

CLARKE COUNTY, MISSISSIPPI

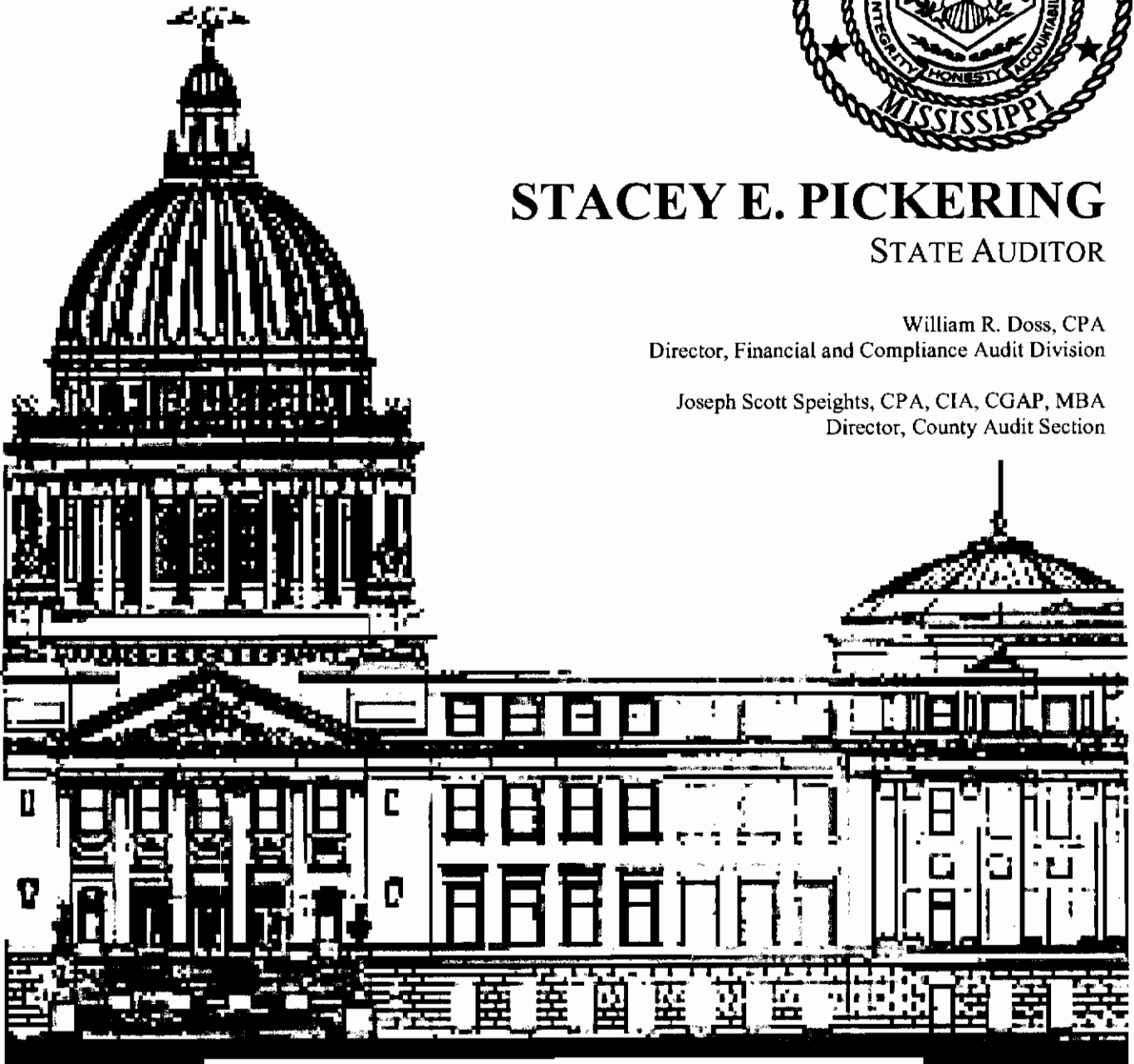
Audited Financial Statements and Special Reports
For the Year Ended September 30, 2010



STACEY E. PICKERING STATE AUDITOR

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

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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

May 4, 2011

Members of the Board of Supervisors
Clarke County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2010 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 Clarke 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, 2010, 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.

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 in the General Fund at \$35,918, as of September 30, 2010. 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 previously 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, 2010, or the changes in 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 fourth 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 previously present fairly, in all material respects, the respective financial position of the governmental activities, the General Road Fund and the aggregate remaining fund information of Clarke County, Mississippi, as of September 30, 2010, 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 May 4, 2011, 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 Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The accompanying Reconciliation of Operating Costs of Solid Waste is also presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information 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

May 4, 2011

CLARKE COUNTY

FINANCIAL STATEMENTS

CLARKE COUNTY

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CLARKE COUNTY
Statement of Net Assets
September 30, 2010

