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CLAY COUNTY, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
AND SPECIAL REPORTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

CLAY COUNTY
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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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Clay County, Mississippi, (the County) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the basic financial statements 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, 2015, 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, the Budgetary Comparison Schedules and corresponding notes, the Schedule of the County's Proportionate Share of the Net Pension Liability, and the Schedule of the County's Contributions 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 September 23, 2016, 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.
September 23, 2016



Clay County Board of Supervisors

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MANAGEMENT'S DISCUSSION AND ANALYSIS

UNAUDITED

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, 2015. 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, 2015 was 52.782. This millage rate reflects a decrease of 3% from the prior year. The millage needed for the debt service category decreased by 31% in comparison to the prior year. Overall, from 1999 – 2004, the County's millage rate was maintained at 50.00. In 2005 thru 2014, 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 increases.

Total net position increased \$1,742,147, including prior period adjustments of (\$4,561,320), which represents a 4% increase from the prior fiscal year.

The County's ending cash balance decreased by \$95,013, which represents a 2% decrease from the previous year.

The County had \$16,744,018 in total revenues. Property tax revenues account for \$5,298,301 or 32% of total revenues. Intergovernmental Revenues in the form of reimbursements, shared revenue or grants, account for \$9,009,109, or 54% of total revenues. Charges for services account for \$1,579,025 or 9% of total revenue. Ad valorem tax in lieu fees account for \$382,531 or 2% of total revenue. Other revenues such as road and bridge privilege taxes, fines, fees, interest income etc. account for the remaining 3% of total revenues.

The County had \$10,440,551 in total expenses, which represents a decrease of \$1,425,010 or 12% from the prior fiscal year. Expenses in the amount of \$10,175,691 were offset by charges for services, grants or outside contributions. General revenues of \$6,568,327 were adequate to cover the remaining amount of expenses.

Among major funds, the General Fund had \$6,025,946 in revenues and \$6,101,926 in expenditures. The General Fund also had net other financing uses of \$12,737. The General Fund's fund balance decreased \$88,717 from the prior year.

Among major funds, the Yokohama Blvd State Aid Road Fund had \$6,534,030 in revenues and \$6,534,030 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 \$822 in revenues and \$566,901 in expenditures. The \$11 Million Industrial Development Bond Fund also had net other financing uses of \$1,200,000. The \$11 Million Industrial Development Bond Fund's fund balance decreased \$1,766,079 from the prior year.

Among major funds, the TVA Bridge Bond Fund had \$72,118 in revenues and \$149,913 in expenditures. The TVA Bridge Bond Fund also had net other financing sources of \$127,347. The TVA Bridge Bond Fund's fund balance increased \$49,552 from the prior year.

Capital Assets, net of accumulated depreciation, increased by \$8,351,811. This represents a 22% increase from the prior year.

Long-term debt decreased by \$110,083. This represents a 1% decrease from the prior year. Yokohama Industrial Development Bonds outstanding in the amount of \$11,000,000 account for 75% 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

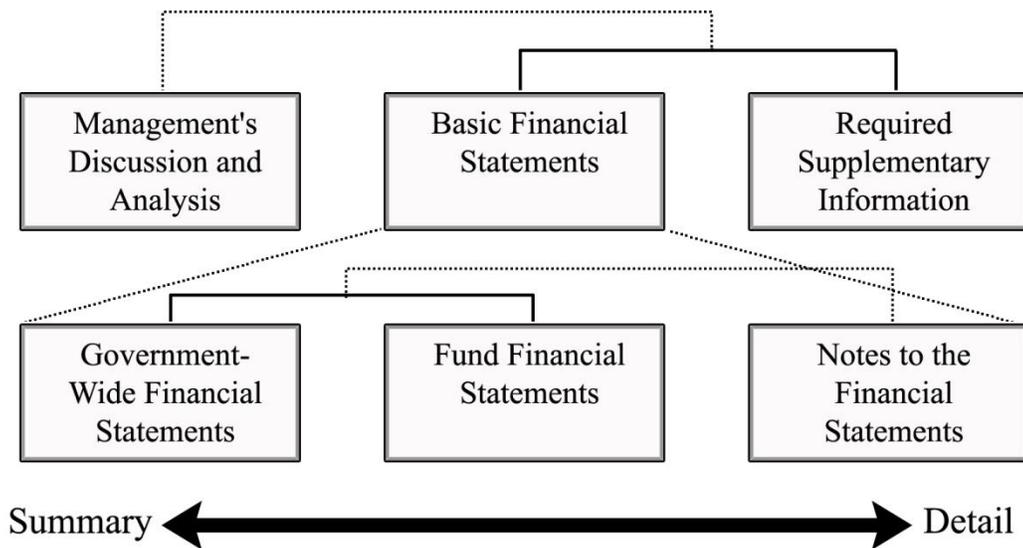


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

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

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

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, pension expense, 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 29-55 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 and pension standards.

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 57-60 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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$43,782,383 as of September 30, 2015.

By far, the largest portion of the County's net position (74%) 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.

GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

The following table presents a summary of the County's net position at September 30, 2015 and 2014.

	Governmental Activities		Change
	2015	2014	
Current assets	\$ 14,877,720	\$ 15,468,896	-4%
Ad valorem tax fee in-lieu receivable	9,153,986	8,771,455	4%
Capital assets, net	45,776,838	37,420,394	22%
Total assets	<u>69,808,544</u>	<u>61,660,745</u>	<u>13%</u>
Deferred outflows of resources	<u>1,310,883</u>	<u>-0-</u>	<u>N/A</u>
Current liabilities	620,000	640,991	-3%
Long-term debt outstanding	14,724,699	14,836,702	-1%
Net pension liability	7,433,103	-0-	N/A
Total liabilities	<u>22,777,802</u>	<u>15,477,693</u>	<u>47%</u>
Deferred inflows of resources	<u>4,799,414</u>	<u>4,691,529</u>	<u>2%</u>
Net position:			
Investment in capital assets	32,330,212	34,925,546	-7%
Restricted	6,384,993	6,916,665	-8%
Unrestricted	4,827,006	(350,688)	1476%
Total net position	<u>\$ 43,542,211</u>	<u>\$ 41,491,523</u>	<u>5%</u>
	Business-type Activities		
	2015	2014	Change
Current assets	\$ 398,378	\$ 531,873	-25%
Capital assets	49,398	54,031	-9%
Total assets	<u>447,776</u>	<u>585,904</u>	<u>-24%</u>
Deferred outflows	<u>38,543</u>	<u>-0-</u>	<u>N/A</u>
Current liabilities	24,100	35,685	-32%
Long-term debt outstanding	3,426	1,506	127%
Net pension liability	218,621	-0-	N/A
Total liabilities	<u>246,147</u>	<u>37,191</u>	<u>562%</u>
Net position:			
Investment in capital assets	49,398	54,031	-9%
Restricted	190,774	494,682	-61%
Total net position	<u>\$ 240,172</u>	<u>\$ 548,713</u>	<u>-56%</u>

Additional information on net position:

In connection with the implantation of new standards on accounting and financial reporting for pensions, management presents the following additional information:

	Governmental Activities
Total unrestricted net position - governmental activities	\$ 4,827,006
Unrestricted decrease in net position resulting from recognition of the net pension liability	<u>6,122,220</u>
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 10,949,226</u>

	Business-type Activities
Total net position restricted for public works - business-type activities	\$ 190,774
Restricted decrease in net position resulting from recognition of the net pension liability	<u>180,078</u>
Net position restricted for public works, exclusive of the net pension liability effect	<u>\$ 370,852</u>

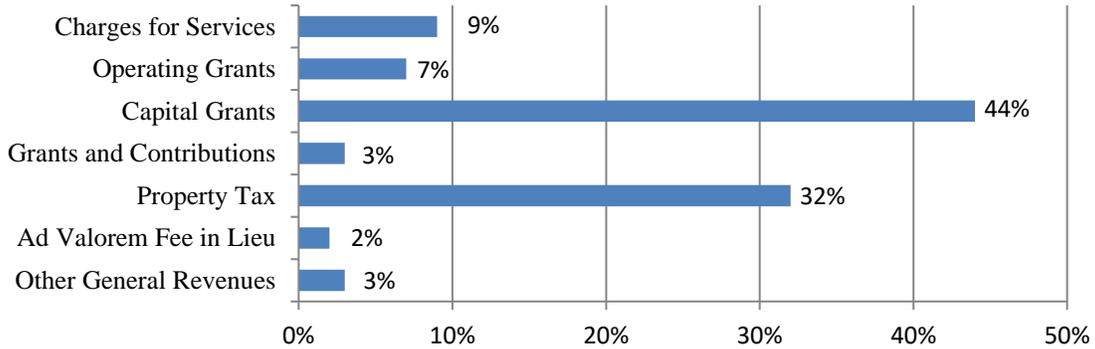
The following are significant current year transactions that have had an impact on the Statement of Net Position.

