

CLARKE COUNTY, MISSISSIPPI

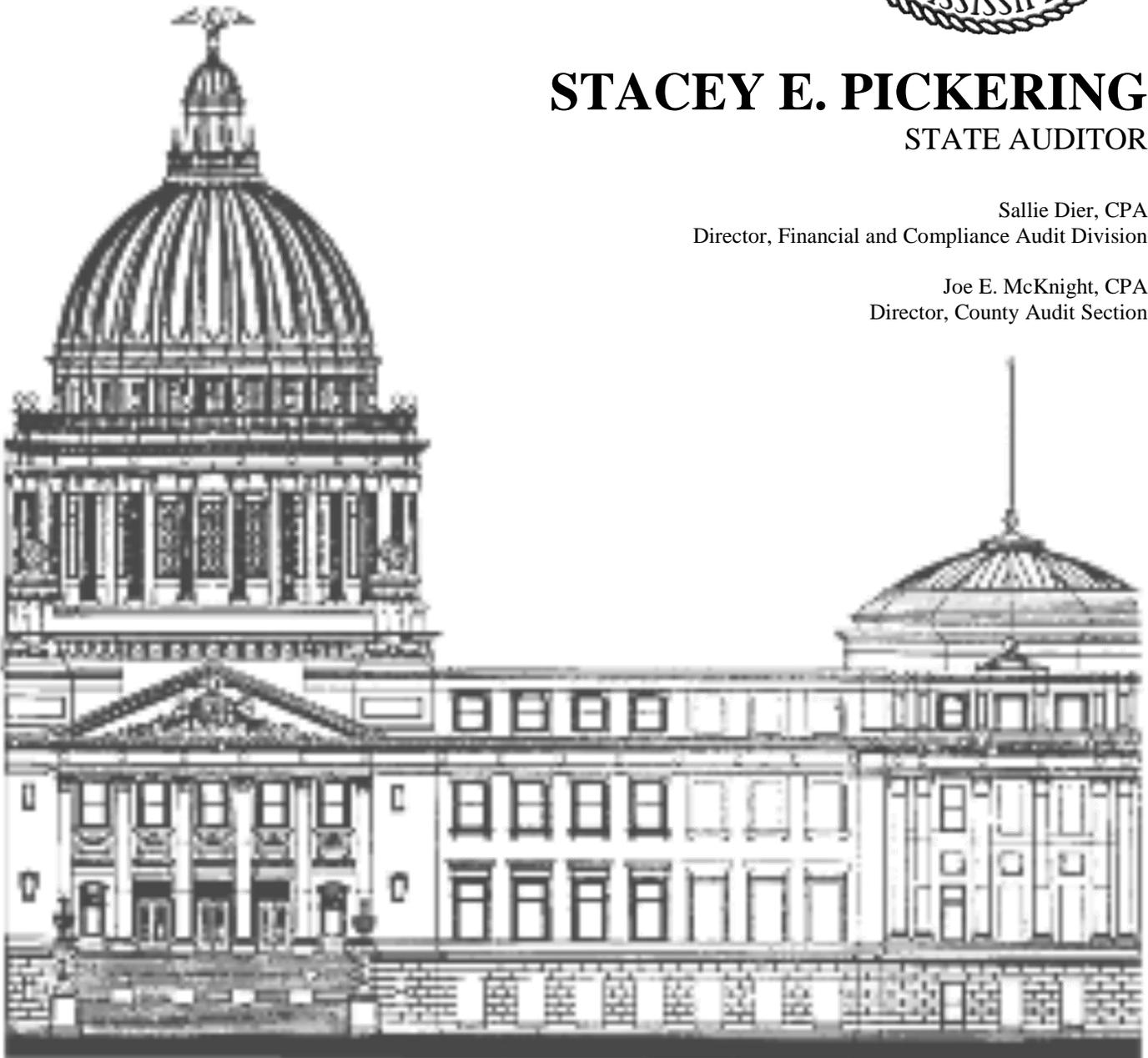
Audited Financial Statements and Special Reports
For the Year Ended September 30, 2014



STACEY E. PICKERING STATE AUDITOR

Sallie Dier, CPA
Director, Financial and Compliance Audit Division

Joe E. McKnight, CPA
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

April 8, 2016

Members of the Board of Supervisors
Clarke County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2014 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 Joe McKnight of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering". The signature is fluid and cursive.

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

Report on the Financial Statements

We have audited the accompanying cash basis financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Clarke County, Mississippi, (the County) as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting, as described in Note 1. This includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

The financial statements do not include financial data for the County's legally separate component units. Accounting principles applicable to the County's cash basis of accounting 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 cash basis assets, net position, receipts and disbursements of the aggregate discretely presented component units is not reasonably determinable.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units” paragraph, the financial statements referred to above do not present fairly, the cash basis financial position of the aggregate discretely presented component units of Clarke County, Mississippi, as of September 30, 2014, or the changes in cash basis financial position thereof for the year then ended in accordance with accounting principles applicable to the County’s cash basis of accounting.

Unmodified Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund and the aggregate remaining fund information of Clarke County, Mississippi, as of September 30, 2014, and the respective changes in cash basis financial position thereof for the year then ended, in accordance with the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements which describes that Clarke County, Mississippi prepares its financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Report on Supplementary and Other Information

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 Operating Costs of Solid Waste is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Operating Costs of Solid Waste 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. Such 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 Schedule of Operating Costs of Solid Waste is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Budgetary Comparison Schedules, Schedule of Interfund Advances, Schedule of Capital Assets, Schedule of Changes in Long-term Debt, Schedule of Surety Bonds for County Officials and corresponding notes have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on such information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2016, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Clarke County, Mississippi's internal control over financial reporting and compliance.