Exhibit I

	<u>Primary Government</u>
	<u>Governmental</u>
	<u>Activities</u>
ASSETS	
Cash	\$ 1,712,975
Property tax receivable	7,238,867
Accounts receivable (net of allowance for uncollectibles of \$119,377)	80,097
Fines receivable (net of allowance for uncollectibles of \$1,770,200)	35,918
Loans receivable	433,187
Intergovernmental receivables	92,173
Capital assets:	
Land	258,059
Other capital assets, net	30,997,677
Total Assets	<u>40,848,953</u>
LIABILITIES	
Claims payable	326,816
Intergovernmental payables	139,523
Accrued interest payable	25,002
Deferred revenue	7,238,867
Amounts held in custody for others	193,040
Other payables	404
Long-term liabilities	
Due within one year:	
Capital debt	703,357
Non-capital debt	210,160
Due in more than one year:	
Capital debt	1,180,973
Non-capital debt	242,207
Total Liabilities	<u>10,260,349</u>
NET ASSETS	
Invested in capital assets, net of related debt	29,371,406
Restricted:	
Expendable:	
General government	100,229
Debt service	22,704
Public safety	232,090
Public works	172,646
Culture and recreation	3,000
Conservation of natural resources	11,940
Economic development	30,510
Unemployment compensation	30,063
Unrestricted	614,016
Total Net Assets	<u>\$ 30,588,604</u>

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

CLARKE COUNTY
Statement of Activities
For the Year Ended September 30, 2010

Exhibit 2

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	
Primary government:				
Governmental activities:				
General government	\$ 2,246,472	276,694	12,531	(1,957,247)
Public safety	2,373,875	442,560	409,233	(1,522,082)
Public works	3,491,494	61,335	586,969	(2,768,890)
Health and welfare	138,215		38,995	(99,220)
Culture and recreation	36,948		34,248	(2,700)
Conservation of natural resources	130,658		1,976	(128,682)
Economic development and assistance	265,822			(111,902)
Interest on long-term debt	157,358			(157,358)
Total Governmental Activities	\$ 8,840,842	780,589	1,083,952	(6,748,081)
General revenues:				
Property taxes				\$ 6,384,417
Road & bridge privilege taxes				217,704
Grants and contributions not restricted to specific programs				801,590
Unrestricted interest income				40,367
Miscellaneous				736,626
Total General Revenues				8,180,704
Changes in Net Assets				1,432,623
Net Assets - Beginning				29,155,981
Net Assets - Ending				\$ 30,588,604

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

CLARKE COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2010

Exhibit 3

	Major Funds			Total Governmental Funds
	General Fund	General Road Fund	Other Governmental Funds	
ASSETS				
Cash	\$ 810,129	84,928	817,918	1,712,975
Property tax receivable	4,072,774	1,024,000	2,142,093	7,238,867
Accounts receivable (net of allowance for uncollectibles of \$119,377)			80,097	80,097
Fines receivable (net of allowance for uncollectibles of \$1,770,200)	35,918			35,918
Loans receivable	433,187			433,187
Intergovernmental receivables	92,173			92,173
Due from other funds		30,224	30,783	61,007
Advances to other funds			7,820	7,820
Total Assets	\$ 5,444,181	1,139,152	3,078,711	9,662,044
LIABILITIES AND FUND BALANCES				
Liabilities:				
Claims payable	\$ 217,700	54,532	54,584	326,816
Intergovernmental payables	135,384			135,384
Due to other funds	65,146			65,146
Advances from other funds		7,820		7,820
Deferred revenue	4,108,692	1,024,000	2,222,190	7,354,882
Amounts held in custody for others	193,040			193,040
Other payables	404			404
Total Liabilities	4,720,366	1,086,352	2,276,774	8,083,492
Fund balances:				
Reserved for:				
Debt service			47,706	47,706
Loans receivable	433,187			433,187
Advances			7,820	7,820
Unemployment compensation			30,063	30,063
Unreserved - undesignated, reported in:				
General Fund	290,628			290,628
Special Revenue Funds		52,800	716,348	769,148
Total Fund Balances	723,815	52,800	801,937	1,578,552
Total Liabilities and Fund Balances	\$ 5,444,181	1,139,152	3,078,711	9,662,044

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

CLARKE COUNTY

Exhibit 3-1

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2010

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 1,578,552
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$47,457,611.	31,255,736
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	116,015
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(2,336,697)
Accrued interest payable is not due and payable in the current period and, therefore, are not reported in the funds.	<u>(25,002)</u>
Total Net Assets - Governmental Activities	\$ <u>30,588,604</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, 2010

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	General Road Fund		
REVENUES				
Property taxes	\$ 3,328,679	1,071,266	1,984,472	6,384,417
Road and bridge privilege taxes		217,704		217,704
Licenses, commissions and other revenue	94,656	1,569	4,942	101,167
Fines and forfeitures	215,548			215,548
Intergovernmental revenues	1,170,691	578,376	364,695	2,113,762
Charges for services	31,912		448,960	480,872
Interest income	31,156	3,083	6,128	40,367
Miscellaneous revenues	306,142	484,218	64,361	854,721
Total Revenues	<u>5,178,784</u>	<u>2,356,216</u>	<u>2,873,558</u>	<u>10,408,558</u>
EXPENDITURES				
Current:				
General government	2,607,195		242,288	2,849,483
Public safety	2,050,487		429,237	2,479,724
Public works	289,917	2,205,196	1,473,306	3,968,419
Health and welfare	129,101			129,101
Culture and recreation			22,790	22,790
Conservation of natural resources	44,623		86,035	130,658
Economic development and assistance			219,901	219,901
Debt service:				
Principal	131,288	139,845	484,912	756,045
Interest	30,239	9,052	74,803	114,094
Total Expenditures	<u>5,282,850</u>	<u>2,354,093</u>	<u>3,033,272</u>	<u>10,670,215</u>
Excess of Revenues over (under) Expenditures	<u>(104,066)</u>	<u>2,123</u>	<u>(159,714)</u>	<u>(261,657)</u>
OTHER FINANCING SOURCES (USES)				
Compensation for loss of capital assets	3,575			3,575
Transfers in	117,306			117,306
Transfers out			(117,306)	(117,306)
Total Other Financing Sources and Uses	<u>120,881</u>	<u>0</u>	<u>(117,306)</u>	<u>3,575</u>
Net Changes in Fund Balances	<u>16,815</u>	<u>2,123</u>	<u>(277,020)</u>	<u>(258,082)</u>
Fund Balances - Beginning	903,802	50,677	882,155	1,836,634
Fund reclassification	(196,802)		196,802	0
Fund Balances - Beginning, as restated	<u>707,000</u>	<u>50,677</u>	<u>1,078,957</u>	<u>1,836,634</u>
Fund Balances - Ending	<u>\$ 723,815</u>	<u>52,800</u>	<u>801,937</u>	<u>1,578,552</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, 2010

