

CLARKE COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2019

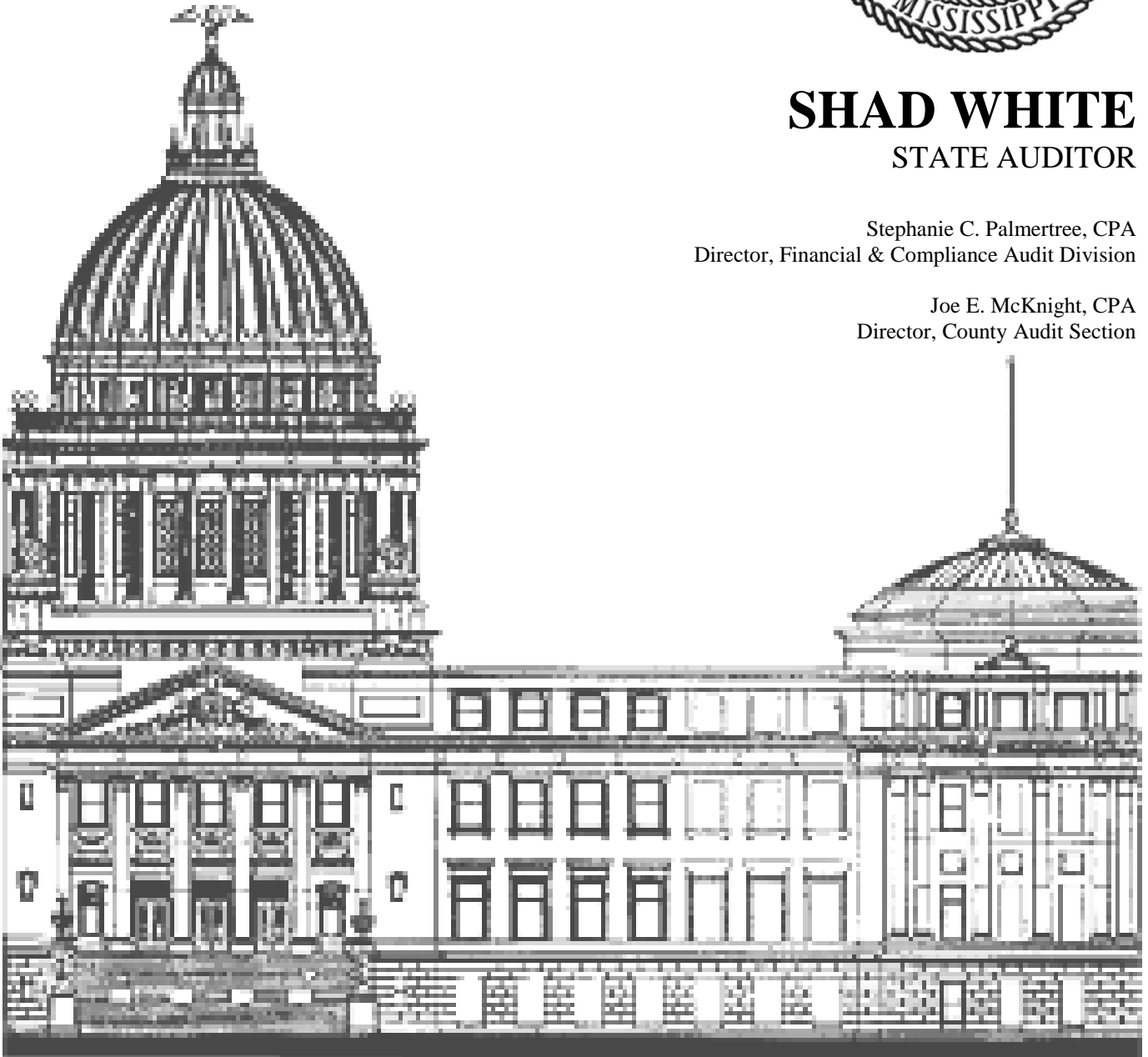


SHAD WHITE

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

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
Shad White
AUDITOR

March 9, 2021

Members of the Board of Supervisors
Clarke County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2019 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", is written over a horizontal line.