JOE E. MCKNIGHT, CPA
Director, County Audit Section

April 8, 2016

CLARK COUNTY

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CLARKE COUNTY

FINANCIAL STATEMENTS

CLARK COUNTY

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CLARKE COUNTY
Statement of Net Position - Cash Basis
September 30, 2014

Exhibit 1

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS	
Cash	\$ 3,513,301
Total Assets	<u>3,513,301</u>
NET POSITION	
Restricted:	
Expendable:	
General government	132,308
Public safety	439,975
Public works	435,019
Education	22,889
Conservation of natural resources	30,932
Economic development and assistance	32,819
Debt service	537,833
Unemployment compensation	34,798
Unrestricted	<u>1,846,728</u>
Total Net Position	<u>\$ 3,513,301</u>

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

CLARKE COUNTY
Statement of Activities - Cash Basis
For the Year Ended September 30, 2014

Exhibit 2

Functions/Programs	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 2,867,497	371,284	9,942		(2,486,271)
Public safety	3,022,981	225,366	615,676	71,276	(2,110,663)
Public works	4,543,959	315,604	131,700	104,633	(3,992,022)
Health and welfare	243,593		27,281		(216,312)
Culture and recreation	14,117		12,252	14,002	12,137
Education	2,652,038				(2,652,038)
Conservation of natural resources	159,107				(159,107)
Economic development and assistance	84,863				(84,863)
Debt service:					
Principal	138,586				(138,586)
Interest	5,150				(5,150)
Total Governmental Activities	<u>13,731,891</u>	<u>912,254</u>	<u>796,851</u>	<u>189,911</u>	<u>(11,832,875)</u>
General receipts:					
Property taxes				\$ 7,234,730	
Road & bridge privilege taxes				224,434	
Grants and contributions not restricted to specific programs				894,366	
Unrestricted interest income				17,291	
Miscellaneous				429,166	
Proceeds from debt issuance				2,652,038	
Sale of county property				204,999	
Total General Receipts and Other Cash Sources				<u>11,657,024</u>	
Changes in Net Position					<u>(175,851)</u>
Net Position - Beginning					<u>3,689,152</u>
Net Position - Ending				\$	<u><u>3,513,301</u></u>

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

CLARKE COUNTY
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
September 30, 2014

Exhibit 3

	<u>Major Funds</u>					<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>General Road Fund</u>	<u>Clarke County Center JCJC I & S Fund</u>	<u>JCJC Center - EMEPA Fund</u>	<u>Other Governmental Funds</u>	
ASSETS						
Cash	\$ 1,846,729	147,140	492,174	22,888	1,004,370	3,513,301
Total Assets	<u>\$ 1,846,729</u>	<u>147,140</u>	<u>492,174</u>	<u>22,888</u>	<u>1,004,370</u>	<u>3,513,301</u>
FUND BALANCES						
Restricted for:						
General government					132,308	132,308
Public safety					439,975	439,975
Public works		147,140			287,879	435,019
Education				22,888		22,888
Conservation of natural resources					30,932	30,932
Economic development and assistance					32,819	32,819
Debt service			492,174		45,659	537,833
Unemployment compensation					34,798	34,798
Unassigned	1,846,729					1,846,729
Total Fund Balances	<u>\$ 1,846,729</u>	<u>147,140</u>	<u>492,174</u>	<u>22,888</u>	<u>1,004,370</u>	<u>3,513,301</u>

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

CLARKE COUNTY

Exhibit 4Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances -
Governmental Funds
For the Year Ended September 30, 2014

	Major Funds						Total Governmental Funds
	General Fund	General Road Fund	Clarke County Center JCJC I & S Fund	JCJC Center - EMEPA Fund	Other Governmental Funds		
RECEIPTS							
Property taxes	\$ 3,575,776	1,576,925	491,609		1,590,420		7,234,730
Road and bridge privilege taxes		224,434					224,434
Licenses, commissions and other receipts	131,144	3,923			5,468		140,535
Fines and forfeitures	263,998						263,998
Intergovernmental receipts	1,030,184	590,172			260,772		1,881,128
Charges for services	33,468				474,253		507,721
Interest income	13,704	1,192	565		1,830		17,291
Miscellaneous receipts	320,641	25,721		22,888	59,916		429,166
Total Receipts	<u>5,368,915</u>	<u>2,422,367</u>	<u>492,174</u>	<u>22,888</u>	<u>2,392,659</u>		<u>10,699,003</u>
DISBURSEMENTS							
General government	2,606,734				260,763		2,867,497
Public safety	2,630,310				392,671		3,022,981
Public works	169,550	2,963,314			1,411,095		4,543,959
Health and welfare	243,593						243,593
Culture and recreation	11,117				3,000		14,117
Education				2,652,038			2,652,038
Conservation of natural resources	49,902				109,205		159,107
Economic development and assistance	12,958				71,905		84,863
Debt service:							
Principal	84,514				54,072		138,586
Interest	4,014				1,136		5,150
Total Disbursements	<u>5,812,692</u>	<u>2,963,314</u>	<u>0</u>	<u>2,652,038</u>	<u>2,303,847</u>		<u>13,731,891</u>
Excess (Deficiency) of Receipts over Disbursements	<u>(443,777)</u>	<u>(540,947)</u>	<u>492,174</u>	<u>(2,629,150)</u>	<u>88,812</u>		<u>(3,032,888)</u>
OTHER CASH SOURCES (USES)							
Proceeds from long-term debt issuance				2,652,038			2,652,038
Sale of county property		204,999					204,999
Transfers in					619		619
Transfers out	(619)						(619)
Total Other Cash Sources and Uses	<u>(619)</u>	<u>204,999</u>	<u>0</u>	<u>2,652,038</u>	<u>619</u>		<u>2,857,037</u>
Excess (Deficiency) of Receipts and other Cash Sources over Disbursements and other Cash Uses	<u>(444,396)</u>	<u>(335,948)</u>	<u>492,174</u>	<u>22,888</u>	<u>89,431</u>		<u>(175,851)</u>
Cash Basis Fund Balances - Beginning	<u>2,291,125</u>	<u>483,088</u>			<u>914,939</u>		<u>3,689,152</u>
Cash Basis Fund Balances - Ending	<u>\$ 1,846,729</u>	<u>147,140</u>	<u>492,174</u>	<u>22,888</u>	<u>1,004,370</u>		<u>3,513,301</u>

