

CLARKE COUNTY, MISSISSIPPI

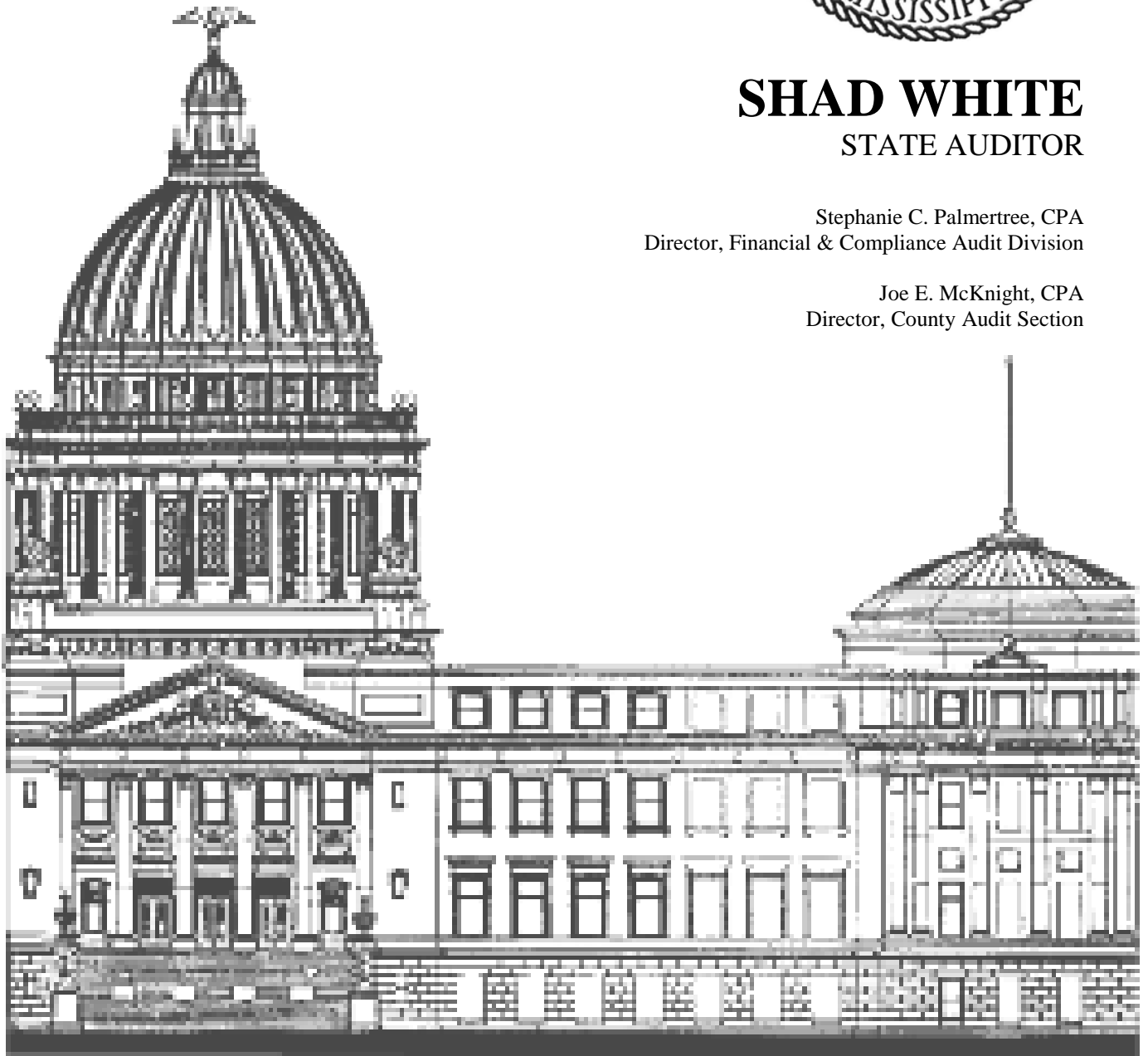
Audited Financial Statements and Special Reports
For the Year Ended September 30, 2016



SHAD WHITE 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

www.osa.state.ms.us



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR**

Shad White
AUDITOR

September 7, 2018

Members of the Board of Supervisors
County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2016 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 "Shad White", enclosed within a large, loopy oval.