- Capital assets (net) increased by \$8,351,811 primarily due to construction on the Yokohama Boulevard project and other infrastructure asset additions.

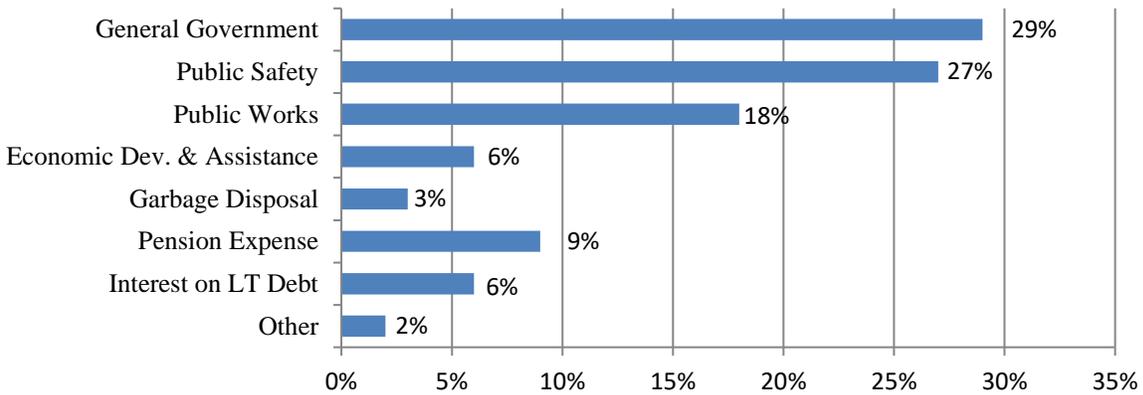
Changes in Net Position – Clay County’s total revenues for the fiscal year ended September 30, 2015 were \$16,744,018. The total cost for all services provided was \$10,440,551. The increase in net position was \$1,742,147, including prior period adjustments of (\$4,561,320). The following table presents a summary of the changes in net position for the fiscal years ended September 30, 2015 and 2014.

	<u>2015</u>	<u>2014</u>	<u>Change</u>
Revenues:			
Program revenues			
Charges for services	\$ 1,579,025	\$ 1,660,811	-5%
Operating grants	1,189,827	1,218,341	-2%
Capital grants	7,406,839	21,236,003	-65%
General revenues			
Property taxes	5,298,301	5,237,058	1%
Road and bridge privilege taxes	237,502	232,046	2%
Grants and contributions not restricted	412,443	302,481	36%
Advalorem Tax in-lieu fee	382,531	552,816	-31%
Interest income	39,957	34,261	17%
Other General Revenue	197,593	238,643	-17%
Total Revenues	<u>16,744,018</u>	<u>30,712,460</u>	-45%
Expenses:			
General government	3,015,487	3,273,767	-8%
Public safety	2,745,645	2,897,912	-5%
Public works	1,924,482	2,067,363	-7%
Health and welfare	152,325	152,014	0%
Culture and recreation	78,931	80,256	-2%
Education	-0-	35,750	-100%
Conservation of natural resources	39,116	30,530	28%
Economic development	614,963	2,320,697	-74%
Pension expense	879,372	-0-	N/A
Interest on long-term debt	665,913	683,484	-3%
Garbage disposal (Business type)	324,317	323,788	0%
Total Expense	<u>10,440,551</u>	<u>11,865,561</u>	-12%
Prior Period Adjustments	<u>(4,561,320)</u>	<u>(586,793)</u>	-677%
Increase in Net Position	<u>\$ 1,742,147</u>	<u>\$ 18,260,106</u>	-90%

HOW THE COUNTY GETS ITS REVENUE



HOW THE COUNTY SPENDS ITS REVENUE



Governmental Activities – The following table presents the cost of nine major functional activities of the County: General Government, Public Safety, Public Works, Health & Welfare, Economic Development, Culture & Recreation, Conservation of Natural Resources, Pension Expense, 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.

	<u>Total Costs</u>	<u>Net Costs</u>
General Government	\$ 3,015,487	\$ 2,293,781
Public Safety	2,745,645	1,866,153
Public Works	1,924,482	586,054
Health & Welfare	152,325	116,156
Culture & Recreation	78,931	78,931
Conservation of Natural Resources	39,116	32,645
Economic Development	614,963	(6,191,183)
Pension Expense	879,372	879,372
Interest on Debt	665,913	665,913

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 \$7,340,931, a decrease of \$626,460 or 8% from the previous year.

Business-type fund – Operating Revenue from the County's Garbage Collection Fund increased by 0% to \$372,105 and expenses increased approximately 0% to \$324,317. Nonoperating Revenues in the form of interest income, intergovernmental grants, and other income totaled \$15,837.

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 and the \$11M Industrial Development Bond Fund. These variances resulted from the timing of State Aid Road and other economic development projects.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – As of September 30, 2015, Clay County's total capital assets were \$74,040,387. 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 \$8,470,965 or 13%.

Total accumulated depreciation as of September 30, 2015 was \$28,214,151, including \$649,451 of depreciation expense for the year. The balance in total net capital assets was \$45,826,236 at year-end.

Additional information on Clay County's capital assets can be found in note 7 on page 44 of this report.

Debt Administration – At September 30, 2015, Clay County had \$14,728,125 in long-term debt outstanding. This includes general obligation bonds, capital leases, other loans, and compensated absences. Of this debt, \$503,731 is due within one year.

Additional information on Clay County's long-term debt can be found in note 10 on page 48 of this report.

CURRENT AND FUTURE ITEMS OF IMPACT

In February 2016, Babcox and Wilcox, a long-time industry and employer in Clay County, announced its closing of the West Point facility. Babcox and Wilcox had consistently employed approximately 200 employees to manufacture boilers for power plants. The company announced the closing of the West Point facility and the transferring of the manufacturing facility to Mexico due to cheaper labor costs.

In August 2016, Plum Creek Environmental Technologies, a manufacturer and distributor of waste and recycling containers and equipment, announced the company's expansion in North Mississippi, investing \$825,000 and creating 50 jobs. Plum Creek was founded in 2007 in Columbus, MS and had outgrown its production facility. The Company expanded into a larger facility located in Clay County/West Point which was previously occupied by Long Branch Company. Because welding was the primary skillset required to build the dumpsters, the new jobs created by the expansion of Plum Creek in West Point would help fill some of the jobs lost by employees of the Babcox and Wilcox Company.