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

CLARKE COUNTY
Statement of Fiduciary Assets and Liabilities - Cash Basis
September 30, 2014

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash	\$ <u>179,906</u>
Total Assets	<u>179,906</u>
LIABILITIES	
Amounts held in custody for others	<u>179,906</u>
Total Liabilities	\$ <u>179,906</u>

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

CLARK COUNTY

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CLARKE COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2014

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Clarke County, Mississippi (the County), is a political subdivision of the State of Mississippi. The County is governed by an elected five-member Board of Supervisors. The financial statements of the County are presented on a cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America as established by the Governmental Accounting Standards Board. These accounting principles 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 accordance with accounting principles applicable to the County's cash basis of accounting.

- 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 Position – Cash Basis and a Statement of Activities – Cash Basis, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Position – Cash Basis and Statement of Activities – Cash Basis 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 receipts and other nonexchange receipts.

The Statement of Net Position – Cash Basis presents the financial condition of the governmental activities of the County at year-end. The Government-wide Statement of Activities – Cash Basis presents a comparison between direct disbursements and program receipts for each function or program of the County's governmental activities. Direct disbursements are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program receipts 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.

CLARKE COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2014

Taxes and other receipts not classified as program receipts are presented as general receipts of the County, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing or draws from the general receipts of the County.

Fund Financial Statements:

Fund financial statements of the County are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, fund equity, receipts and disbursements. 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 as Other Governmental Funds.

C. Measurement Focus and Basis of Accounting.

The Government-wide, Governmental Funds and Fiduciary Funds financial statements are presented on a cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. This basis of accounting involves the reporting of only cash and cash equivalents and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) reported in the period in which they occurred. This cash basis of accounting differs from GAAP primarily because revenues (cash receipts) are recognized when received in cash rather than when earned and susceptible to accrual, and expenditures or expenses (cash disbursements) are recognized when paid rather than when incurred or subject to accrual.

The County reports the following major Governmental Funds:

General Fund - This fund is used to account for and report all financial resources not accounted for and reported in another fund.

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

Clarke County Center JCJC I & S Fund - This fund is used to account for monies collected from ad valorem taxes and other related income that are restricted for the payment of debt service on debt issued in conjunction with the construction of the Clarke County JCJC Center.

JCJC Center – EMEPA Fund - This fund is used to account for monies collected and debt issued along with the related construction expenditures associated with the construction of the Clarke County JCJC Center.

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for and report the proceeds of specific cash sources that are restricted or committed to disbursement for specified purposes other than debt service or capital projects.

Debt Service Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to disbursement for principal and interest.

CLARKE COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2014

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 2012 by the Government Finance Officers Association.

E. Deposits.

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).

F. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net position and displayed in two components:

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

Unrestricted net position - All other net position not meeting the definition of "restricted."

Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the County:

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if disbursements paid for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

CLARKE COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2014

When a disbursement is paid for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the County’s general policy to use restricted resources first. When disbursements are paid for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the County’s general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

G. Property Tax Receipts.

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. All property taxes are recognized as receipts when collected.

(2) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2014, was \$3,693,207, and the bank balance was \$3,917,344. The collateral for public entities’ deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity’s funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the County. Deposits above FDIC coverage are collateralized by the pledging financial institution’s trust department or agent in the name of the Mississippi State Treasurer on behalf of the County.

(3) Interfund Transfers.

The following is a summary of interfund transfers at September 30, 2014:

Transfers In/Out:

Transfer In	Transfer Out	Amount
Other Governmental Funds	General Fund	\$ <u>619</u>

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

CLARKE COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2014

(4) 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, 2014, to January 1, 2015. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(5) 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 disbursements of resources for allowable purposes. The County may be responsible for any disallowances.

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.

(6) Joint Ventures.

The County participates in the following joint ventures:

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 2014, Clarke County contributed \$103,000. Complete financial statements for the East Mississippi Regional Library System can be obtained from the East Mississippi Regional Library, Quitman, Mississippi.

(7) 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 County provided no financial support for the district in fiscal year 2014.

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 provided no financial support for the district in fiscal year 2014.

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 contributed \$12,958 for support of the district in fiscal year 2014.

CLARKE COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2014

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 contributed \$343,170 for maintenance and support of the college in fiscal year 2014.

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 entity is derived from federal sources. The County provided no financial support for the district in fiscal year 2014.

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 contributed \$26,012 for support of the commission in fiscal year 2014.

(8) 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, 2014, 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, 2014 was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2014, 2013 and 2012 were \$561,953, \$503,331 and \$412,838, respectively, equal to the required contributions for each year.

