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**CLAY COUNTY, MISSISSIPPI**  
**AUDITED FINANCIAL STATEMENTS**  
**AND SPECIAL REPORTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

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SEPTEMBER 30, 2014**

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**FINANCIAL SECTION**

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**INDEPENDENT AUDITOR'S REPORT**

Members of the Board of Supervisors  
Clay County, Mississippi

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clay County, Mississippi, (the County) as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the basic financial statements 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 accounting principles generally accepted in the United States of America; this includes 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 of 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 principles used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that our audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clay County, Mississippi, as of September 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and the Budgetary Comparison Schedule(s) and corresponding notes be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance

### *Supplementary and Other Information*

The Schedule of Surety Bonds for County Officials has 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 it.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2015, on our consideration of Clay 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 Clay County, Mississippi's internal control over financial reporting and compliance.

J. E. Vance & Company, P.A.  
August 31, 2015





# Clay County Board of Supervisors

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

### INTRODUCTION

The discussion and analysis of Clay County's financial performance provides an overall narrative review of the County's financial activities for the year ended September 30, 2014. The intent of this discussion and analysis is to look at the County's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the County's financial performance.

This discussion and analysis is an element of required supplementary information specified in the "Governmental Accounting Standards Board's (GASB) Statement No. 34 – Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" issued June 1999. Certain comparative information between the current year and the prior year is required to be presented.

Clay County is located in the northern portion of Mississippi. The population, according to the 2010 census, is 20,634. The local economic base is driven primarily by manufacturing and agriculture, primarily forest products, soybeans, and cotton.

### FINANCIAL HIGHLIGHTS

Clay County is financially stable. The County has committed itself to financial excellence for many years by using sound financial planning, budgeting and strong internal controls. The County is committed to maintaining sound fiscal management to meet the challenges of the future.

Clay County continues to remain firm both economically and in population. This stability has allowed the county to maintain a steady increase in tax revenues without any significant tax increase. The County government's millage rate for the year ending September 30, 2014 was 54.57. This millage rate reflects a decrease of 1% from the prior year. The millage needed for the debt service category decreased by 3% in comparison to the prior year. Overall, from 1999 – 2004, the County's millage rate was maintained at 50.00. In 2005 thru 2012, the millage rate dropped below this amount. These figures alone should substantiate to the public both the significant tax base growth and the conservative effort of the Board of Supervisors to maintain the county's millage rate at a minimum. This percentage does not include School tax increase.

Total net position increased \$18,260,106, including prior period adjustments of (\$586,793), which represents a 77% increase from the prior fiscal year. The County's ending cash balance decreased by \$2,184,382, which represents a 26% decrease from the previous year.

The County had \$30,712,460 in total revenues. Property tax revenues account for \$5,237,058 or 17% of total revenues. Intergovernmental Revenues in the form of reimbursements, shared revenue or grants, account for \$22,756,825, or 74% of total revenues. Charges for services account for \$1,660,811 or 5% of total revenue. Ad valorem tax in lieu fees account for \$552,817 or 2% of total revenue. Other revenues such as road and bridge privilege taxes, fines, fees, interest income etc. account for the remaining 2% of total revenues.

The County had \$11,865,561 in total expenses, which represents a decrease of \$1,326,812 or 10% from the prior fiscal year. Functional revenues consisting of charges for services, grants or outside contributions totaling \$24,115,155 were adequate to cover these expenses. The County also reported general revenues of \$6,597,305 for the year ended September 30, 2014.

Among major funds, the General Fund had \$6,075,107 in revenues and \$6,080,843 in expenditures. The General Fund also had net other financing uses of \$32,267. The General Fund's fund balance increased \$99,710, including prior period adjustments of \$137,713, from the prior year.

Among major funds, the Yokohama Blvd State Aid Road Fund had \$21,002,591 in revenues and \$21,002,591 in expenditures. The Yokohama Blvd State Aid Road Fund's fund balance remained constant in relation to the prior year.

Among major funds, the \$11 Million Industrial Development Bond Fund had \$1,002 in revenues and \$2,429,005 in expenditures. The \$11 Million Industrial Development Bond Fund's fund balance decreased \$2,428,003 from the prior year.

Among major funds, the TVA Bridge Bond Fund had \$47,680 in revenues and \$121,964 in expenditures. The TVA Bridge Bond Fund's fund balance increased \$28,788 from the prior year.

Capital Assets, net of accumulated depreciation, increased by \$20,954,216. This represents a 127% increase from the prior year.

Long-term debt decreased by \$45,861. This represents a 0% decrease from the prior year. Yokohama Industrial Development Bonds outstanding in the amount of \$11,000,000 account for 74% of all long-term debt. This bond issue will be repaid from the in-lieu of ad valorem tax fee.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) Government-wide financial statements, 2) Fund financial statements and 3) Notes to the basic financial statements. Required Supplementary Information is included in addition to the basic financial statements.

**Figure 1 – Required Components of the County's Annual Report**

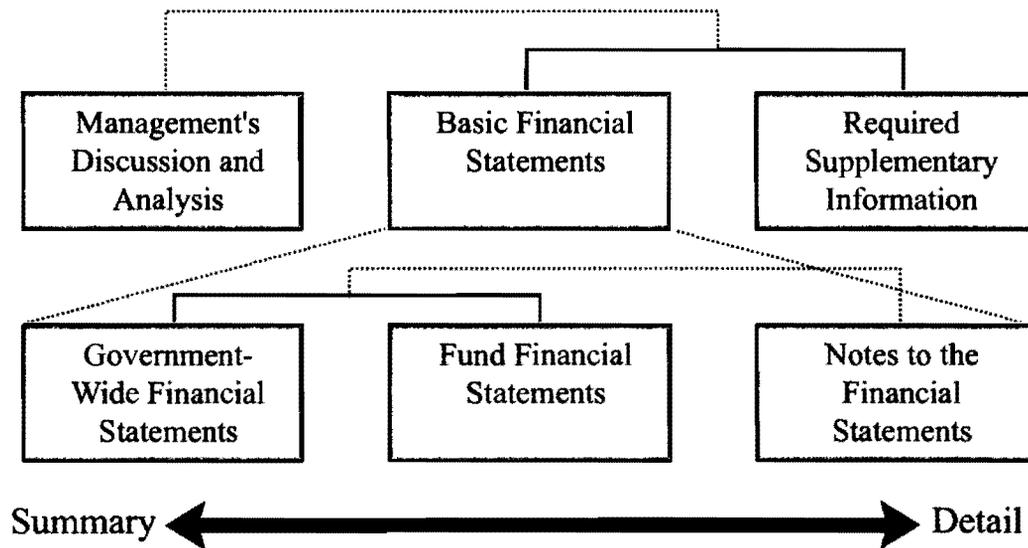


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

Figure 2 summarizes the major features of the County's financial statements, including the portion of the County's government they cover and the types of information they contain. The remainder of this section of Management's Discussion and Analysis explains the structure and content of each of the statements

**Figure 2 – Major Features of the County’s Government-Wide and Fund Financial Statements**

	<b>Government -Wide Financial Statements</b>	<b>Fund Financial Statements</b>		
		<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
<b>Scope</b>	<b>Entire County government (except fiduciary funds) and component units</b>	<b>All activities of the County that are not business-type or fiduciary in nature</b>	<b>Activities of the County that operate similar to private businesses</b>	<b>The County is the trustee or agent for someone else’s resources</b>
<b>Required financial statements</b>	<ul style="list-style-type: none"> <li>● Statement of net position</li> <li>● Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>● Balance sheet</li> <li>● Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>● Statement of net position</li> <li>● Statement of revenues, expenses and changes in net position</li> <li>● Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>● Statement of fiduciary assets and liabilities</li> </ul>
<b>Accounting basis and measurement focus</b>	<b>Accrual accounting and economic resources focus</b>	<b>Modified accrual accounting and current financial resources focus</b>	<b>Accrual accounting and economic resources focus</b>	<b>Accrual accounting and economic resources focus</b>
<b>Type of asset/liability information</b>	<b>All assets and liabilities, both financial and capital and short and long term</b>	<b>Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included</b>	<b>All assets and liabilities, both financial and capital, and short and long term</b>	<b>All assets and liabilities, both short and long term</b>
<b>Type of inflow/outflow information</b>	<b>All revenues and expenses during year, regardless of when cash is received or paid</b>	<b>Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services are received and payment is due during the year or soon thereafter</b>	<b>All revenues and expenses during year, regardless of when cash is received or paid</b>	<b>All revenues and expenses during year, regardless of when cash is received or paid</b>

**Government-wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the County finances, in a manner similar to private-sector businesses.

The **statement of net position** presents information on all County assets, deferred outflows, liabilities, and deferred inflows, with the remaining balance reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The **statement of activities** presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or part of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government, public safety, public works (roads and bridges), health and welfare, culture and recreation, education, conservation of natural resources, economic development, and interest on long-term debt. The business-type activities of the County include the County's Solid Waste Fund.

