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CLAY COUNTY, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
AND SPECIAL REPORTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

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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 discretely presented component unit, each major fund, and the aggregate remaining fund information of Clay County, Mississippi, (the County) as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Clay County, Mississippi, as of September 30, 2016, 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 8, 2017, 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.

A handwritten signature in black ink that reads "J. E. Vance & Company". The signature is written in a cursive, flowing style.

J. E. Vance & Company, P.A.
September 8, 2017



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, 2016. 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, 2016 was 55.68. This millage rate reflects an increase of 5% from the prior year, and is primarily due to increases for the debt service category.

Total net position decreased \$1,518,382, which represents a 3% decrease from the prior fiscal year.

The County's ending cash balance decreased by \$832,178, which represents a 13% decrease from the previous year.

The County had \$11,550,408 in total revenues. Property tax revenues account for \$5,573,018 or 48% of total revenues. Intergovernmental Revenues in the form of reimbursements, shared revenue or grants, account for \$3,341,567, or 29% of total revenues. Charges for services account for \$1,614,265 or 14% of total revenue. Ad valorem tax in lieu fees account for \$541,316 or 5% of total revenue. Other revenues such as road and bridge privilege taxes, fines, fees, interest income etc. account for the remaining 4% of total revenues.

The County had \$13,068,790 in total expenses, which represents an increase of \$2,628,239 or 25% from the prior fiscal year. Expenses in the amount of \$4,596,415 were offset by charges for services, grants or outside contributions. General revenues of \$6,953,993 were not adequate to cover the remaining amount of expenses.

Among major funds, the General Fund had \$6,210,515 in revenues and \$6,136,237 in expenditures. The General Fund also had net other financing sources of \$9,100. The General Fund's fund balance increased \$83,378 from the prior year.

Among major funds, the Yokohama Blvd State Aid Road Fund had \$1,185,013 in revenues and \$1,185,013 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 \$339 in revenues and \$544,979 in expenditures. The \$11 Million Industrial Development Bond Fund's fund balance decreased \$544,640 from the prior year.

Among major funds, the TVA Bridge Bond Fund had \$132,173 in revenues and \$317,123 in expenditures. The TVA Bridge Bond Fund also had net other financing sources of \$118,412. The TVA Bridge Bond Fund's fund balance decreased \$66,538 from the prior year.

Capital Assets, net of accumulated depreciation, increased by \$258,749. This represents a 1% increase from the prior year.

Long-term debt increased by \$245,706. This represents a 2% increase from the prior year. Yokohama Industrial Development Bonds outstanding in the amount of \$11,000,000 account for 73% 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

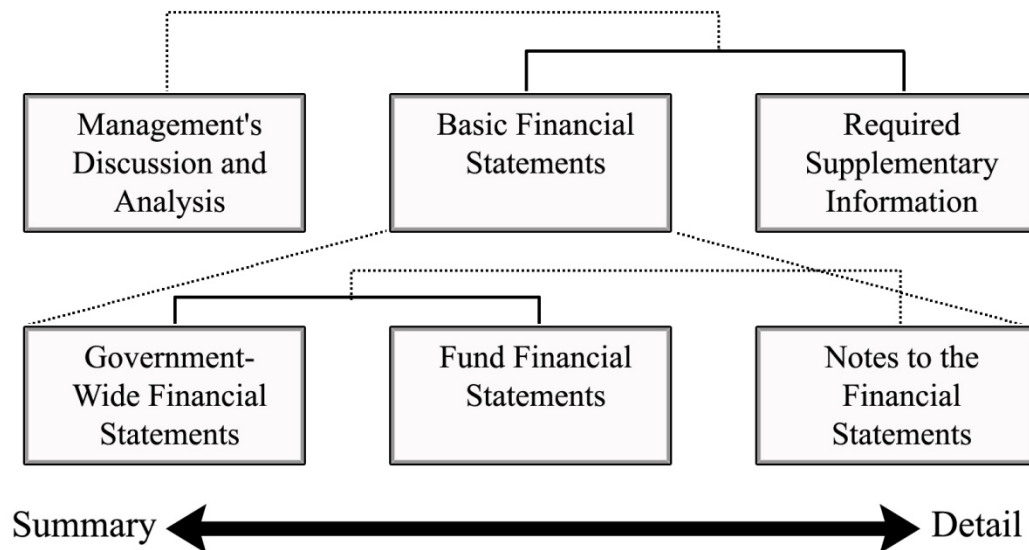


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

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 \$42,264,001 as of September 30, 2016.

By far, the largest portion of the County's net position (77%) reflects its investment in capital assets (e.g. roads, bridges, land, buildings, mobile equipment, furniture & equipment, leased property under capital lease and construction in progress) less related outstanding debt used to acquire such assets. The County uses these capital assets to provide services to its citizens.

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

The following table presents a summary of the County's net position at September 30, 2016 and 2015.