CLARKE COUNTY

SUPPLEMENTAL INFORMATION

CLARKE COUNTY

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CLARKE COUNTY
Reconciliation of Operating of Solid Waste
For the Year Ended September 30, 2014

Operating Disbursements, Cash Basis:

Salaries	\$	561,868
Expendable Commodities:		
Gasoline and petroleum products		84,171
Repair parts		21,447
Contractual garbage disposal fees		126,540
Capital Outlay		4,159
Maintenance		21,397
Insurance on equipment		10,596
Supplies, utilities, and other operating disbursements		<u>29,610</u>
Solid Waste Operating Costs Disbursements	\$	<u><u>859,788</u></u>

CLARKE COUNTY

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CLARKE COUNTY

OTHER 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, 2014
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
RECEIPTS				
Property taxes	\$ 3,576,420	3,575,776	3,575,776	
Licenses, commissions and other receipts	92,700	131,144	131,144	
Fines and forfeitures	193,650	263,998	263,998	
Intergovernmental receipts	843,700	1,030,184	1,030,184	
Charges for services	30,500	33,468	33,468	
Interest income	11,300	13,704	13,704	
Miscellaneous receipts	250,025	320,641	320,641	
Total Receipts	<u>4,998,295</u>	<u>5,368,915</u>	<u>5,368,915</u>	<u>0</u>
DISBURSEMENTS				
Current:				
General government	3,401,747	2,606,734	2,606,734	
Public safety	2,514,501	2,630,310	2,630,310	
Public works	96,175	169,550	169,550	
Health and welfare	133,435	243,593	243,593	
Culture and recreation		11,117	11,117	
Conservation of natural resources	50,601	49,902	49,902	
Economic development and assistance	12,958	12,958	12,958	
Debt service:				
Principal	88,528	84,514	84,514	
Interest		4,014	4,014	
Total Disbursements	<u>6,297,945</u>	<u>5,812,692</u>	<u>5,812,692</u>	<u>0</u>
Excess of Receipts over (under) Disbursements	<u>(1,299,650)</u>	<u>(443,777)</u>	<u>(443,777)</u>	<u>0</u>
OTHER CASH SOURCES (USES)				
Compensation for loss of county property				
Transfers out	367,950	(619)	(619)	
Other financing sources	1,299,650			
Total Other Cash Sources and Uses	<u>1,667,600</u>	<u>(619)</u>	<u>(619)</u>	<u>0</u>
Net Change in Fund Balance	367,950	(444,396)	(444,396)	
Fund Balances - Beginning	<u>2,291,125</u>	<u>2,291,125</u>	<u>2,291,125</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 2,659,075</u>	<u>1,846,729</u>	<u>1,846,729</u>	<u>0</u>

The accompanying notes to the Other Information are an integral part of this schedule.

CLARKE COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Road Fund
 For the Year Ended September 30, 2014
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
RECEIPTS				
Property taxes	\$ 1,403,976	1,576,925	1,576,925	
Road and bridge privilege taxes	215,000	224,434	224,434	
Licenses, commissions and other receipts		3,923	3,923	
Intergovernmental receipts	570,000	590,172	590,172	
Interest income	1,500	1,192	1,192	
Miscellaneous receipts		25,721	25,721	
Total Receipts	<u>2,190,476</u>	<u>2,422,367</u>	<u>2,422,367</u>	<u>0</u>
DISBURSEMENTS				
Current:				
Public works	<u>2,645,476</u>	<u>2,963,314</u>	<u>2,963,314</u>	
Total Disbursements	<u>2,645,476</u>	<u>2,963,314</u>	<u>2,963,314</u>	<u>0</u>
Excess of Receipts over (under) Disbursements	<u>(455,000)</u>	<u>(540,947)</u>	<u>(540,947)</u>	<u>0</u>
OTHER CASH SOURCES (USES)				
Sale of county property	<u>180,000</u>	<u>204,999</u>	<u>204,999</u>	
Total Other Cash Sources and Uses	<u>180,000</u>	<u>204,999</u>	<u>204,999</u>	<u>0</u>
Net Change in Fund Balance	(275,000)	(335,948)	(335,948)	
Fund Balances - Beginning	<u>483,088</u>	<u>483,088</u>	<u>483,088</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 208,088</u>	<u>147,140</u>	<u>147,140</u>	<u>0</u>

The accompanying notes to the Other Information are an integral part of this schedule.

CLARKE COUNTY
 Schedule of Interfund Advances
 For the Year Ended September 30, 2014
 UNAUDITED

The following is a summary of interfund balances at September 30, 2014:

A. Advances from/to Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Balance at Sept. 30, 2014</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.

CLARKE COUNTY
Schedule of Capital Assets
For the Year Ended September 30, 2014
UNAUDITED

Governmental activities:

	Balance				Balance
	Oct. 1, 2013	Additions	Deletions	Adjustments	Sept. 30, 2014
Land	\$ 312,605	53,000			365,605
Construction in progress		2,634,149			2,634,149
Infrastructure	62,661,437				62,661,437
Buildings	7,705,515				7,705,515
Improvements other than buildings	636,883				636,883
Mobile equipment	7,487,904	466,449	315,664		7,638,689
Furniture and equipment	822,657	182,227	16,210		988,674
Leased property under capital leases	510,176				510,176
	<u>80,137,177</u>	<u>3,335,825</u>	<u>331,874</u>	<u>0</u>	<u>83,141,128</u>
Total capital assets	\$ 80,137,177	3,335,825	331,874	0	83,141,128

CLARKE COUNTY
Schedule of Changes in Long-term Debt
For the Year Ended September 30, 2014
UNAUDITED

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2014:

Description and Purpose	Issue Date	Maturity Date	Interest Rate	Balance Oct. 1, 2013	Issued	Principal Payments	Balance Sept. 30, 2014
Governmental Activities:							
A. General Obligation Bonds:							
EMEPA Bonds - JCJC Center	2/18/2014	2/18/2023	0.00%	\$ -	1,360,000		1,360,000
B. Capital Leases:							
Courthouse improvements and restoration	12/17/2007	11/1/2014	5.69%	123,318		84,514	38,804
C. Other Loans:							
USA Fabrics expansion loan	3/6/2004	8/1/2014	3.00%	208,350		-	208,350
Citadel Building Products expansion loan	7/25/2006	7/1/2013	3.00%	144,344		-	144,344
DECD loan for five fire trucks	2/22/2008	3/1/2015	2.00%	81,516		54,072	27,444
JCJC Building	7/22/2013	7/22/2033	2.00%	-	1,292,038	-	1,292,038
 Total				 \$ 557,528	 2,652,038	 138,586	 3,070,980

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

CLARKE COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2014
UNAUDITED

Name	Position	Company	Bond
Darrick Marshall	Supervisor District 1	Western Surety Company	\$100,000
Cleveland Peebles	Supervisor District 2	Western Surety Company	\$100,000
Troy Smith	Supervisor District 3	Western Surety Company	\$100,000
Paul Mosley	Supervisor District 4	Western Surety Company	\$100,000
Mickey Long	Supervisor District 5	Western Surety Company	\$100,000
Diane Wright	County Administrator	Western Surety Company	\$100,000
Angie Chisholm	Chancery Clerk	Western Surety Company	\$100,000
Suzanne Dennis	Purchase Clerk	Western Surety Company	\$75,000
Diane Wright	Assistant Purchase Clerk	Travelers	\$50,000
Larry Lucas	Receiving Clerk	Western Surety Company	\$75,000
Mary Haddox	Assistant Receiving Clerk	Western Surety Company	\$50,000
Susan Bonner	Inventory Control Clerk	Western Surety Company	\$75,000
John Travis Tindle	Road Manager	Western Surety Company	\$50,000
Benny Staten	Constable	Travelers	\$50,000
Donald Campbell	Constable	Travelers	\$50,000
Ryan Evans	Constable	Western Surety Company	\$50,000
Beth Doggett Jordan	Circuit Clerk	Western Surety Company	\$100,000
Sally Wedgeworth	Deputy Circuit Clerk	Western Surety Company	\$50,000
Wanda J. Hearn	Deputy Circuit Clerk	Western Surety Company	\$50,000
Todd Kemp	Sheriff	Western Surety Company	\$100,000
Toby Lee Bartee	Justice Court Judge	Western Surety Company	\$50,000
Marcell Goodman	Justice Court Judge	Western Surety Company	\$50,000
Terry L. Bonner	Justice Court Clerk	Western Surety Company	\$50,000
Terina Pyffer	Deputy Justice Court Clerk	Western Surety Company	\$50,000
Linda Kaye West	Deputy Justice Court Clerk	Western Surety Company	\$50,000
Hope Herrington	Tax Collector-Assessor	Western Surety Company	\$100,000
Robert Peterson	Deputy Tax Collector-Assessor	Western Surety Company	\$10,000

CLARK COUNTY

Notes to the Other Information
For the Year Ended September 30, 2014

(1) Budgetary Comparison Information.

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 receipt, each general item of disbursement, 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 presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary 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.

(2) Long-term Debt information:

- A. 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, 2014, the amount of outstanding debt was equal to 1.3% of the latest property assessments.

CLARK COUNTY

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CLARK 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, 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, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Clarke County, Mississippi, (the County) as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated April 8, 2016. 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 applicable to the County's cash basis of accounting 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.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Clarke County, Mississippi's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Clarke County, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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 performing 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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clarke County, Mississippi's financial statements are free from 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*.

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 April 8, 2016, included within this document.

Clarke County’s Response to Finding

Clarke County’s response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. Clarke County’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.



JOE E. MCKNIGHT, CPA
Director, County Audit Section

April 8, 2016



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**INDEPENDENT ACCOUNTANT'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 examined Clarke County, Mississippi's (the County) compliance with 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) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2014. The Board of Supervisors of Clarke County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Clarke County, Mississippi, has established centralized purchasing for all funds of the County and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

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

In our opinion, Clarke County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2014.

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 examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

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

A handwritten signature in black ink, appearing to read "Joe E. Mcknight". The signature is written in a cursive style with a long horizontal stroke at the end.

JOE E. MCKNIGHT, CPA
Director, County Audit Section

April 8, 2016

CLARKE COUNTY
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2014

Schedule 1

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, 2014

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
10/07/2013	Radio equipment	\$ 30,945	ComSouth	Lightning damage
08/04/2014	Bridge repair	36,500	Parnell Construction	State-Aid Engineer deemed it to be in an emergency status

CLARKE COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source

For the Year Ended September 30, 2014

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

CLARKE COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Clarke County, Mississippi

In planning and performing our audit of the financial statements of Clarke County, Mississippi (the County) for the year ended September 30, 2014, 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 April 8, 2016, on the financial statements of Clarke County, Mississippi.

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

The results of our review procedures and compliance tests identified certain areas that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Board of Supervisors.

1. Elected officials should be paid on a monthly or semi-monthly pay schedule.

Finding

Section 25-3-17 and 25-3-29, Miss. Code Ann. (1972), states that elected officials salaries shall be payable monthly on the first day of each calendar month during the calendar year; however, the board of supervisors, by resolution duly adopted and entered on its minutes, may provide that such salaries shall be paid semi-monthly on the first and fifteenth day of each month. During fiscal year ended September 30, 2014, elected officials were paid on a bi-weekly schedule. Failure to pay elected officials salaries monthly or semi-monthly could result in over payment or misuse of County funds.