The Government-wide Financial Statements can be found on pages 19 and 20 of this report.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a county's near-term financing requirements. Governmental funds include the general, special revenue, debt service, and capital projects funds.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the "Governmental Funds Balance Sheet" and the "Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances" provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 22 and 24, respectively.

The County maintains individual governmental funds in accordance with the *Mississippi County Financial Accounting Manual*. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

The basic governmental funds financial statements can be found on pages 21 and 23 of this report.

**Proprietary funds** are maintained two ways. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statement. The County uses an enterprise fund to account for the Solid Waste Fund.

Fund financial statements for the proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Solid Waste Fund is considered to be a major fund of the County. The proprietary funds financial statements can be found on pages 25-27 of this report.

**Fiduciary funds** are used to account for resources held for the benefit of parties outside the County government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accrual basis of accounting is used for fiduciary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The County's fiduciary activities are presented in a separate Statement of Fiduciary Assets and Liabilities, which can be found on page 28 of this report.

**Notes to the financial statements** provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 29-51 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents Required Supplementary Information concerning the County's budget process.

The County adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund. This required supplementary information can be found on pages 53-58 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Position** – Net position may serve over time as a useful indicator of government's financial position. In the case of Clay County, assets exceeded liabilities and deferred inflows of resources by \$42,040,236 as of September 30, 2014.

By far, the largest portion of the County's net position (83%) reflects its investment in capital assets (e.g. roads, bridges, land, buildings, mobile equipment, furniture & equipment, leased property under capital lease and construction in progress) less related outstanding debt used to acquire such assets. The County uses these capital assets to provide services to its citizens.

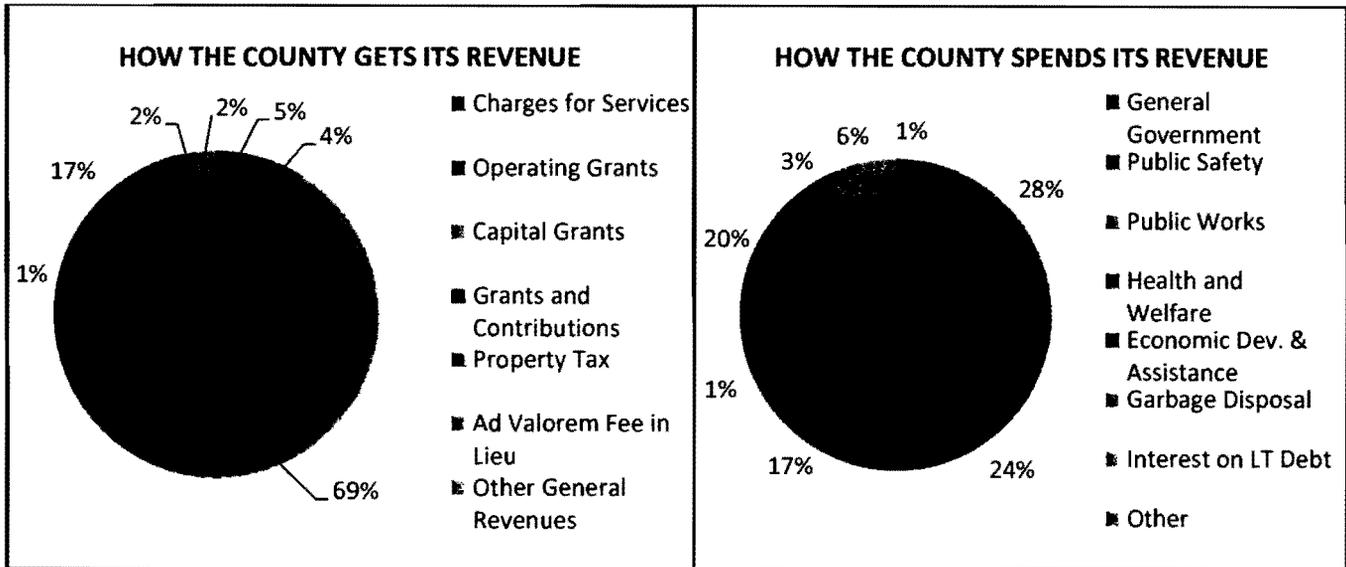
The County's financial position is a product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

The following table presents a summary of the County's net position at September 30, 2014 and 2013.

	Governmental Activities		Change
	2014	2013	
Current assets	15,468,896	18,737,550	-17%
Ad valorem tax fee in-lieu receivable	8,771,455	8,218,639	7%
Capital assets, net	37,420,394	16,477,002	127%
Total assets	\$ 61,660,745	\$ 43,433,191	42%
Current liabilities	640,991	847,623	-24%
Long-term debt outstanding	14,836,702	14,883,185	0%
Total liabilities	15,477,693	15,730,808	-2%
Deferred inflows of resources	4,691,529	4,685,052	0%
Net position:			
Investment in capital assets	34,925,546	13,445,814	160%
Restricted	6,916,665	7,965,503	-13%
Unrestricted	(350,688)	1,606,014	-122%
Total net position	\$ 41,491,523	\$ 23,017,331	80%
	Business-type Activities		Change
	2014	2013	
Current assets	531,873	743,947	-29%
Capital assets	54,031	43,207	25%
Total assets	\$ 585,904	\$ 787,154	-26%
Current liabilities	35,685	23,471	52%
Long-term debt outstanding	1,506	884	70%
Total liabilities	37,191	24,355	53%
Net position:			
Investment in capital assets	54,031	43,207	25%
Restricted	494,682	719,592	-31%
Total net position	\$ 548,713	\$ 762,799	-28%

**Changes in Net Position** – Clay County’s total revenues for the fiscal year ended September 30, 2014 were \$30,712,460. The total cost for all services provided was \$11,865,561. The increase in net position was \$18,260,106, including prior period adjustments of (\$586,793). The following table presents a summary of the changes in net position for the fiscal years ended September 30, 2014 and 2013.

	<u>2014</u>	<u>2013</u>	<u>Change</u>
<b>Revenues:</b>			
Program revenues			
Charges for services	\$ 1,660,811	\$ 1,543,030	8%
Operating grants	1,218,341	964,758	26%
Capital grants	21,236,003	1,145,797	1753%
General revenues			
Property taxes	5,237,058	5,252,775	0%
Road and bridge privilege taxes	232,046	229,996	1%
Grants and contributions not restricted	302,481	5,643	5260%
Advalorem Tax in-lieu fee	552,816	8,218,639	-93%
Interest income	34,261	33,460	2%
Other General Revenue	238,643	583,298	-59%
<b>Total Revenues</b>	<u>30,712,460</u>	<u>17,977,396</u>	71%
<b>Expenses:</b>			
General government	3,273,767	3,072,255	7%
Public safety	2,897,912	2,913,784	-1%
Public works	2,067,363	2,283,871	-9%
Health and welfare	152,014	166,197	-9%
Culture and recreation	80,256	76,418	5%
Education	35,750	-0-	100%
Conservation of natural resources	30,530	696,359	-96%
Economic development	2,320,697	3,517,635	-34%
Interest on long-term debt	683,484	150,774	353%
Garbage disposal (Business type)	323,788	315,080	3%
<b>Total Expense</b>	<u>11,865,561</u>	<u>13,192,373</u>	-10%
Prior Period Adjustments	<u>(586,793)</u>	<u>149,518</u>	-492%
<b>Increase in Net Position</b>	<u>\$ 18,260,106</u>	<u>\$ 4,934,541</u>	270%



**Governmental Activities** – The following table presents the cost of eight major functional activities of the County: General Government, Public Safety, Public Works, Health & Welfare, Economic Development, Culture & Recreation, Conservation of Natural Resources and Interest on Debt.

The table also shows each function's net cost (total cost less charges for services generated by the activity and intergovernmental aid provided for that activity.) The net cost shows the financial burden that was placed on Clay County's taxpayers by each of these functions.

	Total Costs	Net Costs
General Government	\$3,273,767	\$2,643,401
Public Safety	2,897,912	1,732,449
Public Works	2,067,363	1,450,124
Health & Welfare	152,014	95,633
Culture & Recreation	80,256	80,256
Education	35,750	35,750
Conservation of Natural Resources	30,530	30,530
Economic Development	2,320,697	(18,937,287)
Interest on Debt	683,484	683,484

## FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

**Governmental funds** – At the close of the fiscal year, Clay County's governmental funds reported a combined fund balance of \$7,967,391, a decrease of \$2,454,206, including prior period adjustments of \$137,713, or 24% from the previous year.

**Business-type fund** – Operating Revenue from the County's Garbage Collection Fund increased by 14% to \$371,143 and expenses increased approximately 3% to \$323,788. Nonoperating Revenues in the form of interest income, intergovernmental grants, and other income totaled \$26,576. Nonoperating expenses totaled \$589.

## **BUDGETARY HIGHLIGHTS OF MAJOR FUNDS**

A schedule showing the original and final budget amounts compared to the County's actual financial activity for the General Fund and other major special revenue funds is provided in this report as required supplementary information after the notes to the Financial Statements.

