                                    | 76,646              | 106,801          | 106,801                        |   |
| Health and welfare                              | 155,512             | 134,767          | 134,767                        |   |
| Conservation of natural resources               | 51,112              | 46,254           | 46,254                         |   |
| Economic development and assistance             | 12,958              | 12,958           | 12,958                         |   |
| Debt service:                                   |                     |                  |                                |   |
| Principal                                       | 161,528             | 429,553          | 429,553                        |   |
| Interest  |                     | 35,923           | 35,923                         |   |
| Total Expenditures                              | <u>5,347,667</u>    | <u>5,307,176</u> | <u>5,048,500</u>               | <u>258,676</u>  |
| Excess of Revenues<br>over (under) Expenditures | <u>(220,478)</u>    | <u>(531,889)</u> | <u>(273,213)</u>               | <u>258,676</u>  |
| <b>OTHER FINANCING SOURCES (USES)</b>           |                     |                  |                                |   |
| Other financing sources                         |                     | 95,449           | 95,449                         |   |
| Other financing uses                            |                     | 10,435           | 10,435                         |   |
| Total Other Financing Sources and Uses          | <u>0</u>            | <u>105,884</u>   | <u>105,884</u>                 | <u>0</u>  |
| Net Change in Fund Balance                      | (220,478)           | (426,005)        | (167,329)                      | 258,676   |
| Fund Balances - Beginning                       | <u>0</u>            | <u>0</u>         | <u>0</u>                       | <u>0</u>  |
| Fund Balances - Ending                          | <u>\$ (220,478)</u> | <u>(426,005)</u> | <u>(167,329)</u>               | <u>258,676</u>  |

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

CLARKE COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 General Road Fund  
 For the Year Ended September 30, 2009

|   | Original<br>Budget | Final<br>Budget  | Actual<br>(Budgetary<br>Basis) | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|--------------------|------------------|--------------------------------|---|
| <b>REVENUES</b>                                 |                    |                  |                                |   |
| Property taxes                                  | \$ 709,917         | 872,179          | 872,179                        |   |
| Road and bridge privilege taxes                 | 210,000            | 217,506          | 217,506                        |   |
| Licenses, commissions and other revenue         |                    | 3,278            | 3,278                          |   |
| Intergovernmental revenues                      | 610,000            | 596,178          | 596,178                        |   |
| Interest income                                 | 6,000              | 6,298            | 6,298                          |   |
| Miscellaneous revenues                          | 10,000             | 8,746            | 8,746                          |   |
| Total Revenues                                  | <u>1,545,917</u>   | <u>1,704,185</u> | <u>1,704,185</u>               | <u>0</u>  |
| <b>EXPENDITURES</b>                             |                    |                  |                                |   |
| Current:  |                    |                  |                                |   |
| Public works                                    | <u>1,545,917</u>   | <u>1,816,908</u> | <u>1,816,908</u>               |   |
| Total Expenditures                              | <u>1,545,917</u>   | <u>1,816,908</u> | <u>1,816,908</u>               | <u>0</u>  |
| Excess of Revenues<br>over (under) Expenditures | <u>0</u>           | <u>(112,723)</u> | <u>(112,723)</u>               | <u>0</u>  |
| Net Change in Fund Balancee                     | 0                  | (112,723)        | (112,723)                      |   |
| Fund Balances - Beginning                       | <u>0</u>           | <u>0</u>         | <u>0</u>                       | <u>0</u>  |
| Fund Balancees - Ending                         | <u>\$ 0</u>        | <u>(112,723)</u> | <u>(112,723)</u>               | <u>0</u>  |

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

CLARKE COUNTY

Notes to the Required Supplementary Information  
For the Year Ended September 30, 2009

A. Budgetary Information.

Statutory requirements dictate how and when the county's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the county, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major Special Revenue Fund:

|  | <u>Governmental Fund Types</u> |                              |
|--|--------------------------------|------------------------------|
|  | <u>General<br/>Fund</u>        | <u>General Road<br/>Fund</u> |
| Budget (Cash Basis)                      | \$ (167,329)                   | (112,723)                    |
| Increase (Decrease)                      |                                |                              |
| Net adjustments for revenue accruals     | (326,410)                      | (7,784)                      |
| Net adjustments for expenditure accruals | <u>(182,669)</u>               | <u>(3,212)</u>               |
| GAAP Basis                               | <u>\$ (676,408)</u>            | <u>(123,719)</u>             |

