

CLARKE COUNTY, MISSISSIPPI

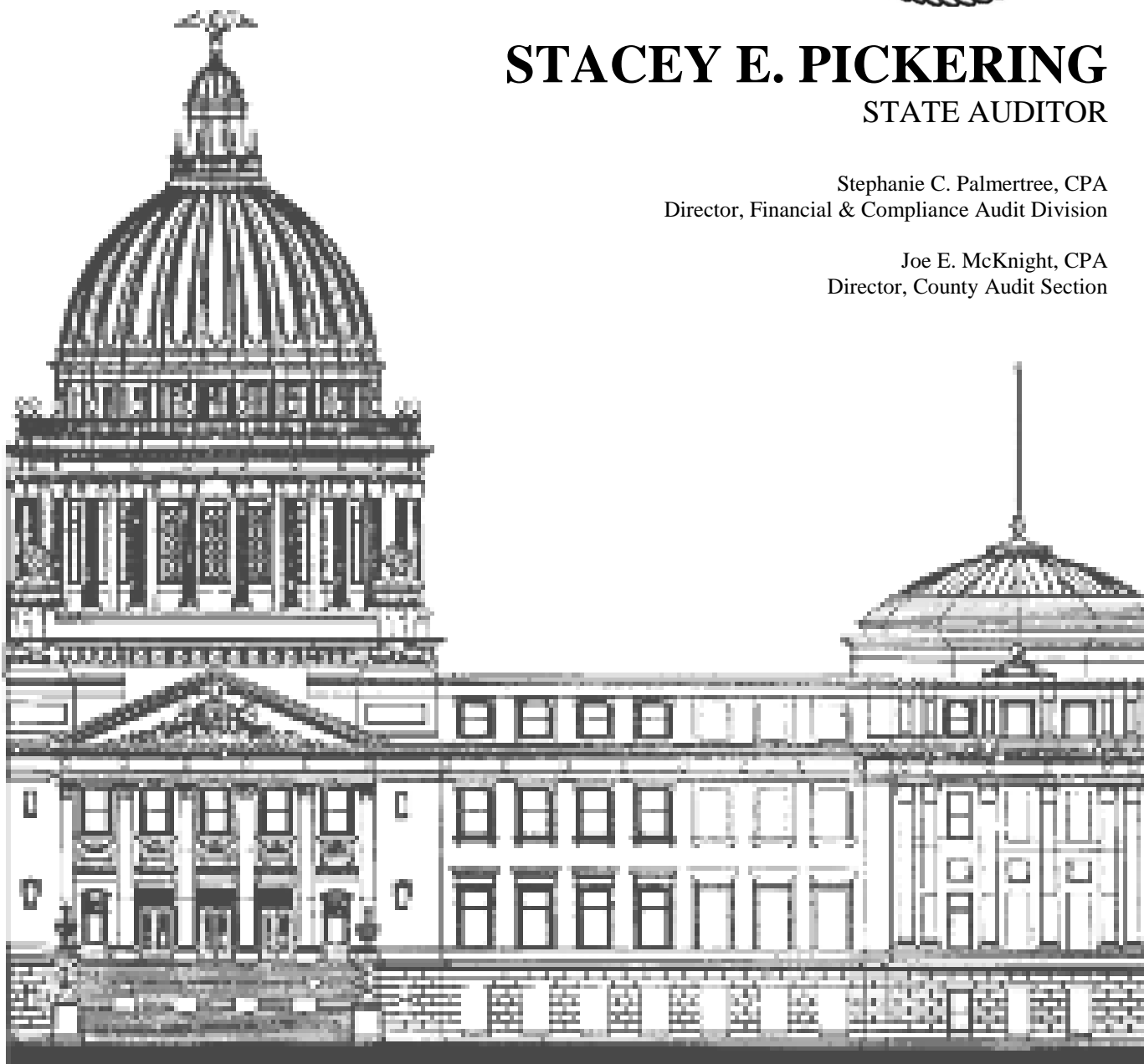
Audited Financial Statements and Special Reports
For the Year Ended September 30, 2015



STACEY E. PICKERING STATE AUDITOR

Stephanie C. Palmertree, CPA
Director, Financial & 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

December 7, 2017

Members of the Board of Supervisors
Clarke County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2015 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".