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (258,082)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$2,182,959 exceeded depreciation of \$1,071,318 in the current period.	1,111,641
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net loss of \$118,095 and the compensation for loss of capital assets of \$3,575 in the current period.	(121,670)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	(24,083)
Solid waste revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	7,085
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments.	756,045
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
The amount of decrease in compensated absences	4,951
The amortization of discount on general obligation bonds	(18,262)
The increase in accrued interest payable	<u>(25,002)</u>
Change in Net Assets of Governmental Activities	\$ <u>1,432,623</u>

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

CLARKE COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2010

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 276,900
Due from other funds	4,139
Total Assets	\$ <u>281,039</u>
LIABILITIES	
Intergovernmental payables	\$ 281,039
Total Liabilities	\$ <u>281,039</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, 2010

(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, 2010

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.

CLARKE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

FIDUCIARY FUND TYPE

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

D. Account Classifications.

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

E. Deposits and Investments.

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

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

F. Receivables.

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

G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." 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. 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, 2010

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. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 30, 1980.

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:

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

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

I. Long-term Liabilities.

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

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.

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.

CLARKE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

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, 2010

(2) Prior Period Adjustment.

A summary of significant fund equity adjustments is as follows:

Exhibit 4 - Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.

<u>Explanation</u>	<u>Amount</u>
To reclassify the General County Special Fund, the Tag Interface Fund, the General County Investment Fund, the Inmate Canteen Fund and the Clarke County Oil Well Fund from the General Fund to Other Governmental Funds:	
General Fund	\$ (196,802)
Other Governmental Funds	<u>196,802</u>
Total prior period adjustment	<u>\$ 0</u>

(3) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2010, was \$1,989,875, and the bank balance was \$2,466,463. 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.

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2010:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Road Fund	General	\$ 30,224
Other Governmental Funds	General	30,783
Agency Funds	General	<u>4,139</u>
Total		<u>\$ 65,146</u>

The receivables represent the tax revenue collected but not settled until October, 2010. All interfund balances are expected to be repaid within one year from the date of the financial statements.

CLARKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2010

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>
General Fund	Other Governmental Funds	\$ <u>117,306</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.

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2010, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tax credit	\$ 67,128
Recreation trails program	19,755
Emergency management performance grants	<u>5,290</u>
Total Governmental Activities	\$ <u>92,173</u>

(6) Loans Receivable.

Loans receivable balances at September 30, 2010, are as follows:

<u>Description</u>	<u>Date of Loan</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Receivable Balance</u>
Industrial development loan to Griffco 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	280,224
CDBG Block Grant loan to Citadel Building Product	07/25/2006	3.00%	07/01/2013	<u>152,963</u>
Total				596,381
Less: Allowance for doubtful accounts				<u>163,194</u>
Net Loans Receivable				\$ <u>433,187</u>

CLARKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2010

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2010:

Governmental activities:

	Balance Oct. 1, 2009	Additions	Deletions	Adjustments *	Balance Sept. 30, 2010
Non-depreciable capital assets:					
Land	\$ 258,059				258,059
Construction in progress	503,282			(503,282)	0
Total non-depreciable capital assets	761,341	0	0	(503,282)	258,059
Depreciable capital assets:					
Infrastructure	61,690,733	791,060	393,879		62,087,914
Buildings	6,483,226	667,227		503,282	7,653,735
Improvements other than buildings	557,557				557,557
Mobile equipment	5,687,453	609,260	19,683		6,277,030
Furniture and equipment	849,198	115,412	15,406		949,204
Leased property under capital leases	929,848				929,848
Total depreciable capital assets	76,198,015	2,182,959	428,968	503,282	78,455,288
Less accumulated depreciation for:					
Infrastructure	40,178,941	398,033	275,717		40,301,257
Buildings	1,330,980	143,301			1,474,281
Improvements other than buildings	170,515	21,158			191,673
Mobile equipment	4,188,899	421,279	17,715		4,592,463
Furniture and equipment	738,512	39,573	13,866		764,219
Leased property under capital leases	85,744	47,974			133,718
Total accumulated depreciation	46,693,591	1,071,318	307,298	0	47,457,611
Total depreciable capital assets, net	29,504,424	1,111,641	121,670	503,282	30,997,677
Governmental activities capital assets, net	\$ 30,265,765	1,111,641	121,670	0	31,255,736

* Adjustments are to move completed Construction in Progress to Buildings.

CLARKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2010

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 72,508
Public safety	170,519
Public works	759,098
Health and welfare	9,114
Culture and recreation	14,158
Economic Development	<u>45,921</u>
Total governmental activities depreciation expense	<u>\$ 1,071,318</u>

(8) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity 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, 2010, to January 1, 2011. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(9) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2010:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 510,176
Furniture and equipment	<u>419,672</u>
Total	929,848
Less: Accumulated depreciation	<u>133,718</u>
Leased Property Under Capital Leases	<u>\$ 796,130</u>

CLARKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2010

The following is a schedule by years of the total payments due as of September 30, 2010:

Year Ending September 30	Governmental Activities	
	Principal	Interest
2011	\$ 215,693	21,730
2012	75,564	12,964
2013	79,978	8,550
2014	84,649	3,879
2015	38,225	209
Total	\$ 494,109	47,332

(10) Long-term Debt.

Debt outstanding as of September 30, 2010, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Series 2002A - Nazareth Century	\$ 410,000	5.00/6.00%	04/2012
Series 2002B - Annex/Jail	790,000	3.30/6.00%	04/2013
Total General Obligation Bonds	\$ 1,200,000		
B. Capital Leases:			
Motor graders	\$ 144,299	3.14%	08/2014
Courthouse improvements and restoration	349,810	5.69%	11/2014
Total Capital Leases	\$ 494,109		
C. Other Loans:			
USA Fabrics expansion loan	\$ 279,918	3.00%	08/2014
DECD loan for five fire trucks	237,399	2.00%	03/2015
Citadel Building Products expansion loan	144,344	3.00%	07/2013
Total Other Loans	\$ 661,661		

CLARKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2010

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
2011	\$ 455,000	45,021	261,086	11,466
2012	475,000	22,824	119,772	8,436
2013	270,000	5,670	122,883	5,325
2014			130,475	2,129
2015			27,445	161
Total	\$ 1,200,000	73,515	661,661	27,517

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, 2010, the amount of outstanding debt was less than one percent of the latest property assessments.

Prior Year Defeasance of Debt - In prior years, the county defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the county's financial statements. On September 30, 2010, \$795,000 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, 2010:

	Balance Oct. 1, 2009	Additions	Reductions	Adjustments	Balance Sept. 30, 2010	Amount due within one Year
Governmental Activities:						
Compensated absences	\$ 33,056		4,951		28,105	
General obligation bonds	1,635,000		435,000		1,200,000	455,000
Less:						
Deferred charges	(65,440)		(18,262)		(47,178)	(18,262)
	1,602,616		421,689		1,180,927	436,738
Capital leases	701,382		207,273		494,109	215,693
Other loans	775,433		113,772		661,661	261,086
Total	\$ 3,079,431	0	742,734	0	2,336,697	913,517

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

CLARKE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2010

(11) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances at September 30, 2010:

<u>Fund</u>	<u>Deficit Amount</u>
Volunteer Fire Department Fund	\$ <u>4,413</u>

(12) Contingencies.

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

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

(13) Joint Venture.

The county participates in the following joint venture:

Clarke County is a participant with Jasper County in a joint venture, authorized by Section 39-3-11, Miss. Code Ann. (1972), to operate the East Mississippi Regional Library System. The joint venture was created to provide free public library service to citizens of the respective counties, and is governed by a five-member board. The two counties rotate board appointments so that each county has a majority of board members in alternate years. Each county is obligated by contract to levy not less than one-half mill tax as provided by Section 39-3-35, Miss. Code Ann. (1972), for the ongoing financial support of the joint venture. For fiscal year 2010, Clarke County contributed \$100,000. Complete financial statements for the East Mississippi Regional Library System can be obtained from the East Mississippi Regional Library, Quitman, Mississippi.

(14) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

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

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

East Central Planning and Development District operates in a district composed of the counties of Clarke, Jasper, Kemper, Lauderdale, Leake, Neshoba, Newton, Scott and Smith. The Clarke County Board of Supervisors appoints one of the 15 members of the board of directors. The county appropriated \$12,958 for support of the district in fiscal year 2010.

CLARKE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

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 2010.

Multi-County Community Service Agency operates in a district composed of the counties of Clarke, Jasper, Kemper, Lauderdale, Newton and Wayne. The entity was created to administer programs conducted by community action agencies, limited purpose agencies and related programs authorized by federal law. The Clarke County Board of Supervisors appoints one of the 24 members of the board of directors. Most of the funding for the entity is derived from federal sources. The county appropriated \$5,000 for support for the district in fiscal year 2010.

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 2010.

(15) 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. At September 30, 2010, PERS members were required to contribute 9% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2010 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, 2010, 2009 and 2008 were \$348,524, \$346,835 and \$331,221, respectively, equal to the required contributions for each year.