Governmental Activities			
	2016	2015	Change
Current assets	\$ 13,874,014	\$ 14,877,720	-7%
Ad valorem tax fee in-lieu receivable	9,695,302	9,153,986	6%
Capital assets, net	45,908,609	45,776,838	0%
Total assets	69,477,925	69,808,544	0%
Deferred outflows of resources	1,739,181	1,310,883	33%
Current liabilities	754,681	620,000	22%
Long-term debt outstanding	14,853,585	14,724,699	1%
Net pension liability	8,611,901	7,433,103	16%
Total liabilities	24,220,167	22,777,802	6%
Deferred inflows of resources	4,953,452	4,799,414	3%
Net position:			
Investment in capital assets	32,318,161	32,330,212	0%
Restricted	4,981,099	6,384,993	-22%
Unrestricted	4,744,227	4,827,006	-2%
Total net position	\$ 42,043,487	\$ 43,542,211	-3%
Business-type Activities			
	2016	2015	Change
Current assets	\$ 383,893	\$ 398,378	-4%
Capital assets	176,376	49,398	257%
Total assets	560,269	447,776	25%
Deferred outflows	34,887	38,543	-9%
Current liabilities	24,361	24,100	1%
Long-term debt outstanding	120,246	3,426	3410%
Net pension liability	230,035	218,621	5%
Total liabilities	374,642	246,147	52%
Net position:			
Investment in capital assets	61,036	49,398	24%
Restricted	159,478	190,774	-16%
Total net position	\$ 220,514	\$ 240,172	-8%

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:

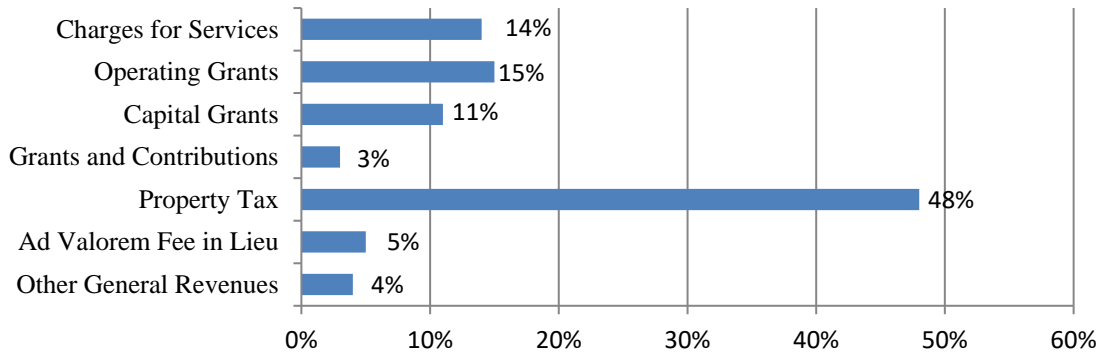
Governmental Activities			
	2016	2015	
Total unrestricted net position - governmental activities	\$ 4,744,227	\$ 4,827,006	
Unrestricted decrease in net position resulting from recognition of the net pension liability	6,872,720	6,122,220	
Unrestricted net position, exclusive of the net pension liability effect	\$ 11,616,947	\$ 10,949,226	

	Business-type Activities	
	2016	2015
Total net position restricted for public works - business-type activities	\$ 159,478	\$ 190,774
Restricted decrease in net position resulting from recognition of the net pension liability	195,148	180,078
Net position restricted for public works, exclusive of the net pension liability effect	\$ 354,626	\$ 370,852

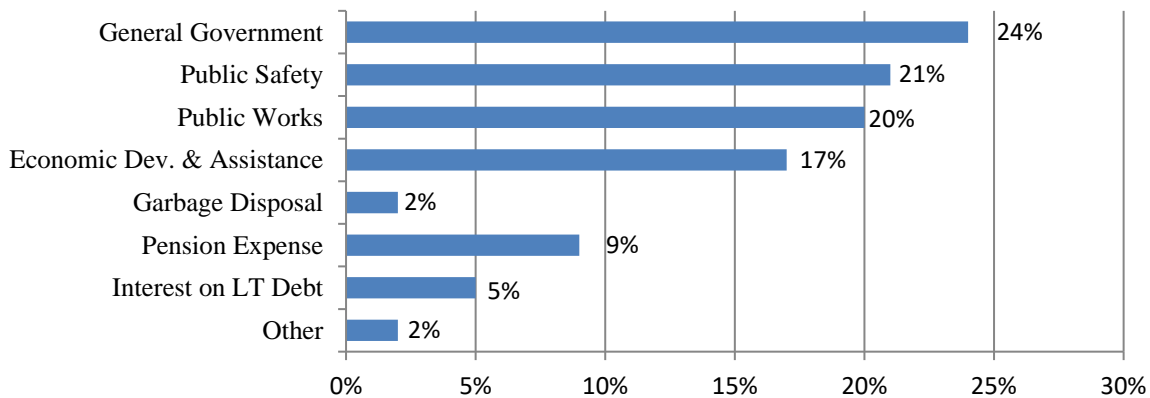
Changes in Net Position – Clay County’s total revenues for the fiscal year ended September 30, 2016 were \$11,550,408. The total cost for all services provided was \$13,068,790. The decrease in net position was \$1,518,382. The following table presents a summary of the changes in net position for the fiscal years ended September 30, 2016 and 2015.