Shad White

CLARKE COUNTY
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CLARKE COUNTY

FINANCIAL SECTION

CLARKE COUNTY

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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, 2019, 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, 2019, 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 above present fairly, in all material respects, the respective cash basis financial position of the Governmental Activities, the General Fund, the General Road Fund, the MDOT ERBR CR 630 Fund and the aggregate remaining fund information of Clarke County, Mississippi, as of September 30, 2019, 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 accompanying 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 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 March 9, 2021 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Clarke County, Mississippi's 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

March 9, 2021

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, 2019

Exhibit 1

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS	
Cash	\$ 4,383,919
Total Assets	<u>4,383,919</u>
NET POSITION	
Restricted:	
Expendable:	
General government	185,012
Public safety	409,394
Public works	1,918,011
Conservation of natural resources	78,037
Economic development and assistance	82,758
Unemployment compensation	29,583
Unrestricted	<u>1,681,124</u>
Total Net Position	<u>\$ 4,383,919</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, 2019

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	\$ 3,546,763	280,851	10,150		(3,255,762)
Public safety	3,521,649	601,857	271,250		(2,648,542)
Public works	4,896,772	48,818	693,630	1,763,492	(2,390,832)
Health and welfare	95,460		57,205	200	(38,055)
Culture and recreation	6,926				(6,926)
Conservation of natural resources	203,026		15,792		(187,234)
Economic development and assistance	19,849				(19,849)
Debt service:					
Principal	507,825				(507,825)
Interest	47,530				(47,530)
Total Governmental Activities	<u>\$ 12,845,800</u>	<u>931,526</u>	<u>1,048,027</u>	<u>1,763,692</u>	<u>(9,102,555)</u>
General receipts:					
Property taxes				\$	7,793,254
Road & bridge privilege taxes					227,257
Grants and contributions not restricted to specific programs					664,977
Unrestricted interest income					127,640
Miscellaneous					187,957
Sale of county property					3,060
Compensation for loss of county property					43,254
Total General Receipts and Other Cash Sources					<u>9,047,399</u>
Changes in Net Position					(55,156)
Net Position - Beginning					<u>4,439,075</u>
Net Position - Ending				\$	<u>4,383,919</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, 2019

Exhibit 3

	<u>Major Funds</u>				
	General	General Road	MDOT ERBR CR 630	Other Governmental	Total Governmental
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
ASSETS					
Cash	\$ 1,890,705		1,646,967	846,247	4,383,919
Total Assets	<u>\$ 1,890,705</u>	<u>0</u>	<u>1,646,967</u>	<u>846,247</u>	<u>4,383,919</u>
FUND BALANCES					
Restricted for:	\$				
General government				185,012	185,012
Public safety				409,394	409,394
Public works			1,646,967	271,044	1,918,011
Conservation of natural resources				78,037	78,037
Economic development and assistance				82,758	82,758
Unemployment compensation				29,583	29,583
Unassigned	<u>1,890,705</u>			<u>(209,581)</u>	<u>1,681,124</u>
Total Fund Balances	<u>\$ 1,890,705</u>	<u>0</u>	<u>1,646,967</u>	<u>846,247</u>	<u>4,383,919</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, 2019