The Original Budget was amended to actual at year end. The only significant variances from the original Budget in regard to total Revenues and Expenditures occurred in the Yokohama Blvd State Aid Road Fund. These variances resulted from the timing of State Aid Road projects.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets** – As of September 30, 2014, Clay County's total capital assets were \$65,569,422. This includes roads, bridges, other infrastructure, land, buildings, mobile equipment, furniture and equipment, leased property under capital lease and construction in progress. This amount represents an increase from the previous year of \$21,359,791 or 48%.

Total accumulated depreciation as of September 30, 2014 was \$28,094,997, including \$622,256 of depreciation expense for the year. The balance in total net capital assets was \$37,474,425 at year-end.

Additional information on Clay County's capital assets can be found in note 8 on page 44 of this report.

**Debt Administration** – At September 30, 2014, Clay County had \$14,838,208 in long-term debt outstanding. This includes general obligation bonds, capital leases, other loans, and compensated absences. Of this debt, \$553,552 is due within one year.

Additional information on Clay County's long-term debt can be found in note 12 on page 49 of this report.

## **CURRENT AND FUTURE ITEMS OF IMPACT**

In July 2014, the County and the City of West Point renewed the three year contract with the Golden Triangle LINK organization to be responsible for the economic development needs of Clay County. The LINK has been very successful in landing the industrial development contract of Yokohama Tire for Clay County.

Things are moving along as scheduled with Yokohama Tire Company. On October 5, 2015, the Yokohama Tire Manufacturing Mississippi Corporation (YTMM) held its Grand Opening Ceremony at the Yokohama Tire Plant. This was a monumental occasion and important day for Clay County. This day symbolized the beginning of production for YTMM and the completion of Phase I. With production beginning, Yokohama Tire will be hiring 250 employees to meet the production demand and to fulfill the company's obligation of Phase I as agreed in the Memorandum of Understanding. Additionally, the MS Department of State Aid has almost completed the construction of the \$27 million dollar infrastructure project of building Yokohama Boulevard and an up-ramp from Eshman Avenue onto Yokohama Boulevard. Yokohama Boulevard will provide not only road frontage access from Highway 45 Alt. directly to Yokohama Tire Plant, but also, will provide access from within the West Point City limits to the plant.

The County has continued to cultivate and maintain existing relationships with local industries. Prestage Farms of Mississippi Inc., headquartered in Clay County, is a pork production division, which currently employs 260 employees and has contracts with 40 farm families in Mississippi and Alabama. Navistar Defense LLC, a primary defense contractor, has maintained a total employment of 195 employees and is planning on ramping up employment to 315 by February 2016. Navistar has defense contracts in place which will last until August 2016, if not longer. Babcox and Wilcox is a company that makes boilers for power plants and continues to consistently employ approximately 200 persons. Ellis Steel is a local steel fabricator that has, also, maintained steady employment of 150 employees.

## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the funds it receives. If you have questions about this report or need additional financial information, please contact the Clay County Chancery Clerk's office at P.O. Box 815, or 205 Court Street, West Point MS 39773 or by phone (662) 494-3124.

**FINANCIAL STATEMENTS**

Clay County  
Statement of Net Position  
September 30, 2014

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>ASSETS</b>			
Cash	\$ 6,014,028	303,301	6,317,329
Cash with fiscal agent	2,189,636		2,189,636
Property tax receivable	4,358,202		4,358,202
Ad Valorem Tax Fee In-Lieu Receivable	8,771,455		8,771,455
Accounts receivable (net of allowance for uncollectibles of \$753,798)		206,747	206,747
Fines receivable (net of allowance for uncollectibles of \$4,456,262)	662,077		662,077
Capital leases receivable	1,912,852		1,912,852
Intergovernmental receivables	293,688	348	294,036
Other receivables	34,955	24,935	59,890
Internal balances	3,458	(3,458)	
Capital assets:			
Land and construction in progress	22,015,820		22,015,820
Other capital assets, net	15,404,574	54,031	15,458,605
<b>Total Assets</b>	<u>61,660,745</u>	<u>585,904</u>	<u>62,246,649</u>
<b>LIABILITIES</b>			
Claims payable	285,648	23,268	308,916
Intergovernmental payables	164,482		164,482
Accrued interest payable	72,617		72,617
Unearned revenue	102,700	12,417	115,117
Amounts held in custody for others	15,544		15,544
Long-term liabilities			
Due within one year:			
Capital debt	476,500		476,500
Non-capital debt	77,052		77,052
Due in more than one year:			
Capital debt	2,018,348		2,018,348
Non-capital debt	12,264,802	1,506	12,266,308
<b>Total Liabilities</b>	<u>15,477,693</u>	<u>37,191</u>	<u>15,514,884</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property tax for future reporting period	4,358,202		4,358,202
Unavailable revenue - interest on capital leases	333,327		333,327
<b>Total Deferred Inflows of Resources</b>	<u>4,691,529</u>	<u>-0-</u>	<u>4,691,529</u>
<b>NET POSITION</b>			
Net investment in capital assets	34,925,546	54,031	34,979,577
Restricted:			
Expendable:			
General government	101,846		101,846
Public safety	102,920		102,920
Public works	1,200,510	494,682	1,695,192
Debt service	122,067		122,067
Culture and recreation	976		976
Economic development	5,010,903		5,010,903
Unemployment compensation	56,610		56,610
Capital projects	318,199		318,199
Nonexpendable	2,634		2,634
Unrestricted	(350,688)		(350,688)
<b>Total Net Position</b>	<u>\$ 41,491,523</u>	<u>548,713</u>	<u>42,040,236</u>

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

Clay County  
Statement of Activities  
For the Year Ended September 30, 2014

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 3,273,767	505,265	125,101		(2,643,401)		(2,643,401)
Public safety	2,897,912	784,403	200,249	180,811	(1,732,449)		(1,732,449)
Public works	2,067,363		567,239	50,000	(1,450,124)		(1,450,124)
Health and welfare	152,014		56,381		(95,633)		(95,633)
Culture and recreation	80,256				(80,256)		(80,256)
Education	35,750				(35,750)		(35,750)
Conservation of natural resources	30,530				(30,530)		(30,530)
Economic development and assistance	2,320,697		252,792	21,005,192	18,937,287		18,937,287
Interest on long-term debt	683,484				(683,484)		(683,484)
Total Governmental Activities	<u>11,541,773</u>	<u>1,289,668</u>	<u>1,201,762</u>	<u>21,236,003</u>	<u>12,185,660</u>		<u>12,185,660</u>
Business-type activities:							
Solid Waste	<u>323,788</u>	<u>371,143</u>	<u>16,579</u>			<u>63,934</u>	<u>63,934</u>
Total Business-type Activities	<u>323,788</u>	<u>371,143</u>	<u>16,579</u>	<u>-0-</u>		<u>63,934</u>	<u>63,934</u>
Total Primary Government	<u>\$ 11,865,561</u>	<u>1,660,811</u>	<u>1,218,341</u>	<u>21,236,003</u>	<u>12,185,660</u>	<u>63,934</u>	<u>12,249,594</u>
General revenues:							
Property taxes					\$ 5,237,058		5,237,058
Road & bridge privilege taxes					232,046		232,046
Grants and contributions not restricted to specific programs					302,481		302,481
Ad valorem fee in lieu					552,816		552,816
Unrestricted interest income					34,159	102	34,261
Miscellaneous					228,748	9,895	238,643
Transfers					<u>1,784</u>	<u>(1,784)</u>	<u>-0-</u>
Total General Revenues and Transfers					<u>6,589,092</u>	<u>8,213</u>	<u>6,597,305</u>
Changes in Net Position					<u>18,774,752</u>	<u>72,147</u>	<u>18,846,899</u>
Net Position - Beginning, as previously reported					23,017,331	762,799	23,780,130
Prior period adjustments					(300,560)	(286,233)	(586,793)
Net Position - Beginning, as restated					<u>22,716,771</u>	<u>476,566</u>	<u>23,193,337</u>
Net Position - Ending					<u>\$ 41,491,523</u>	<u>548,713</u>	<u>42,040,236</u>