Things continue to move along as scheduled for Yokohama Tire Company. The Company began production in July 2016. Additionally, by December 31, 2016, the company hopes to be operating 24 hour shifts producing approximately 1,500 tires per day. Furthermore, by December 31, 2016, the company will have hired the required 500 employees to meet the production demand and to fulfill the company's obligation of Phase I as agreed in the Memorandum of Understanding. Yokohama did complete the construction of the new Administrative Office building in 2016, which would occupy the general business office and human resource office for the company. The County continues to anxiously await the Company's announcement for the construction of Phase II as agreed to in the Memorandum of Understanding.

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 40 farm families in Mississippi and Alabama. Navistar Defense LLC, a primary defense contractor, has a total employment of approximately 250 employees and has production contracts through December 2017. 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, 2015

Exhibit 1

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Clay County EDD
ASSETS				
Cash	\$ 5,950,861	271,455	6,222,316	122,804
Cash with fiscal agent	1,645,478		1,645,478	
Property tax receivable	4,516,217		4,516,217	
Ad Valorem Tax Fee In-Lieu Recievable	9,153,986		9,153,986	
Accounts receivable (net of allowance for uncollectibles of \$866,403)		103,492	103,492	
Fines receivable (net of allowance for uncollectibles of \$4,456,262)	705,379		705,379	
Capital leases receivable	1,735,375		1,735,375	
Intergovernmental receivables	279,808	370	280,178	240,129
Other receivables	38,818	28,845	67,663	
Internal balances	5,784	(5,784)		
Capital assets:				
Land and construction in progress	28,554,554		28,554,554	11,598,632
Other capital assets, net	17,222,284	49,398	17,271,682	
Total Assets	69,808,544	447,776	70,256,320	11,961,565
DEFERRED OUTFLOWS OF RESOURCES				
Current				
Deferred outflows related to pensions	507,443	14,911	522,354	
Noncurrent				
Deferred outflows related to pensions	803,440	23,632	827,072	
Total Deferred Outflows of Resources	1,310,883	38,543	1,349,426	-0-
LIABILITIES				
Claims payable	222,240	11,339	233,579	244,428
Intergovernmental payables	210,118		210,118	
Accrued interest payable	66,545		66,545	
Unearned revenue	91,634	12,761	104,395	
Amounts held in custody for others	29,463		29,463	
Long-term liabilities				
Due within one year:				
Capital debt	424,378		424,378	
Non-capital debt	79,353		79,353	
Due in more than one year:				
Capital debt	13,022,248		13,022,248	
Non-capital debt	1,198,720	3,426	1,202,146	
Net pension liability	7,433,103	218,621	7,651,724	
Total Liabilities	22,777,802	246,147	23,023,949	244,428
DEFERRED INFLOWS OF RESOURCES				
Property tax for future reporting period	4,516,217		4,516,217	
Unavailable revenue - interest on capital leases	283,197		283,197	
Total Deferred Inflows of Resources	4,799,414	-0-	4,799,414	-0-
NET POSITION				
Net investment in capital assets	32,330,212	49,398	32,379,610	11,598,632
Restricted:				
Expendable:				
General government	131,062		131,062	
Public safety	128,171		128,171	
Public works	1,401,894	190,774	1,592,668	
Debt service	35,175		35,175	
Culture and recreation	1,071		1,071	
Economic development	4,494,620		4,494,620	118,505
Unemployment compensation	55,796		55,796	
Capital projects	134,570		134,570	
Nonexpendable	2,634		2,634	
Unrestricted	4,827,006		4,827,006	
Total Net Position	\$ 43,542,211	240,172	43,782,383	11,717,137

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

Clay County
Statement of Activities
For the Year Ended September 30, 2015

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Unit	
					Governmental Activities	Business-type Activities	Clay County EDD	
Primary government:								
Governmental activities:								
General government	\$ 3,015,487	567,391	154,315		(2,293,781)		(2,293,781)	
Public safety	2,745,645	639,529	99,963	140,000	(1,866,153)		(1,866,153)	
Public works	1,924,482		681,923	656,505	(586,054)		(586,054)	
Health and welfare	152,325		36,169		(116,156)		(116,156)	
Culture and recreation	78,931				(78,931)		(78,931)	
Conservation of natural resources	39,116			6,471	(32,645)		(32,645)	
Economic development and assistance	614,963		202,283	6,603,863	6,191,183		6,191,183	
Pension expense	879,372				(879,372)		(879,372)	
Interest on long-term debt	665,913				(665,913)		(665,913)	
Total Governmental Activities	<u>10,116,234</u>	<u>1,206,920</u>	<u>1,174,653</u>	<u>7,406,839</u>	<u>(327,822)</u>		<u>(327,822)</u>	
Business-type activities:								
Solid Waste	324,317	372,105	15,174			62,962	62,962	
Total Business-type Activities	<u>324,317</u>	<u>372,105</u>	<u>15,174</u>	<u>-0-</u>		<u>62,962</u>	<u>62,962</u>	
Total Primary Government	<u>\$ 10,440,551</u>	<u>1,579,025</u>	<u>1,189,827</u>	<u>7,406,839</u>	<u>(327,822)</u>	<u>62,962</u>	<u>(264,860)</u>	
Component unit:								
Clay County EDD	3,813			608,784			604,971	
Total Component Units	<u>3,813</u>	<u>-0-</u>	<u>-0-</u>	<u>608,784</u>			<u>604,971</u>	
General revenues:								
Property taxes					\$ 5,298,301		5,298,301	
Road & bridge privilege taxes					237,502		237,502	
Grants and contributions not restricted to specific programs					412,443		412,443	
Ad valorem fee in lieu					382,531		382,531	
Unrestricted interest income					39,294	663	39,957	
Miscellaneous					197,593		197,593	
Transfers					100,000	(100,000)	-0-	
Total General Revenues and Transfers					<u>6,667,664</u>	<u>(99,337)</u>	<u>6,568,327</u>	
Changes in Net Position					<u>6,339,842</u>	<u>(36,375)</u>	<u>6,303,467</u>	
Net Position - Beginning, as previously reported					41,491,523	548,713	42,040,236	
Prior period adjustments					(4,289,154)	(272,166)	(4,561,320)	
Net Position - Beginning, as restated					<u>37,202,369</u>	<u>276,547</u>	<u>37,478,916</u>	
Net Position - Ending					<u>\$ 43,542,211</u>	<u>240,172</u>	<u>43,782,383</u>	

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

**Clay County
Balance Sheet - Governmental Funds
September 30, 2015**

Exhibit 3

	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		
ASSETS						
Cash	\$ 1,067,048	37,134	1,484,788	84,054	3,277,837	5,950,861
Cash with fiscal agent			1,645,478			1,645,478
Property tax receivable	3,505,867				1,010,350	4,516,217
Fines receivable (net of allowance for uncollectibles of \$4,456,262)	705,379					705,379
Capital lease receivable				1,735,375		1,735,375
Intergovernmental receivables	195,955				57,490	253,445
Other receivables	7,718				31,100	38,818
Due from other funds	10,083				45,899	55,982
Advances to other funds	200				2,434	2,634
Total Assets	\$ 5,492,250	37,134	3,130,266	1,819,429	4,425,110	14,904,189
LIABILITIES						
Liabilities:						
Claims payable	\$ 121,812				100,428	222,240
Intergovernmental payables	189,836				11,560	201,396
Due to other funds	50,300				8,620	58,920
Advances from other funds					2,634	2,634
Unearned revenue		37,134			54,500	91,634
Amounts held in custody for others	29,463					29,463
Total Liabilities	\$ 391,411	37,134	-0-	-0-	177,742	606,287
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	3,505,867				1,010,350	4,516,217
Unavailable revenue - fines	705,379					705,379
Unavailable revenue - principal and interest on capital leases				1,735,375		1,735,375
Total Deferred Inflows of Resources	\$ 4,211,246	-0-	-0-	1,735,375	1,010,350	6,956,971
Fund balances:						
Nonspendable:						
Advances	200					200
Restricted to:						
General government					195,873	195,873
Public safety					128,171	128,171
Public works					1,474,087	1,474,087
Culture and recreation					1,071	1,071
Economic development and assistance			3,130,266	84,054	1,280,300	4,494,620
Debt service					101,720	101,720
Unemployment compensation					55,796	55,796
Unassigned	889,393					889,393
Total Fund Balances	\$ 889,593	-0-	3,130,266	84,054	3,237,018	7,340,931
Total Liabilities and Fund Balances	\$ 5,492,250	37,134	3,130,266	1,819,429	4,425,110	14,904,189