	Major Funds				
	General	General Road	MDOT ERBR CR 630	Other Governmental	Total Governmental
	Fund	Fund	Fund	Funds	Funds
RECEIPTS					
Property taxes	\$ 4,878,965	1,371,793		1,542,496	7,793,254
Road and bridge privilege taxes		227,257			227,257
Licenses, commissions and other receipts	82,112	261		3,809	86,182
Fines and forfeitures	189,271			109,133	298,404
Intergovernmental receipts	808,366	710,169	1,646,967	311,194	3,476,696
Charges for services	33,873			513,067	546,940
Interest income	103,252	13,966		10,422	127,640
Miscellaneous receipts	137,027	22,865		28,065	187,957
Total Receipts	<u>6,232,866</u>	<u>2,346,311</u>	<u>1,646,967</u>	<u>2,518,186</u>	<u>12,744,330</u>
DISBURSEMENTS					
General government	3,331,218			215,545	3,546,763
Public safety	2,656,715			864,934	3,521,649
Public works	247,654	3,306,849		1,342,269	4,896,772
Health and welfare	95,460				95,460
Culture and recreation	1,769			5,157	6,926
Conservation of natural resources	53,524			149,502	203,026
Economic development and assistance	12,958			6,891	19,849
Debt service:					
Principal	37,766	212,034		258,025	507,825
Interest	322	7,921		39,287	47,530
Total Disbursements	<u>6,437,386</u>	<u>3,526,804</u>	<u>0</u>	<u>2,881,610</u>	<u>12,845,800</u>
Excess (Deficiency) of Receipts over (under) Disbursements	<u>(204,520)</u>	<u>(1,180,493)</u>	<u>1,646,967</u>	<u>(363,424)</u>	<u>(101,470)</u>
OTHER CASH SOURCES (USES)					
Sale of county property	3,060				3,060
Compensation for loss of county property				43,254	43,254
Transfers in		176,984		230,099	407,083
Transfers out	(407,083)				(407,083)
Total Other Cash Sources and Uses	<u>(404,023)</u>	<u>176,984</u>	<u>0</u>	<u>273,353</u>	<u>46,314</u>
Excess (Deficiency) of Receipts and other Cash Sources over (under) Disbursements and other Cash Uses	<u>(608,543)</u>	<u>(1,003,509)</u>	<u>1,646,967</u>	<u>(90,071)</u>	<u>(55,156)</u>
Cash Basis Fund Balances - Beginning	<u>2,499,248</u>	<u>1,003,509</u>	<u>0</u>	<u>936,318</u>	<u>4,439,075</u>
Cash Basis Fund Balances - Ending	<u>\$ 1,890,705</u>	<u>0</u>	<u>1,646,967</u>	<u>846,247</u>	<u>4,383,919</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, 2019

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash	\$ <u>308,738</u>
Total Assets	\$ <u><u>308,738</u></u>
LIABILITIES	
Amounts held in custody for others	\$ <u>308,738</u>
Total Liabilities	\$ <u><u>308,738</u></u>

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

CLARKE COUNTY

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CLARKE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2019

(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 each

CLARKE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2019

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.

MDOT ERBR CR 630 Fund - This fund is used to account for the grant money the County received to repair County Road 630.

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, 2019

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, 2019

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, 2019, was \$4,692,657, and the bank balance was \$4,428,680. 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) Deficit Cash Balance.

For the year ended September 30, 2019, the General Fund paid \$135,595 in expenses incurred by the General Road Fund. Therefore, these expenses, as well as the related deficit cash balance, have been reflected in the General Fund.

(4) Interfund Transfers.

The following is a summary of interfund transfers at September 30, 2019:

Transfers In/Out:		
Transfers In	Transfers Out	Amount
General Road Fund	General Fund	\$ 176,984
Other Governmental Funds	General Fund	230,099
Total		\$ <u>407,083</u>

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

CLARKE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2019

(5) 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, 2019, to January 1, 2020. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(6) 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.

(7) 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 2019, Clarke County contributed \$104,500. 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 fund associated with this division. The County contributed \$2,180 for the support of the division in fiscal year 2019.

(8) 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 2019.

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

CLARKE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2019

for the district in fiscal year 2019.

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 2019.

Jones County Junior College operates in the 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 \$345,584 for maintenance and support of the college in fiscal year 2019.

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 provided no financial support for the agency in fiscal year 2019.

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 2019.

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 run appoints one commissioner. The County provided no financial support for the district in fiscal year 2019.

(9) 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, 2019, 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, 2019 was 17.40% 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, 2019, 2018 and 2017 were \$622,542, \$610,126 and \$597,086, respectively, equal to the required contributions for each year.

(10) Tax Abatements.

As of September 30, 2019, Clarke County provides tax exempt status to four manufacturing companies and one construction company subject to the requirements of GASB Statement No. 77. These manufacturing companies and this construction company are exempt from real property taxes and personal property taxes except for levies involving the school; the mandatory mill and the community college tax levies. These exemptions are authorized under Sections 27-31-101 and 27-31-105 of the Miss. Code Ann (1972). These exemptions encourage business to locate or expand operations in the County and create jobs. The amount of taxes abated during fiscal year 2019 totaled \$77,528.