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, 2015, 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, 2015, 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, 2015, 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 basic 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2017 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.

A handwritten signature in black ink, appearing to read "Joe E. Mcknight". The signature is fluid and cursive, with the first name "Joe" and last name "Mcknight" clearly distinguishable.

JOE E. MCKNIGHT, CPA
Director, County Audit Section

December 7, 2017

CLARKE COUNTY

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CLARKE COUNTY

FINANCIAL STATEMENTS

CLARKE COUNTY

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CLARKE COUNTY
Statement of Net Position - Cash Basis
September 30, 2015

Exhibit 1

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS	
Cash	\$ 2,678,641
Total Assets	<u>2,678,641</u>
NET POSITION	
Restricted:	
Expendable:	
General government	183,627
Public safety	302,865
Public works	483,757
Education	19,928
Conservation of natural resources	32,012
Economic development and assistance	28,198
Debt service	429,819
Unemployment compensation	37,974
Unrestricted	<u>1,160,461</u>
Total Net Position	<u>\$ 2,678,641</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, 2015

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	\$ 3,211,603	390,712	9,586		(2,811,305)
Public safety	3,573,571	220,376	793,774	255,706	(2,303,715)
Public works	4,506,417	305,305	40,811	303,457	(3,856,844)
Health and welfare	125,053		29,018		(96,035)
Culture and recreation	68,572		12,940	5,000	(50,632)
Education	614,174				(614,174)
Conservation of natural resources	163,707				(163,707)
Economic development and assistance	110,801				(110,801)
Debt service:					
Principal	192,174				(192,174)
Interest	6,738				(6,738)
Total Governmental Activities	\$ 12,572,810	916,393	886,129	564,163	(10,206,125)
General receipts:					
Property taxes				\$ 7,171,689	
Road & bridge privilege taxes				219,799	
Grants and contributions not restricted to specific programs				995,970	
Unrestricted interest income				11,154	
Miscellaneous				343,526	
Proceeds from debt issuance				611,214	
Compensation for loss of county property				18,113	
Total General Receipts and Other Cash Sources				9,371,465	
Changes in Net Position				(834,660)	
Net Position - Beginning				3,513,301	
Net Position - Ending				\$ 2,678,641	

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, 2015

Exhibit 3

	<u>Major Funds</u>			<u>Other Governmental 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>		
ASSETS					
Cash	\$ 1,160,461	123,054	377,084	1,018,042	2,678,641
Total Assets	<u>\$ 1,160,461</u>	<u>123,054</u>	<u>377,084</u>	<u>1,018,042</u>	<u>2,678,641</u>
FUND BALANCES					
Restricted for:					
General government	\$			183,627	183,627
Public safety				302,865	302,865
Public works		123,054		360,703	483,757
Education				19,928	19,928
Conservation of natural resources				32,012	32,012
Economic development and assistance				28,198	28,198
Debt service			377,084	52,735	429,819
Unemployment compensation				37,974	37,974
Unassigned	1,160,461				1,160,461
Total Fund Balances	<u>\$ 1,160,461</u>	<u>123,054</u>	<u>377,084</u>	<u>1,018,042</u>	<u>2,678,641</u>