CLARKE COUNTY

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CLARKE COUNTY

SUPPLEMENTAL INFORMATION

CLARKE COUNTY

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CLARKE COUNTY  
 Reconciliation of Operating Costs of Solid Waste  
 For the Year Ended September 30, 2009

Operating Expenditures, Cash Basis:

|   |    |                       |
|---|----|-----------------------|
| Salaries                                      | \$ | 405,824               |
| Contractual Garbage Disposal Fees             |    | 124,635               |
| Expendable Commodities:                       |    |                       |
| Gasoline and petroleum products               |    | 43,236                |
| Repair parts                                  |    | 28,297                |
| Supplies, Utilities and Other Expenses        |    | 6,419                 |
| Maintenance                                   |    | 3,211                 |
| Insurance on equipment                        |    | 8,644                 |
| Solid Waste Cash Basis Operating Expenditures |    | <u>620,266</u>        |
| Full Cost Expenses:                           |    |                       |
| Indirect administrative costs                 |    | 9,708                 |
| Depreciation on equipment                     |    | <u>39,392</u>         |
| Solid Waste Full Cost Operating Expenses      | \$ | <u><u>669,366</u></u> |

CLARKE COUNTY

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CLARKE COUNTY

SPECIAL REPORTS

CLARKE COUNTY

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# State of Mississippi

OFFICE OF THE STATE AUDITOR  
STACEY E. PICKERING  
AUDITOR

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

Members of the Board of Supervisors  
Clarke County, Mississippi

We 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, 2009, which collectively comprise the county's basic financial statements and have issued our report thereon dated August 25, 2010. Our 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 also issues financial statements for the financial reporting entity that include the financial data for its component units. Our report also includes a qualified opinion on the governmental activities because the county did not maintain adequate subsidiary records for new additions to infrastructure, as well as a qualified opinion on the General Fund because the county did not maintain adequate subsidiary records documenting the existence and valuation of the Justice Court and Circuit Court fines receivable, both of which are required by accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

## Internal Control Over Financial Reporting

In planning and performing our audit, we considered Clarke County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our 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, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

Our 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, we identified certain deficiencies in internal control over financial reporting that we 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. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 09-1 through 09-6 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.

Our 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, we consider items 09-1 through 09-5 to be material weaknesses.

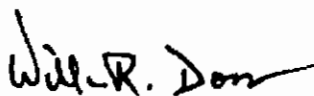
#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clarke County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain instances of noncompliance which we have reported to the management of Clarke County, Mississippi, in the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated August 25, 2010, included within this document.

Clarke County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit Clarke County's responses and, accordingly, we 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 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.



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

August 25, 2010



# State of Mississippi

OFFICE OF THE STATE AUDITOR  
STACEY E. PICKERING  
AUDITOR

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

Members of the Board of Supervisors  
Clarke County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Clarke County, Mississippi, as of and for the year ended September 30, 2009. Our study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures as we considered necessary in the circumstances.

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

The county did not maintain adequate subsidiary records documenting the existence, completeness and valuation of new infrastructure assets.

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

The results of our audit procedures disclosed a certain instance of noncompliance with the aforementioned code sections. This instance of noncompliance was considered in forming our opinion on compliance. Our finding and recommendation and your response are disclosed below:

Inventory Control Clerk.

Finding

Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to maintain an inventory system. An effective system of internal control over capital assets ensures that all capital asset additions are included in the capital asset records. Weak internal controls existed over capital assets including additions to infrastructure constructed since the inception of GASB 34. As a result, the infrastructure of the county is understated by an undeterminable amount. The failure to implement controls to ensure that all additions are included in the capital assets could result in the misappropriation or misuse of public funds, and in inaccurate amounts being reported in the financial statements.

Recommendation

The Inventory Control Clerk should ensure that all capital assets infrastructure additions are included in the capital assets records in the future.

Inventory Clerk's Response

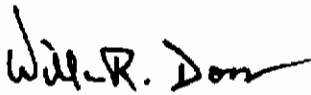
A former auditor had told me that this was not necessary. I am in the process of correcting this and I will see that, in the future, all road upgrades be added to the inventory.