Shad White
State Auditor

CLARKE COUNTY
TABLE OF CONTENTS

FINANCIAL SECTION	1
INDEPENDENT AUDITOR'S REPORT.....	3
FINANCIAL STATEMENTS.....	7
Statement of Net Position - Cash Basis.....	9
Statement of Activities – Cash Basis	10
Statement of Cash Basis Assets and Fund Balances – Governmental Funds.....	11
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances – Governmental Funds	12
Statement of Fiduciary Assets and Liabilities – Cash Basis	13
Notes to Financial Statements.....	15
SUPPLEMENTAL INFORMATION	21
Schedule of Operating Costs of Solid Waste	23
OTHER INFORMATION	25
Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) – General Fund.....	27
Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) – General Road Fund.....	28
Schedule of Interfund Loans and Advances.....	29
Schedule of Capital Assets.....	30
Schedule of Changes in Long-term Debt	31
Schedule of Surety Bonds for County Officials.....	32
Notes to the Other Information	33
SPECIAL REPORTS.....	35
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 <i>Government Auditing Standards</i>	37
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)).....	39
Limited Internal Control and Compliance Review Management Report.....	45
SCHEDULE OF FINDINGS AND RESPONSES	51

CLARKE COUNTY

FINANCIAL SECTION

CLARKE COUNTY

(This page left blank intentionally.)



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
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, 2016, 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, 2016, 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, 2016, 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 Loans and 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 September 7, 2018 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, reading "Joe E. Mcknight". The signature is written in a cursive, flowing style.

JOE E. MCKNIGHT, CPA
Director, County Audit Section

September 7, 2018

CLARKE COUNTY

(This page left blank intentionally.)

CLARKE COUNTY

FINANCIAL STATEMENTS

CLARKE COUNTY

(This page left blank intentionally.)

CLARKE COUNTY
Statement of Net Position - Cash Basis
September 30, 2016

Exhibit 1

	<u>Primary Government</u>
	<u>Governmental</u>
	<u>Activities</u>
ASSETS	
Cash	\$ 2,699,077
Total Assets	<u>2,699,077</u>
NET POSITION	
Restricted:	
Expendable:	
General government	180,382
Public safety	399,733
Public works	920,900
Conservation of natural resources	47,415
Economic development and assistance	3,107
Debt service	108,429
Unemployment compensation	33,636
Unrestricted	<u>1,005,475</u>
Total Net Position	<u>\$ 2,699,077</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, 2016

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	\$ 2,966,806	443,058	10,150		(2,513,598)
Public safety	3,045,806	232,451	746,525	78,861	(1,987,969)
Public works	3,970,362	319,626	42,039	313,430	(3,295,267)
Health and welfare	120,364		31,741		(88,623)
Culture and recreation	109,623		6,098		(103,525)
Conservation of natural resources	180,658				(180,658)
Economic development and assistance	98,731				(98,731)
Debt service:					
Principal	205,837				(205,837)
Interest	78,136				(78,136)
Total Governmental Activities	<u>10,776,323</u>	<u>995,135</u>	<u>836,553</u>	<u>392,291</u>	<u>(8,552,344)</u>
General receipts:					
Property taxes				\$	7,297,731
Road & bridge privilege taxes					218,960
Grants and contributions not restricted to specific programs					590,305
Unrestricted interest income					19,944
Miscellaneous					180,382
Proceeds from debt issuance					221,220
Compensation for loss of county property					44,238
Total General Receipts and Other Cash Sources					<u>8,572,780</u>
Changes in Net Position					<u>20,436</u>
Net Position - Beginning					<u>2,678,641</u>
Net Position - Ending				\$	<u>2,699,077</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, 2016