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

CLARKE COUNTY

Exhibit 4

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances -

Governmental Funds

For the Year Ended September 30, 2015

	Major Funds			Other	Total
	General	General Road	Clarke County Center JCJC I&S	Governmental	Governmental
	Fund	Fund	Fund	Funds	Funds
RECEIPTS					
Property taxes	\$ 3,559,049	1,928,895	9,986	1,673,759	7,171,689
Road and bridge privilege taxes		219,799			219,799
Licenses, commissions and other receipts	129,300	3,961		5,119	138,380
Fines and forfeitures	284,874				284,874
Intergovernmental receipts	1,076,373	737,590		632,299	2,446,262
Charges for services	29,702	541		462,896	493,139
Interest income	8,114	534	850	1,656	11,154
Miscellaneous receipts	303,247	15,530		24,749	343,526
Total Receipts	5,390,659	2,906,850	10,836	2,800,478	11,108,823
DISBURSEMENTS					
General government	2,990,067			221,536	3,211,603
Public safety	2,517,008			1,056,563	3,573,571
Public works	258,272	2,930,981		1,317,164	4,506,417
Health and welfare	125,053				125,053
Culture and recreation	58,060			10,512	68,572
Education				614,174	614,174
Conservation of natural resources	67,054			96,653	163,707
Economic development and assistance	25,888			84,913	110,801
Debt service:					
Principal	38,804		125,926	27,444	192,174
Interest	5,460			1,278	6,738
Total Disbursements	6,085,666	2,930,981	125,926	3,430,237	12,572,810
Excess (Deficiency) of Receipts over Disbursements	(695,007)	(24,131)	(115,090)	(629,759)	(1,463,987)
OTHER CASH SOURCES (USES)					
Proceeds from long-term debt issuance				611,214	611,214
Compensation for loss of county property	8,739	45		9,329	18,113
Total Other Cash Sources and Uses	8,739	45	0	620,543	629,327
Excess (Deficiency) of Receipts and other Cash Sources over Disbursements and other Cash Uses	(686,268)	(24,086)	(115,090)	(9,216)	(834,660)
Cash Basis Fund Balances - Beginning, as previously reported	1,846,729	147,140	492,174	1,027,258	3,513,301
Cash Basis Fund Balances - Ending	\$ 1,160,461	123,054	377,084	1,018,042	2,678,641

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, 2015

Exhibit 5

	Agency Funds
ASSETS	
Cash	\$ 341,141
Total Assets	\$ 341,141
LIABILITIES	
Amounts held in custody for others	\$ 341,141
Total Liabilities	\$ 341,141

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

CLARKE COUNTY

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CLARKE COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2015

(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. 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

CLARKE COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2015

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.

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.

FIDUCIARY FUND TYPE

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

CLARKE COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2015

D. Account Classifications.

The account classification 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.

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

CLARKE COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2015

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, 2015, was \$3,019,782, and the bank balance was \$3,256,483. 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) 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, 2015, to January 1, 2016. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(4) 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.

(5) 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

CLARKE COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2015

ongoing financial support of the joint venture. For fiscal year 2015, 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.

(6) 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 2015.

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 2015.

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 \$25,888 for support of the district in fiscal year 2015.

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 \$344,134 for maintenance and support of the college in fiscal year 2015.

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 contributed \$10,000 for support of the district in fiscal year 2015.

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 2015.

Regional Railroad Authority of East Mississippi was created in September 2009 by Clarke, George, Greene, and Wayne counties; Lauderdale County's membership was effective a month later. The Authority was created to preserve, develop, and maintain rail service in the member counties. Each member county appoints five commissioners to the Board of Commissioners of the Authority, while any municipality in each of these counties through which such railroad(s) run appoints one commissioner. The County provided no financial support for the district in fiscal year 2015.

CLARKE COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2015

(7) 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, 2015, 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, 2015 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, 2015, 2014 and 2013 were \$595,338, \$561,953 and \$503,331, respectively, equal to the required contributions for each year.