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

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

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

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



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

August 25, 2010

CLARKE COUNTY

Schedule 1

Schedule of Purchases Not Made From the Lowest Bidder

For the Year Ended September 30, 2009

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

CLARKE COUNTY  
Schedule of Emergency Purchases  
For the Year Ended September 30, 2009

Schedule 2

Our test results did not identify any emergency purchases.

CLARKE COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source  
For the Year Ended September 30, 2009

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

CLARKE COUNTY

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## State of Mississippi

OFFICE OF THE STATE AUDITOR  
STACEY E. PICKERING  
AUDITOR

### LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors  
Clarke County, Mississippi

In planning and performing our audit of the financial statements of Clarke County, Mississippi for the year ended September 30, 2009, we considered Clarke County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Clarke County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated August 25, 2010, 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, our 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 our review procedures and compliance tests identified certain areas that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations and your responses are disclosed below:

Board of Supervisors.

1. Finding

Section 19-3-27, Miss. Code Ann. (1972), requires that a complete and accurate record be maintained for the proceedings of the Board of Supervisors. An interfund loan was made without a board order approved in the minutes. Failure to obtain board approval for interfund loans could result in erroneous amounts being reported and increases the possibility of the loss or misuse of public funds.

Recommendation

The Board of Supervisors should spread complete orders on the minutes relative to interfund loans.

### Board of Supervisors' Response

The Board of Supervisors contracted with a private CPA to perform these duties on behalf of the county. The board was not notified and therefore was unable to approve and document the interfund loan in the minutes.

Tax Collector.

#### 2. 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' audit reports, 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 \$18,102 were not settled to the proper authorities. Failure to perform timely and accurate settlements increases the possibility of loss or misappropriation of public funds.

#### Recommendation

The Tax Assessor-Collector should keep and maintain a proper cash journal for all collections and disbursements. The collections should be settled by the twentieth of the subsequent month as required by state statute. Also, the Tax Assessor-Collector should settle all unidentified funds to the general county depository as soon as possible.

#### Tax Assessor-Collector's Response

The funds identified by the auditors had already been discovered by us as funds that had not been settled due to our being unaware that they were not included in the monthly settlement reports. This has been corrected for future bookkeeping purposes. We are still in the process of implementing a working bookkeeping system and are making progress in that direction.

Solid Waste Clerk.

#### 3. Finding

An effective system of internal control over solid waste accounts receivable should ensure that the allowance for uncollectible accounts is approved by the Board of Supervisors. During our procedures, we noted the percentage of uncollectible solid waste accounts on the county's financial statements was not approved by the Board of Supervisors. Failure to properly determine and approve the percentage of uncollectible accounts could result in the loss of public funds and erroneous amounts being reported in the financial statements.

#### Recommendation

The Board of Supervisors should ensure that the percentage of uncollectible solid waste accounts are approved and spread on the minutes of the Board of Supervisors.

#### Solid Waste Clerk's Response

I presented a figure of the outstanding fees to the Board of Supervisors in October but was unaware that I must have a percentage collectible spread on the minutes. For future records, this will be done.

4. Finding

An effective system of internal control should include the separate accounting of garbage fee collections. A separate bank account should be used to account for all garbage fee collections and a separate reconciliation should be prepared for the garbage account. During our audit, we noted that solid waste user fees were being combined into the Tax Collector's bank account with all the tax collections. Failure to separate the account of the garbage user fees could result in the loss of misappropriations of public funds.

Recommendation

The Solid Waste Clerk should establish and maintain a separate bank account and reconciliation monthly for the garbage user fees.

Solid Waste Clerk's Response

This office has been collecting solid waste fees since 1994 and never have we been told that we must have a separate checking account and collect fees separate from car tags. It will take some time to get customers aware of paying separately as we have always told them that they could pay in one check but I will work on this issue with the Board of Supervisors to come up with an acceptable solution.

Circuit Clerk.

5. Finding

An effective internal control system for cash includes the monthly reconciliation of bank accounts to the cash journal book balance. As reported in prior years' audit reports, 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 the bank statements are reconciled to the cash journals and supporting documentation monthly.

Circuit Clerk's Response

I fully intend to comply with this recommendation.

6. Finding

Section 9-7-123(2), Miss. Code Ann. (1972), requires that all Deputy Circuit Clerks to be bonded for three percent of the prior year's taxes with a minimum of \$50,000 and a maximum of \$100,000. As a result of audit procedures performed, it was determined that the Deputy Circuit Clerks were not bonded for the fiscal year 2009. Failure to comply with the statutes could result in loss of public funds.