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, 2015

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 7,340,931
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 \$27,908,548.	45,776,838
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	9,153,986
Fines receivable	705,379
Intergovernmental receivable	26,363
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(14,724,699)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(7,433,103)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(66,545)
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,452,178
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources related to pensions	<u>1,310,883</u>
Total Net Position - Governmental Activities	<u>\$ 43,542,211</u>

Clay County
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2015

Exhibit 4

	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		
REVENUES						
Property taxes	\$ 4,114,884				1,183,417	5,298,301
Road and bridge privilege taxes					237,502	237,502
Licenses, commissions and other revenue	287,076				9,591	296,667
Fines and forfeitures	253,954					253,954
Intergovernmental revenues	838,190	6,534,030		21,875	1,599,840	8,993,935
Charges for services	411,080				201,917	612,997
Interest income	35,449		822	112	2,911	39,294
Miscellaneous revenues	85,313			50,131	62,149	197,593
Total Revenues	<u>6,025,946</u>	<u>6,534,030</u>	<u>822</u>	<u>72,118</u>	<u>3,297,327</u>	<u>15,930,243</u>
EXPENDITURES						
Current:						
General government	3,095,260				36,888	3,132,148
Public safety	2,397,486				868,246	3,265,732
Public works					2,281,600	2,281,600
Health and welfare	152,325					152,325
Culture and recreation					78,931	78,931
Conservation of natural resources	40,269					40,269
Economic development and assistance	376,207	6,534,030	21,922	43,750	98,700	7,074,609
Debt service:						
Principal	37,912			70,015	603,529	711,456
Interest	2,467		544,979	36,148	88,391	671,985
Total Expenditures	<u>6,101,926</u>	<u>6,534,030</u>	<u>566,901</u>	<u>149,913</u>	<u>4,056,285</u>	<u>17,409,055</u>
Excess of Revenues over (under) Expenditures	<u>(75,980)</u>	<u>-0-</u>	<u>(566,079)</u>	<u>(77,795)</u>	<u>(758,958)</u>	<u>(1,478,812)</u>
OTHER FINANCING SOURCES (USES)						
Long-term capital debt issued	37,263				555,956	593,219
Proceeds from sale of capital assets					31,786	31,786
Transfers in	100,000				1,550,173	1,650,173
Transfers out	(150,000)		(1,200,000)		(200,173)	(1,550,173)
Lease principal payments				127,347		127,347
Total Other Financing Sources and Uses	<u>(12,737)</u>	<u>-0-</u>	<u>(1,200,000)</u>	<u>127,347</u>	<u>1,937,742</u>	<u>852,352</u>
Net Changes in Fund Balances	<u>(88,717)</u>	<u>-0-</u>	<u>(1,766,079)</u>	<u>49,552</u>	<u>1,178,784</u>	<u>(626,460)</u>
Fund Balances - Beginning	<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>
Fund Balances - Ending	\$ <u>889,593</u>	\$ <u>-0-</u>	\$ <u>3,130,266</u>	\$ <u>84,054</u>	\$ <u>3,237,018</u>	\$ <u>7,340,931</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, 2015

Exhibit 4-1

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (626,460)
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 \$7,703,085 exceeded depreciation of \$644,818.	7,058,267
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 \$100,529 and proceeds from sale of \$31,786.	(132,315)
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.	43,302
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	382,531
MDOT State-aid road and bridge overpayment	26,363
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 \$711,456 exceeded debt proceeds of \$593,219.	118,237
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:	
Decrease in accrued interest payable	6,072
Increase in compensated absences	(6,234)
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.	(127,347)
Some items reported in the Statement of Activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:	
Recording of pension expense for the current period	(879,372)
Contributions made to defined benefit pension plan	476,798
Change in Net Position of Governmental Activities	\$ <u><u>6,339,842</u></u>

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

Clay County
Statement of Net Position - Proprietary Fund
September 30, 2015

Exhibit 5

	<u>Business-type Activities - Enterprise Fund</u>
	<u>Solid Waste Fund</u>
ASSETS	
Current assets:	
Cash	\$ 271,455
Accounts receivable (net of allowance for uncollectibles of \$866,403)	103,492
Intergovernmental receivables	370
Other receivables	28,845
Total Current Assets	<u>404,162</u>
Noncurrent assets:	
Capital assets:	
Other capital assets, net	49,398
Total Noncurrent Assets	<u>49,398</u>
Total Assets	<u>453,560</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Current:	
Deferred outflows related to pensions	14,911
Noncurrent:	
Deferred outflows related to pensions	23,632
Total Deferred Outflows of Resources	<u>38,543</u>
 LIABILITIES	
Current liabilities:	
Claims payable	11,339
Due to other funds	5,784
Unearned revenue	12,761
Total Current Liabilities	<u>29,884</u>
Noncurrent liabilities:	
Non-capital debt:	
Compensated absences payable	3,426
Net pension liability	218,621
Total Noncurrent Liabilities	<u>222,047</u>
Total Liabilities	<u>251,931</u>
 NET POSITION	
Net investment in capital assets	49,398
Restricted for:	
Public works	190,774
Total Net Position	<u>\$ 240,172</u>

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

Clay County

Exhibit 6

Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund

For the Year Ended September 30, 2015

	<u>Business-type Activities - Enterprise Fund</u>
	<u>Solid Waste Fund</u>
Operating Revenues	
Charges for services	\$ 372,105
Total Operating Revenues	<u>372,105</u>
Operating Expenses	
Personal services	118,578
Pension expense	25,866
Contractual services	128,691
Materials and supplies	40,765
Depreciation expense	4,633
Indirect administrative cost	5,784
Total Operating Expenses	<u>324,317</u>
Operating Income (Loss)	<u>47,788</u>
Nonoperating Revenues (Expenses)	
Intergovernmental grants	15,174
Interest income	663
Net Nonoperating Revenue (Expenses)	<u>15,837</u>
Net Income (Loss) Before Transfers	63,625
Transfers out	(100,000)
Changes in Net Position	<u>(36,375)</u>
Net Position - Beginning, as previously reported	548,713
Prior period adjustments	(272,166)
Net Position - Beginning, as restated	<u>276,547</u>
Net Position - Ending	<u>\$ 240,172</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, 2015

Exhibit 7

	<u>Solid Waste Fund</u>
Cash Flows From Operating Activities	
Receipts from customers	\$ 367,864
Payments to suppliers	(181,385)
Payments to employees	(130,683)
Payments to General Fund for indirect costs	(3,457)
Net Cash Provided by Operating Activities	<u>52,339</u>
Cash Flows From Noncapital Financing Activities	
Intergovernmental grants received	15,152
Operating transfers out	(100,000)
Net Cash Used by Noncapital Financing Activities	<u>(84,848)</u>
Cash Flows From Investing Activities	
Interest on deposits	663
Net Cash Provided by Investing Activities	<u>663</u>
Net Decrease in Cash and Cash Equivalents	(31,846)
Cash and Cash Equivalents at Beginning of Year	303,301
Cash and Cash Equivalents at End of Year	<u>\$ 271,455</u>
Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities:	
Operating income	\$ 47,788
Adjustments to reconcile operating income to net cash	
provided by operating activities:	
Depreciation expense	4,633
Pension expense	25,866
Deferred outflows - contributions to retirement plan	(14,025)
Prior period adjustment - provision for uncollectible accounts	(103,929)
Provision for uncollectible accounts	112,605
Changes in assets and liabilities:	
Increase in accounts receivable	(9,350)
Increase in other receivables	(3,910)
Increase in claims payable	(11,929)
Decrease in unearned revenue	344
Increase in compensated absences liability	1,920
Decrease in interfund payables	2,326
Total Adjustments	<u>4,551</u>
Net Cash Provided by Operating Activities	<u>\$ 52,339</u>

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

Clay County
Statement of Fiduciary Assets and Liabilities
September 30, 2015

Exhibit 8

	Agency Funds
	<u> </u>
ASSETS	
Cash and investments	\$ 183,504
Due from other funds	<u>8,722</u>
Total Assets	<u><u>\$ 192,226</u></u>
LIABILITIES	
Amounts held in custody for others	\$ 41,777
Other liabilities	126,472
Intergovernmental payables	<u>23,977</u>
Total Liabilities	<u><u>\$ 192,226</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, 2015

(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.