Exhibit 3

	<u>Major Funds</u>		<u>Other</u>	<u>Total</u>
	<u>General</u>	<u>General Road</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
ASSETS				
Cash	\$ 1,005,475	470,957	1,222,645	2,699,077
Total Assets	<u>\$ 1,005,475</u>	<u>470,957</u>	<u>1,222,645</u>	<u>2,699,077</u>
FUND BALANCES				
Restricted for:				
General government	\$		180,382	180,382
Public safety			399,733	399,733
Public works		470,957	449,943	920,900
Conservation of natural resources			47,415	47,415
Economic development and assistance			3,107	3,107
Debt service			108,429	108,429
Unemployment compensation			33,636	33,636
Unassigned	1,005,475			1,005,475
Total Fund Balances	<u>\$ 1,005,475</u>	<u>470,957</u>	<u>1,222,645</u>	<u>2,699,077</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, 2016

	Major Funds		Other	Total
	General Fund	General Road Fund	Governmental Funds	Governmental Funds
RECEIPTS				
Property taxes	\$ 3,880,825	1,751,992	1,664,914	7,297,731
Road and bridge privilege taxes		218,960		218,960
Licenses, commissions and other receipts	147,131	4,274	6,066	157,471
Fines and forfeitures	309,877			309,877
Intergovernmental receipts	913,702	713,055	192,392	1,819,149
Charges for services	47,744		480,043	527,787
Interest income	12,861	2,286	4,797	19,944
Miscellaneous receipts	136,853	15,054	28,475	180,382
Total Receipts	<u>5,448,993</u>	<u>2,705,621</u>	<u>2,376,687</u>	<u>10,531,301</u>
DISBURSEMENTS				
General government	2,741,787		225,019	2,966,806
Public safety	2,494,463		551,343	3,045,806
Public works	392,542	2,357,718	1,220,102	3,970,362
Health and welfare	120,364			120,364
Culture and recreation			109,623	109,623
Conservation of natural resources	52,436		128,222	180,658
Economic development and assistance	12,958		85,773	98,731
Debt service:				
Principal	7,204		198,633	205,837
Interest	414		77,722	78,136
Total Disbursements	<u>5,822,168</u>	<u>2,357,718</u>	<u>2,596,437</u>	<u>10,776,323</u>
Excess (Deficiency) of Receipts over (under) Disbursements	<u>(373,175)</u>	<u>347,903</u>	<u>(219,750)</u>	<u>(245,022)</u>
OTHER CASH SOURCES (USES)				
Proceeds from long-term debt issuance	133,200		88,020	221,220
Compensation for loss of county property	38,579		5,659	44,238
Transfers in	46,410		17,057	63,467
Transfers out			(63,467)	(63,467)
Total Other Cash Sources and Uses	<u>218,189</u>	<u>0</u>	<u>47,269</u>	<u>265,458</u>
Excess (Deficiency) of Receipts and other Cash Sources over (under) Disbursements and other Cash Uses	<u>(154,986)</u>	<u>347,903</u>	<u>(172,481)</u>	<u>20,436</u>
Cash Basis Fund Balances - Beginning, as previously reported	<u>1,160,461</u>	<u>123,054</u>	<u>1,395,126</u>	<u>2,678,641</u>
Cash Basis Fund Balances - Ending	<u>\$ 1,005,475</u>	<u>470,957</u>	<u>1,222,645</u>	<u>2,699,077</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, 2016

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ <u>231,382</u>
Total Assets	\$ <u><u>231,382</u></u>
LIABILITIES	
Amounts held in custody for others	\$ <u>231,382</u>
Total Liabilities	\$ <u><u>231,382</u></u>

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

CLARKE COUNTY

(This page left blank intentionally.

CLARKE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2016

(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 Financial Statements For the Year Ended September 30, 2016

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 balances, 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.

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.

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.

CLARKE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2016

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."

Net Position Flow Assumption:

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.

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.

Fund Balance Flow Assumption:

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.

CLARKE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2016

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, 2016, was \$2,930,459, and the bank balance was \$3,009,040. 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. 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). 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, 2016:

Transfers In/Out:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 46,410
Other Governmental Funds	Other Governmental Funds	17,057
Total		<u>\$ 63,467</u>

Transfers were made to close out funds and to cover principal and interest payments.

(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

CLARKE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2016

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, 2016, to January 1, 2017. 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 2016, Clarke County contributed \$104,185. Complete financial statements for the East Mississippi Regional Library System can be obtained from the East Mississippi Regional Library, Quitman, Mississippi.