CLARKE COUNTY

SUPPLEMENTAL INFORMATION

CLARKE COUNTY

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CLARKE COUNTY
Schedule of Operating Costs of Solid Waste
For the Year Ended September 30, 2015

Operating Disbursements, Cash Basis:

Salaries	\$	588,345
Expendable Commodities:		
Gasoline and petroleum products		68,764
Repair parts		32,938
Contractual garbage disposal fees		126,394
Capital Outlay		2,988
Maintenance		12,972
Insurance on equipment		7,944
Supplies		<u>23,457</u>
Solid Waste Operating Costs Disbursements	\$	<u><u>863,802</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, 2015
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
RECEIPTS				
Property taxes	\$ 3,552,814	3,559,049	3,559,049	
Road and bridge privilege taxes	76,200			
Licenses, commissions and other receipts	100,100	129,300	129,300	
Fines and forfeitures	242,000	284,874	284,874	
Intergovernmental receipts	852,500	1,076,373	1,076,373	
Charges for services	30,500	29,702	29,702	
Interest income	7,650	8,114	8,114	
Miscellaneous receipts	233,000	303,247	303,247	
Total Receipts	<u>5,094,764</u>	<u>5,390,659</u>	<u>5,390,659</u>	<u>0</u>
DISBURSEMENTS				
Current:				
General government	3,566,576	2,990,067	2,990,067	
Public safety	2,580,419	2,517,008	2,517,008	
Public works	103,441	258,272	258,272	
Health and welfare	139,980	125,053	125,053	
Culture and recreation		58,060	58,060	
Conservation of natural resources	63,382	67,054	67,054	
Economic development and assistance	12,958	25,888	25,888	
Debt service:				
Principal	29,240	38,804	38,804	
Interest		5,460	5,460	
Total Disbursements	<u>6,495,996</u>	<u>6,085,666</u>	<u>6,085,666</u>	<u>0</u>
Excess of Receipts over (under) Disbursements	<u>(1,401,232)</u>	<u>(695,007)</u>	<u>(695,007)</u>	<u>0</u>
OTHER CASH SOURCES (USES)				
Compensation for loss of county property		8,739	8,739	
Other financing sources	225,974			
Total Other Cash Sources and Uses	<u>225,974</u>	<u>8,739</u>	<u>8,739</u>	<u>0</u>
Net Change in Fund Balance	(1,175,258)	(686,268)	(686,268)	
Fund Balances - Beginning	<u>2,659,075</u>	<u>1,846,729</u>	<u>1,846,729</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 1,483,817</u>	<u>1,160,461</u>	<u>1,160,461</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, 2015
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
RECEIPTS				
Property taxes	\$ 1,766,476	1,928,895	1,928,895	
Road and bridge privilege taxes	218,000	219,799	219,799	
Licenses, commissions and other receipts		3,961	3,961	
Intergovernmental receipts	581,000	737,590	737,590	
Charges for services		541	541	
Interest income		534	534	
Miscellaneous receipts		15,530	15,530	
Total Receipts	<u>2,565,476</u>	<u>2,906,850</u>	<u>2,906,850</u>	<u>0</u>
DISBURSEMENTS				
Current:				
Public works	2,645,674	2,930,981	2,930,981	
Total Disbursements	<u>2,645,674</u>	<u>2,930,981</u>	<u>2,930,981</u>	<u>0</u>
Excess of Receipts over (under) Disbursements	<u>(80,198)</u>	<u>(24,131)</u>	<u>(24,131)</u>	<u>0</u>
OTHER CASH SOURCES (USES)				
Sale of county property	30,000			
Compensation for loss of county property		45	45	
Total Other Cash Sources and Uses	<u>30,000</u>	<u>45</u>	<u>45</u>	<u>0</u>
Net Change in Fund Balance	(50,198)	(24,086)	(24,086)	
Fund Balances - Beginning	<u>208,088</u>	<u>147,140</u>	<u>147,140</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 157,890</u>	<u>123,054</u>	<u>123,054</u>	<u>0</u>

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

CLARKE COUNTY
Schedule of Interfund Loans and Advances
For the Year Ended September 30, 2015
UNAUDITED

The following is a summary of interfund balances at September 30, 2015:

A. Advances From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Sept. 30, 2015</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, 2015
UNAUDITED

Governmental activities:

	Balance Oct. 1, 2014	Additions	Deletions	Balance Sept. 30, 2015
Land	\$ 365,605			365,605
Construction in progress	2,634,149	865,678		3,499,827
Infrastructure	62,661,437	117,100		62,778,537
Buildings	7,705,515			7,705,515
Improvements other than buildings	636,883			636,883
Mobile equipment	7,638,689	960,068	43,293	8,555,464
Furniture and equipment	988,674	35,740	32,141	992,273
Leased property under capital leases	510,176			510,176
Total capital assets	\$ 83,141,128	1,978,586	75,434	85,044,280

CLARKE COUNTY
Schedule of Changes in Long-term Debt
For the Year Ended September 30, 2015
UNAUDITED

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2015:

Description and Purpose	Issue Date	Maturity Date	Interest Rate	Balance Oct. 1, 2014	Issued	Principal Payments	Adjustments	Balance Sept. 30, 2015
Governmental Activities:								
A. General Obligation Bonds:								
EMEPA Bonds - JCJC Center	2/18/2014	11/1/2023	0.00%	\$ 1,360,000		125,926		1,234,074
B. Capital Leases:								
Courthouse improvements and restoration	12/17/2007	11/1/2014	5.69%	38,804	-	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%	27,444		27,444		
JCJC Building	7/22/2013	7/22/2033	2.00%	1,292,038	611,214			1,903,252
Total				\$ 3,070,980	611,214	192,174	(352,694)	3,137,326

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, 2015
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 Nicole Haddox	Assistant Receiving Clerk	Western Surety Company	\$50,000
Susan Bonner	Inventory Control Clerk	Western Surety Company	\$75,000
Terry Starks	Road Manager	Western Surety Company	\$100,000
Benny Staten	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 Assessor-Collector	Western Surety Company	\$100,000
Robert Peterson	Deputy Tax Assessor	Western Surety Company	\$10,000

CLARKE COUNTY

Notes to the Other Information For the Year Ended September 30, 2015

(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, 2015, the amount of outstanding debt was equal to 0.7% of the latest property assessments.

B. Subsequent Events.

Subsequent to September 30, 2015, the County issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
07/18/2016	1.89%	\$ 133,200	Capital lease	Ad valorem taxes
02/21/2017	1.99%	261,742	Capital lease	Ad valorem taxes
03/06/2017	2.10%	241,083	Capital lease	Ad valorem taxes
11/02/2017	2.22%	132,386	Capital lease	Ad valorem taxes

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, 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, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 7, 2017. 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 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. However, material weaknesses may exist that have not been identified.

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 December 7, 2017, included within this document.

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 result 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.

A handwritten signature in black ink, appearing to read "Joe E. McKnight". The signature is fluid and cursive, with the first name "Joe" and last name "McKnight" clearly distinguishable.

JOE E. MCKNIGHT, CPA
Director, County Audit Section

December 7, 2017



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
(AS 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, 2015. 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 such 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 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, 2015.

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 fluid and cursive, with the first name "Joe" being the most prominent.

JOE E. MCKNIGHT, CPA
Director, County Audit Section

December 7, 2017

CLARKE COUNTY

Schedule 1Schedule of Purchases From Other Than the Lowest Bidder
For the Year Ended September 30, 2015

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reason for Accepting Other Than the Lowest Bid</u>
10/6/2014	CRS-2 Emulsion	\$ 12,312	Ergon Asphalt and Emulsions	\$ 11,495	Multiple past issues with the lowest bid vendor such as timeliness and quality.

CLARKE COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2015

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
12/15/2014	E-911 Dispatch Equipment	\$ 6,363	Comsouth	Emergency repair needed for dispatch.

CLARKE COUNTY

Schedule 3

Schedule of Purchases Made Noncompetively From a Sole Source
For the Year Ended September 30, 2015

Our tests did not identify any purchases made noncompetively 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, 2015, 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 December 7, 2017, 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. As reported in the prior year's audit report, during fiscal year ended September 30, 2015, 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

This has been corrected in 2016.