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. Individual Component Unit Disclosures

Discretely Presented Component Unit

The component unit columns in the financial statements include the financial data of the component unit of the County. It is reported in a separate column to emphasize that it is legally separate from the County.

The Clay County Economic Development District (EDD) is the only component unit of Clay County. The District was created to serve as trustee of the undeveloped land located in the Prairie Belt Power Industrial Development Park. The Clay County Board of Supervisors appoint all of the members of the EDD Board, with each Supervisor making an appointment from his District, and an additional two members being selected at large by all Supervisors.

C. 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 and its component unit. 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. The primary government is reported separately from a certain legally separate component unit for which the primary government is financially accountable.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

C. 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.

D. 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, 2015**

D. 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, 2015

D. 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.

E. 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, 2015

F. 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.

G. Receivables

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

H. 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.”

I. 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, 2015**

I. 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, 2015

J. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Deferred outflows related to pensions – This amount represents the County’s proportionate share of the deferred outflows of resources reported by the pension plan in which the County participates. See Note 15 for additional details.

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

K. Pensions.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees’ Retirement System of Mississippi (PERS) and additions to/deductions from PERS’ fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

L. 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.

M. 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.

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.

**CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

M. Equity Classifications (Continued)

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.

N. 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.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

O. 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.

P. 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.

Q. 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 No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The provisions of these standards have been incorporated into the financial statements and notes.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

(2) Prior Period Adjustments

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

Exhibit 2 – Statement of Activities

Explanation	Amount	
Governmental Activities		
Implementation of GASB 68 and 71:		
Net pension liability (measurement date)	\$ (5,836,660)	
Deferred outflows - contributions made subsequent to measurement date	117,014	(5,719,646)
To correct prior period capital assets, net		1,430,492
Total governmental activities		(4,289,154)
Business-type Activities		
Implementation of GASB 68 and 71:		
Net pension liability (measurement date)	(171,734)	
Deferred outflows - contributions made subsequent to measurement date	3,497	(168,237)
To correct solid waste accounts receivable, net		(103,929)
Total business-type activities		(272,166)
Total prior period adjustments		\$ (4,561,320)

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

Explanation	Amount	
Business-type Activities		
Implementation of GASB 68 and 71:		
Net pension liability (measurement date)	\$ (171,734)	
Deferred outflows - contributions made subsequent to measurement date	3,497	(168,237)
To correct solid waste accounts receivable, net		(103,929)
Total business-type activities		\$ (272,166)

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

(3) Deposits

Primary Government

The carrying amount of the County's total deposits with financial institutions at September 30, 2015, was \$8,051,298, including cash with fiscal agents of \$1,645,478, and the bank balance was \$8,231,455. 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.

Discretely Presented Component Unit
Clay County EDD

The carrying amount of the District's total deposits with financial institutions at September 30, 2015, was \$122,804 and the bank balance was \$122,804. 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 District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the District. 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 District.

**CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

(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.

Ad Valorem Tax Fee-In-Lieu Receivable at September 30, 2015 is as follows:

<u>Year Ended September 30</u>	<u>Amount</u>
2016	\$ -0-
2017	1,034,245
2018	1,034,246
2019	1,034,246
2020	1,034,246
2021-2025	5,171,229
2026-2030	3,102,737
Total	\$ 12,410,949
Less: Discount to Present Value	<u>3,256,963</u>
Net Receivable	<u>\$ 9,153,986</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.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

(5) Interfund Transactions and Balances

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Solid Waste Fund	\$ 5,784
General Fund	Other Governmental Funds	4,299
Other Governmental Funds	General Fund	41,578
Other Governmental Funds	Other Governmental Funds	4,321
Agency Funds	General Fund	8,722
Total		<u>\$ 64,704</u>

The payables from the General Fund represent the tax revenue collected but not settled until October 2015. The payable from the Solid Waste Fund represents the indirect cost for the September 30, 2015 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.

B. Advances From/To Other Funds

Receivable Fund	Payable Fund	Amount
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

Transfers In	Transfers Out	Amount
General Fund	Enterprise Fund - Solid Waste	\$ 100,000
Other Governmental Funds	General Fund	150,000
Other Governmental Funds	\$11M Industrial Dev Bond Fund	1,200,000
Other Governmental Funds	Other Governmental Funds	200,173
Total		<u>\$ 1,650,173</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, 2015**

(6) Intergovernmental Receivables

Intergovernmental receivables at September 30, 2015 consisted of the following:

Primary Government

Governmental Activities:

<u>Description</u>	<u>Amount</u>
Legislative Tag Credit	\$ 99,300
Reimbursement for Housing Prisoners	53,395
MDOT State-aid Road and Bridge Reimbursement	10,743
MDHS Welfare/Food Stamp Reimbursement	5,696
Motor Vehicle Fuel Tax	43,999
Motor Vehicle Licenses	10,363
Reimbursement for 16th Circuit Drug Court	14,260
Other	<u>15,689</u>
Total Governmental Funds	253,445
Long-term asset - MDOT State-aid Road and Bridge Overpayment	<u>26,363</u>
Total Governmental Activities	<u>\$ 279,808</u>

Business-type Activities:

<u>Description</u>	<u>Amount</u>
MS Department of Environmental Quality funds	\$ <u>370</u>
Total Business-type Activities	<u>\$ 370</u>

**Discretely Presented Component Unit
Clay County EDD**

<u>Description</u>	<u>Amount</u>
MS Development Authority	\$ <u>240,129</u>
Total Component Unit	<u>\$ 240,129</u>

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

(7) Capital Assets

The following is a summary of capital assets activity for the year ended September 30, 2015:

Primary Government:	<u>Balance 10/1/2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Completed Construction</u>	<u>Adjustments</u>	<u>Balance 9/30/2015</u>
Governmental Activities:						
<u>Non-depreciable capital assets:</u>						
Land	\$ 971,018					\$ 971,018
Construction-in-progress	21,044,802	7,083,117		(1,983,989)	1,439,606	27,583,536
Total non-depreciable capital assets	<u>22,015,820</u>	<u>7,083,117</u>	<u>-0-</u>	<u>(1,983,989)</u>	<u>1,439,606</u>	<u>28,554,554</u>
<u>Depreciable capital assets:</u>						
Infrastructure	30,151,763		202,969	1,983,989		31,932,783
Buildings	5,613,279				14,115	5,627,394
Mobile equipment	5,941,195	471,359	268,853		(207,719)	5,935,982
Furniture and equipment	1,055,357	5,390	6,300		234,571	1,289,018
Leased property under capital leases	437,007	143,219			(234,571)	345,655
Total depreciable capital assets	<u>43,198,601</u>	<u>619,968</u>	<u>478,122</u>	<u>1,983,989</u>	<u>(193,604)</u>	<u>45,130,832</u>
<u>Less accumulated depreciation for:</u>						
Infrastructure	19,300,488	227,511	98,169			19,429,830
Buildings	2,729,018	75,530			2,460	2,807,008
Mobile equipment	4,940,517	181,472	241,968		(186,950)	4,693,071
Furniture and equipment	570,507	113,565	5,670		211,115	889,517
Leased property under capital leases	253,497	46,740			(211,115)	89,122
Total accumulated depreciation	<u>27,794,027</u>	<u>644,818</u>	<u>345,807</u>	<u>-0-</u>	<u>(184,490)</u>	<u>27,908,548</u>
Total depreciable capital assets, net	<u>15,404,574</u>	<u>(24,850)</u>	<u>132,315</u>	<u>1,983,989</u>	<u>(9,114)</u>	<u>17,222,284</u>
Governmental activities capital assets, net	<u>37,420,394</u>	<u>7,058,267</u>	<u>132,315</u>	<u>-0-</u>	<u>1,430,492</u>	<u>45,776,838</u>
Business-type Activities:						
<u>Depreciable capital assets:</u>						
Mobile equipment	342,461					342,461
Furniture and equipment	12,540					12,540
Total depreciable capital assets	<u>355,001</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>355,001</u>
<u>Less accumulated depreciation for:</u>						
Mobile equipment	289,684	4,633				294,317
Furniture and equipment	11,286					11,286
Total accumulated depreciation	<u>300,970</u>	<u>4,633</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>305,603</u>
Total depreciable capital assets, net	<u>54,031</u>	<u>(4,633)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>49,398</u>
Business-type activities capital assets, net	<u>54,031</u>	<u>(4,633)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>49,398</u>
Primary government capital assets, net	<u>\$ 37,474,425</u>	<u>7,053,634</u>	<u>132,315</u>	<u>-0-</u>	<u>1,430,492</u>	<u>\$ 45,826,236</u>

Adjustments are due to the reclassification of assets from leased property to furniture and equipment, to record accumulated construction-in-progress on state-aid bridge projects, and to correct the reported carrying values of buildings and mobile equipment.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

(7) Capital Assets (Continued)

Discretely Presented Component Unit - Clay County EDD	Balance 10/1/2014	Increases	Decreases	Balance 9/30/2015
Governmental Activities:				
<u>Non-depreciable capital assets:</u>				
Land	\$ 7,437,588	38,406		\$ 7,475,994
Construction in progress	3,513,855	608,783		4,122,638
Total non-depreciable capital assets	<u>10,951,443</u>	<u>647,189</u>	<u>-0-</u>	<u>11,598,632</u>
Governmental activities capital assets, net	<u>\$ 10,951,443</u>	<u>647,189</u>	<u>-0-</u>	<u>\$ 11,598,632</u>

Depreciation expense was charged to the following functions:

Primary Government	Governmental Activities	Business-type Activities
General government	\$ 123,437	\$ -0-
Public safety	144,965	-0-
Public works	313,442	-0-
Economic Development	62,974	-0-
Solid Waste	-0-	4,633
Total depreciation expense	<u>\$ 644,818</u>	<u>\$ 4,633</u>

Commitments with respect to unfinished capital projects at September 30, 2015, consisted of the following:

Primary Government	Remaining Financial Commitment	Expected Date of Completion
Governmental Activities:		
<u>Description of Commitment</u>		
Yokohama Boulevard	\$ 815,094	February 2016
STPBR 0770(5)B	<u>1,190,696</u>	Unknown
Total Governmental Activities	<u>\$ 2,005,790</u>	

Discretely Presented Component Unit - Clay County EDD

Discretely Presented Component Unit - Clay County EDD	Remaining Financial Commitment	Expected Date of Completion
Governmental Activities:		
<u>Description of Commitment</u>		
Rail Spur Construction Project	\$ < \$300,000	June 2016

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

(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, 2015, to January 1, 2016. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(9) Capital Leases

As Lessor:

The County leases the following property with varying terms and options as of September 30, 2015:

<u>Classes of Property</u>	<u>Amount</u>
Industrial facilities:	
Land	\$ 119,000
Buildings	<u>2,066,193</u>
Total	<u>\$ 2,185,193</u>

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2015, are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 114,393	41,180
2017	122,009	39,110
2018	125,842	35,277
2019	129,796	31,322
2020	133,876	27,242
2021-2025	495,684	85,414
2026-2030	291,604	22,916
2031-2035	<u>38,974</u>	<u>736</u>
Total	<u>\$ 1,452,178</u>	<u>283,197</u>

**CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

(9) Capital Leases (Continued)

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2015:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 345,655
Less: Accumulated Depreciation	<u>89,122</u>
Leased Property Under Capital Lease	<u><u>\$ 256,533</u></u>

The following is a schedule by years of the total payments due as of September 30, 2015:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 84,653	3,892
2017	81,082	2,207
2018	54,234	774
2019	<u>14,809</u>	<u>70</u>
Total	<u><u>\$ 234,778</u></u>	<u><u>6,943</u></u>

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

(10) Long-term Debt

Debt outstanding as of September 30, 2015, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rates	Final Maturity Date
Governmental Activities			
A. General Obligation Bonds:			
District 4 road 2000 issue	\$ 20,000	5.2/7.0	12/01/2015
District 3 road 2000 issue	185,000	5.5/7.5	08/01/2020
District 2 road 2001 issue	215,000	5.25/5.65	12/01/2020
County building	45,000	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	427,000	2.4/2.5	05/01/2025
District 4 road 2013 issue	464,000	2.9	11/01/2025
District 4 road 2008 issue	310,000	4.0	09/01/2023
District 5 road 2014 issue	184,000	2.19	03/15/2019
Total General Obligation Bonds	<u>\$ 12,850,000</u>		
B. Capital Leases			
Kubota Tractor	\$ 11,926	3.20	05/10/2017
2009 New Holland Tractor	13,821	3.15	05/10/2014
5 Dodge Vehicles	86,554	2.04	03/28/2018
Chevrolet Suburban	32,756	1.87	03/10/2019
Kubota Tractor #2	33,968	1.82	02/10/2019
Single Axle Cab & Chassis	55,753	2.04	01/10/2019
Total Capital Leases	<u>\$ 234,778</u>		
C. Other Loans:			
Two Volunteer fire trucks	\$ 28,182	2.00	04/01/2017
Volunteer fire building	28,000	3.89	01/05/2017
Fisher Marine building renovation	504,719	3.00	09/01/2031
Commercial building	663,509	3.00	06/01/2027
Two Volunteer fire trucks #2	305,666	3.00	07/01/2025
Total Other Loans	<u>\$ 1,530,076</u>		

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

(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
2016	\$ 281,000	608,889	138,078	36,684
2017	778,000	592,405	127,157	40,452
2018	790,000	569,446	105,582	36,501
2019	817,000	543,931	108,793	33,290
2020	798,000	514,444	112,103	29,981
2021-2025	3,973,000	2,084,855	607,786	96,644
2026-2030	4,383,000	1,004,583	291,603	22,918
2031-2035	1,030,000	32,187	38,974	636
Total	\$ 12,850,000	5,950,740	1,530,076	297,106

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the County. As of September 30, 2015, the amount of outstanding debt was equal to 9.12% of the latest property assessments.

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

	Balance Oct. 1, 2014	Additions	Reductions	Balance Sept. 30, 2015	Amount due within one year
Governmental Activities:					
Compensated absences	\$ 103,611	6,234		109,845	
General obligation bonds	13,189,000		339,000	12,850,000	281,000
Capital leases	181,676	143,219	90,117	234,778	84,653
Other loans	1,362,415	450,000	282,339	1,530,076	138,078
Totals	\$ 14,836,702	599,453	711,456	14,724,699	503,731
Business-type Activities:					
Compensated absences	\$ 1,506	1,920		3,426	
Totals	\$ 1,506	1,920	-0-	3,426	-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, 2015

(11) 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.