Criminal Investigation Division is a joint venture that operates in a district composed of Clarke County, MS and the City of Quitman, MS. It was created to further the pursuit of criminal activity within the district. The board of trustees for this division is composed of the participating governments' sheriff and police chief. The City of Quitman is over the bank account and funds associated with this division. The County contributed \$5,898 for the support of the division in fiscal year 2016.

(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 2016.

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 2016.

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 2016.

CLARKE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2016

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 \$353,333 for maintenance and support of the college in fiscal year 2016.

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 \$5,000 for support of the district in fiscal year 2016.

Region Ten, Weems Community Mental Health 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 2016.

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 2016.

(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. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) 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, 2016, 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, 2016 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, 2016, 2015 and 2014 were \$586,800, \$595,338 and \$561,953, respectively, equal to the required contributions for each year.

CLARKE COUNTY

SUPPLEMENTAL INFORMATION

CLARKE COUNTY

(This page left blank intentionally.)

CLARKE COUNTY
Schedule of Operating Costs of Solid Waste
For the Year Ended September 30, 2016

Operating Disbursements, Cash Basis:

Salaries	\$	559,768
Expendable Commodities:		
Gasoline and petroleum products		48,328
Repair parts		25,195
Contractual garbage disposal fees		138,744
Maintenance		20,339
Insurance on equipment		9,000
Supplies		<u>20,830</u>
Solid Waste Operating Costs Disbursements	\$	<u><u>822,204</u></u>

CLARKE COUNTY

(This page left blank intentionally.)

CLARKE COUNTY

OTHER INFORMATION

CLARKE COUNTY

(This page left blank intentionally.)

CLARKE COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2016
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
RECEIPTS				
Property taxes	\$ 4,047,968	3,880,825	3,880,825	
Licenses, commissions and other receipts	103,100	147,131	147,131	
Fines and forfeitures	264,500	309,877	309,877	
Intergovernmental receipts	824,171	913,702	913,702	
Charges for services	30,000	47,744	47,744	
Interest income	5,800	12,861	12,861	
Miscellaneous receipts	155,700	136,853	136,853	
Total Receipts	<u>5,431,239</u>	<u>5,448,993</u>	<u>5,448,993</u>	<u>0</u>
DISBURSEMENTS				
Current:				
General government	3,655,034	2,741,787	2,741,787	
Public safety	2,670,218	2,494,463	2,494,463	
Public works	124,494	392,542	392,542	
Health and welfare	144,980	120,364	120,364	
Conservation of natural resources	167,555	52,436	52,436	
Economic development and assistance	12,958	12,958	12,958	
Debt service:				
Principal		7,204	7,204	
Interest		414	414	
Total Disbursements	<u>6,775,239</u>	<u>5,822,168</u>	<u>5,822,168</u>	<u>0</u>
Excess of Receipts over (under) Disbursements	<u>(1,344,000)</u>	<u>(373,175)</u>	<u>(373,175)</u>	<u>0</u>
OTHER CASH SOURCES (USES)				
Proceeds from debt		133,200	133,200	
Compensation for loss of county property		38,579	38,579	
Transfers in		46,410	46,410	
Other financing sources	522,000			
Total Other Cash Sources and Uses	<u>522,000</u>	<u>218,189</u>	<u>218,189</u>	<u>0</u>
Net Change in Fund Balance	(822,000)	(154,986)	(154,986)	
Fund Balances - Beginning	<u>1,483,817</u>	<u>1,160,461</u>	<u>1,160,461</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 661,817</u>	<u>1,005,475</u>	<u>1,005,475</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, 2016
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
RECEIPTS				
Property taxes	\$ 1,766,476	1,751,992	1,751,992	
Road and bridge privilege taxes	218,000	218,960	218,960	
Licenses, commissions and other receipts		4,274	4,274	
Intergovernmental receipts	581,000	713,055	713,055	
Interest income		2,286	2,286	
Miscellaneous receipts		15,054	15,054	
Total Receipts	<u>2,565,476</u>	<u>2,705,621</u>	<u>2,705,621</u>	<u>0</u>
DISBURSEMENTS				
Current:				
Public works	<u>2,645,674</u>	<u>2,357,718</u>	<u>2,357,718</u>	
Total Disbursements	<u>2,645,674</u>	<u>2,357,718</u>	<u>2,357,718</u>	<u>0</u>
Excess of Receipts over (under) Disbursements	<u>(80,198)</u>	<u>347,903</u>	<u>347,903</u>	<u>0</u>
OTHER CASH SOURCES (USES)				
Sale of county property	<u>30,000</u>			
Total Other Cash Sources and Uses	<u>30,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	<u>(50,198)</u>	<u>347,903</u>	<u>347,903</u>	
Fund Balances - Beginning	<u>157,890</u>	<u>123,054</u>	<u>123,054</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 107,692</u>	<u>470,957</u>	<u>470,957</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, 2016
UNAUDITED