Recommendation

The County should implement the correct payroll schedule of either monthly or semi-monthly payment of elected officials.

Board of Supervisors' Response

We have addressed this item and will correct.

2. Controls over authorization of tax levies should be strengthened.

Finding

An effective system of internal control over the issuance of tax levies should ensure the correct code sections are cited from the Miss. Code Ann. (1972), and are included in the board order levying the tax millage. The statute cited from the Miss. Code Ann. (1972), in the official board minutes of the Board of Supervisors, to give the County authority to levy tax for the Garbage Disposal Fund was incorrect and unrelated to the operation of garbage and rubbish disposal. The incorrect reference of statute of the tax levies could lead to the improper use of tax revenues or unauthorized tax levies.

Recommendation

The Board of Supervisors should ensure the correct code sections are cited for each tax levy approved.

Board of Supervisors' Response

We will take care of this.

3. The County should establish and test a disaster recovery process.

Finding

During our review of the information systems controls of the County, we noted that the County has not established a disaster recovery process. As a result, the County cannot fully ensure that the information systems can be restored in a timely manner. Disaster recovery involves defining and documenting plans to help sustain and recover critical information technology resources, information systems, and associated business functions. Control Objectives for Information and Related Technology (CobiT, Section DS4), as well as recognized industry best practices, require a written disaster recovery plan be developed and tested regularly to provide orderly recovery of vital functions in the event of a hardware or environmental disaster. Failure to maintain an adequate recovery plan could impede the County's ability to regain computer operations in the event of a disaster.

There are a number of steps that an organization can take to prevent or minimize the damage to automated operations that may occur from unexpected events. One example is routinely backing up data files and programs and periodically restoring these files and programs as part of a formal, documented disaster recovery exercise. Such actions maintain the organization's ability to restore data files, which may be impossible to re-create.

The County is currently creating back-up files, but is not restoring such files as part of a formal, documented disaster recovery exercise. Without proper assurance that backup files can be utilized to adequately restore all critical data in a timely manner in the event of a disaster scenario, material damage could be realized by the County and its processes should a catastrophic event occur involving the County's buildings and servers. Risk and probabilities of material loss escalates in relationship to the longer an exposure goes unmitigated.

Without proper assurance that backup files can be utilized to adequately restore all critical data in a timely manner in the event of disaster scenario, material damage could be realized by the County and its processes should a catastrophic event occur involving the County's building and servers. Risk and probabilities of material loss escalates in relationship to the longer an exposure goes unmitigated.

Recommendation

We recommend that the County develop, implement, and test a plan to insure that critical data and applications are recoverable in case of a disaster scenario. In order to do this it will be necessary to gain an understanding from vendors involved in the backup process of the types of backups that should be created, on what frequency these backups should be created, the processes necessary to create the various types of backups and the responsibilities of

the various parties involved, including county personnel and vendor personnel. Furthermore, these procedures and responsibilities should be documented and agreed upon by all parties involved.

We also recommend that the County develop and implement a disaster recovery plan documenting procedures to be followed during an emergency. Once the plan is completed, it should be subjected to proper testing, and employees should be made aware of their responsibilities in the event of a disaster. The plan should be stored in a safe, accessible location and updated when needed in order to maintain readiness for a disaster scenario.

Board of Supervisors' Response

We have begun the process that will assure Clarke County has a working disaster recovery process in place. While we do currently perform nightly backups and monthly complete system backups, we understand that we have to move to the next phase and make sure, should a disaster occur, our County would not be crippled technologically and we could smoothly resume normal business operations. It is our desire to have these safeguards working and in place as soon as possible.

4. The County should implement a formal information security policy.

Finding

The County has not adopted a formal Information Security Policy or Enterprise Security Plan. The lack of a formal Information Security Policy can lead to a breakdown of basic security practices in the areas of application security, LAN/WAN security, management of the security application and internet protocol.

Recommendation

A robust set of Information Technology Policies should cover at least the following areas:

- Acceptable Use
- Portable Computing
- Change Management
- Encryption
- Security Incident Response
- Risk Management
- Backup and Recovery
- Business Continuity I Disaster Recovery

While full compliance with all facets of such a policy may be an economic challenge for the County, beginning steps to become compliant with a policy covering areas such as those listed above are necessary. We recommend that the County create a plan of compliance with industry standards to ensure progress towards a robust documented information security plan. This policy should be reviewed and approved by county supervisors. In addition, employees that utilize technology should review and accept such policies before access to computer resources is granted to employees. Proof of approval by management and acceptance by employees should be retained for review by auditors.

For further clarification, simply saying that passwords need to be strong is not sufficient. In this case, the policy should state that passwords should be at least 8 characters for normal users and 13 characters for those users that have elevated privileges. In addition, complexity requiring numbers and special characters should also be specified.

Board of Supervisors' Response

We have begun the process that will assure Clarke County has a working Information Security Policy in place. We are also in the process of obtaining safer routine practices by our employees, making every effort to secure Clarke County's data and access to said information. It is our desire to have these safeguards working and in place as soon as possible.

5. The County should strengthen passwords.

Finding

We noted during our review that the County is using some parameters associated with password strength that do not meet industry standard best practices, thereby creating unnecessary risk for county information assets.

Gaining access to data assets can often open doors to highly confidential information such as Personally Identifiable Information (PII), confidential governmental reports, and security information related to governmental entities. Through this type of unauthorized access situations such as data breaches and denial of service attacks can be initiated.