	<u>2016</u>	<u>2015</u>	<u>Change</u>
Revenues:			
Program revenues			
Charges for services	\$ 1,614,265	\$ 1,579,025	2%
Operating grants	1,779,267	1,189,827	50%
Capital grants	1,202,883	7,406,839	-84%
General revenues			
Property taxes	5,573,018	5,298,301	5%
Road and bridge privilege taxes	242,854	237,502	2%
Grants and contributions not restricted	359,417	412,443	-13%
Advalorem Tax in-lieu fee	541,316	382,531	42%
Interest income	41,341	39,957	3%
Other General Revenue	196,047	197,593	-1%
Total Revenues	<u>11,550,408</u>	<u>16,744,018</u>	-31%
Expenses:			
General government	3,111,700	3,015,487	3%
Public safety	2,758,357	2,745,645	0%
Public works	2,578,557	1,924,482	34%
Health and welfare	159,390	152,325	5%
Culture and recreation	77,286	78,931	-2%
Conservation of natural resources	29,622	39,116	-24%
Economic development	2,145,697	614,963	249%
Pension expense	1,236,576	879,372	41%
Interest on long-term debt	658,463	665,913	-1%
Garbage disposal (Business type)	313,142	324,317	-3%
Total Expense	<u>13,068,790</u>	<u>10,440,551</u>	25%
Prior Period Adjustments	<u>-0-</u>	<u>(4,561,320)</u>	100%
Increase in Net Position	\$ <u>(1,518,382)</u>	\$ <u>1,742,147</u>	-187%

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.

	Total Costs	Net Costs
General Government	\$ 3,111,700	\$ 2,305,231
Public Safety	2,758,357	2,024,603
Public Works	2,578,557	1,942,354
Health & Welfare	159,390	124,996
Culture & Recreation	77,286	77,286
Conservation of Natural Resources	29,622	29,622
Economic Development	2,145,697	152,877
Pension Expense	1,236,576	1,236,576
Interest on Debt	658,463	658,463

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 \$6,017,379, a decrease of \$1,323,552 or 18% from the previous year.

Business-type fund – Operating revenue from the County's Garbage Collection Fund increased by 1% to \$375,473 and operating expenses decreased approximately 4% to \$311,193. Nonoperating revenues in the form of interest income and intergovernmental grants totaled \$18,011. Nonoperating expenses in the form of interest expense totaled \$1,949.

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, 2016, Clay County's total capital assets were \$75,952,893. 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 \$1,912,506 or 3%.

Total accumulated depreciation as of September 30, 2016 was \$29,867,908, including \$1,689,217 of depreciation expense for the year. The balance in total net capital assets was \$46,084,985 at year-end.

Additional information on Clay County's capital assets can be found in note 6 on page 43 of this report.

Debt Administration – At September 30, 2016, Clay County had \$14,973,831 in long-term debt outstanding. This includes general obligation bonds, capital leases, other loans, and compensated absences. Of this debt, \$1,205,975 is due within one year.

Additional information on Clay County's long-term debt can be found in note 9 on page 47 of this report.

CURRENT AND FUTURE ITEMS OF IMPACT

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. As of May 2017, Plum Creek Environmental Technologies has employed approximately 85 employees and is already seeking to expand their facility located in Clay County/West Point on Industrial Access Road. With a larger facility, the company plans to create an additional 100 more jobs. The primary skillset of the jobs created is welding.

Things continue to move along as scheduled with Yokohama Tire Company. Currently, Yokohama Tire Company has met the 500-employment threshold as required of the first phase. The County continues to anticipate the announcement of Phase II. Additionally, in 2017, the county received the first Fee in Lieu check of \$1.7 million from Yokohama Tire Company. As per the Fee in lieu agreement between the County and Yokohama Tire Company, the Fee in lieu monies are designated to the retiring of any debt issued by the County for initial industrial improvements to the Yokohama Tire Plant site. The remaining portion of the Fee in Lieu monies go to the West Point School District. In 2017 of the \$1.7 million fee in lieu monies received, approximately \$640,000 was settled to the West Point School District. This payment was a big plus for our School District. In the future, as Yokohama continues to develop and build the other three phases, the Fee in Lieu monies will increase which will have a positive impact upon the local economy and ad valorem millage assessment.

Luvs Truck Stop built a multi-million-dollar travel center located in Clay County/West Point on Highway 45. The travel center opened in August and has already had an immediate positive impact on the local economy and created approximately 30 to 40 new jobs.

The Mossy Oak Natures Golf course opened in July 2017. The Mossy Oak Natures Golf is a joint project venture between The George Bryan Family, founders of Old Waverly Golf course which is located in West Point, MS, and outdoor brand Mossy Oak, to create a truly unique golf experience with the highest detail in nature preservation. The Natures Golf Course features a 7,400-yard, par-72 golf course, a clubhouse and guest cabins to accommodate golf travelers. With the development of the new golf course, approximately 50 jobs were created. This addition of the Natures Golf Course will substantially affect the County's Assessments.

The Old Waverly Golf Course recently announced that it will host the 2019 Women's Amateur Championship. This is a huge honor not only for Old Waverly Golf Course, but also, for our local community. Thousands of people will attend this championship which will have a huge impact on our local community, as well as, give more attention to the beautiful Old Waverly Golf Course and Natures Golf Course.

The County has continued to maintain existing relationships with local industries. Navistar Defense, LLC, a primary defense contractor, has a total employment of approximately 375 people with production contracts extending through December 2018. Ellis Steel, a local steel fabricator, has maintained steady employment of approximately 200 employees. Prestage Farms of Mississippi Inc., headquartered in Clay County, is a pork division which currently employs approximately 275 employees and has 40 farm families in Mississippi and Alabama.