The following is a summary of interfund balances at September 30, 2016:

A. Advances From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Balance at Sept. 30, 2016</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, 2016
UNAUDITED

Governmental activities:

	Balance Oct. 1, 2015	Additions	Deletions	Adjustments	Balance Sept. 30, 2016
Land	\$ 365,605				365,605
Construction in progress	3,499,827	189,047		(3,688,874)	
Infrastructure	62,778,537				62,778,537
Buildings	7,705,515			3,688,874	11,394,389
Improvements other than buildings	636,883			510,176	1,147,059
Mobile equipment	8,555,464	167,894	30,125	(29,190)	8,664,043
Furniture and equipment	992,273	29,980		29,190	1,051,443
Leased property under capital leases	510,176	133,900		(510,176)	133,900
Total capital assets	\$ 85,044,280	520,821	30,125	0	85,534,976

*Adjustments were made to reclassify the completed construction of two buildings, the pay off of a capital lease, and to reclassify a miscoded asset from mobile equipment to other furniture and equipment.

CLARKE COUNTY
Schedule of Changes in Long-term Debt
For the Year Ended September 30, 2016
UNAUDITED

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2016:

Description and Purpose	Issue Date	Maturity Date	Interest Rate	Balance Oct. 1, 2015	Issued	Principal Payments	Adjustments	Balance Sept. 30, 2016
Governmental Activities:								
A. General Obligation Bonds:								
EMEPA Bonds - JCJC Center	02/18/2014	11/01/2023	0.00%	\$ 1,234,074		151,111		1,082,963
B. Capital Leases:								
4 Dodge Durango Sheriff vehicles	07/18/2016	07/18/2019	1.89%		133,200	7,204		125,996
C. Other Loans:								
JCJC Building	07/22/2013	07/22/2033	2.00%	1,903,252	88,020	47,522		1,943,750
*USA Fabrics expansion loan	03/06/2004	08/01/2014	3.00%				203,628	203,628
*Citadel Building Products expansion loan	07/25/2006	07/01/2013	3.00%				151,974	151,974
Total				\$ 3,137,326	221,220	205,837	355,602	3,508,311

*USA Fabrics and Citadel Building Products are no longer in business the and County is no longer making principal and interest payments on their behalves. In 2015 the County wrote this debt off.
During 2016 Mississippi Development Authority informed the County that the County would be held liable for this debt.