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, 2010

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 3,661,185	3,315,072	3,315,072	
Licenses, commissions and other revenue	88,100	98,006	98,006	
Fines and forfeitures	254,000	216,326	216,326	
Intergovernmental revenues	1,101,900	1,345,486	1,345,486	
Charges for services	40,000	31,912	31,912	
Interest income	50,000	32,566	32,566	
Miscellaneous revenues	348,700	364,740	364,740	
Total Revenues	<u>5,543,885</u>	<u>5,404,108</u>	<u>5,404,108</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	3,489,564	2,778,055	2,660,127	117,928
Public safety	1,874,342	2,018,602	2,018,602	
Public works	77,720	212,117	212,117	
Health and welfare	135,646	130,410	130,410	
Conservation of natural resources	51,112	31,415	31,415	
Economic development and assistance	16,508	12,958	12,958	
Debt service:				
Principal	161,528	161,528	161,528	
Total Expenditures	<u>5,806,420</u>	<u>5,345,085</u>	<u>5,227,157</u>	<u>117,928</u>
Excess of Revenues over (under) Expenditures	<u>(262,535)</u>	<u>59,023</u>	<u>176,951</u>	<u>117,928</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources		129,159		(129,159)
Total Other Financing Sources and Uses	<u>0</u>	<u>129,159</u>	<u>0</u>	<u>(129,159)</u>
Net Change in Fund Balance	(262,535)	188,182	176,951	(11,231)
Fund Balances - Beginning	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances - Ending	<u>\$ (262,535)</u>	<u>188,182</u>	<u>176,951</u>	<u>(11,231)</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, 2010

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$	1,069,869	1,069,869	
Road and bridge privilege taxes	212,000	216,775	216,775	
Licenses, commissions and other revenue		1,569	1,569	
Intergovernmental revenues	602,000	578,375	578,375	
Interest income	6,000	487,301	487,301	
Miscellaneous revenues	5,000			
Total Revenues	<u>825,000</u>	<u>2,353,889</u>	<u>2,353,889</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	1,795,676	2,189,129	2,189,129	
Debt service:				
Principal	148,896	139,845	139,845	
Interest		9,051	9,051	
Total Expenditures	<u>1,944,572</u>	<u>2,338,025</u>	<u>2,338,025</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(1,119,572)</u>	<u>15,864</u>	<u>15,864</u>	<u>0</u>
Net Change in Fund Balance	<u>(1,119,572)</u>	<u>15,864</u>	<u>15,864</u>	<u>0</u>
Fund Balances - Beginning	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances - Ending	<u>\$ (1,119,572)</u>	<u>15,864</u>	<u>15,864</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, 2010

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:

	Governmental Fund Types	
	General Fund	General Road Fund
Budget (Cash Basis)	\$ 176,951	15,864
Increase (Decrease)		
Net adjustments for revenue accruals	(104,443)	2,327
Net adjustments for expenditure accruals	(55,693)	(16,068)
GAAP Basis	\$ 16,815	2,123

CLARKE COUNTY

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CLARKE COUNTY

SUPPLEMENTAL INFORMATION

CLARKE COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2010

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
National Telecommunication and Information Administration/ Department of Commerce/Passed-through the Mississippi Wireless Communication Commission Public safety interoperable communications grant	* 11.555	07PS313	\$ <u>130,945</u>
U.S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority HOME investment partnership program (Note C)	14.239	1219-M07-SG-280-239	88,353
Community development block grants/Brownsfield economic development initiative	14.246	08-012-ED-01	<u>42,232</u>
Total U.S. Department of Housing and Urban Development			<u>130,585</u>
U.S. Department of Transportation/Federal Aviation Administration/Passed-through the Mississippi Department of Transportation Airport improvement program (Note B)	* 20.106	3-28-0063-010-2010	199,671
U.S. Department of Transportation - Federal Highway Administration/Passed-through the Mississippi Department of Transportation Highway planning and construction	20.205	BR NBIS 071 B(12)	32,400
Recreational trails program	20.219	28-RTP-0145	<u>34,665</u>
Total U.S. Department of Transportation			<u>266,736</u>
U.S. Department of Homeland Security/Passed-through the Mississippi Emergency Management Agency Emergency management performance grants	97.042	N/A	15,296
Emergency operations centers	97.052	DHS-09-GPD-052-1970	<u>16,000</u>
Total U.S. Department of Homeland Security			<u>31,296</u>
Total Expenditures of Federal Awards			<u>\$ <u>559,562</u></u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

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

Note B - Airport improvement program

Of the federal expenditures presented in the schedule, the county provided federal awards totaling \$199,671 to subrecipients during the year ended September 30, 2010.

Note C - HOME investment partnership program

Of the federal expenditures presented in the schedule, the county provided federal awards totaling \$88,353 to subrecipients during the year ended September 30, 2010.

* Denotes major federal award program

CLARKE COUNTY
Reconciliation of Operating Costs of Solid Waste
For the Year Ended September 30, 2010

Operating Expenditures, Cash Basis:

Salaries	\$	423,499
Contractual Garbage Disposal Fees		115,171
Expendable Commodities:		
Gasoline and petroleum products		48,104
Repair parts		22,887
Supplies, Utilities, & Other Operating Expenses		7,956
Maintenance		4,736
Insurance on equipment		<u>8,756</u>
Solid Waste Cash Basis Operating Expenditures		631,109
Full Cost Expenses:		
Indirect administrative costs		10,218
Depreciation on equipment		<u>39,392</u>
Solid Waste Full Cost Operating Expenses	\$	<u><u>680,719</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, 2010, which collectively comprise the county's basic financial statements and have issued our report thereon dated May 4, 2011. 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. The report is qualified on the General Fund because the county did not maintain adequate subsidiary records documenting the existence and valuation of Justice Court and Circuit Court fines receivable as 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 10-1, 10-2, 10-3 and 10-4 to be material weaknesses.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 10-5 and 10-6 to be significant deficiencies.