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

**Clay County**  
**Balance Sheet - Governmental Funds**  
**September 30, 2014**

**Exhibit 3**

	Major Funds					Total Governmental Funds
	General Fund	Yokohama Blvd State Aid Road Fund	\$11 Million Industrial Dev Bond Fund	TVA Bridge Bond Fund	Other Governmental Funds	
<b>ASSETS</b>						
Cash	\$ 1,089,349	52,700	2,706,709	34,502	2,130,768	6,014,028
Cash with fiscal agent			2,189,636			2,189,636
Property tax receivable	3,426,602				931,600	4,358,202
Fines receivable (net of allowance for uncollectibles of \$4,456,262)	662,077					662,077
Capital lease receivable				1,912,852		1,912,852
Intergovernmental receivables	215,923				77,765	293,688
Other receivables	7,330				27,513	34,843
Due from other funds	53,970				34,533	88,503
Advances to other funds	200				2,434	2,634
<b>Total Assets</b>	<b>\$ 5,455,451</b>	<b>52,700</b>	<b>4,896,345</b>	<b>1,947,354</b>	<b>3,204,613</b>	<b>15,556,463</b>
<b>LIABILITIES</b>						
<b>Liabilities:</b>						
Claims payable	\$ 173,903				111,745	285,648
Intergovernmental payables	156,558					156,558
Due to other funds	42,457				50,400	92,857
Advances from other funds					2,634	2,634
Unearned revenue		52,700			50,000	102,700
Amounts held in custody for others	15,544					15,544
<b>Total Liabilities</b>	<b>\$ 388,462</b>	<b>52,700</b>	<b>-0-</b>	<b>-0-</b>	<b>214,779</b>	<b>655,941</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue - property taxes	3,426,602				931,600	4,358,202
Unavailable revenue - fines	662,077					662,077
Unavailable revenue - principal and interest on capital leases				1,912,852		1,912,852
<b>Total Deferred Inflows of Resources</b>	<b>\$ 4,088,679</b>	<b>-0-</b>	<b>-0-</b>	<b>1,912,852</b>	<b>931,600</b>	<b>6,933,131</b>
<b>Fund balances:</b>						
<b>Nonspendable:</b>						
Advances	200					200
<b>Restricted to:</b>						
General government					189,219	189,219
Public safety					102,083	102,083
Public works					1,434,607	1,434,607
Culture and recreation					976	976
Economic development and assistance			4,896,345	34,502	80,055	5,010,902
Debt service					194,684	194,684
Unemployment compensation					56,610	56,610
Unassigned	978,110					978,110
<b>Total Fund Balances</b>	<b>\$ 978,310</b>	<b>-0-</b>	<b>4,896,345</b>	<b>34,502</b>	<b>2,058,234</b>	<b>7,967,391</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,455,451</b>	<b>52,700</b>	<b>4,896,345</b>	<b>1,947,354</b>	<b>3,204,613</b>	<b>15,556,463</b>

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

**Clay County**  
**Reconciliation of Governmental Funds**  
**Balance Sheet to the Statement of Net Position**  
**September 30, 2014**

**Exhibit 3-1**

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 7,967,391
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$27,794,028.	37,420,394
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Advalorem tax-fee in lieu	8,771,455
Fines receivable	662,077
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(14,836,702)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(72,617)
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,579,525
Total Net Position - Governmental Activities	\$ <u><u>41,491,523</u></u>

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

**Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended September 30, 2014**

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General Fund	Yokohama Blvd State Aid Road Fund	\$11 Million Industrial Dev Bond Fund	TVA Bridge Bond Fund		
<b>REVENUES</b>						
Property taxes	\$ 4,063,447				1,173,611	5,237,058
Road and bridge privilege taxes					232,046	232,046
Licenses, commissions and other revenue	276,731				24,442	301,173
Fines and forfeitures	245,022					245,022
Intergovernmental revenues	837,571	21,002,591			900,084	22,740,246
Charges for services	526,983				262,302	789,285
Interest income	32,637		1,001	8	513	34,159
Miscellaneous revenues	92,716		1	47,672	78,358	218,747
Total Revenues	<u>6,075,107</u>	<u>21,002,591</u>	<u>1,002</u>	<u>47,680</u>	<u>2,671,356</u>	<u>29,797,736</u>
<b>EXPENDITURES</b>						
Current:						
General government	3,260,617				204,158	3,464,775
Public safety	2,442,843				452,660	2,895,503
Public works					1,864,964	1,864,964
Health and welfare	152,014					152,014
Culture and recreation					80,256	80,256
Education	35,750					35,750
Conservation of natural resources	30,530					30,530
Economic development and assistance	132,778	21,002,591	1,900,678	12,500	253,977	23,302,524
Debt service:						
Principal	24,915			64,902	325,505	415,322
Interest	1,396		528,327	44,562	82,063	656,348
Total Expenditures	<u>6,080,843</u>	<u>21,002,591</u>	<u>2,429,005</u>	<u>121,964</u>	<u>3,263,583</u>	<u>32,897,986</u>
Excess of Revenues over (under) Expenditures	<u>(5,736)</u>	<u>-0-</u>	<u>(2,428,003)</u>	<u>(74,284)</u>	<u>(592,227)</u>	<u>(3,100,250)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Long-term capital debt issued	136,408				230,000	366,408
Proceeds from sale of capital assets	1,325				37,526	38,851
Transfers in	30,000				386,512	416,512
Transfers out	(200,000)				(216,512)	(416,512)
Lease principal payments				103,072		103,072
Total Other Financing Sources and Uses	<u>(32,267)</u>	<u>-0-</u>	<u>-0-</u>	<u>103,072</u>	<u>437,526</u>	<u>508,331</u>
Net Changes in Fund Balances	<u>(38,003)</u>	<u>-0-</u>	<u>(2,428,003)</u>	<u>28,788</u>	<u>(154,701)</u>	<u>(2,591,919)</u>
Fund Balances - Beginning, as previously reported	878,600	-0-	7,324,348	5,714	2,212,935	10,421,597
Prior period adjustment	137,713					137,713
Fund Balances - Beginning, as restated	<u>1,016,313</u>	<u>-0-</u>	<u>7,324,348</u>	<u>5,714</u>	<u>2,212,935</u>	<u>10,559,310</u>
Fund Balances - Ending	\$ <u>978,310</u>	<u>-0-</u>	<u>4,896,345</u>	<u>34,502</u>	<u>2,058,234</u>	<u>7,967,391</u>

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

**Clay County**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in**  
**Fund Balances of Governmental Funds to the Statement of Activities**  
**For the Year Ended September 30, 2014**

**Exhibit 4-1**

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (2,591,919)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that capital outlays of \$21,655,179 including donations of \$10,000 exceeded depreciation of \$617,623 and adjustments of (\$23,969) in the current period.	21,013,587
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net loss of \$25,656, proceeds from sale of \$38,851, and trade-in value of \$57,000 in the current period.	(70,195)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	(45,812)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds:	
Advalorem tax fee in-lieu change in net present value	552,816
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount that debt repayments of \$415,322 exceeded debt proceeds of \$366,408.	48,914
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by a combination of the following items:	
Increase in accrued interest payable	(27,136)
Increase in compensated absences	(2,431)
In the Statement of Activities, only interest income from payments received on capital leases are reported, whereas in the governmental funds, both principal and interest payments received increase financial resources. Thus, the change in net position differs from the change in fund balances by principal collections on capital leases.	(103,072)
Change in Net Position of Governmental Activities	\$ <u><u>18,774,752</u></u>

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

**Clay County**  
**Statement of Net Position - Proprietary Fund**  
**For the Year Ended September 30, 2014**

**Exhibit 5**

Business-type Activities - Enterprise Fund

	<u>Solid Waste Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash	\$ 303,301
Accounts receivable (net of allowance for uncollectibles of \$753,798)	206,747
Intergovernmental receivables	348
Other receivables	24,935
Total Current Assets	<u>535,331</u>
Noncurrent assets:	
Capital assets:	
Other capital assets, net	54,031
Total Noncurrent Assets	<u>54,031</u>
Total Assets	<u>589,362</u>
<b>LIABILITIES</b>	
Current liabilities:	
Claims payable	23,268
Due to other funds	3,458
Unearned revenue	12,417
Non-capital debt:	
Compensated absences payable	1,506
Total Current Liabilities	<u>40,649</u>
<b>NET POSITION</b>	
Net investment in capital assets	54,031
Restricted for:	
Public works	494,682
Total Net Position	<u>\$ 548,713</u>

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

Clay County  
**Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund**  
**For the Year Ended September 30, 2014**

**Exhibit 6**

Business-type Activities - Enterprise Fund

	<u>Solid Waste Fund</u>
Operating Revenues	
Charges for services	\$ 371,143
Total Operating Revenues	<u>371,143</u>
Operating Expenses	
Personal services	123,819
Contractual services	126,152
Materials and supplies	65,137
Depreciation expense	4,633
Indirect administrative cost	3,458
Total Operating Expenses	<u>323,199</u>
Operating Income (Loss)	<u>47,944</u>
Nonoperating Revenues (Expenses)	
Operating grants	16,579
Interest income	102
Other income	9,895
Other expense	(589)
Net Nonoperating Revenue (Expenses)	<u>25,987</u>
Net Income (Loss) Before Transfers	73,931
Transfers out	(1,784)
Changes in Net Position	<u>72,147</u>
Net Position - Beginning, as previously reported	762,799
Prior period adjustments	<u>(286,233)</u>
Net Position - Beginning, as restated	<u>476,566</u>
Net Position - Ending	<u>\$ 548,713</u>

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

Clay County  
Statement of Cash Flows - Proprietary Fund  
For the Year Ended September 30, 2014