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, 2016
UNAUDITED

Name	Position	Company	Bond
Darrick Marshall	Supervisor District 1	Western Surety Company	\$100,000
Lorenzo Carter	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
Stephen Myrick	County Administrator	Western Surety Company	\$100,000
Angie Chisolm	Chancery Clerk	Western Surety Company	\$100,000
Suzanne Dennis	Purchase Clerk	Western Surety Company	\$75,000
Diane Wright	Assistant Purchase Clerk	Travelers	\$50,000
Stephen Myrick	Assistant Purchase Clerk	Western Surety Company	\$50,000
Larry Lucas	Receiving Clerk	Western Surety Company	\$75,000
Mary Nicole Haddox	Assistant Receiving Clerk	Western Surety Company	\$50,000
Laporsha Jones	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
John Travis Tindle	Road Manager	Western Surety Company	\$100,000
Benny Staten	Constable	Travelers	\$50,000
Ryan Evans	Constable	Western Surety Company	\$50,000
Beverly Trotter	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 Judge	Western Surety Company	\$50,000
Terry L. Bonner	Justice Court Clerk	Western Surety Company	\$50,000
Casey Bozeman	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
Sheila Smith	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
Audrey LeAnn Hollis	Deputy Tax Assessor	Western Surety Company	\$10,000
Deborah Griffin	Deputy Tax Assessor	Western Surety Company	\$10,000
Angela Burke	Deputy Tax Assessor	Western Surety Company	\$10,000
Robin Moore	Deputy Tax Collector	Western Surety Company	\$50,000
Lula Cooper	Deputy Tax Collector	Western Surety Company	\$50,000
Rick Lewis	Deputy Tax Collector	Western Surety Company	\$50,000
Cristal Lewis	Deputy Tax Collector	Western Surety Company	\$50,000
Penny Gunn	Deputy Tax Collector	Western Surety Company	\$50,000

CLARKE COUNTY

Notes to the Other Information
For the Year Ended September 30, 2016

UNAUDITED

(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, 2016, the amount of outstanding debt was equal to 0.7% of the latest property assessments.

B. Subsequent Events.

Subsequent to September 30, 2016, 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>
2/21/2017	1.99%	\$	261,742	Capital lease	Ad valorem taxes
3/06/2017	2.10%		241,083	Capital lease	Ad valorem taxes
1/02/2018	2.22%		397,158	Capital lease	Ad valorem taxes

CLARKE COUNTY

(This page left blank intentionally.)

CLARKE COUNTY

SPECIAL REPORTS

CLARKE COUNTY

(This page left blank intentionally.)



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
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, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 7, 2018. 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 Independent Accountant's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated September 7, 2018, 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, reading "Joe E. Mcknight". The signature is fluid and cursive, with the first name "Joe" and last name "Mcknight" clearly legible.

JOE E. MCKNIGHT, CPA
Director, County Audit Section

September 7, 2018



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
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, 2016. 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.

The results of our audit procedures disclosed certain instances of noncompliance with the aforementioned code sections. These instances of noncompliance were considered in forming our opinion on compliance. Our finding and recommendation and your response is disclosed below:

Purchase Clerk.

1. Assistant Purchase Clerk should be bonded as required by state statute.

Repeat Finding No

Criteria Section 31-7-124, Miss. Code Ann. (1972), requires the Assistant Purchase Clerks to execute a bond in a penalty not less than \$50,000, to be payable, conditioned and approved as provided by law. Also, 25-1-15, Miss. Code Ann. (1972), requires the given individual bond coverage shall continue by the securing of a new bond every four (4) years concurrent with the normal election cycle of the Governor or with the normal election cycle of the local government applicable to the employee.

Condition	The Assistant Purchase Clerk has a bond that covers an “indefinite” term; therefore, the official is not adequately bonded for the fiscal year 2016.
Cause	Unknown
Effect	Failure to comply with the statutes would limit the amount available for recovery if a loss occurred over multiple terms.
Recommendation	The County should implement additional procedures to ensure the Assistant Purchase Clerk is bonded as required by state statute.
Views of Responsible Official	According to our insurance agent, this has already been corrected.

In our opinion, except for the noncompliance referred to in the preceding paragraph, Clarke County, Mississippi complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2016.

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.

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

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



JOE E. MCKNIGHT, CPA
Director, County Audit Section

September 7, 2018

CLARKE COUNTY

Schedule 1

Schedule of Purchases From Other Than the Lowest Bidder
For the Year Ended September 30, 2016

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

CLARKE COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2016

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
9/6/2016	Tractor repairs	\$ 8,197	Chapman Tractor Co.	All tractors were down while preparing for State Aid inspections. The clutch had to be repaired on more than one tractor, and a transmission had to be rebuilt on one.

CLARKE COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2016

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

CLARKE COUNTY

(This page left blank intentionally.)



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
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, 2016, 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 September 7, 2018, 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 immaterial instances of noncompliance with state laws and regulations that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

County Administrator.