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, 2016

Exhibit 1

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Clay County EDD
ASSETS				
Cash	\$ 5,135,566	254,572	5,390,138	129,884
Cash with fiscal agent	1,100,838		1,100,838	
Property tax receivable	4,710,646		4,710,646	
Ad Valorem Tax Fee In-Lieu Recievable	9,695,302		9,695,302	
Accounts receivable (net of allowance for uncollectibles of \$880,190)		107,977	107,977	
Fines receivable (net of allowance for uncollectibles of \$4,461,246)	777,926		777,926	
Capital leases receivable	1,616,256		1,616,256	
Intergovernmental receivables	496,098	612	496,710	
Other receivables	30,944	26,472	57,416	
Internal balances	5,740	(5,740)		
Capital assets:				
Land and construction in progress	1,345,020		1,345,020	7,475,994
Other capital assets, net	44,563,589	176,376	44,739,965	3,978,346
Total Assets	69,477,925	560,269	70,038,194	11,584,224
DEFERRED OUTFLOWS OF RESOURCES				
Current				
Deferred outflows related to pensions	732,829	14,679	747,508	
Noncurrent				
Deferred outflows related to pensions	1,006,352	20,208	1,026,560	
Total Deferred Outflows of Resources	1,739,181	34,887	1,774,068	-0-
LIABILITIES				
Claims payable	361,616	11,468	373,084	
Intergovernmental payables	216,186		216,186	
Accrued interest payable	63,509		63,509	
Unearned revenue	81,163	12,893	94,056	
Amounts held in custody for others	32,207		32,207	
Long-term liabilities				
Due within one year:				
Capital debt	1,079,101	35,724	1,114,825	
Non-capital debt	91,150		91,150	
Due in more than one year:				
Capital debt	12,511,347	79,616	12,590,963	
Non-capital debt	1,171,987	4,906	1,176,893	
Net pension liability	8,611,901	230,035	8,841,936	
Total Liabilities	24,220,167	374,642	24,594,809	-0-
DEFERRED INFLOWS OF RESOURCES				
Property tax for future reporting period	4,710,646		4,710,646	
Unavailable revenue - interest on capital leases	242,806		242,806	
Total Deferred Inflows of Resources	4,953,452	-0-	4,953,452	-0-
NET POSITION				
Net investment in capital assets	32,318,161	61,036	32,379,197	11,454,340
Restricted:				
Expendable:				
General government	133,183		133,183	
Public safety	146,194		146,194	
Public works	1,732,932	159,478	1,892,410	
Debt service	55,328		55,328	
Culture and recreation	1,082		1,082	
Economic development	2,708,493		2,708,493	129,884
Unemployment compensation	55,936		55,936	
Capital projects	145,317		145,317	
Nonexpendable	2,634		2,634	
Unrestricted	4,744,227		4,744,227	
Total Net Position	\$ 42,043,487	220,514	42,264,001	11,584,224

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

Clay County
Statement of Activities
For the Year Ended September 30, 2016

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		Total	Unit
					Governmental Activities	Business-type Activities		Clay County EDD
Primary government:								
Governmental activities:								
General government	\$ 3,111,700	667,555	138,914		(2,305,231)		(2,305,231)	
Public safety	2,758,357	571,237	154,017	8,500	(2,024,603)		(2,024,603)	
Public works	2,578,557		626,833	9,370	(1,942,354)		(1,942,354)	
Health and welfare	159,390		34,394		(124,996)		(124,996)	
Culture and recreation	77,286				(77,286)		(77,286)	
Conservation of natural resources	29,622				(29,622)		(29,622)	
Economic development and assistance	2,145,697		807,807	1,185,013	(152,877)		(152,877)	
Pension expense	1,236,576				(1,236,576)		(1,236,576)	
Interest on long-term debt	658,463				(658,463)		(658,463)	
Total Governmental Activities	12,755,648	1,238,792	1,761,965	1,202,883	(8,552,008)		(8,552,008)	
Business-type activities:								
Solid Waste	313,142	375,473	17,302			79,633	79,633	
Total Business-type Activities	313,142	375,473	17,302	-0-		79,633	79,633	
Total Primary Government	\$ 13,068,790	1,614,265	1,779,267	1,202,883	(8,552,008)	79,633	(8,472,375)	
Component unit:								
Clay County EDD	145,967							(145,967)
Total Component Units	145,967	-0-	-0-	-0-				(145,967)
General revenues:								
Property taxes					\$ 5,573,018		5,573,018	
Road & bridge privilege taxes					242,854		242,854	
Grants and contributions not restricted to specific programs					359,417		359,417	
Ad valorem fee in lieu					541,316		541,316	
Unrestricted interest income					40,632	709	41,341	42
Miscellaneous					196,047		196,047	13,012
Transfers					100,000	(100,000)	-0-	
Total General Revenues and Transfers					7,053,284	(99,291)	6,953,993	13,054
Changes in Net Position					(1,498,724)	(19,658)	(1,518,382)	(132,913)
Net Position - Beginning					43,542,211	240,172	43,782,383	11,717,137
Net Position - Ending					\$ 42,043,487	220,514	42,264,001	11,584,224