Attack methods can be slowed down significantly or even defeated through the use of strong passwords. Therefore, whenever possible, computer users should use strong passwords for all of their computer accounts.

Recommendation

We recommend that the County improve its password strength by changing password parameters to comply with password management best practices and industry standards. Characteristics of strong passwords include requirements for sufficient length, complexity (combinations of numbers, letters and special characters), and periodic change of passwords.

Board of Supervisors' Response

We are in the process of obtaining stronger passwords and safer routine practices by our employees, making every effort to secure Clarke County's data and access to said information.

6. The County should create a rotation of backups offsite.

Finding

The County is currently using an automated system to perform daily back-ups of the AS400. Upon clarification of the backup processes, it was determined that the tapes should be taken offsite, as no other copy of county data was being stored at an off-site location. Without proper off-site storage of back-up files and applications, material damage could be realized by the County and its processes should a catastrophic event occur involving the County's building and servers. Risk and probabilities of material loss escalates in relationship to the longer an exposure goes unmitigated.

Recommendation

We recommend that the County implement a plan to insure that all back-up files are taken offsite on a regular basis and stored in a safe and secure location. This process should be documented in the County's Disaster Recovery Plan. With close proximity of a bank it would be convenient and safe to place the backup tapes in the night deposit drop and then place them in a safe deposit box the next day. It is further recommended that tapes be kept at the bank for several days (e.g., two weeks), in case of a disaster situation that required recovery and problems in reading recovery tapes were experienced.

Board of Supervisors' Response

We are in the process of setting up a system to take and store our backup tapes at our local bank.

7. The County should expire all individual passwords on a periodic basis.

Finding

A review of the County's security settings revealed that some user's passwords were set to expire on a more infrequent basis than recommended in best business practices. All passwords should be set to expire in accordance with policy to be determined by the County using best business practices guidelines.

Recommendation

We recommend that a policy be implemented to insure that passwords are expired on a regular basis. In addition, the County should conduct access reviews for information assets on a periodic basis (at least annually). Documentation of these reviews should be signed by the person conducting them and retained for review by auditors.

Board of Supervisors' Response

We are in the process of working with our software companies to get this set up.

Chancery Clerk.

8. A proper fee account cash journal should be maintained and reconciled to the bank statement on a monthly basis.

Finding

An effective system of internal control should include maintaining a fee journal and reconciling the bank statement to the fee journal. As reported in the prior four years' audit reports, the fee journal was not properly posted and the bank statement was not reconciled to the fee journal monthly. Due to the omission of controls, we noted erroneous amounts were posted to the fee journal, along with miscalculations, and unreconciled balances. Therefore, the clerk's inaccurate Annual Financial Report resulted in the clerk exceeding the salary cap by \$4,888.60 for 2013 calendar year and \$14,537 for 2014 calendar year. Failure to properly maintain the fee journal and reconcile to the bank statement could result in the loss of public funds.

Recommendation

The Chancery Clerk should implement controls to ensure the fee journal is properly maintained and reconciled monthly to the bank account. The Clerk should settle the total of \$19,425.60 over the salary cap to the county General Fund and ensure that futures excess fees are settled timely.

Chancery Clerk's Response

I have an accountant now. So fee journal on the computer will be corrected as we go from month to month. This is something that I should have already done. Thank you for the help this year.

Auditor's Note

The Chancery Clerk paid \$19,425.60 on 09/29/2015 as evidenced by Receipt Warrant #28581.

9. Chancery Clerk did not properly settle filing fee for Local Government Records Management Fee.

Finding

During the testing of the Chancery Clerk's 2014 Annual Financial Report and Expenses, it was noted that the Chancery Clerk did not settle the fees collected for the Local Government Records Management Fund correctly. Section 25-60-5, Miss. Code, (1972), states that the official collecting the fee, shall, deposit the avails of Fifty cents of the fee into the general fund of the County and remit the remainder Fifty cents to the State Treasurer. However, our test work revealed that the Clerk had been settling \$1.00 per recording to the general fund of the County. Also, the Clerk did not submit a settlement report that detailed the receipt numbers of the recordings that she collected under the Local Government Records Management Fee. Failure to settle the funds to the proper authorities and failure to submit detailed reports with the settlement could result in the loss or misappropriation of public funds.

Recommendation

The Chancery Clerk should follow state code and settle each portion of the Local Government Records Management Fee to the specified authorities. Also, the Clerk should submit a settlement report that details the receipts numbers of the recordings that is being settled.

Chancery Clerk's Response

This is being handled.

10. Chancery Clerk did not reimburse the County timely for payroll expenses.

Finding

During the testing of the Chancery Clerk's 2014 Annual Financial Report and Expenses, it was noted that the Chancery Clerk did not reimburse the County timely for payroll expenses. Since the Chancery Clerk's office did not reimburse the County for its payroll expenses for several months, this office was not in compliance with Section 19-13-43, Miss. Code, (1972), which prohibits warrants from being signed and delivered until there are sufficient funds. From the time the payroll expenses were incurred to the time of her reimbursement the Chancery Clerk received an interest free loan from the Board of Supervisors.

Recommendation

We recommend in the future the Chancery Clerk complies with Section 19-13-43, Miss. Code, (1972) and immediately reimburses the County for her payroll expenses monthly.

Chancery Clerk's Response

I have no excuse. This will not happen again.