1. The County Administrator should be bonded as required by state statute.

Repeat Finding No

Criteria Section 19-4-9, Miss. Code Ann. (1972), requires the county administrator shall give bond to the board of supervisors, with sufficient surety, to be payable, conditioned and approved as provided by law, in a penalty equal to three percent (3%) of the sum of all the state and county taxes shown by the assessment rolls and the levies to have been collectible in the county for the year immediately preceding the commencement of the term of office for such administrator; however, such bond shall not exceed the amount of One Hundred Thousand Dollars (\$ 100,000.00). Also, 25-1-15, Miss. Code Ann. (1972), requires the given individual bond coverage shall continue by the securing of a new bond every four (4) years concurrent with the normal election cycle of the Governor or with the normal election cycle of the local government applicable to the employee.

Condition The County Administrator has a bond that covers an "indefinite" term; therefore, the official is not adequately bonded for the fiscal year 2016.

Cause	Unknown
Effect	Failure to comply with the statutes would limit the amount available for recovery if a loss occurred over multiple terms.
Recommendation	The County should implement additional procedures to ensure the County Administrator is bonded as required by state statute.
Views of Responsible Official	According to our insurance agent, this has already been corrected.
Solid Waste Clerk.	
2.	<u>A separate bank account should be maintained for garbage fee collections.</u>
Repeat Finding	Yes
Criteria	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.
Condition	As reported in the prior four years' audit reports, we noted that solid waste user fees were being combined into the tax collector bank account with all the tax collections.
Cause	Unknown
Effect	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.
Views of Responsible Official	I will conform to this finding under protest. The board of supervisors has supported my decision in the past but have come to a compromise with the audit department concerning other issues. I will open a new bank account for solid waste collection fees. I am still undecided who and how exactly the fees will be collected at this time; however, I will have to make some changes and try to keep from hiring another person. One person cannot be responsible for collecting the fees because that person has to take lunch and have days off.
3.	<u>Controls over solid waste accounts receivable adjustments should be strengthened.</u>
Repeat Finding	Yes
Criteria	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.
Condition	As reported in the prior year's audit report, during our test work, we noted that management did not approve of the accounts receivable adjustments' dollar amounts.
Cause	Unknown
Effect	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 of the solid waste adjustments' dollar amounts to be approved and documented by the Board of Supervisors.
Views of Responsible	This issue has been corrected as of the last audit. The request was made for us to include the

Official	dollar amount that was being adjusted off on the list that is signed by the president of the board of supervisors during the monthly meeting. We now include the dollar amount on each list of adjustments.
Circuit Clerk.	
4.	<u>Daily deposits should be made and monthly collections should be settled to proper authorities on a timely basis.</u>
Repeat Finding	Yes
Criteria	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.
Condition	As reported in the prior thirteen 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.
Cause	Unknown
Effect	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.
Views of Responsible Official	For at least the past 2 years, I have not been asked for copies of settlements to Clarke County, so I assumed the auditors were getting copies of my reports from the County Administrator's office. I give county officials the originals of this report along with checks for the settlement amounts every month. I can provide copies of past reports up to January 2018 when requested. I plan to begin making daily deposits today.
5.	<u>Circuit Court Clerk should file the annual financial report by April 15th each year.</u>
Repeat Finding	Yes
Criteria	Section 9-1-45(1), Miss. Code Ann. (1972), states that each Chancery and Circuit Clerk shall file, not later than April 15 th 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 1 st of each year.
Condition	As reported in the prior year's audit report, the Circuit Clerk did not file the 2016 annual financial report with the State Auditor's Office.
Cause	Unknown
Effect	Failure to file the annual financial report could result in the loss or misappropriation of public funds.
Recommendation	The Circuit Clerk should ensure that the annual financial report is filed no later than April 15 th each year with the State Auditor's Office, as required by law.
Views of Responsible Official	My 2016 Annual Fee Report is being prepared by the CPA firm in charge of my bookkeeping work. I will be able to become current with both reports before April 2018.

Justice Court Judge.