Exhibit 7

Business-type Activities - Enterprise Fund

	<u>Solid Waste Fund</u>
Cash Flows From Operating Activities	
Receipts from customers	\$ 366,494
Payments to suppliers	(178,762)
Payments to employees	(123,197)
Payments to General Fund for indirect costs	(3,483)
Net Cash Provided by Operating Activities	<u>61,052</u>
Cash Flows From Capital and Related Financing Activities	
Acquisition and construction of capital assets	<u>(25,741)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(25,741)</u>
Cash Flows From Noncapital Financing Activities	
Intergovernmental grants received	16,823
Other receipts	9,895
Other payments	(589)
Net Cash Provided by Noncapital Financing Activities	<u>26,129</u>
Cash Flows From Investing Activities	
Interest on deposits	<u>102</u>
Net Cash Provided by Investing Activities	<u>102</u>
Net Increase in Cash and Cash Equivalents	61,542
Cash and Cash Equivalents at Beginning of Year	241,759
Cash and Cash Equivalents at End of Year	<u>\$ 303,301</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	\$ 47,944
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	4,633
Provision for uncollectible accounts	72,341
Changes in assets and liabilities:	
Increase in accounts receivable	(75,160)
Increase in other receivables	(1,517)
Increase in claims payable	12,527
Decrease in unearned revenue	(313)
Increase in compensated absences liability	622
Decrease in interfund payables	(25)
Total Adjustments	<u>13,108</u>
Net Cash Provided by Operating Activities	<u>\$ 61,052</u>

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

**Clay County**  
**Statement of Fiduciary Assets and Liabilities**  
**September 30, 2014**

**Exhibit 8**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and investments	\$ 104,691
Due from other funds	<u>7,924</u>
Total Assets	<u><u>\$ 112,615</u></u>
<b>LIABILITIES</b>	
Amounts held in custody for others	\$ 112,503
Due to other funds	<u>112</u>
Total Liabilities	<u><u>\$ 112,615</u></u>

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

**CLAY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**(1) Summary of Significant Accounting Policies**

**A. Financial Reporting Entity**

Clay County is a political subdivision of the State of Mississippi. The county is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Clay County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county. There are no outside organizations that should be included as component units of the county's reporting entity.

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 and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

**Government-wide Financial Statements**

The Statement of Net Position and Statement of Activities display information concerning the county as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support.

**CLAY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**B. Basis of Presentation (Continued)**

The Statement of Net Position presents the financial condition of the governmental and business-type activities of the County at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the County's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business-type activity or governmental function is self-financing or draws from the general revenues 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, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise 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, Proprietary Funds and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic assets used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the County. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

The revenues and expenses of Proprietary Funds are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services in connection with a Proprietary Fund's primary operations. All other revenues and expenses are reported as nonoperating.

**CLAY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**C. Measurement Focus and Basis of Accounting (Continued)**

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The County reports the following major governmental funds:

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

Yokohama Blvd State Aid Road Fund – This fund is used to account for monies acquired from the Mississippi Office of State Aid Road Construction for the use of constructing Yokohama Boulevard, which provides road frontage access from Highway 45 Alt. directly to the Yokohama Tire Manufacturing plant site.

\$11 Million Industrial Development Bond Fund - This fund is used to account for monies from the issuance of the industrial development bond that was issued for economic development.

TVA Bridge Bond Fund - This fund is used to account for monies from specific revenue sources that are established for economic development.

The county reports the following major Enterprise Fund:

Solid Waste Fund - This fund is used to account for the County's activities of disposal of solid waste within the county.

**CLAY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**C. Measurement Focus and Basis of Accounting (Continued)**

Additionally, the County reports the following fund types:

**Governmental Fund Types**

Special Revenue Funds – These funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures 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 expenditure for principal and interest.

Capital Projects Funds – These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

**Proprietary Fund Type**

Enterprise Funds – These funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the County has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

**Fiduciary Fund Type**

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

**D. Account Classifications**

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2012 by the Government Finance Officers Association.

**CLAY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**E. Deposits and Investments**

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

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

**F. Receivables**

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

**G. Interfund Transactions and Balances**

Transactions between funds that are representative of short-term lending/borrowing arrangements, and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in the General Fund, if applicable to indicate that they are not available for appropriation and are not expendable available financial resources. However, this is not applicable to advances reported in other governmental funds, which are reported, by definition, as restricted, committed, or assigned. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

**H. Capital Assets**

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the (applicable) governmental activities column in the government-wide financial statement. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available.

**CLAY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**H. Capital Assets (Continued)**

Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Clay County elected to report general infrastructure assets acquired after September 30, 1980, on the government wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets.

Capital assets acquired or constructed for Proprietary Fund operations are capitalized at cost in the respective funds in which they are utilized. No interest is capitalized on self-constructed assets because noncapitalization of interest does not have a material effect on the County's financial statements. Donated capital assets are recorded at their fair value at the time of donation.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements and proprietary funds. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year.

The following schedule details those thresholds and estimated useful lives:

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

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

**CLAY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**I. Deferred Inflows of Resources**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Property tax for future reporting period/unavailable revenue – property taxes – Deferred inflows of resources should be reported when resources associated with imposed nonexchange revenue transactions are received or reported as a receivable before the period for which property taxes are levied.

Unavailable revenue – When an asset is recorded in the governmental fund financial statements but the revenue is not available, the government should report a deferred inflow of resources until such time as the revenue becomes available.

Fines  
Principal and interest on capital leases

**J. Long-Term Liabilities**

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

In the government-wide financial statements and in the Proprietary Fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or Proprietary Funds Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount.

**K. Equity Classifications**

Government-wide Financial Statements:

Equity is classified as Net Position and displayed in three components:

Net Investment / Investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvements of those assets.

**CLAY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**K. Equity Classifications (Continued)**

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” or “net investment / investment in capital assets.”

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.

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

*Nonspendable fund balance* includes amounts that cannot be spent. This includes amounts that are either not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds from the collection of those receivables or from the sale of those properties are restricted or assigned) or amounts that are legally or contractually required to be maintained intact, such as a principal balance of a permanent fund.

*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 expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted (unassigned) resources are available, it is the County’s general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted 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.

**CLAY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**L. Property Tax Revenues**

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the County. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectability criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

**M. Intergovernmental Revenues in Governmental Funds**

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

**N. Compensated Absences**

The County has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements and the Proprietary Fund financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

**CLAY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**O. Changes in Accounting Standards**

The County implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement 65, *Items Previously Reported as Assets and Liabilities*; GASB Statement 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*. The provisions of these standards have been incorporated into the financial statements and notes.

**(2) Prior Period Adjustments**

A summary of significant net position/fund balance adjustments is as follows:

Exhibit 2 – Statement of Activities

<u>Explanation</u>	<u>Amount</u>
<b>Governmental Activities</b>	
To restate net position due to implementation of new GASB 65 guidance	\$ (317,368)
To correct prior period fines receivable, net	(120,905)
To correct prior period claims payable	137,713
<b>Total governmental activities</b>	<u>(300,560)</u>
<b>Business-type Activities</b>	
To correct prior period accounts receivable, net	(277,733)
To correct prior period capital assets, net of accumulated depreciation	(8,500)
<b>Total business-type activities</b>	<u>(286,233)</u>
<b>Total prior period adjustments</b>	<u>\$ (586,793)</u>

Exhibit 4 – Statement of Revenues, Expenditures, and Changes in Fund Balance –  
Governmental Funds – General Fund

<u>Explanation</u>	<u>Amount</u>
To correct prior period claims payable	\$ 137,713
Total prior period adjustments	<u>\$ 137,713</u>

Exhibit 6 – Statement of Revenues, Expenditures, and Changes in Fund Balance –  
Business-type Activities – Solid Waste Fund

<u>Explanation</u>	<u>Amount</u>
To correct prior period accounts receivable, net	\$ (277,733)
To correct prior period capital assets, net of accumulated depreciation	(8,500)
Total prior period adjustments	<u>\$ (286,233)</u>

**CLAY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**(3) Deposits**

The carrying amount of the County's total deposits with financial institutions at September 30, 2014, was \$8,611,656, including cash with fiscal agents of \$2,189,636, and the bank balance was \$8,921,883. 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 a 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 – Custodial credit risk is the risk that in the event of the failure of a financial institution, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the County. Deposits above the FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the County.

**(4) Ad Valorem Tax Fee-In-Lieu Receivable**

Clay County and the City of West Point, collectively acting through an interlocal agreement, entered into an Ad Valorem Tax Fee-In-Lieu Agreement with the Mississippi Development Authority, the Mississippi Major Economic Impact Authority and Yokohoma Tire Corporation. The agreement provides that, beginning February 1, 2017, and continuing for thirty years, Yokohoma will make an annual fee-in-lieu payment of at least \$1,700,000 to Clay County, which will then be distributed first to the schools based on the pro rata millage and then split equally between the county and the city. The city has agreed to leave their share with the county for the first ten years for debt payments. Fee payments shall be made on or before February 1 each year.

**CLAY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**(4) Ad Valorem Tax Fee-In-Lieu Receivable (Continued)**

Ad Valorem Tax Fee-In-Lieu Receivable at September 30, 2014 is as follows:

<u>Year Ended September 30</u>	<u>Amount</u>
2015	\$ -0-
2016	-0-
2017	1,038,077
2018	1,038,077
2019	1,038,077
2020-2024	5,190,387
2025-2029	3,633,271
2030-2034	519,039
Total	\$ 12,456,928
Less: Discount to Present Value	<u>3,685,473</u>
Net Receivable	<u>\$ 8,771,455</u>

Receivable payments due in more than one year are discounted to net present value using the County's average interest rate of 4.717% on the bonds issued for the project, which management has determined is an appropriate discount commensurate with the risks involved.