11. Chancery Clerk did not perform duties for fees collected for identifying land owners in the tax sale.

Finding

Section 27-43-3 Miss. Code Ann. (1972), states that the Clerk shall be allowed a fee for examining the records to ascertain the record owner of the property sold in the tax sale. However, during our test work it was noted that the Chancery Clerk was receiving the fee but was not performing the duty. Instead the Board of Supervisors paid an independent contractor to do the service for the Chancery Clerk. Failure to perform services for fees received could cause the loss or misappropriation of public funds.

Recommendation

The Chancery Clerk should perform the duties for which the Clerk is receiving fees.

Chancery Clerk's Response

Once again, no excuse.

Inventory Control Clerk.

12. Controls over capital assets should be strengthened.

Finding

An effective system of internal control over capital assets includes the maintenance of an accurate inventory system. Capital assets control procedures were inadequate for maintaining subsidiary records documenting the existence, completeness, and valuation of capital assets, including the County's infrastructure. During our test work, we noted no new infrastructure additions during the fiscal year ending September 30, 2014. Failure to maintain an effective system of inventory control could result in the reporting of inaccurate amounts and increases the possibility of the loss or misappropriation of public funds.

Recommendation

The Inventory Control Clerk should implement policies and procedures to maintain accurate inventory records documenting the existences, completeness, and valuation of capital assets, including the County's infrastructure.

Inventory Control Clerk's Response

I will try to get the infrastructure changes on the inventory this year.

Solid Waste Clerk.

13. A separate bank account should be maintained for garbage fee collections.

Finding

An effective system of internal control should include the separate accounting of garbage fee collections. A separate bank account should be used to account for all garbage fee collections and a separate reconciliation should be prepared for the garbage account. As reported in the prior two years' audit report, we noted that solid waste user fees were being combined into the tax collector bank account with all the tax collections. Failure to separate the account of the garbage user fees could result in the loss or misappropriation of public funds.

Recommendation

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

Solid Waste Clerk's Response

My office collects solid waste fees just as any other collections imposed as the duties of my office. I do not feel that expending public funds for a separate bank account and separate accounting is feasible when all funds are collected and accounted for individually. It is my preference to serve my public in the most convenient, and expedient way possible while maintaining credible checks and balances to assure that all collected funds are properly accounted for and submitted to the general County fund. Our records indicate that we have an above average collection rate for the state of Mississippi. I am very proud of my office staff and my taxpayers for accomplishing this during very trying times for our County.

Auditor's Note

Commingling garbage fees with the tax ad valorem amounts increases the possibility of loss or misappropriation of public funds.

Tax Assessor/Collector and Deputy Tax Assessors.

14. Deputy Tax Assessors should be bonded individually.

Finding

Section 27-1-3, Miss. Code Ann. (1972), requires each Deputy Tax Assessor to execute a bond for \$10,000 to be payable. The Deputy Tax Assessors' were issued under a blanket bond rather than individual bonds. Failure to issue individual bond for each Deputy Tax Assessor could result in the loss or misappropriation of public funds.

Recommendation

The Deputy Tax Assessors' blanket bond should be cancelled, and a new bond should be issued for each deputy.

Tax Assessor/Collector's and Deputy Tax Assessors' Response

The Board of Supervisors have been advised that a blanket bond is no longer acceptable and is currently in the process of making adjustments with the insurance company for individual bonds. My office will comply with whatever information is needed in order to protect public funds.

15. Deputy Tax Collectors should be bonded individually.

Finding

Section 27-1-9(a), Miss. Code Ann. (1972), requires each Deputy Tax Collector to execute a bond for \$50,000 to be payable. The Deputy Tax Collectors' were issued under a blanket bond rather than individual bonds. Failure to issue individual bond for each Deputy Tax Collector could result in the loss or misappropriation of public funds.

Recommendation

The Deputy Tax Collectors' blanket bond should be cancelled, and a new bond should be issued for each deputy.

Tax Assessor/Collector's and Deputy Tax Assessors' Response

The Board of Supervisors have been advised that a blanket bond is no longer acceptable and is currently in the process of making adjustments with the insurance company for individual bonds. My office will comply with whatever information is needed in order to protect public funds.

Circuit Clerk

16. Daily deposits should be made and monthly collections should be settled to proper authorities on a timely basis.

Finding

An effective system of internal controls over collections of criminal and civil accounts includes daily deposits to the bank and subsequent timely settlements to proper authorities. As reported in the prior eleven years' audit reports, the criminal and civil collections are not being deposited daily and settled to the proper authorities on a timely basis. During our test work, we noted the Circuit Clerk did not make daily deposits and timely settlements to the County. Failure to perform daily deposits and timely settlements of funds increases the possibility of loss or misappropriation of funds.

Recommendation

The Circuit Clerk should make daily deposits of collections and settle all collections to the proper authorities on a timely basis as required by law.

Circuit Clerk's Response

I plan to correct the above findings immediately.

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.



JOE E. MCKNIGHT, CPA
Director, County Audit Section

April 8, 2016

CLARKE COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

CLARKE COUNTY

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CLARKE COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2014

Section 1: Summary of Auditor's Results

Financial Statements:

1.	Type of auditor's report issued:	
	Governmental activities	Unmodified
	Aggregate discretely presented component units	Adverse
	General Fund	Unmodified
	General Road Fund	Unmodified
	Clarke County Center JCJC I & S Fund	Unmodified
	JCJC Center – EMEPA Fund	Unmodified
	Aggregate remaining fund information	Unmodified
2.	Internal control over financial reporting:	
	a. Material weakness identified?	No
	b. Significant deficiency identified?	No
3.	Noncompliance material to financial statements noted?	No

Section 2: Financial Statement Findings

The results of our tests did not disclose any findings related to the financial statements that are required to be reported by *Government Auditing Standards*.