Benefits Provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring.

Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. At September 30, 2015, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The employer's rate at September 30, 2015 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature.

**CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

(11) Defined Benefit Pension Plan (Continued)

The County's contributions (employer share only) to PERS for the years ending September 30, 2015, 2014 and 2013 were equal to the required contributions for each year, and were as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
2015	\$ 476,798	14,024	490,822
2014	464,093	12,213	476,306
2013	406,186	12,655	418,841

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2015, the County reported a liability for its proportionate share of the net pension liability of \$7,433,103 for governmental activities and \$218,621 for business-type activities. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2015, the County's proportion was 0.0495 percent, which was equal to its proportion measured as of June 30, 2014.

For the year ended September 30, 2015, the County recognized pension expense of \$879,372 for governmental activities and \$25,866 for business-type activities. At September 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 114,392	3,364	117,756
Net difference between projected and actual earnings on pension plan investments	434,915	12,793	447,708
Changes of assumptions	640,335	18,835	659,170
County contributions subsequent to the measurement date	121,241	3,551	124,792
Total Deferred Outflows of Resources	<u>\$ 1,310,883</u>	<u>38,543</u>	<u>1,349,426</u>

\$124,792 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2016.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

(11) Defined Benefit Pension Plan (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30:	Governmental Activities	Business-type Activities	Total
2016	\$ 386,202	11,360	397,562
2017	386,202	11,359	397,561
2018	308,509	9,075	317,584
2019	108,729	3,198	111,927
2020	-0-	-0-	-0-
Thereafter	-0-	-0-	-0-
	<u>\$ 1,189,642</u>	<u>34,992</u>	<u>1,224,634</u>

Actuarial Assumptions. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	3.00 percent
Salary increases	3.75 – 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2016, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Broad	34.00 %	5.20 %
International Equity	19.00	5.00
Emerging Markets Equity	8.00	5.45
Fixed Income	20.00	0.25
Real Assets	10.00	4.00
Private Equity	8.00	6.15
Cash	1.00	(0.50)
Total	<u>100.00 %</u>	

**CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

(11) Defined Benefit Pension Plan (Continued)

Discount Rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity to the County’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the County’s proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the County’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1- percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension liability	\$ 10,085,673	7,651,724	5,632,001

Pension Plan Fiduciary Net Position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued PERS financial report.

(12) 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.

**CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

(13) 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 2015. 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.

(14) 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 \$530,000 for the maintenance and support of the college in fiscal year 2015.

Golden Triangle Development LINK provides services for the counties of Clay, Lowndes, and Oktibbeha. The Clay County Board of Supervisors appoints one of the ten members of the board of directors. The county appropriated \$350,000 for support of the organization in fiscal year 2015. Additionally, the county and the city of West Point have an inter-local agreement to share in the appropriation to the LINK.

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 \$79,027 for the library during fiscal year 2015.

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 2015.

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.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

(14) Jointly Governed Organizations (Continued)

The West Point/Clay County Growth Alliance, formerly known as the Chamber of Commerce, provides Community Development services for the community. The President of the Board of Supervisors and the Chancery Clerk are the county representatives, which serve on the nine-member Executive Board, of which only five are voting members. In the past, the county has provided financial support for the organization, however, no funds have been appropriated in recent years.

(15) Effect of Deferred Amounts on Net Position

Governmental Activities

The unrestricted net position amount of (\$6,172,994) includes the effect of deferring the recognition of the net difference between expected and actual experience relating to the defined benefit pension plan. The \$114,392 balance of the net deferred outflow of resources at September 30, 2015 will be recognized as expense and decrease unrestricted net position over the next 3 years.

Unrestricted net position also includes the effect of deferring the recognition of the net difference between projected and actual earnings on defined benefit pension plan investments. The \$434,915 balance of the net deferred outflow of resources at September 30, 2015 will be recognized as expense and decrease unrestricted net position over the next 4 years.

Unrestricted net position also includes the effect of deferring the recognition of the changes in actuarial assumptions utilized in developing the net pension liability. The \$640,335 balance of the net deferred outflow of resources at September 30, 2015 will be recognized as expense and decrease unrestricted net position over the next 3 years.

Business-type Activities

The restricted net position amount of \$190,774 includes the effect of deferring the recognition of the net difference between expected and actual experience relating to the defined benefit pension plan. The \$3,364 balance of the net deferred outflow of resources at September 30, 2015 will be recognized as expense and decrease restricted net position over the next 3 years.

Restricted net position also includes the effect of deferring the recognition of the net difference between projected and actual earnings on defined benefit pension plan investments. The \$12,793 balance of the net deferred outflow of resources at September 30, 2015 will be recognized as expense and decrease restricted net position over the next 4 years.

Restricted net position also includes the effect of deferring the recognition of the changes in actuarial assumptions utilized in developing the net pension liability. The \$18,835 balance of the net deferred outflow of resources at September 30, 2015 will be recognized as expense and decrease restricted net position over the next 3 years.

**CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

(16) 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 September 23, 2016, (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, 2015, Clay County issued the following debt obligations:

Issue Date	Interest Rate	Issue Amount	Type of Financing	Source of Financing
01/11/16	1.950%	\$ 172,119	Lease Purchase	Advalorem Taxes
11/30/15	1.779%	144,629	Lease Purchase	Advalorem Taxes
03/10/16	1.650%	84,100	Lease Purchase	Advalorem Taxes
08/19/16	1.780%	107,945	Lease Purchase	Advalorem Taxes
08/19/16	1.780%	75,575	Lease Purchase	Advalorem Taxes

REQUIRED SUPPLEMENTARY INFORMATION

Clay County
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
General Fund
For the Year Ended September 30, 2015

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 3,983,454	4,109,024	4,109,024	-0-
Licenses, commissions and other revenue	233,500	283,790	283,790	-0-
Fines and forfeitures	237,000	250,884	250,884	-0-
Intergovernmental revenues	814,672	872,865	872,865	-0-
Charges for services	218,875	394,036	394,036	-0-
Interest income	5,000	33,342	33,342	-0-
Miscellaneous revenues	21,600	87,962	87,962	-0-
Total Revenues	<u>5,514,101</u>	<u>6,031,903</u>	<u>6,031,903</u>	<u>-0-</u>
EXPENDITURES				
Current:				
General government	2,854,962	3,120,708	3,120,708	-0-
Public safety	2,241,749	2,426,971	2,426,971	-0-
Health and welfare	157,400	152,524	152,524	-0-
Conservation of natural resources	37,072	39,575	39,575	-0-
Economic Development	29,804	376,207	376,207	-0-
Debt service:				
Principal	23,526	37,912	37,912	-0-
Interest	3,370	2,467	2,467	-0-
Total Expenditures	<u>5,347,883</u>	<u>6,156,364</u>	<u>6,156,364</u>	<u>-0-</u>
Excess of Revenues over (under) Expenditures	<u>166,218</u>	<u>(124,461)</u>	<u>(124,461)</u>	<u>-0-</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of long-term debt	38,000	37,263	37,263	-0-
Transfers in	25,000	100,000	100,000	-0-
Transfers out	(200,000)	(150,000)	(150,000)	-0-
Total Other Financing Sources and Uses	<u>(137,000)</u>	<u>(12,737)</u>	<u>(12,737)</u>	<u>-0-</u>
Net Change in Fund Balance	<u>29,218</u>	<u>(137,198)</u>	<u>(137,198)</u>	<u>-0-</u>
Fund Balances - Beginning	<u>1,017,612</u>	<u>955,317</u>	<u>955,317</u>	<u>-0-</u>
Fund Balances - Ending	<u>\$ 1,046,830</u>	<u>818,119</u>	<u>818,119</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, 2015**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget
REVENUES				
Intergovernmental revenues	\$ -0-	6,534,030	6,534,030	-0-
Total Revenues	<u>-0-</u>	<u>6,534,030</u>	<u>6,534,030</u>	<u>-0-</u>
EXPENDITURES				
Current:				
Economic development	-0-	6,534,030	6,534,030	-0-
Total Expenditures	<u>-0-</u>	<u>6,534,030</u>	<u>6,534,030</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	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Fund Balances - Beginning	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Fund Balances - Ending	<u><u>\$ -0-</u></u>	<u><u>-0-</u></u>	<u><u>-0-</u></u>	<u><u>-0-</u></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, 2015