6. The Justice Court Judge should be bonded properly.

Repeat Finding No

Criteria Section 9-11-7, Miss. Code Ann. (1972), requires the Justice Court Judges to execute a bond for \$50,000 to be payable, conditioned and approved as provided by law. Section 25-1-15, Miss. Code Ann. (1972), requires a new bond in an amount not less than that required by law shall be secured upon employment and coverage shall continue by securing a new bond every fourth year concurrent with the normal election cycle of the Governor or with normal election cycle of the local government applicable to the employee.

Condition A Justice Court Judge's bond was not executed for fiscal year 2016.

Cause Unknown

Effect Failure to secure a Justice Court Judge's bond could limit the amount available for recovery if a loss occurred.

Recommendation The Justice Court Judge should execute a current bond for \$50,000 as required by law.

Views of Responsible Official Bond has since been acquired.

Justice Court Clerk.

7. The Justice Court Clerk and Deputy Justice Court clerks should be bonded as required by state statute.

Repeat Finding No

Criteria Section 9-11-29(2), Miss. Code (1972), requires that the Justice Court Clerk and each Deputy Justice Court Clerk be bonded for a minimum of \$50,000. Also, 25-1-15, Miss. Code Ann. (1972), requires the given individual bond coverage shall continue by the securing of a new bond every four (4) years concurrent with the normal election cycle of the Governor or with the normal election cycle of the local government applicable to the employee.

Condition The Justice Court Clerk and a Deputy Justice Court Clerk each have a bond that covers an "indefinite" term; therefore, the officials are not adequately bonded for the fiscal year 2016.

Cause Unknown

Effect Failure to comply with the statutes would limit the amount available for recovery if a loss occurred over multiple terms.

Recommendation The County should implement additional procedures to ensure the Justice Court Clerk and Deputy Justice Court clerks are bonded as required by state statute.

Views of Responsible Official According to our insurance agent, this has already been corrected.

8. The Justice Court Clerk did not maintain a complete and accurate bond listing.

Repeat Finding No

Criteria An effective system of internal control for a Justice Court bond account includes a complete and accurate bond listing that reconciles accurately to the bank account.

Condition	During our testwork, the clerk provided us with a bond listing that identified \$13,200 of the \$20,948 held in the bond bank account.
Cause	Unknown
Effect	An inaccurate bond listing could result in the loss or misappropriation of public funds.
Recommendation	The Justice Court Clerk should prepare a complete and accurate bond listing and ensure the total amount is reconciled to the bank account.
Views of Responsible Official	I was handed the cash bond account from the previous Justice Court Clerk and continued keeping up with receipts and deposits from his list of receipts and deposits. Every penny I have received or disbursed is backed up by paperwork. I was never told any other way to keep up with the funds. The \$13,200 is what I have handled in the 2016 year. The \$20,948 is the combined amount of what was already in the account with previous clerk and what I put in it. I will start keeping up with a cash bond cash journal from now on. I gave the auditors the previous list of cash bond activity to account for what was in the account before I took it.
9.	<u>The Justice Court Clerk should properly perform monthly bank reconciliations.</u>
Repeat Finding	No
Criteria	An effective system of internal control over the collection, recording, and disbursement of cash in the Justice Court Clerk's office should include a reconciliation of the bank account to the cash journal monthly.
Condition	During testing performed in the Justice Court Clerk's office, it was noted that the Justice Court Clerk was not reconciling the bank account properly.
Cause	Unknown
Effect	Failure to properly reconcile the bank account could result in the loss or misappropriation of public funds.
Recommendation	The Justice Court Clerk should ensure the bank statements are accurately reconciled to the cash journal monthly.
Views of Responsible Official	I was not properly trained on what was expected from the auditors. I turn in reports monthly to the County and they match what is in my Justice Court clearing account. I did not know I was supposed to turn in a cash journal every month. It has not been brought to my attention until now. I plan on finding someone to show me what is expected. My accounts always balance out as they are supposed to. I do a monthly settlement report every month that equals to what's in my clearing account.

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

September 7, 2018

CLARKE COUNTY

(This page left blank intentionally.)

CLARKE COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

CLARKE COUNTY

(This page left blank intentionally.)

CLARKE COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2016

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
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*.