**(5) Interfund Transactions and Balances**

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

A. Due From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Solid Waste Fund	\$ 3,458
General Fund	Other Governmental Funds	50,400
General Fund	Agency Funds	112
Other Governmental Funds	General Fund	34,533
Agency Funds	General Fund	<u>7,924</u>
Total		<u>\$ 96,427</u>

The payables from the General Fund represent the tax revenue collected but not settled until October 2014. The payable from the Solid Waste Fund represents the indirect cost for the September 30, 2014 fiscal year, which is expected to be repaid within one year. All interfund balances are expected to be repaid within one year from the date of the financial statements.

**CLAY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**(5) Interfund Transactions and Balances (Continued)**

**B. Advances From/To Other Funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 200
Other Governmental Funds	Other Governmental Funds	2,434
Total		<u>\$ 2,634</u>

The payables to the General Fund represent loans to establish opening balances in other funds. The payables from/to Other Governmental Funds represents a loan for a debt service payment.

**C. Transfers In/Out**

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 30,000
Other Governmental Funds	General Fund	200,000
Other Governmental Funds	Other Governmental Funds	186,512
Total		<u>\$ 416,512</u>

The principal purpose of interfund transfers was to provide funds for grant matches or to provide funds to pay for capital outlay. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

**CLAY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**(6) Intergovernmental Receivables**

Intergovernmental receivables at September 30, 2014 consisted of the following:

Governmental Activities:

<u>Description</u>	<u>Amount</u>
Legislative Tag Credit	\$ 93,673
Reimbursement for Housing Prisoners	79,949
Home Investment Partnership Program	50,400
MDHS Welfare/Food Stamp Reimbursement	19,919
Motor Vehicle Fuel Tax	17,474
Motor Vehicle Licenses	10,976
Reimbursement for 16th Circuit Drug Court	7,875
Help MS Vote Proceeds	7,589
Other	5,833
Total Governmental Activities	<u>\$ 293,688</u>

Business-type Activities:

<u>Description</u>	<u>Amount</u>
MS Department of Environmental Quality funds	\$ 348
Total Business-type Activities	<u>\$ 348</u>

**CLAY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**(7) Capital Assets**

The following is a summary of capital assets activity for the year ended September 30, 2014:

**Primary Government**

Governmental activities:

<b>Primary Government:</b>	<u>Balance 10/1/2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments</u>	<u>Balance 9/30/2014</u>
<b>Governmental Activities:</b>					
<u>Non-depreciable capital assets:</u>					
Land	\$ 901,327	69,691			\$ 971,018
Construction-in-progress	-0-	21,044,802			21,044,802
<b>Total non-depreciable capital assets</b>	<u>901,327</u>	<u>21,114,493</u>	<u>-0-</u>	<u>-0-</u>	<u>22,015,820</u>
<u>Depreciable capital assets:</u>					
Infrastructure	30,151,763				30,151,763
Buildings	5,541,806	71,473			5,613,279
Mobile equipment	6,016,567	174,663	209,459	(40,576)	5,941,195
Furniture and equipment	909,215	158,142	12,000		1,055,357
Leased property under capital leases	341,849	136,408		(41,250)	437,007
<b>Total depreciable capital assets</b>	<u>42,961,200</u>	<u>540,686</u>	<u>221,459</u>	<u>(81,826)</u>	<u>43,198,601</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	19,115,196	185,292			19,300,488
Buildings	2,648,601	74,933		5,484	2,729,018
Mobile equipment	4,964,586	166,265	148,178	(42,156)	4,940,517
Furniture and equipment	454,092	118,411	3,086	1,090	570,507
Leased property under capital leases	203,050	72,722		(22,275)	253,497
<b>Total accumulated depreciation</b>	<u>27,385,525</u>	<u>617,623</u>	<u>151,264</u>	<u>(57,857)</u>	<u>27,794,027</u>
<b>Total depreciable capital assets, net</b>	<u>15,575,675</u>	<u>(76,937)</u>	<u>70,195</u>	<u>(23,969)</u>	<u>15,404,574</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 16,477,002</u>	<u>21,037,556</u>	<u>70,195</u>	<u>(23,969)</u>	<u>\$ 37,420,394</u>

Adjustments are due to the reclassification of assets from leased property to mobile equipment, the transfer of assets from business-type activities, and to correct the reported carrying values of previously leased property.

**CLAY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**(7) Capital Assets (Continued)**

**Business-type activities:**

	Balance 10/1/2013	Increases	Decreases	Adjustments	Balance 9/30/2014
<b>Business-type Activities:</b>					
<u>Depreciable capital assets:</u>					
Mobile equipment	334,564	25,741		(17,844)	342,461
Furniture and equipment	12,540				12,540
Total depreciable capital assets	<u>347,104</u>	<u>25,741</u>	<u>-0-</u>	<u>(17,844)</u>	<u>355,001</u>
<u>Less accumulated depreciation for:</u>					
Mobile equipment	292,611	4,633		(7,560)	289,684
Furniture and equipment	11,286				11,286
Total accumulated depreciation	<u>303,897</u>	<u>4,633</u>	<u>-0-</u>	<u>(7,560)</u>	<u>300,970</u>
Total depreciable capital assets, net	<u>43,207</u>	<u>21,108</u>	<u>-0-</u>	<u>(10,284)</u>	<u>54,031</u>
Business-type activities capital assets, net	<u>\$ 43,207</u>	<u>21,108</u>	<u>-0-</u>	<u>(10,284)</u>	<u>\$ 54,031</u>

Adjustments were made to correct the reported values of accumulated depreciation and to record the transfer of an asset to governmental activities.

Depreciation expense was charged to the following functions:

	Amount
<b>Governmental Activities:</b>	
General government	\$ 117,447
Public safety	139,361
Public works	297,840
Economic Development	62,975
Total governmental activities depreciation expense	<u>\$ 617,623</u>
<b>Business-type activities:</b>	
Solid Waste	\$ 4,633
Total business-type activities depreciation expense	<u>\$ 4,633</u>

**CLAY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**(7) Capital Assets (Continued)**

Commitments with respect to unfinished capital projects at September 30, 2014, consisted of the following:

Governmental Activities:	Remaining	Expected Date of
<u>Description of Commitment</u>	<u>Financial</u>	<u>Completion</u>
	Commitment	
Yokohama Boulevard	\$ 5,715,665	October 2015
Industrial Access Ramp	745,425	October 2015
Total Governmental Activities	<u>\$ 6,461,090</u>	

**(8) Claims and Judgments**

**Risk Financing**

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2014, to January 1, 2015. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

**(9) Capital Leases**

**As Lessor:**

The County leases the following property with varying terms and options as of September 30, 2014:

<u>Classes of Property</u>	<u>Amount</u>
Industrial facilities	\$ <u>2,185,193</u>

**CLAY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**(9) Capital Leases (Continued)**

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2014, are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 123,447	48,485
2016	118,293	42,825
2017	122,009	39,110
2018	125,842	35,277
2019	129,796	31,322
2020-2024	534,861	101,193
2025-2029	348,479	32,593
2030-2034	76,798	2,522
Total	<u>\$ 1,579,525</u>	<u>333,327</u>

**As Lessee:**

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2014:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 202,435
Furniture and equipment	234,572
Total	437,007
Less: Accumulated Depreciation	253,497
Leased Property Under Capital Lease	<u>\$ 183,510</u>

The following is a schedule by years of the total payments due as of September 30, 2014:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 69,376	3,095
2016	49,421	1,887
2017	45,214	838
2018	17,665	106
Total	<u>\$ 181,676</u>	<u>5,926</u>

**CLAY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**(10) Long-term Debt**

Debt outstanding as of September 30, 2014, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rates	Final Maturity Date
<b>Governmental Activities</b>			
<b>A. General Obligation Bonds:</b>			
District 5 road 2000 issue	\$ 20,000	5/6.0	10/01/2015
District 4 road 2000 issue	40,000	5.2/7.0	12/01/2015
District 3 road 2000 issue	215,000	5.5/7.5	08/01/2020
District 2 road 2001 issue	245,000	5.25/5.65	12/01/2020
County building	135,000	1.55/2.26	09/30/2016
\$11 million industrial dev bond issue	11,000,000	2.448/6.25	03/01/2031
District 5 road 2013 issue	464,000	2.4/2.5	05/01/2025
District 4 road 2013 issue	500,000	2.9	11/01/2025
District 4 road 2008 issue	340,000	4.0	09/01/2023
District 5 road 2014 issue	230,000	2.19	03/15/2019
Total General Obligation Bonds	<u>\$ 13,189,000</u>		
<b>B. Capital Leases</b>			
E-911 Telephone Equipment	\$ 20,997	3.17	02/25/2015
Kubota Tractor	18,861	3.20	05/10/2017
2009 New Holland Tractor	21,859	3.15	05/10/2014
5 Dodge Vehicles	119,959	2.04	03/28/2018
Total Capital Leases	<u>\$ 181,676</u>		
<b>C. Other Loans:</b>			
Two Volunteer fire trucks	45,172	2.00	04/01/2017
Volunteer fire building	42,000	3.89	01/05/2017
Court House roof	16,000	2.99	05/06/2015
2010 Freightliner fire truck	21,000	3.52	05/06/2015
Fisher Marine building renovation	529,066	3.00	09/01/2031
Commercial building	709,177	3.00	06/01/2027
Total Other Loans	<u>\$ 1,362,415</u>		

**CLAY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**(10) Long-term Debt (Continued)**

Annual debt service requirements to maturity for the following debt reported in the Statement of Net Position are as follows:

Governmental Activities:

Year Ending September 30,	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2015	339,000	622,487	145,176	32,352
2016	281,000	608,889	103,673	35,168
2017	778,000	592,405	99,207	32,481
2018	790,000	569,446	76,782	29,381
2019	817,000	543,931	79,117	27,046
2020-2024	3,941,000	2,256,941	433,182	97,632
2025-2029	4,243,000	1,252,253	386,304	34,379
2030-2034	2,000,000	126,875	38,974	636
Total	\$ 13,189,000	6,573,227	1,362,415	289,075

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the County. As of September 30, 2014, the amount of outstanding debt was equal to 9.43% of the latest property assessments.