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

Clay County
Balance Sheet - Governmental Funds
September 30, 2016

Exhibit 3

	Major Funds					
	General Fund	Yokohama Blvd State Aid Road Fund	\$11 Million Industrial Dev Bond Fund	TVA Bridge Bond Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash	\$ 1,159,869	31,163	1,484,788	49,204	2,410,542	5,135,566
Cash with fiscal agent			1,100,838			1,100,838
Property tax receivable	3,683,853				1,026,793	4,710,646
Fines receivable (net of allowance for uncollectibles of \$4,461,246)	777,926					777,926
Capital lease receivable				1,574,256	42,000	1,616,256
Intergovernmental receivables	206,544				230,046	436,590
Other receivables	941				28,876	29,817
Due from other funds	5,823				52,296	58,119
Advances to other funds	200				2,434	2,634
Total Assets	\$ 5,835,156	31,163	2,585,626	1,623,460	3,792,987	13,868,392
LIABILITIES						
Liabilities:						
Claims payable	\$ 108,775			31,688	221,153	361,616
Intergovernmental payables	203,299				4,066	207,365
Due to other funds	56,125				5,075	61,200
Advances from other funds					2,634	2,634
Unearned revenue		31,163			50,000	81,163
Amounts held in custody for others	32,207					32,207
Total Liabilities	\$ 400,406	31,163	-0-	-31688-	282,928	746,185
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	3,683,853				1,026,793	4,710,646
Unavailable revenue - fines	777,926					777,926
Unavailable revenue - principal and interest on capital leases				1,574,256	42,000	1,616,256
Total Deferred Inflows of Resources	\$ 4,461,779	-0-	-0-	1,574,256	1,068,793	7,104,828
Fund balances:						
Nonspendable:						
Advances	200					200
Restricted to:						
General government					197,994	197,994
Public safety					146,194	146,194
Public works					1,815,872	1,815,872
Culture and recreation					1,082	1,082
Economic development and assistance			2,585,626	17,516	105,351	2,708,493
Debt service					118,837	118,837
Unemployment compensation					55,936	55,936
Unassigned	972,771					972,771
Total Fund Balances	\$ 972,971	-0-	2,585,626	17,516	2,441,266	6,017,379
Total Liabilities and Fund Balances	\$ 5,835,156	31,163	2,585,626	1,623,460	3,792,987	13,868,392

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, 2016

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 6,017,379
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 \$29,544,654.	45,908,609
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	9,695,302
Fines receivable	777,926
Intergovernmental receivables	59,508
Other receivables	1,127
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(14,853,585)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(8,611,901)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(63,509)
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,373,450
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>1,739,181</u>
Total Net Position - Governmental Activities	\$ <u><u>42,043,487</u></u>

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

Clay County
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2016

Exhibit 4

	Major Funds				Other	Total
	General	Yokohama Blvd	\$11 Million	TVA Bridge	Governmental	Governmental
	Fund	State Aid	Industrial Dev	Bond Fund	Funds	Funds
		Road Fund	Bond Fund			
REVENUES						
Property taxes	\$ 4,272,143				1,300,875	5,573,018
Road and bridge privilege taxes					242,854	242,854
Licenses, commissions and other revenue	313,031				19,148	332,179
Fines and forfeitures	322,905					322,905
Intergovernmental revenues	855,978	1,185,013		89,258	1,136,329	3,266,578
Charges for services	313,809				195,532	509,341
Interest income	36,033		339	208	4,051	40,631
Miscellaneous revenues	96,616			42,707	68,779	208,102
Total Revenues	6,210,515	1,185,013	339	132,173	2,967,568	10,495,608
EXPENDITURES						
Current:						
General government	3,178,237				14,488	3,192,725
Public safety	2,403,637				634,583	3,038,220
Public works					1,660,777	1,660,777
Health and welfare	159,390					159,390
Culture and recreation					77,286	77,286
Conservation of natural resources	37,640					37,640
Economic development and assistance	297,740	1,185,013		210,960	1,593,741	3,287,454
Debt service:						
Principal	56,968			71,719	398,849	527,536
Interest	2,625		544,979	34,444	79,451	661,499
Total Expenditures	6,136,237	1,185,013	544,979	317,123	4,459,175	12,642,527
Excess of Revenues over (under) Expenditures	74,278	-0-	(544,640)	(184,950)	(1,491,607)	(2,146,919)
OTHER FINANCING SOURCES (USES)						
Long-term capital debt issued	84,100				515,539	599,639
Proceeds from sale of capital assets						
Transfers in	100,000				237,196	337,196
Transfers out	(175,000)				(62,196)	(237,196)
Lease principal payments				118,412	5,316	123,728
Total Other Financing Sources and Uses	9,100	-0-	0	118,412	695,855	823,367
Net Changes in Fund Balances	83,378	-0-	(544,640)	(66,538)	(795,752)	(1,323,552)
Fund Balances - Beginning	889,593	-0-	3,130,266	84,054	3,237,018	7,340,931
Fund Balances - Ending	\$ 972,971	-0-	2,585,626	17,516	2,441,266	6,017,379