CLARKE COUNTY

SUPPLEMENTARY INFORMATION

CLARKE COUNTY

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CLARKE COUNTY
Schedule of Operating Costs of Solid Waste
For the Year Ended September 30, 2019

Operating Disbursements, Cash Basis:

Salaries	\$	584,867
Expendable Commodities:		
Gasoline and petroleum products		65,244
Repair parts		50,269
Contractual garbage disposal fees		117,909
Maintenance		3,268
Insurance on equipment		8,111
Supplies		<u>28,839</u>
Solid Waste Operating Costs Disbursements	\$	<u><u>858,507</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, 2019
UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
RECEIPTS				
Property taxes	\$ 5,576,216	4,878,874	4,878,965	91
Licenses, commissions and other receipts	80,000	66,972	82,112	15,140
Fines and forfeitures	180,000	186,491	189,271	2,780
Intergovernmental receipts	845,800	810,774	808,366	(2,408)
Charges for services	26,000	33,873	33,873	
Interest income	74,000	145,668	103,252	(42,416)
Miscellaneous receipts	48,000	104,306	137,027	32,721
Total Receipts	<u>6,830,016</u>	<u>6,226,958</u>	<u>6,232,866</u>	<u>5,908</u>
DISBURSEMENTS				
Current:				
General government	4,855,005	3,377,425	3,331,218	46,207
Public safety	2,908,266	2,649,339	2,656,715	(7,376)
Public works	104,500	244,533	247,654	(3,121)
Health and welfare	112,807	95,460	95,460	
Culture and recreation	25,300	1,769	1,769	
Conservation of natural resources	54,600	53,524	53,524	
Economic development and assistance	12,958	12,958	12,958	
Debt service:				
Principal		37,719	37,766	(47)
Interest		369	322	47
Total Disbursements	<u>8,073,436</u>	<u>6,473,096</u>	<u>6,437,386</u>	<u>35,710</u>
Excess (Deficiency) of Receipts over (under) Disbursements	<u>(1,243,420)</u>	<u>(246,138)</u>	<u>(204,520)</u>	<u>41,618</u>
OTHER CASH SOURCES (USES)				
Proceeds from debt	198,000			
Sale of county property			3,060	3,060
Transfers out		(459,395)	(407,083)	52,312
Total Other Cash Sources and Uses	<u>198,000</u>	<u>(459,395)</u>	<u>(404,023)</u>	<u>55,372</u>
Excess (Deficiency) of Receipts and other Cash Sources over (under) Disbursements and other Cash Uses	<u>(1,045,420)</u>	<u>(705,533)</u>	<u>(608,543)</u>	<u>96,990</u>
Cash Basis Fund Balances - Beginning	<u>617,717</u>	<u>2,423,155</u>	<u>2,499,248</u>	<u>76,093</u>
Cash Basis Fund Balances - Ending	<u>\$ (427,703)</u>	<u>1,717,622</u>	<u>1,890,705</u>	<u>173,083</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, 2019
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
RECEIPTS				
Property taxes	\$ 2,017,900	1,371,793	1,371,793	
Road and bridge privilege taxes		227,257	227,257	
Licenses, commissions and other receipts	860,742	261	261	
Intergovernmental receipts		710,169	710,169	
Interest income		13,966	13,966	
Miscellaneous receipts		22,865	22,865	
Total Receipts	<u>2,878,642</u>	<u>2,346,311</u>	<u>2,346,311</u>	<u>0</u>
DISBURSEMENTS				
Current:				
Public works	2,833,200	3,306,849	3,306,849	
Debt service:				
Principal	220,000	212,034	212,034	
Interest		7,921	7,921	
Total Disbursements	<u>3,053,200</u>	<u>3,526,804</u>	<u>3,526,804</u>	<u>0</u>
Excess (Deficiency) of Receipts over (under) Disbursements	<u>(174,558)</u>	<u>(1,180,493)</u>	<u>(1,180,493)</u>	<u>0</u>
OTHER CASH SOURCES (USES)				
Transfers in		176,984	176,984	
Total Other Cash Sources and Uses	<u>0</u>	<u>176,984</u>	<u>176,984</u>	<u>0</u>
Excess (Deficiency) of Receipts and other Cash Sources over (under) Disbursements and other Cash Uses	<u>(174,558)</u>	<u>(1,003,509)</u>	<u>(1,003,509)</u>	<u>0</u>
Cash Basis Fund Balances - Beginning	<u>(628,531)</u>	<u>1,005,333</u>	<u>1,003,509</u>	<u>(1,824)</u>
Cash Basis Fund Balances - Ending	<u>\$ (803,089)</u>	<u>1,824</u>	<u>0</u>	<u>(1,824)</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)
 MDOT ERBR CR 630 Fund
 For the Year Ended September 30, 2019
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental receipts	\$ 1,646,967	1,646,967	1,646,967	
Total Receipts	<u>1,646,967</u>	<u>1,646,967</u>	<u>1,646,967</u>	<u>0</u>
DISBURSEMENTS				
Current:				
Public works				
Total Disbursements	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Receipts over (under) Disbursements	<u>1,646,967</u>	<u>1,646,967</u>	<u>1,646,967</u>	<u>0</u>
Excess (Deficiency) of Receipts and other Cash Sources over (under) Disbursements and other Cash Uses	1,646,967	1,646,967	1,646,967	0
Cash Basis Fund Balances - Beginning				
Cash Basis Fund Balances - Ending	<u>\$ 1,646,967</u>	<u>1,646,967</u>	<u>1,646,967</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, 2019
UNAUDITED