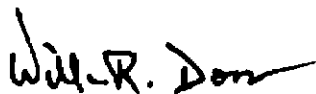
Compliance and Other Matters

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 matters that we reported to the management of Clarke County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated May 4, 2011, included within this document.

Clarke County's responses to the findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. 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 federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



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

May 4, 2011



State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Members of the Board of Supervisors
Clarke County, Mississippi

Compliance

We have audited the compliance of Clarke County, Mississippi with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010. Clarke County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of Clarke County, Mississippi's management. Our responsibility is to express an opinion on Clarke County, Mississippi's compliance based on our audit.

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

As described in item 10-7 in the accompanying Schedule of Findings and Questioned Costs, Clarke County, Mississippi, did not comply with compliance requirements regarding subrecipient monitoring that could have a direct and material effect on its Airport Improvement Program. Compliance with such requirements is necessary, in our opinion, for Clarke County, Mississippi, to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Clarke County, Mississippi, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Airport Improvement Program for the year ended September 30, 2010.

Also, in our opinion, Clarke County, Mississippi, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its Public Safety Interoperable Communications Grant Program for the year ended September 30, 2010.

Internal Control Over Compliance

The management of Clarke County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Clarke County, Mississippi's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in a county's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 10-7 to be a material weakness.

Clarke County's response to the finding identified in our audit is described in the accompanying Auditee's Corrective Action Plan. We did not audit Clarke County's response and, accordingly, we express no opinion on it.

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



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

May 4, 2011



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, 2010. 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.

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

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

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

A handwritten signature in black ink that reads "Will-R. Doss".

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

May 4, 2011

Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2010

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, 2010

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, 2010

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



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, 2010, 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 May 4, 2011, 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.

Warrants were signed without sufficient money.

1. Finding

Section 19-13-43, Miss. Code Ann. (1972), prohibits the signing of warrants or delivery of warrants until there is sufficient money in the fund upon which it is drawn to pay the same. At September 30, 2010, the Volunteer Fire Department fund had a negative cash balance of \$4,413. Failure to have sufficient cash balances in county funds prior to writing checks could result in other funds' cash being used for purposes other than their intended purpose. These types of transactions could result in the Board of Supervisors being held personally liable for such amounts.

Recommendation

The Board of Supervisors should ensure that no warrants are signed or delivered until there is sufficient money in the fund upon which it is drawn to pay the same, as required by law.

Board of Supervisors' Response

The Board of Supervisors will strive to ensure that no funds have a negative cash balance at the end of the fiscal year.

Circuit Clerk.

Distribution of funds report was not prepared.

2. Finding

The Circuit Clerk must prepare a report at September 30th of each year identifying the distribution of all funds held in order to include these funds in the financial statements of the county. 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 31st of each year. As reported in the prior three years' audit reports, this report was not prepared. Not properly preparing this report could cause a risk of funds being misclassified in the financial statements.

Recommendation

The Circuit Clerk should prepare the report described above at September 30th of each year.

Circuit Clerk's Response

I am continuing to learn the Delta financial system, and with a small office staff and numerous other duties, it is sometimes hard to stay current with a particular task. I am working hard to become familiar with the system, and I am determined to correct all deficiencies as soon as possible.

Bank statements were not reconciled.

3. Finding

An effective internal control system for cash includes the monthly reconciliation of bank statements to the cash journal book balance. As reported in the four 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. During the 2010 fiscal year, the Clerk did not have criminal or civil cash journals. Failure to keep proper journals and perform proper reconciliations 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 am continuing to learn the Delta financial system, and with a small office staff and numerous other duties, it is sometimes hard to stay current with a particular task. I am working hard to become familiar with the system, and I am determined to correct all deficiencies as soon as possible.

Bond listing was inaccurate.

4. Finding

As reported in the prior three 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 \$59,080 in bonds. Only \$54,997 was held in the Clerk's bond bank account on September 30, 2010. 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

The bond account was set up in 2006 by estimating amounts held in the criminal account that were deposited for Circuit Court bonds. Because the amounts were estimated, the list may not have been completely accurate from the beginning. I am working with my previous bookkeeper to correct this issue, and also plan to settle to the county all unidentified bond monies.

Justice Court Clerk.

Distribution of funds report was not prepared.

5. Finding

The Justice Court Clerk must prepare a report at September 30th 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 31st of each year. This report was not prepared for September 30, 2010. 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 30th of each year.

Justice Court Clerk's Response

As the new Justice Court Clerk, I understand that we do have the ability to create this report. This will be done in the future.

Bank statements were not reconciled.

6. 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

A monthly reconciliation of each account is performed upon receipt of each bank statement. A settlement statement is furnished to the county resulting in a zero balance settlement of all civil and criminal funds received during the previous 30-day period.

Bond listing was inaccurate.

7. Finding

As stated in the prior year audit report, 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 \$8,332 of the \$16,569 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

The bond listing for the new bond account is complete and accurate. Our office is working to determine a complete bond listing for the old bond account.