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

Clay County**Exhibit 4-1**

**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, 2016**

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (1,323,552)
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 \$1,807,276 exceeded depreciation of \$1,671,566.	135,710
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.	(3,939)
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.	72,547
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	541,316
Intergovernmental revenues	31,325
Charges for services	1,820
Miscellaneous revenues	1,127
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 \$527,536 exceeded debt proceeds of \$644,639.	(117,103)
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	3,036
Increase in compensated absences	(11,783)
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.	(78,728)
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	(1,236,576)
Contributions made to defined benefit pension plan	486,076
Change in Net Position of Governmental Activities	\$ <u><u>(1,498,724)</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, 2016

Exhibit 5

	<u>Business-type Activities - Enterprise Fund</u>
	<u>Solid Waste Fund</u>
ASSETS	
Current assets:	
Cash	\$ 254,572
Accounts receivable (net of allowance for uncollectibles of \$880,190)	107,977
Intergovernmental receivables	612
Other receivables	26,472
Total Current Assets	<u>389,633</u>
Noncurrent assets:	
Capital assets:	
Other capital assets, net	176,376
Total Noncurrent Assets	<u>176,376</u>
Total Assets	<u>566,009</u>
DEFERRED OUTFLOWS OF RESOURCES	
Current:	
Deferred outflows related to pensions	14,679
Noncurrent:	
Deferred outflows related to pensions	20,208
Total Deferred Outflows of Resources	<u>34,887</u>
LIABILITIES	
Current liabilities:	
Claims payable	11,468
Due to other funds	5,740
Unearned revenue	12,893
Capital debt:	
Capital leases payable	35,724
Total Current Liabilities	<u>65,825</u>
Noncurrent liabilities:	
Capital debt:	
Capital leases payable	79,616
Non-capital debt:	
Compensated absences payable	4,906
Net pension liability	230,035
Total Noncurrent Liabilities	<u>314,557</u>
Total Liabilities	<u>380,382</u>
NET POSITION	
Net investment in capital assets	61,036
Restricted for:	
Public works	159,478
Total Net Position	<u>\$ 220,514</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, 2016**

	<u>Business-type Activities - Enterprise Fund</u>
	Solid Waste Fund
Operating Revenues	
Charges for services	\$ 375,473
Total Operating Revenues	<u>375,473</u>
Operating Expenses	
Personal services	122,050
Pension expense	24,831
Contractual services	103,538
Materials and supplies	36,872
Depreciation expense	17,650
Indirect administrative cost	6,252
Total Operating Expenses	<u>311,193</u>
Operating Income (Loss)	<u>64,280</u>
Nonoperating Revenues (Expenses)	
Intergovernmental grants	17,302
Interest income	709
Interest expense	(1,949)
Net Nonoperating Revenue (Expenses)	<u>16,062</u>
Net Income (Loss) Before Transfers	80,342
Transfers out	(100,000)
Changes in Net Position	<u>(19,658)</u>
Net Position - Beginning	<u>240,172</u>
Net Position - Ending	<u><u>\$ 220,514</u></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, 2016

Exhibit 7

	<u>Business-type Activities - Enterprise Fund</u>
	<u>Solid Waste Fund</u>
Cash Flows From Operating Activities	
Receipts from customers	\$ 373,492
Payments to suppliers	(140,282)
Payments to employees	(130,330)
Payments to General Fund for indirect costs	(5,784)
Net Cash Provided by Operating Activities	<u>97,096</u>
Cash Flows From Capital and Related Financing Activities	
Principal paid on long-term debt	(29,289)
Interest paid on debt	(1,949)
Net Cash Used by Capital and Related Financing Activities	<u>(31,238)</u>
Cash Flows From Noncapital Financing Activities	
Intergovernmental grants received	17,061
Loans made to other funds	(511)
Operating transfers out	(100,000)
Net Cash Used by Noncapital Financing Activities	<u>(83,450)</u>
Cash Flows From Investing Activities	
Interest on deposits	<u>709</u>
Net Cash Provided by Investing Activities	<u>709</u>
Net Decrease in Cash and Cash Equivalents	(16,883)
Cash and Cash Equivalents at Beginning of Year	271,455
Cash and Cash Equivalents at End of Year	<u>\$ 254,572</u>
Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities:	
Operating income	\$ <u>64,280</u>
Adjustments to reconcile operating income to net cash	
provided by operating activities:	
Depreciation expense	17,650
Pension expense	24,831
Deferred outflows - contributions to retirement plan	(9,761)
Provision for uncollectible accounts	13,787
Changes in assets and liabilities:	
Increase in accounts receivable	(18,272)
Decrease in other receivables	2,373
Increase in claims payable	129
Increase in unearned revenue	132
Increase in compensated absences liability	1,480
Decrease in interfund payables	(44)
Addition: Non-operating change in interfund payables	<u>511</u>
Total Adjustments	<u>32,816</u>
Net Cash Provided by Operating Activities	<u>\$ 97,096</u>

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

Clay County
Statement of Fiduciary Assets and Liabilities
September 30, 2016

Exhibit 8

	Agency Funds
ASSETS	
Cash and investments	\$ 131,869
Due from other funds	8,821
Total Assets	\$ <u>140,690</u>
LIABILITIES	
Amounts held in custody for others	\$ 41,963
Other liabilities	73,519
Intergovernmental payables	25,208
Total Liabilities	\$ <u>140,690</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, 2016

(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 column 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, 2016

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, 2016

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, 2016

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, 2016

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, 2016**

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, 2016

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.