Recommendation

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

Circuit Clerk's Response

This oversight has now been corrected by the proper department.

7. Finding

As reported in prior years' audit reports, the Circuit Clerk did not maintain a complete and accurate bond listing. During our test work, the clerk provided us with a bond listing that identified \$48,400 in bonds. Only \$44,468 was held in the Clerk's bond bank account on September 30, 2009. An inaccurate bond listing could result in the loss or misappropriation of funds.

Recommendation

The Circuit Clerk should prepare a complete and accurate bond listing and reconcile it monthly to the bond listing.

Circuit Clerk's Response

I fully intend to comply with this recommendation.

Justice Court Clerk.

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 prior years' audit reports, 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 the bank statements are reconciled to the cash journals monthly.

Justice Court Clerk's Response

Will comply with recommendation.

9. Finding

The Justice Court Clerk must prepare a report at September 30 of each year identifying the distribution of all funds held in order to include these funds in the financial statements of the county. As reported in prior years' audit reports, this report should specify the revenues that are due to the General Fund, other funds, state government or others and should be submitted to the Chancery Clerk by October 31<sup>st</sup> of each year. As reported in prior years' reports, this report was not prepared for September 30, 2009. By not preparing this report properly, there could be a risk of funds being misclassified in the financial statements.

Recommendation

In the future, the Justice Court Clerk should prepare the report described above at September 30 of each year.

Justice Court Clerk's Response

Must comply with recommendation.

10. Finding

The Justice Court Clerk did not maintain a complete and accurate bond listing. During our test work, the clerk provided us with a bond listing that identified only \$13,200 of the \$20,948 held in the bond bank account. An inaccurate bond listing could result in the loss or misappropriation of funds.

Recommendation

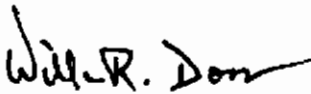
The Justice Court Clerk should prepare a complete and accurate bond listing. Any unidentified funds should be settled to the Board of Supervisors.

Justice Court Clerk's Response

Will identify bonds as soon as possible.

Clarke County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

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



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

August 25, 2010

CLARKE COUNTY

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CLARKE COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

CLARKE COUNTY

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CLARKE COUNTY

Schedule of Findings and Responses  
For the Year Ended September 30, 2009

Section 1: Summary of Auditor's Results

***Financial Statements:***

|    |  |             |
|----|--|-------------|
| 1. | Type of auditor's report issued on the financial statements:                           |             |
|    | Governmental activities  | Qualified   |
|    | Aggregate discretely presented component units   | Adverse     |
|    | General Fund   | Qualified   |
|    | 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? | Yes         |
| 3. | Noncompliance material to the financial statements noted?                              | No          |

Section 2: Financial Statement Findings

Board of Supervisors.

Significant Deficiency - Material Weakness

09-1. Finding

As stated in the prior year audit report, 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 the county's legally separate 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 units.

Recommendation

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

Board of Supervisors' Response

It is not financially feasible to have our component units audited for inclusion in the county's financial statements.

CLARKE COUNTY

Schedule of Findings and Responses  
For the Year Ended September 30, 2009

Significant Deficiency - Material Weakness

09-2. Finding

An effective system of internal control includes properly recording account balances and general journal entries in the general ledger. Numerous adjusting entries were proposed by the auditor and made by management to correct general journal entries and account balances in some of the county funds. Failure to make or properly record general journal entries and account balances could result in misstated financial statements.

Recommendation

The Board of Supervisors should ensure that all account balances are correct and general journal entries are made and properly recorded in the general ledger and on the county's financial statements.

Board of Supervisors' Response

The Board of Supervisors contracted with a private CPA firm to perform these duties on behalf of the county. The CPA failed to perform these adjusting entries. In the future, the Board of Supervisors will stress the importance of performing these duties, in order that the county's financial statements will not be misstated.

Inventory Control Clerk.

Significant Deficiency - Material Weakness

09-3. Finding

An effective system of internal control over capital assets ensures that all capital assets additions are included in the capital assets records. Weak internal controls existed over capital assets including additions to infrastructure constructed since the inception of GASB 34. As a result, the infrastructure of the county is understated by an undeterminable amount. The failure to implement controls to ensure that all additions are included in the capital assets could result in the misappropriation or misuse of public funds.