Chancery Clerk.

Board of Supervisors' minutes were not complete.

8. Finding

Section 19-3-27, Miss. Code Ann. (1972), requires the Clerk of the Board of Supervisors to keep a complete and correct record of all board proceedings. The board minutes were not complete in representation to the activity of the board proceedings throughout the year. Supporting documentation for approved board orders were not spread on the minutes. Incomplete board minutes are a misrepresentation of the year's activity along with noncompliance with state laws and regulations.

Recommendation

The Chancery Clerk should keep a complete record of all board minutes and supporting documentation for approved orders on the minutes such as bid and lease purchase documents.

Chancery Clerk's Response

I will do better.

Bank statements were not reconciled to the fee account cash journal.

9. Finding

An effective system of internal control should include the reconciliation of the Chancery Clerk's fee account bank statements to the fee account cash journal. The bank account was not reconciled to the cash journal for the entire year. Failure to reconcile the fee account bank account to the cash journal could result in the loss of public funds.

Recommendation

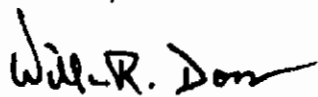
The Chancery Clerk should reconcile the fee account bank account to the cash journal.

Chancery Clerk's Response

This will be done.

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.

A handwritten signature in black ink that reads "Will R. Doss". The signature is written in a cursive, slightly slanted style.

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

May 4, 2011

CLARKE COUNTY

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CLARKE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CLARKE COUNTY

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CLARKE COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2010

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|-------------|
| 1. | Type of auditor's report issued on the financial statements: | |
| | Governmental Activities | Unqualified |
| | 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 |

Federal Awards:

- | | | |
|----|---|---------------|
| 4. | Internal control over major programs: | |
| | a. Material weakness identified? | Yes |
| | b. Significant deficiency identified that is not considered to be a material weakness? | None Required |
| 5. | Type of auditor's report issued on compliance for major federal programs: | |
| | a. Airport improvement program, CFDA #20.106 | Qualified |
| | b. Public safety interoperable communications grant, CFDA #11.555 | Unqualified |
| 6. | Any audit finding disclosed that is required to be reported in accordance with Section ____,510(a) of OMB Circular A-133? | Yes |
| 7. | Federal programs identified as major programs: | |
| | a. Airport improvement program, CFDA #20.106 | |
| | b. Public safety interoperable communications grant, CFDA #11.555 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |

CLARKE COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2010

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

Section 2: Financial Statement Findings

Board of Supervisors.

Significant Deficiency - Material Weakness

County should establish controls to ensure preparation of its financial statements.

10-1. Finding

A critical aspect of effective financial management is the maintenance of accurate accounting records. Management did not have personnel that possessed the necessary qualifications and training to prepare financial statements in accordance with generally accepted accounting principles. Therefore, since the county personnel lacked the skills and knowledge to apply generally accepted accounting principles in reporting of the financial statements, the risk increases that inaccurate information may be reported and increases the possibility of the loss or misappropriation of public funds.

Recommendation

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

Board of Supervisors' Response

The Board of Supervisors feels that it is not financially feasible to hire a private CPA to perform this work and would prefer that the State Auditor's Office do this.

Significant Deficiency - Material Weakness

Financial data for component units should be included in the financial statements.

10-2. Finding

Generally accepted accounting principles require the financial data for the county's component units to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for the county's legally separate component units. As reported in the prior three years' audit reports, 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

The Board of Supervisors feel that it is not financially feasible for the county to have these audits on component units performed every year.

CLARKE COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2010

Justice Court Clerk.

Significant Deficiency - Material Weakness

Subsidiary records documenting fines receivable and allowance for uncollectibles should be maintained.

10-3. 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. As stated in the prior years' audit reports, 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 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

Our office is in the process of trying to determine actual fines receivable. We are trying to determine the best method to do so in order to arrive at a more accurate representation of old fines.

Circuit Clerk.

Significant Deficiency - Material Weakness

Subsidiary records documenting fines receivable and allowance for uncollectibles should be maintained.

10-4. 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. As stated in the prior seven years' audit reports, 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 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.

CLARKE COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2010

Circuit Clerk's Response

I am continuing to learn the Delta financial system, and with a small office staff and numerous other duties, it is sometimes hard to stay current with a particular task. I am working hard to become familiar with the system, and I am determined to correct all deficiencies as soon as possible.

Significant Deficiency

Partial payments and restitution should be settled to proper parties on a timely basis.

10-5. 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 were not settled to the proper parties on a timely basis. As of September 30, 2010, the Clerk was holding \$174,429 in the criminal and civil account. Additionally, fines, assessments and other fees were not settled monthly to the county. During the 2010 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 am continuing to learn the Delta financial system, and with a small office staff and numerous other duties, it is sometimes hard to stay current with a particular task. I am working hard to become familiar with the system, and I am determined to correct all deficiencies as soon as possible.

Board of Supervisors.

Significant Deficiency

Grant activity schedule should be prepared.

10-6. Finding

OMB Circular A-133 states, in part, the auditee should be able to identify, in its accounts, all federal awards received and expended and the federal programs under which they are received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the federal agency and name of the pass-through entity. Management did not provide a grant activity schedule for the period under audit. This resulted in additional audit work and could result in federal expenditures not being properly reported during the period under audit.