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

	Balance Oct. 1, 2013	Additions	Reductions	Balance Sept. 30, 2014	Amount due within one year
<b>Governmental Activities:</b>					
Compensated absences	\$ 101,180	2,431		103,611	
General obligation bonds	13,153,000	230,000	194,000	13,189,000	339,000
Capital leases	134,087	136,408	88,819	181,676	69,376
Other loans	1,494,918		132,503	1,362,415	145,176
Totals	\$ 14,883,185	368,839	415,322	14,836,702	553,552
<b>Business-type Activities:</b>					
Compensated absences	\$ 884	622		1,506	
Totals	\$ 884	622	-0-	1,506	-0-

Compensated absences will be paid from the fund from which the employees' salaries were paid which are generally the General Fund, Road Maintenance Funds, Bridge Funds, and E-911 Fund.

**CLAY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**(11) Contingencies**

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

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

**(12) Joint Ventures**

The county participates in the following joint venture:

Clay County is a participant with the counties of Choctaw, Lowndes, Noxubee, Oktibbeha, Webster and Winston and also the cities of Columbus, Louisville, Starkville, Macon, Eupora, West Point, and Ackerman in a joint venture, authorized by Section 17-17-307, Miss. Code Ann. (1972), to operate the Golden Triangle Solid Waste Management Authority. The joint venture was created to provide solid waste disposal services for the applicable area and is governed by a 38-member board, of which Clay County appoints one member. Clay County did not appropriate funds to the organization in fiscal year 2014. The user governments will be billed based on the amount of solid waste from each government. Complete financial statements for the Golden Triangle Regional Solid Waste Management Authority can be obtained from Golden Triangle Planning and Development District, Post Office Box 828, Starkville, Mississippi 39760-0828.

**(13) Jointly Governed Organizations**

The county participates in the following jointly governed organizations:

East Mississippi Community College operates in a district composed of the counties of Clay, Kemper, Lauderdale, Lowndes, Noxubee, and Oktibbeha. The Clay County Board of Supervisors appoints two of the twelve members of the college board of trustees. The county levied \$528,156 for the maintenance and support of the college in fiscal year 2014.

Golden Triangle Planning and Development District provides services for the counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster and Winston. The Clay County Board of Supervisors appoints four of the 28 members of the board of directors. The county appropriated \$27,304 for support of the district in fiscal year 2014.

**CLAY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**(13) Jointly Governed Organizations (Continued)**

The Tombigbee Regional Library System operates in a district composed of the counties of Choctaw, Clay, Monroe and Webster. The Clay County Board of Supervisors appoints one of the five members of the board of directors. The county levied \$78,989 for the library during fiscal year 2014.

Community Counseling Services operates in a district composed of the counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster and Winston. The Clay County Board of Supervisors appoints one of the seven members of the board of commissioners. The county appropriated \$24,000 for support of the organization in fiscal year 2014.

Prairie Opportunity, Inc. operates in a district composed of the counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster and Winston. The Clay County Board of Supervisors appoints one of the 21 board members. One board member from each of the counties must come from the private sector (recipient of services), and one member from each county must come from the community. These 14 board members are not appointed by the county Board of Supervisors. The counties generally provide no financial support to the organization.

The Mississippi Regional Housing Authority IV operates in a district composed of the counties of Carroll, Choctaw, Clay, Grenada, Lowndes, Montgomery, Oktibbeha, Webster and Winston. The Clay County Board of Supervisors appoints one of the nine board members. The counties generally provide no financial support to the organization.

**(14) Defined Benefit Pension Plan**

Plan Description. Clay County, Mississippi contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy. At September 30, 2013, PERS members were required to contribute 9% of their annual covered salary and the County is required to contribute at an actuarially determined rate. The rate at September 30, 2014 was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2014, 2013, and 2012, were \$476,306, \$418,841, and \$352,040, respectively, equal to the required contributions for each year.

**CLAY COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**(15) Subsequent Events**

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Clay County evaluated the activity of the County through August 31, 2015, (the date the financial statements were available to be issued), and determined that the following subsequent event(s) have occurred that require disclosure in the notes to the financial statements.

Subsequent to September 30, 2014, Clay County issued the following debt obligations:

Issue Date	Interest Rate	Issue Amount	Type of Financing	Source of Financing
05/18/15	3.00%	310,000	Bond Issuance	Ad valorem taxes

**REQUIRED SUPPLEMENTARY INFORMATION**

Clay County  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 General Fund  
 For the Year Ended September 30, 2014

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 4,064,658	4,060,094	4,060,094	-0-
Licenses, commissions and other revenue	232,600	270,034	270,034	-0-
Fines and forfeitures	220,000	242,740	242,740	-0-
Intergovernmental revenues	837,472	805,857	805,857	-0-
Charges for services	208,875	522,200	522,200	-0-
Interest income	5,300	30,567	30,567	-0-
Miscellaneous revenues	46,600	93,079	93,079	-0-
Total Revenues	<u>5,615,505</u>	<u>6,024,571</u>	<u>6,024,571</u>	<u>-0-</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,778,193	3,389,242	3,389,242	-0-
Public safety	2,266,293	2,297,379	2,297,379	-0-
Health and welfare	156,650	152,653	152,653	-0-
Education	35,750	35,750	35,750	-0-
Conservation of natural resources	40,583	30,241	30,241	-0-
Economic Development	127,804	170,278	170,278	-0-
Debt service:				
Principal	16,326	24,915	24,915	-0-
Interest	970	1,396	1,396	-0-
Total Expenditures	<u>5,422,569</u>	<u>6,101,854</u>	<u>6,101,854</u>	<u>-0-</u>
Excess of Revenues over (under) Expenditures	<u>192,936</u>	<u>(77,283)</u>	<u>(77,283)</u>	<u>-0-</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from issuance of long-term debt	41,164	-0-	-0-	-0-
Proceeds from the sale of cap assets	-0-	1,325	1,325	-0-
Transfers in	-0-	30,000	30,000	-0-
Transfers out	(280,050)	(200,000)	(200,000)	-0-
Total Other Financing Sources and Uses	<u>(238,886)</u>	<u>(168,675)</u>	<u>(168,675)</u>	<u>-0-</u>
Net Change in Fund Balance	<u>(45,950)</u>	<u>(245,958)</u>	<u>(245,958)</u>	<u>-0-</u>
Fund Balances - Beginning	1,063,562	1,063,562	1,063,562	-0-
Prior Period Adjustment	-0-	137,713	137,713	-0-
Fund Balances - Beginning, restated	<u>1,063,562</u>	<u>1,201,275</u>	<u>1,201,275</u>	<u>-0-</u>
Fund Balances - Ending	<u>\$ 1,017,612</u>	<u>955,317</u>	<u>955,317</u>	<u>-0-</u>

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

Clay County  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 Yokohama Blvd State Aid Road Fund  
 For the Year Ended September 30, 2014

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget
<b>REVENUES</b>				
Intergovernmental revenues	\$ -0-	21,002,591	21,002,591	-0-
Total Revenues	<u>-0-</u>	<u>21,002,591</u>	<u>21,002,591</u>	<u>-0-</u>
<b>EXPENDITURES</b>				
Current:				
Economic development	-0-	21,002,591	21,002,591	-0-
Total Expenditures	<u>-0-</u>	<u>21,002,591</u>	<u>21,002,591</u>	<u>-0-</u>
Excess of Revenues over (under) Expenditures	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Net Change in Fund Balance	-0-	-0-	-0-	-0-
Fund Balances - Beginning	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Fund Balances - Ending	<u>\$ -0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>

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

Clay County  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 \$11 Million Industrial Dev Bond Fund  
 For the Year Ended September 30, 2014