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget
REVENUES				
Interest income	\$ -0-	822	822	-0-
Total Revenues	<u>-0-</u>	<u>822</u>	<u>822</u>	<u>-0-</u>
EXPENDITURES				
Current:				
Economic development	2,901,600	21,922	21,922	-0-
Debt service:				
Interest	-0-	544,979	544,979	-0-
Total Expenditures	<u>2,901,600</u>	<u>566,901</u>	<u>566,901</u>	<u>-0-</u>
Excess of Revenues over (under) Expenditures	<u>(2,901,600)</u>	<u>(566,079)</u>	<u>(566,079)</u>	<u>-0-</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-0-	(1,200,000)	(1,200,000)	-0-
Total Other Financing Sources and Uses	<u>-0-</u>	<u>(1,200,000)</u>	<u>(1,200,000)</u>	<u>-0-</u>
Net Change in Fund Balance	<u>(2,901,600)</u>	<u>(1,766,079)</u>	<u>(1,766,079)</u>	<u>-0-</u>
Fund Balances - Beginning	<u>1,107,484</u>	<u>2,179,481</u>	<u>2,179,481</u>	<u>-0-</u>
Fund Balances - Ending	<u>\$ (1,794,116)</u>	<u>413,402</u>	<u>413,402</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, 2015

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget
REVENUES				
Interest income	\$ 100	112	112	-0-
Intergovernmental revenues	-0-	21,875	21,875	-0-
Miscellaneous revenues	46,427	50,131	50,131	-0-
Total Revenues	<u>46,527</u>	<u>72,118</u>	<u>72,118</u>	<u>-0-</u>
EXPENDITURES				
Current:				
Economic development	75,000	43,750	43,750	-0-
Debt service:				
Principal	70,182	70,015	70,015	-0-
Interest	35,982	36,148	36,148	-0-
Total Expenditures	<u>181,164</u>	<u>149,913</u>	<u>149,913</u>	<u>-0-</u>
Excess of Revenues over (under) Expenditures	<u>(134,637)</u>	<u>(77,795)</u>	<u>(77,795)</u>	<u>-0-</u>
OTHER FINANCING SOURCES (USES)				
Lease principal payments	114,692	127,347	127,347	-0-
Total Other Financing Sources and Uses	<u>114,692</u>	<u>127,347</u>	<u>127,347</u>	<u>-0-</u>
Net Change in Fund Balance	<u>(19,945)</u>	<u>49,552</u>	<u>49,552</u>	<u>-0-</u>
Fund Balances - Beginning	<u>70,563</u>	<u>34,498</u>	<u>34,498</u>	<u>-0-</u>
Fund Balances - Ending	<u>\$ 50,618</u>	<u>84,050</u>	<u>84,050</u>	<u>-0-</u>

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

**CLAY COUNTY
SCHEDULE OF THE COUNTY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
LAST TEN FISCAL YEARS***

	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability	0.0495%	0.0495%
County's proportionate share of the net pension liability	\$ 7,651,724	6,008,394
County's covered-employee payroll	\$ 3,116,330	3,024,166
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	245.54%	198.68%
Plan fiduciary net position as a percentage of the total pension liability	61.70%	67.21%

* The amount presented for each fiscal year was determined as of the measurement date of 6/30 of the year presented modified for the effects of the remaining fiscal year. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/15, and, until a full 10-year trend is compiled, the County has only presented information for the years in which information is available.

The notes to the required supplementary information are an integral part of this schedule.

**CLAY COUNTY
SCHEDULE OF COUNTY CONTRIBUTIONS
LAST TEN FISCAL YEARS***

	2015
Contractually required contribution	\$ 490,822
Contributions in relation to the contractually required contribution	(490,822)
Contribution deficiency (excess)	\$ -0-
 County's covered-employee payroll	3,116,330
Contributions as a percentage of covered-employee payroll	15.75%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/15, and, until a full 10-year trend is compiled, the County has only presented information for the years in which information is available.

The 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, 2015

UNAUDITED

Budgetary Comparison Schedules

A. Budgetary Information

Statutory requirements dictate how and when the County's budget is to be prepared. Generally, in the month of May, 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, 2015

UNAUDITED

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) \$	(137,198) \$	-0- \$	(1,766,079) \$	49,552
Increase (Decrease)				
Net adjustments for revenue accruals	(5,957)	-0-	-0-	-0-
Net adjustments for expenditure accruals	54,438	-0-	-0-	-0-
GAAP Basis \$	(88,717) \$	-0- \$	(1,766,079) \$	49,552

Pension Schedules

A. Changes of Assumptions

In 2015 and later, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015. In 2015, the expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75% respectively.

OTHER INFORMATION

Clay County
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2015
UNAUDITED

Name	Position	Insurance Company	Bond
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
Nikkie Cude	Purchase Clerk	Western Surety	75,000
Ava Harris	Asst. Purchase Clerk	Western Surety	50,000
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
Melissa Grimes	Court Reporter	FCCI	2,000

SPECIAL REPORTS

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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, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Clay County, Mississippi, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the county's basic financial statements and have issued our report thereon dated September 23, 2016.

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 deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as 2015-001 that we consider to be a material weakness.

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*.

Clay County's Response to Finding

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

Purpose of 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.

A handwritten signature in black ink that reads "J. E. Vance & Company". The signature is written in a cursive style with a large, stylized initial "J" and "E".

Tupelo, Mississippi
September 23, 2016

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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, 2015. 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.

A handwritten signature in black ink that reads "J. E. Vance & Company". The signature is written in a cursive style with a large, stylized initial "J" and "E".

Tupelo, Mississippi
September 23, 2016

Clay County
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2015

Schedule 1

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reason for Accepting Other Than the Lowest Bid</u>
7/23/2015	Replacement Front Door - MSU Extension Office	\$ 2,795	Glass Doctor	\$ 1,750	The door needed to be installed quickly due to security concerns. Only one vendor could install the new door within 7-10 days.

**Clay County
Schedule of Emergency Purchases
For the Year Ended September 30, 2015**

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, 2015

Schedule 3

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

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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, 2015, 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 September 23, 2016, 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
September 23, 2016

SCHEDULE OF FINDINGS AND RESPONSES

**CLAY COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Section 1: Summary of Auditor's Results

Financial Statements:

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

Section 2: Financial Statement Findings

Inventory Control Clerk

Material Weakness:

2015-001

Criteria

An effective system of internal controls should include adequate subsidiary records documenting amounts to be capitalized for state aid road and bridge projects.

Condition

The County failed to capitalize multiple state-aid road and bridge project additions. As a result, audit adjustments were necessary to correct the balance of the County's capital asset records. Adjustments to correct these errors were proposed and made to the financial statements with management's approval.

Effect

The failure to implement a proper inventory control system over state aid road and bridge projects resulted in the reporting of inaccurate amounts on the capital asset reports which increases the possibility of the loss or misappropriation of assets.

Cause

The lack of adequate controls over state aid road and bridge projects in the inventory control system.

Recommendation

The Inventory Control Clerk should implement procedures to ensure that all state aid road and bridge projects which meet the capitalization criteria are included in capital asset records.

Inventory Control Clerk's Response

I have made the necessary corrections to the County inventory, and will ensure that all state aid road and bridge projects which meet the capitalization criteria are included in capital asset records in the future.