The following is a summary of interfund balances at September 30, 2019:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Sept. 30, 2019</u>
General Fund	General Road Fund	\$ 135,595
General Fund	Other Governmental Funds	382,357
General Fund	Agency Funds	17,348
General Road Fund	Other Governmental Funds	148,038
MDOT ERBR CR 630 Fund	Other Governmental Funds	<u>74,862</u>
Total		\$ <u>758,200</u>

The receivables represent amounts receipted to the incorrect fund. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Balance at Sept. 30, 2019</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 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, 2019
UNAUDITED

Governmental activities:

	Balance Oct. 1, 2018	Additions	Deletions	Adjustments	Balance Sept. 30, 2019
Land	\$ 365,605				365,605
Infrastructure	62,778,537		127,306		62,651,231
Buildings	12,243,589	43,845	1,495,150		10,792,284
Improvements other than buildings	1,147,059		43,273		1,103,786
Mobile equipment	8,099,493	261,098	85,952	133,900	8,408,539
Furniture and equipment	1,420,567	70,235	16,632		1,474,170
Leased property under capital leases	1,033,883			(133,900)	899,983
Total capital assets	\$ 87,088,733	375,178	1,768,313	0	85,695,598

*Adjustments are for the reclassification of paid-off capital leases to mobile equipment.

CLARKE COUNTY
Schedule of Changes in Long-term Debt
For the Year Ended September 30, 2019
UNAUDITED

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2019:

Description and Purpose	Issue Date	Maturity Date	Interest Rate	Balance Oct. 1, 2018	Principal Payments	Balance Sept. 30, 2019
Governmental Activities:						
A. General Obligation Bonds:						
EMEPA Bonds- JCJC Center	02/18/2014	11/01/2023	0.00%	\$ 780,742	151,112	629,630
B. Capital Leases:						
(4) Dodge Durango sheriff vehicles	07/18/2016	07/18/2019	1.89%	37,766	37,766	
(2) John Deere tractors w/ boom hogs	03/06/2017	03/06/2020	2.10%	122,461	81,150	41,311
(3) Caterpillar backhoe loaders	01/02/2018	03/01/2021	2.22%	332,866	130,885	201,981
(2) 2017 Mack dump trucks	01/03/2017	01/03/2020	1.99%	227,660	20,977	206,683
C. Other Loans:						
*USA Fabric 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
JCJC Building	07/22/2013	07/22/2033	2.00%	<u>1,777,709</u>	<u>85,935</u>	<u>1,691,774</u>
Total				<u>\$ 3,634,806</u>	<u>507,825</u>	<u>3,126,981</u>

*USA Fabric and Citadel Building Products are no longer in business and the 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 schedule.