Recommendation

The Board of Supervisors should implement internal controls to aid in the identification, recording and reporting of federal grant expenditures. Thus, ensuring the compliance with applicable provisions of the financial reporting requirements described in the OMB A-133 Compliance Supplement.

Board of Supervisors' Response

The Board of Supervisors will see that this matter is taken care of.

CLARKE COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2010

Section 3: Federal Award Findings and Questioned Costs

Significant Deficiency - Material Weakness
Material Noncompliance

10 - 7. Finding

Program: CFDA#20.106, Project Number: 3-28-0063-010-2010, Airport Improvement Program
U.S. Department of Transportation - Federal Aviation Administration/Passed-through
Mississippi Department of Transportation

Compliance Requirement: Subrecipient Monitoring

Controls over subrecipient monitoring should be strengthened.

Finding

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 OMB Circular A-133 Compliance Supplement requirements for "Subrecipient Monitoring".

Board of Supervisors' Response

The Board of Supervisors will establish an adequate system of internal control to ensure that subrecipients are properly monitored.

CLARKE COUNTY

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CLARKE COUNTY

AUDITEE'S CORRECTIVE ACTION PLAN

CLARKE COUNTY

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CLARKE COUNTY BOARD OF SUPERVISORS

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April 14, 2011

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

Gentlemen:

As required by Section _____.315(b) of OMB Circular A-133, Clarke County, Mississippi, has proposed and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2010:

<u>Finding:</u>	<u>Corrective Action Plan Details:</u>
10-01	<p>a. <u>Name of contact person responsible for corrective action:</u> Diane Wright – County Administrator (601) 776-1012</p> <p>b. <u>Corrective Action Planned:</u> The Board of Supervisors feels that it is not financially feasible to hire a private CPA to perform this work and would prefer that the State Auditor's Office do this.</p> <p>c. The County has no further plans for corrective action.</p>
10-02	<p>a. <u>Name of contact person responsible for corrective action:</u> Diane Wright – County Administrator (601) 776-1012</p> <p>b. <u>Corrective Action Planned:</u> The Board of Supervisors feels that it is not financially feasible for the county to have these audits on component units performed every year.</p> <p>c. The County has no further plans for corrective action.</p>
10-03	<p>a. <u>Name of contact person responsible for corrective action:</u> Diane Wright – County Administrator (601) 776-1012</p>

- b. Corrective Action Planned:
The Justice Court Office is in the process of trying to determine actual fines receivable. The Justice Court Clerk is currently trying to determine the best method to do so in order to arrive at a more accurate representation of old fines.
- c. Anticipated Completion Date:
The Justice Court Clerk started working on this February 20, 2011, and this matter should be completed by September 30, 2011.

10-04

- a. Name of contact person responsible for corrective action:
Diane Wright - County Administrator
(601) 776-1012
- b-1. Circuit Clerk's Corrective Action Planned:
I am continuing to learn the Delta financial system, and with a small office staff and numerous other duties, it is sometimes hard to stay current with a particular task. I am working hard to become familiar with the system, and I am determined to correct all deficiencies as soon as possible.
- b-2. Board of Supervisor's Corrective Action Planned:
The Board of Supervisors has hired the Accounting firm of Rea, Shaw, Giffin & Stuart to (1) bring the findings of the Clarke County Circuit Clerk's office into compliance and (2) re-create the books of the Circuit Clerk's office to the extent possible to settle existing funds in the Clearing Account.
- c. Anticipated Completion Date:
The Board of Supervisors voted on April 4, 2011, to hire the accounting firm of Rea, Shaw, Giffin & Stuart. This matter should be completed on or before September 30, 2011.

10-05

- a. Name of contact person responsible for corrective action:
Diane Wright - County Administrator
(601) 776-1012
- b-1. Circuit Clerk's Action Planned:
I am continuing to learn the Delta financial system, and with a small office staff and numerous other duties, it is sometimes hard to stay current with a particular task. I am working hard to become familiar with the system, and I am determined to correct all deficiencies as soon as possible.
- b-2. Board of Supervisor's Corrective Action Planned:
The Board of Supervisors has hired the Accounting firm of Rea, Shaw, Giffin & Stuart to (1) bring the findings of the Clarke County Circuit Clerk's office into compliance and (2) re-create the books of the Circuit Clerk's office to the extent possible to settle existing funds in the Clearing Account.

- c. Anticipated Completion Date:
The Board of Supervisors voted on April 4, 2011, to hire the accounting firm of Rea, Shaw, Giffin & Stuart. This matter should be completed on or before September 30, 2011.

10-06

- a. Name of contact person responsible for corrective action:
Diane Wright - County Administrator
(601) 776-1012
- b. Correction Action Planned:
The Board of Supervisors will see that this matter is taken care of and the proper forms filled out.
- c. Anticipated Completion Date:
The County Administrator started keeping up with this on or about March 1, 2011, and will complete by September 30, 2011.

10-07

- a. Name of contact person responsible for corrective action:
Diane Wright - County Administrator
(601) 776-1012
- b. Correction Action Planned:
The Board of Supervisors will establish an adequate system of internal control to ensure that sub-recipients are properly monitored.
- c. Anticipated Completion Date: March 31, 2011.

Very truly yours,

CLARKE COUNTY BOARD OF SUPERVISORS

By:



TONY FLEMING, PRESIDENT