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. As reported in the prior year's audit report, 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

This has been corrected.

Chancery Clerk.

3. 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 five years' audit reports, the bank statement was not reconciled to the fee journal monthly. Due to the omission of controls, we noted miscalculations and unreconciled balances. 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.

Chancery Clerk's Response

I have corrected this error.

Solid Waste Clerk.

4. 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 three years' audit reports, 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

I feel the cost of adding employees to separately account for garbage collection fees billed annually at a rate of \$60 per household (increased this year from \$48) greatly outweighs the benefits. Currently all clerks collect garbage fees just as any other fee or tax is collected in my office. I have one clerk that reports and handles board approved affidavits. That clerk balances his reports to the bookkeeper reports each month. The bookkeeper balances collections daily with a combined collection report that includes all fees and taxes collected by a clerk. At the end of the month the collections are balanced again by a combined collection report and accounting detail from the garbage collection program. All collections for garbage are settled to the general county by the 20th of the month following collection.

5. Controls over solid waste accounts receivable adjustments should be strengthened.

Finding

An effective system of internal control over solid waste collections should include management's approval of all solid waste accounts receivable adjustments, and the dollar amount of each should be approved. During our testwork, we noted that management did not approve of all solid waste accounts receivable adjustments or the dollar amounts. Failure to properly approve solid waste accounts receivable adjustments could result in the loss or misappropriation of public funds.

Recommendation

The Solid Waste Clerk should submit all solid waste adjustments for approval by the Board of Supervisors and ensure that the dollar amount for each adjustment is documented.

Solid Waste Clerk's Response

The above recommendation has been duly noted and will be immediately implemented in our monthly reporting to the board of supervisors.

Tax Assessor/Collector and Deputy Tax Assessors.

6. 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. As reported in the prior year's audit report, the Deputy Tax Assessors were issued under a blanket bond rather than individual bonds. Failure to issue individual bonds 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 Collector's Response

This issue was corrected last calendar year when it was brought to our attention. Each clerk is now individually bonded.

7. 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. As reported in the prior year's audit report, 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 Collector's Response

This issue was corrected last calendar year when it was brought to our attention. Each clerk is individually bonded.

Circuit Clerk.

8. 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 twelve 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

My Civil and Criminal settlements are in fact made to the County each month as required. I can provide copies of settlement reports and checks paid in to the county upon request. In the future I will make bank deposits daily, as required.

9. Circuit Court Clerk should file the annual financial report by April 15th each year.

Finding

Section 9-1-45(1), Miss. Code Ann. (1972), states that each Chancery and Circuit Clerk shall file, not later than April 15th of each year, with the State Auditor's Office a true and accurate annual report on a form designed and supplied by the State Auditor's Office immediately after January 1st of each year. The Circuit Clerk did not file the 2015 annual financial report by April 15th. Failure to file the annual financial report in a timely manner could result in erroneous amounts being reported and increases the possibility of the loss or misappropriation of public funds.

Recommendation

The Circuit Clerk should ensure that the annual financial report is filed no later than April 15th each year with the State Auditor's Office, as required by law.

Circuit Clerk's Response

I plan to work with my CPA to make sure this report is completed and filed on time.

Board of Supervisors.

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

Finding

As reported in the prior year's audit report, 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 that may be impossible to recreate.

The County is currently creating backup 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 escalate 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 already have a disaster recovery procedures for the AS400 system maintained in our safety deposit box at the bank. We have already documented a test restore of library files to ensure that the backup is working properly.

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

Finding

As reported in the prior year's audit report, 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 will have our IT specialists develop a written set of policies to be approved by the Board of Supervisors. We feel actual procedures already in place are adequate.

12. The County should strengthen passwords.

Finding

As reported in the prior year's audit report, 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

Our password criteria was strengthened after the last audit. Currently, the AS400 requires a user to change their password every 90 days. It requires the use of at least one capital letter, one number, and six characters. We will expand this to require eight characters and a special character.