CLARKE COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2019
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
Tom M. Henderson	County Administrator	Western Surety Company	\$100,000
Angie Chisolm	Chancery Clerk	Western Surety Company	\$100,000
Tom M. Henderson	Purchase Clerk	Western Surety Company	\$75,000
Leanne Volking	Purchase Clerk	Western Surety Company	\$75,000
Laporshe Jones	Assistant Purchase Clerk	Western Surety Company	\$10,000
Stephen Myrick	Assistant Purchase Clerk	Western Surety Company	\$50,000
Tom M. Henderson	Assistant Purchase Clerk	Western Surety Company	\$50,000
Mary Nicole Haddox	Assistant Receiving Clerk	Western Surety Company	\$50,000
Patricia Howze	Assistant Receiving Clerk	Western Surety Company	\$50,000
Susan Bonner	Inventory Control Clerk	Western Surety Company	\$75,000
Brian Dace	Road Manager	Western Surety Company	\$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
Terry L. Bonner	Justice Court Judge	Western Surety Company	\$50,000
Casey Lynn Bozeman	Justice Court Clerk	Western Surety Company	\$50,000
Terina Pyffer	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
Audrey LeAnn Hollis	Deputy Tax Assessor	Western Surety Company	\$10,000
Angela Burke	Deputy Tax Assessor	Western Surety Company	\$10,000
Gabriele Rawson	Deputy Tax Assessor	Western Surety Company	\$10,000
Clara Silvers	Deputy Tax Assessor	Western Surety Company	\$10,000
Rick Lewis	Deputy Tax Collector	Western Surety Company	\$50,000
Cristal Lewis	Deputy Tax Collector	Western Surety Company	\$50,000
Mary V. Ligon	Deputy Tax Collector	Western Surety Company	\$50,000
Penny Gunn	Deputy Tax Collector	Western Surety Company	\$50,000

CLARKE COUNTY

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CLARKE COUNTY

Notes to the Other Information For the Year Ended September 30, 2019

(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, 2019, the amount of outstanding debt was equal to 0.47% of the latest property assessments.

B. Subsequent Events.

Subsequent to September 30, 2019, 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>
12/02/2019	3.27%	\$ 143,885	Capital lease	Ad valorem taxes
04/20/2020	2.35%	122,550	Capital lease	Ad valorem taxes
04/20/2020	2.35%	150,150	Capital lease	Ad valorem taxes
04/20/2020	2.35%	305,950	Capital lease	Ad valorem taxes
05/07/2020	2.50%	3,000,000	General obligation bond	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
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 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, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 9, 2021. 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as 2019-001 and 2019-002 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clarke County, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and

accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as item 2019-001.

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 March 9, 2021, included within this document.

Clarke County's Responses to Findings

Clarke County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Clarke County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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".

JOE E. MCKNIGHT, CPA
Director, County Audit Section

March 9, 2021



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, 2019. 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 auditing procedures disclosed certain instances of noncompliance with the aforementioned code sections. These instances of noncompliance were considered in forming our opinion on compliance. Our findings and recommendations and your responses are disclosed below:

Board of Supervisors/Assistant Purchase Clerk.

1. Assistant purchase clerk should be properly bonded.

Repeat Finding Yes

Criteria Section 31-7-124, Miss. Code Ann. (1972), requires each assistant purchase clerk to execute a bond in a penalty not less than \$50,000, to be payable, conditioned, and approved as provided by law.

Condition As reported in the prior year's audit report, one of the assistant purchase clerks was only bonded for \$10,000 during the fiscal year 2019.

Cause The County did not comply with state law.

Effect	Failure to comply with statute would limit the amount available for recovery if a loss occurred.
Recommendation	The County should ensure that all assistant purchase clerks are bonded in accordance with state law.
Views of Responsible Official(s)	Correction will be made immediately as it relates to assistant purchase clerk bond being increased to recommended amounts.

Board of Supervisors/Receiving Clerk.

2. Receiving clerk should be properly bonded.

Repeat Finding	No
Criteria	Section 31-7-124, Miss. Code Ann. (1972), requires receiving clerks to execute a bond in a penalty not less than \$75,000 to be payable, conditioned and approved as provided by law.
Condition	The Receiving Clerk was not bonded during the fiscal year 2019.
Cause	The County did not comply with state law.
Effect	Failure to comply with statute would limit the amount of available for recovery if a loss occurred.
Recommendation	The County should ensure that the receiving clerk is bonded in accordance with state law.
Views of Responsible Official(s)	Correction will be made immediately as it relates to assistant purchase clerk bond being increased to recommended amounts.

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 purchasing, inventory and bid requirements for the year ended September 30, 2019.