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, 2016

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 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 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, 2016

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, 2016

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.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

(2) Deposits

Primary Government

The carrying amount of the County's total deposits with financial institutions at September 30, 2016, was \$6,622,845, including cash with fiscal agents of \$1,100,838, and the bank balance was \$6,834,102. 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. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. 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, 2016, was \$129,884 and the bank balance was \$129,884. 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. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. 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, 2016

(3) 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, 2016 is as follows:

<u>Year Ended September 30</u>	<u>Amount</u>
2017	\$ -0-
2018	1,046,371
2019	1,046,371
2020	1,046,371
2021	1,046,371
2022-2026	5,231,855
2027-2030	3,139,112
Total	\$ 12,556,451
Less: Discount to Present Value	2,861,149
Net Receivable	\$ 9,695,302

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, 2016

(4) Interfund Transactions and Balances

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Solid Waste Fund	\$ 5,740
General Fund	Other Governmental Funds	83
Other Governmental Funds	General Fund	47,304
Other Governmental Funds	Other Governmental Funds	4,992
Agency Funds	General Fund	8,821
Total		<u>\$ 66,940</u>

The payables from the General Fund represent the tax revenue collected but not settled until October 2016. The payable from the Solid Waste Fund primarily represents the indirect cost for the September 30, 2016 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	175,000
Other Governmental Funds	Other Governmental Funds	62,196
Total		<u>\$ 337,196</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, 2016

(5) Intergovernmental Receivables

Intergovernmental receivables at September 30, 2016 consisted of the following:

Primary Government

Governmental Activities:

Description	Amount
Legislative Tag Credit	\$ 106,216
Reimbursement for Housing Prisoners	1,633
Help MS Vote Fund	5,002
MDHS Welfare/Food Stamp Reimbursement	2,899
Motor Vehicle Fuel Tax	41,570
Motor Vehicle Licenses	5,964
Reimbursement for 16th Circuit Drug Court	7,603
Reimbursement for School Resource Officer	12,958
Federal CDBG Grant	116,133
Federal FEMA Grant	51,862
Local Match Portion of FEMA Grant	14,195
Tri-County Interlocal Reimbursement	47,625
Other	22,930
Total Governmental Funds	436,590
Federal FEMA Grant	38,798
Local Match Portion of FEMA Grant	15,140
Other	5,570
Total Long-term Receivables	59,508
Total Governmental Activities	\$ 496,098

Business-type Activities:

Description	Amount
Local reimbursement	\$ 612
Total Business-type Activities	\$ 612

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

(6) Capital Assets

The following is a summary of capital assets activity for the year ended September 30, 2016:

Primary Government:	Balance 10/1/2015	Increases	Decreases	Completed Construction	Balance 9/30/2016
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 971,018			363,948	\$ 1,334,966
Construction-in-progress	27,583,536	1,184,392		(28,757,874)	10,054
Total non-depreciable capital assets	28,554,554	1,184,392	-0-	(28,393,926)	1,345,020
<u>Depreciable capital assets:</u>					
Infrastructure	31,932,783			28,393,926	60,326,709
Buildings	5,627,394				5,627,394
Mobile equipment	5,935,982	14,745	39,399		5,911,328
Furniture and equipment	1,289,018	8,500			1,297,518
Leased property under capital leases	345,655	599,639			945,294
Total depreciable capital assets	45,130,832	622,884	39,399	28,393,926	74,108,243
<u>Less accumulated depreciation for:</u>					
Infrastructure	19,429,830	1,213,127			20,642,957
Buildings	2,807,008	77,864			2,884,872
Mobile equipment	4,693,071	170,987	35,460		4,828,598
Furniture and equipment	889,517	85,820			975,337
Leased property under capital leases	89,122	123,768			212,890
Total accumulated depreciation	27,908,548	1,671,566	35,460	-0-	29,544,654
Total depreciable capital assets, net	17,222,284	(1,048,682)	3,939	28,393,926	44,563,589
Governmental activities capital assets, net	45,776,838	135,710	3,939	-0-	45,908,609
Business-type Activities:					
<u>Depreciable capital assets:</u>					
Mobile equipment	342,461				342,461
Furniture and equipment	12,540				12,540
Leased property under capital leases		144,629			144,629
Total depreciable capital assets	355,001	144,629	-0-	-0-	499,630
<u>Less accumulated depreciation for:</u>					
Mobile equipment	294,317	4,634			298,951
Furniture and equipment	11,286				11,286
Leased property under capital leases		13,017			13,017
Total accumulated depreciation	305,603	17,651	-0-	-0-	323,254
Total depreciable capital assets, net	49,398	126,978	-0-	-0-	176,376
Business-type activities capital assets, net	49,398	126,978	-0-	-0-	176,376
Primary government capital assets, net	\$ 45,826,236	262,688	3,939	-0-	\$ 46,084,985

Adjustments are due to record completed construction on capital projects.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

(6) Capital Assets (Continued)