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget
<b>REVENUES</b>				
Interest income	\$ -0-	1,001	1,001	-0-
Miscellaneous revenues	-0-	1	1	-0-
Total Revenues	<u>-0-</u>	<u>1,002</u>	<u>1,002</u>	<u>-0-</u>
<b>EXPENDITURES</b>				
Current:				
Economic development	3,500,000	1,900,678	1,900,678	-0-
Debt service:				
Interest	-0-	528,327	528,327	-0-
Total Expenditures	<u>3,500,000</u>	<u>2,429,005</u>	<u>2,429,005</u>	<u>-0-</u>
Excess of Revenues over (under) Expenditures	<u>(3,500,000)</u>	<u>(2,428,003)</u>	<u>(2,428,003)</u>	<u>-0-</u>
Net Change in Fund Balance	(3,500,000)	(2,428,003)	(2,428,003)	-0-
Fund Balances - Beginning	<u>4,607,484</u>	<u>4,607,484</u>	<u>4,607,484</u>	<u>-0-</u>
Fund Balances - Ending	<u>\$ 1,107,484</u>	<u>2,179,481</u>	<u>2,179,481</u>	<u>-0-</u>

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

Clay County  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 TVA Bridge Bond Fund  
 For the Year Ended September 30, 2014

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget
<b>REVENUES</b>				
Interest income	\$ 100	8	8	-0-
Miscellaneous revenues	55,468	47,672	47,672	-0-
Total Revenues	<u>55,568</u>	<u>47,680</u>	<u>47,680</u>	<u>-0-</u>
<b>EXPENDITURES</b>				
Current:				
Economic development	50,000	12,500	12,500	-0-
Debt service:				
Principal	44,690	64,902	64,902	-0-
Interest	16,375	44,562	44,562	-0-
Total Expenditures	<u>111,065</u>	<u>121,964</u>	<u>121,964</u>	<u>-0-</u>
Excess of Revenues over (under) Expenditures	<u>(55,497)</u>	<u>(74,284)</u>	<u>(74,284)</u>	<u>-0-</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Lease principal payments	120,350	103,072	103,072	-0-
Total Other Financing Sources and Uses	<u>120,350</u>	<u>103,072</u>	<u>103,072</u>	<u>-0-</u>
Net Change in Fund Balance	64,853	28,788	28,788	-0-
Fund Balances - Beginning	5,710	5,710	5,710	-0-
Fund Balances - Ending	<u>\$ 70,563</u>	<u>34,498</u>	<u>34,498</u>	<u>-0-</u>

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

**CLAY COUNTY**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**A. Budgetary Information**

Statutory requirements dictate how and when the County's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the County, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The County's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

**B. Basis of Presentation**

The Budgetary Comparison Schedule – Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (non GAAP) basis and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedule – Budget and Actual (Non-GAAP Basis) is a part of required supplementary information.

**C. Budget/GAAP Reconciliation**

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

**CLAY COUNTY**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**C. Budget/GAAP Reconciliation (Continued)**

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major Special Revenue Fund:

	Governmental Fund Types			
	General Fund	Yokohama Blvd State Aid Road Fund	\$11 Million Industrial Dev Bond Fund	TVA Bridge Bond Fund
Budget (Cash Basis)	\$ (245,958)	\$ -0-	\$ (2,428,003)	\$ 28,788
Increase (Decrease)				
Net adjustments for revenue accruals	50,536	-0-	-0-	-0-
Net adjustments for expenditure accruals	<u>157,419</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
GAAP Basis	<u>\$ (38,003)</u>	<u>\$ -0-</u>	<u>\$ (2,428,003)</u>	<u>\$ 28,788</u>

**OTHER INFORMATION**

**Clay County**  
**Schedule of Surety Bonds for County Officials**  
**September 30, 2014**

**Surety bonds in force at September 30,2014 were as follows:**

<u>Name</u>	<u>Position</u>	<u>Insurance Company</u>	<u>Bond</u>
Lynn Horton	Supervisors	Brierfield	100,000
Luke Lummus	Supervisors	Western Surety	100,000
R.B. Davis	Supervisors	Western Surety	100,000
Shelton Deanes	Supervisors	Brierfield	100,000
Mr. Floyd Mckee	Supervisors	Western Surety	100,000
Amy Berry	Chancery Clerk	Western Surety	100,000
Teresa Ware	Purchase Clerk	Western Surety	75,000
Nikkie Cude	Asst. Purchase Clerk	Western Surety	75,000
LaFrance Boyd	Receiving Clerk	Western Surety	75,000
Andy White	Asst. Receiving Clerk	Western Surety	50,000
Robert Starks	Asst. Receiving Clerk	Western Surety	50,000
James Eddie Decker	Asst. Receiving Clerk	Western Surety	50,000
John Fields	Asst. Receiving Clerk	Western Surety	50,000
Michael Weaver	Asst. Receiving Clerk	Western Surety	50,000
John Stovall	Asst. Receiving Clerk	Western Surety	50,000
William Quinn, Jr	Asst. Receiving Clerk	Western Surety	50,000
Grady W. Jones	Asst. Receiving Clerk	Western Surety	50,000
Amy Berry	Inv. Control Clerk	Brierfield	75,000
Sherman Ivy	Constables	Western Surety	50,000
Lewis Stafford	Constables	RLI Insurance	50,000
Robert Harrell, Jr.	Circuit Clerk	Brierfield	100,000
Barbara Spraggins	Deputy Circuit Clerk	Brierfield	50,000
Gloria Minor	Deputy Circuit Clerk	FCCI	50,000
Hope Johnson	Deputy Circuit Clerk	Brierfield	50,000
Eddie Scott	Sheriff	Western Surety	100,000
Thomas Hampton	Justice Court Judge	Western Surety	50,000
Joe Taggert	Justice Court Judge	Western Surety	50,000
Harriet Bragg	Justice Court Clerk	Western Surety	50,000
Christy Holcomb	Deputy Justice Clerk	Western Surety	50,000
Lisa Perry	Deputy Justice Clerk	Western Surety	50,000
Paige Lamkin	Tax Assessor/Collector	Western Surety	100,000
James D. Lang	Deputy Tax Clerk	Western Surety	50,000
Porsha Johnson	Deputy Tax Clerk	Western Surety	50,000
Kay Lynn Frost	Deputy Tax Clerk	Western Surety	50,000
Alice S. Pitts	Deputy Tax Clerk	Western Surety	50,000
April Edwards	Drug Court Administrator	Western Surety	50,000
Annete Savors	Court Reporter	Western Surety	2,000

**SPECIAL REPORTS**

**J.E. VANCE & COMPANY, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS

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**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  
Clay 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, the business-type activities, each major fund and the aggregate remaining fund information of Clay County, Mississippi, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the county's basic financial statements and have issued our report thereon dated August 31, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Clay County, Mississippi's internal control over financial reporting 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 Clay County, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal that might be material weaknesses or significant. 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 Clay County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of the 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.

Tupelo, Mississippi  
August 31, 2015

*J. E. Vance & Company*

**J.E. VANCE & COMPANY, P.A.**  
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**INDEPENDENT ACCOUNTANT'S REPORT ON CENTRAL PURCHASING SYSTEM,  
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES  
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))**

Members of the Board of Supervisors  
Clay County, Mississippi

We have examined Clay County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13. Miss. Code Ann. (1972) during the year ended September 30, 2014. The Board of Supervisors of Clay County, Mississippi, is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

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

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

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases, and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

This report is intended for use in evaluating the central purchasing system and inventory control system of Clay 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.

Tupelo, Mississippi  
August 31, 2015

*J. E. Vance & Company*

**Clay County**  
**Schedule of Purchases Not Made From the Lowest Bidder**  
**For the Year Ended September 30, 2014**

**Schedule 1**

Our test results did not identify any purchases not made from the lowest bidder.

**Clay County  
Schedule of Emergency Purchases  
For the Year Ended September 30, 2014**

**Schedule 2**

Our test results did not identify any emergency purchases.

**Clay County**  
**Schedule of Purchases Made Noncompetitively from a Sole Source**  
**For the Year Ended September 30, 2014**

**Schedule 3**

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

**J.E. VANCE & COMPANY, P.A.**  
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**Limited Internal Control and Compliance Review Management Report**

Members of the Board of Supervisors  
Clay County, Mississippi

In planning and performing our audit of the financial statements of Clay County, Mississippi for the year ended September 30, 2014, we considered Clay 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 Clay 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 August 31, 2015, on the financial statements of Clay County, Mississippi.

Although no findings came to our attention as a result of these review procedures and compliance tests, these procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of the 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.

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.

Tupelo, Mississippi  
August 31, 2015



**SCHEDULE OF FINDINGS AND RESPONSES**

**CLAY COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**Section 1: Summary of Auditor's Results**

**Financial Statements:**

- |   |               |
|---|---------------|
| 1. Type of auditor's report issued on the financial statements: | Unmodified    |
| 2. Internal control over financial reporting:                   |               |
| a. Material weakness(es) identified?                            | No            |
| b. Significant deficiency(ies) identified?                      | None Reported |
| 3. Noncompliance material to the financial statements?          | 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*.