Recommendation

The Inventory Control Clerk should ensure that all capital assets additions are included in the capital assets records in the future.

Inventory Clerk's Response

A former auditor had told me that this was not necessary. I am in the process of correcting this and I will see that, in the future, all road upgrades be added to the inventory.

CLARKE COUNTY

Schedule of Findings and Responses  
For the Year Ended September 30, 2009

Justice Court Clerk.

Significant Deficiency - Material Weakness.

09-4. Finding

An effective system of internal control over fines receivable records should include maintaining adequate subsidiary records to substantiate the total fines receivable balance. Also, the clerk should receive approval of the allowance for uncollectible accounts from the Board of Supervisors. Management did not maintain adequate subsidiary records documenting the existence and valuation of fines receivable for Justice Court fines and the aging of fines receivable. Therefore, the Independent Auditor's report is qualified on governmental activities and the General Fund, because we were unable to satisfy ourselves as to the fair presentation of the Justice Court fines receivable. The failure to properly maintain adequate subsidiary records of fines receivable could result in the misappropriation or misuse of public funds.

Recommendation

The Justice Court Clerk should establish procedures documenting the existence and valuation of Justice Court fines receivable, including the aging schedules for the fines receivables and also have the allowance for uncollectible accounts approved by the Board of Supervisors.

Justice Court Clerk's Response

Must comply with recommendation.

Circuit Clerk.

Significant Deficiency - Material Weakness

09-5. Finding

An effective system of internal control over fines receivable records should include maintaining adequate subsidiary records to substantiate the total fines receivable balance. Also, the clerk should receive approval of the allowance for uncollectible accounts from the Board of Supervisors. Management did not maintain adequate subsidiary records documenting the existence and valuation of fines receivable for Circuit Court fines and the aging of fines receivable. Therefore, the Independent Auditor's report is qualified on governmental activities and the General Fund, because we were unable to satisfy ourselves as to the fair presentation of the Circuit Court fines receivable. The failure to properly maintain adequate subsidiary records of fines receivable could result in the misappropriation or misuse of public funds.

Recommendation

The Circuit Clerk should establish procedures documenting the existence and valuation of Circuit Court fines receivable, including the aging schedules for the fines receivables and also have the allowance for uncollectible accounts approved by the Board of Supervisors.

Circuit Clerk's Response

I fully intend to comply with this recommendation.

CLARKE COUNTY

Schedule of Findings and Responses  
For the Year Ended September 30, 2009

Significant Deficiency

09-6. 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' audit reports, partial payments and restitution are not settled to the proper parties on a timely basis. As of September 30, 2009, the criminal cash journal restitutions collected and not distributed were \$140,612. Partial payments were over settled by \$13,509. Additionally, fines, assessments and other fees were not settled monthly to the county. During the 2009 fiscal year, only one settlement was made to the county for the whole year's collections. Failure to perform timely settlements of funds collected increases the possibility of loss or misappropriation of public funds.

Recommendation

The Circuit Clerk should settle all collections to the proper parties on a timely basis as required by law.

Circuit Clerk's Response

I fully intend to comply with this recommendation.

CLARKE COUNTY

AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

CLARKE COUNTY

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# CLARKE COUNTY BOARD OF SUPERVISORS

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April 29, 2010

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

Gentlemen:

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

## Section 3: Federal Award Findings and Questioned Costs

FINDING NO. 08-3: Airport Improvement Program  
Award Number: 3-28-0063-006-2007/2008  
U. S. Department of Transportation - Federal Aviation Administration - 2007  
& 2008  
Passed-through Mississippi Department of Transportation, CFDA No. 20.106.

### Condition:

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:

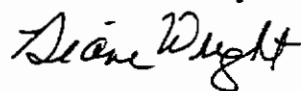
The Board of Supervisors should establish an adequate system of internal control to ensure that subrecipients are properly monitored in accordance with A-133 Compliance Supplement requirements for "Subrecipient Monitoring"

Office of the State Auditor  
April 29, 2010  
Page 2

Corrective action taken:

In the future, the Board of Supervisors will 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".

Sincerely,

A handwritten signature in black ink that reads "Diane Wright". The signature is written in a cursive style with a small dot above the letter 'i' in "Wright".

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