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

Finding

As reported in the prior year's audit report, the County is currently using an automated system to perform daily backups of the AS400. Upon clarification of the backup process, it was determined that there should be more tapes added into the rotation of backups, since there are only one week's worth of backups. Without proper backup 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 additional tapes to the rotation of backups so that there will be more than one week's worth of backups available at a time. This process should be documented in the County's Disaster Recovery Plan. It is further recommended that the 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

Since the last audit we have two weeks of backup tapes stored offsite in a safety deposit box at a local bank. There are a total of 10 tapes. On Monday through Thursday we do daily backups which covers the day's activity. On each Friday we make a complete system backup. These backups have been tested by our IT specialists to ensure that backups are complete and will allow the County to restore the system properly.

14. The County should perform periodic physical and logical access reviews.

Finding

We noted during our review that the County does not have both formal policies and procedures that cover granting or removing logical access for terminated employees. We also noted that the County does not periodically review the levels of access that active users have been granted and determine if the access is appropriate.

These reviews should include both physical and logical access. Physical access would be inclusive of buildings, rooms, or cages where physical computer hardware and the supporting infrastructure such as wiring, environmental controls, etc. are housed. In dealing with physical access, reviews should include keys, proximity cards, and biometric devices. An accurate inventory of such items issued for access should be kept and include the job title of persons with such access to facilitate review for appropriateness by management and auditors. Also, security of systems that control access such as personal computers that control proximity card access should also be under tight security controls.

Logical access usually refers to access to data and associated computer environments such as application software and operating systems. Areas that should be kept in mind in determining proper logical access are technical issues such as alternate indexes and back doors such as function keys and ability to travel directly from one menu to another. As with physical access user IDs, those used for network, application, or database security administration should be highly restricted and protected.

Recommendation

We recommend that the County implement periodic reviews of access for all individual users. These reviews should include both physical and logical access. Documentation of such reviews should be retained for reference and audit purposes for a reasonable period. Such retention should be according to guidelines such as policies of the County and regulations such as Internal Revenue Service guidelines. The County should seek legal counsel in determining retention periods.

In determining the appropriateness of both physical and logical access, the reviewer should remain cognizant of job responsibilities, prior job responsibilities which persons may have held that are no longer pertinent, level of expertise of the user, segregation of duties, and regulatory guidelines which may be applicable. Both logical and physical access should be covered by formal written policy for granting, terminating, and changing access. These policies should be

approved by management and distributed to employees. Those granted access to information assets should indicate, in writing or electronically, that they have read and understand the policies and agree to follow them.

Board of Supervisors' Response

We already limit access to terminated employees. Our IT specialists have reviewed the AS400 system within the last 12 months and ensured that only current employees have active user names and passwords to the AS400 system. IT specialists immediately disable usernames and passwords on the AS400 on termination of an employee; however, turnover is minimal.

Access is already limited to the electronics room. All electronics service personnel including our IT specialists must obtain the key from our purchase clerk in order to access this room. The accounting offices of the board of supervisors are separately keyed with only the accounting personnel and supervisors having keys.

Administration access to the AS400 is limited to our IT specialists. Only they have uncontrolled access to the AS400. Service providers such as Delta and Data Systems are only allowed to have limited access to their systems. Our IT specialists maintain their own passwords and usernames with an administrative password file maintained by the purchase clerk in our safety deposit box.

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, appearing to read "Joe E. McKnight".

JOE E. MCKNIGHT, CPA
Director, County Audit Section

December 7, 2017

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, 2015

Section 1: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued on the financial statements:

Governmental activities	Unmodified
Aggregate discretely presented component units	Adverse
General Fund	Unmodified
General Road Fund	Unmodified
Clarke County Center JCJC I & S Fund	Unmodified
Aggregate remaining fund information	Unmodified
2. Internal control over financial reporting:
 - a. Material weakness identified? No
 - b. Significant deficiency identified? None Reported
3. Noncompliance material to the 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*.