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

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

March 9, 2021

CLARKE COUNTY

Schedule 1

Schedule of Purchases From Other Than the Lowest Bidder

For the Year Ended September 30, 2019

<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>
05/13/2019	2020 tandem axle dump truck	\$ 143,885	Tri-State Truck	\$ 140,000	The guaranteed residual value was greater for the Mack Truck
01/08/2019	60" culverts	\$ 86/foot	Southern Pipe	\$ 80/foot	The lowest bidder did not have any culverts in stock and would have charged a shipping fee to get them to us quickly, thus increasing the price of their culverts.

CLARKE COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2019

Schedule 2

Our tests did not identify any emergency purchases.

CLARKE COUNTY

Schedule 3

Schedule of Purchases Made Noncompetively From a Sole Source
For the Year Ended September 30, 2019

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
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 cash basis financial statements of Clarke County, Mississippi (the County) for the year ended September 30, 2019, 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 March 9, 2021, 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 finding, recommendation, and your response is disclosed below:

Circuit Clerk.

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

Repeat Finding Yes

Criteria An effective system of internal controls over collection of criminal and civil accounts includes daily deposits to the bank and subsequent timely settlements to proper authorities.

Condition As reported in the prior sixteen 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 This is due to a lack of internal controls by management.

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 collection and settle all collections to proper authorities on a timely basis as required by law.

Views of Responsible Official(s) The previous Circuit Clerk lost the election. This issue will be communicated to the new Circuit Clerk. I believe sincerely that the new Circuit Clerk will comply with correction.

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 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". The signature is fluid and cursive, with a long horizontal stroke at the end.

JOE E. MCKNIGHT, CPA
Director, County Audit Section

March 9, 2021

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, 2019

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
MDOT ERBR CR 630 Fund	Unmodified
Aggregate remaining fund information	Unmodified

2. Internal control over financial reporting:

a. Material weaknesses identified?	Yes
b. Significant deficiency identified?	None Reported

3. Noncompliance material to the financial statements noted? Yes

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

Material Noncompliance

2019-001. County signed warrants without sufficient money.

Repeat Finding No

Criteria Section 19-13-43, Miss. Code Ann. (1972), prohibits the signing of warrants or the delivery of warrants until there is sufficient money in the fund upon which it is drawn to pay the same.

Condition Warrants were issued on funds which did not have sufficient money to pay the warrants. As of September 30, 2019, the following funds had negative cash balances in the indicated amounts:

- a. General Road Fund - \$135,595
- b. Shubuta Policeman Fund - \$4,374
- c. COPS Grant - \$4,774
- d. Volunteer Fire Department Fund - \$153,165
- e. Countywide Bridge and Culvert Fund - \$10,463
- f. TIF Plan – Dollar General/McDonalds Fund - \$6,892
- g. Clarke Center/JCJC I&S Fund - \$202,689
- h. JCJC Support Fund - \$8,659
- i. JCJC Fund 1402 - \$8,689

Cause The County did not comply with state laws.

Effect Failure to have sufficient balances in County funds prior to issuing warrants on these funds resulted in other funds' cash being used for purposes other than their intended purpose. This situation could result in the Board of Supervisors being held personally liable for such amount.

CLARKE COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2019

Recommendation	The Board of Supervisors should ensure that no warrants are signed or delivered until there is sufficient money in the fund upon which is drawn to pay the same, as required by law.
Views of Responsible Official(s)	Supervisors will ensure that in the future no warrants are signed or delivered until funds are sufficient in the fund as required by law.
Material Weakness	
2019-002.	<u>The Board of Supervisors should implement internal controls over cash.</u>
Repeat Finding	No
Criteria	An effective system of internal control should include maintaining general ledger cash accounts and reconciling the bank statements to those accounts.
Condition	During the current year, it was noted that \$461,673 was approved to be transferred between County bank accounts. This amount was withdrawn from one account in August, 2019 in the form of a cashier's check and was not deposited back into the County's accounts until October, 2019.
Cause	The County lacks the necessary internal controls to ensure the accurate recording of cash.
Effect	Failure to accurately record cash transactions could result in the loss and/or misappropriation of County funds. It also resulted in the loss of interest income for the two months the funds were not deposited in a bank account.
Recommendation	The Board of Supervisors should implement controls to ensure the cash is recorded accurately and that the bank statements reconcile to those accounts.
Views of Responsible Official(s)	Discussed issue that occurred in the past with the Supervisor Board. The Board will ensure internal control of cash through the Board's Administrator in the future.