Discretely Presented Component Unit - Clay County EDD	Balance 10/1/2015	Increases	Decreases	Adjustments	Balance 9/30/2016
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 7,475,994				\$ 7,475,994
Construction in progress	4,122,638			(4,122,638)	-0-
Total non-depreciable capital assets	<u>11,598,632</u>	<u>-0-</u>	<u>-0-</u>	<u>(4,122,638)</u>	<u>7,475,994</u>
<u>Depreciable capital assets:</u>					
Infrastructure				4,122,638	4,122,638
Total depreciable capital assets	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>4,122,638</u>	<u>4,122,638</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure		144,292			144,292
Total accumulated depreciation	<u>-0-</u>	<u>144,292</u>	<u>-0-</u>	<u>-0-</u>	<u>144,292</u>
Total depreciable capital assets, net	<u>-0-</u>	<u>(144,292)</u>	<u>-0-</u>	<u>4,122,638</u>	<u>3,978,346</u>
Governmental activities capital assets, net	<u>\$ 11,598,632</u>	<u>(144,292)</u>	<u>-0-</u>	<u>-0-</u>	<u>\$ 11,454,340</u>

Depreciation expense was charged to the following functions:

Primary Government	Governmental Activities	Business-type Activities
General government	\$ 123,723	\$ -0-
Public safety	180,995	-0-
Public works	1,329,562	-0-
Economic Development	37,286	-0-
Solid Waste	-0-	17,651
Total depreciation expense	<u>\$ 1,671,566</u>	<u>\$ 17,651</u>

Discretely Presented Component Unit - Clay County EDD	Governmental Activities
Economic Development	\$ 144,292
Total depreciation expense	<u>\$ 144,292</u>

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

(6) Capital Assets (Continued)

Commitments with respect to unfinished capital projects at September 30, 2016, consisted of the following:

Primary Government

Governmental Activities: Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
STPBR 0770(5)B	\$ 1,185,346	Unknown
Total Governmental Activities	\$ 1,185,346	

(7) 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, 2016, to January 1, 2017. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(8) Capital Leases

As Lessor:

The County leases the following property with varying terms and options as of September 30, 2016:

Classes of Property	Amount
Industrial facilities:	
Land	\$ 164,000
Buildings	2,066,193
Total	\$ 2,230,193

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

(8) Capital Leases (Continued)

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2016, are as follows:

Year Ending September 30,	Principal	Interest
2017	\$ 127,958	38,614
2018	137,054	36,064
2019	141,373	31,746
2020	140,802	27,316
2021	127,605	23,060
2022-2026	465,660	70,937
2027-2031	232,998	15,069
Total	<u>\$ 1,373,450</u>	<u>242,806</u>

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2016:

Classes of Property	Governmental Activities	Business-type Activities
Mobile equipment	\$ 773,175	144,629
Furniture and equipment	172,119	-0-
Total	945,294	144,629
Less: Accumulated Depreciation	212,890	13,017
Leased Property Under Capital Lease	<u>\$ 732,404</u>	<u>131,612</u>

The following is a schedule by years of the total payments due as of September 30, 2016:

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2017	\$ 247,496	10,890	35,724	1,762
2018	230,926	6,767	36,365	1,121
2019	175,114	2,836	37,017	468
2020	39,889	853	6,234	14
2021	23,935	176	-0-	-0-
Total	<u>\$ 717,360</u>	<u>21,522</u>	<u>115,340</u>	<u>3,365</u>

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

(9) Long-term Debt

Debt outstanding as of September 30, 2016, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rates	Final Maturity Date
Governmental Activities			
General Obligation Bonds:			
District 3 road 2000 issue	\$ 150,000	5.5/7.5	08/01/2020
District 2 road 2001 issue	185,000	5.25/5.65	12/01/2020
\$11 million industrial dev bond issue	11,000,000	2.448/6.25	03/01/2031
District 5 road 2013 issue	389,000	2.4/2.5	05/01/2025
District 4 road 2013 issue	427,000	2.9	11/01/2025
District 4 road 2008 issue	280,000	4.0	09/01/2023
District 5 road 2014 issue	138,000	2.19	03/15/2019
Total General Obligation Bonds	<u>\$ 12,569,000</u>		
Capital Leases:			
Kubota Tractor	\$ 4,826	3.20	05/10/2017
2009 New Holland Tractor	5,593	3.15	05/10/2014
5 Dodge Vehicles	52,460	2.04	03/28/2018
Chevrolet Suburban	23,615	1.87	03/10/2019
Kubota Tractor #2	24,207	1.82	02/10/2019
Single Axle Cab & Chassis	39,423	2.04	01/10/2019
3 Dodge Vehicles	70,371	1.65	03/10/2019
E-911 Telephone Equipment	158,411	1.95	01/11/2021
2015 Freightliner	105,024	1.78	08/19/2019
2017 Freightliner	73,530	1.78	08/19/2019
Asphalt Distributor	159,900	1.93	10/27/2019
Total Capital Leases	<u>\$ 717,360</u>		
Other Loans:			
Two Volunteer fire trucks	\$ 10,839	2.00	04/01/2017
Volunteer fire building	14,000	3.89	01/05/2017
Fisher Marine building renovation	480,168	3.00	09/01/2031
Commercial building	616,341	3.00	06/01/2027
Two Volunteer fire trucks #2	279,249	3.00	07/01/2025
Industrial lot	45,000	2.19	03/15/2021
Total Other Loans	<u>\$ 1,445,597</u>		
Business-type Activities			
Capital Leases:			
Freightliner truck	<u>\$ 115,340</u>	1.78	11/30/2019

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

(9) 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
2017	\$ 778,000	592,405	144,755	32,854
2018	790,000	569,446	114,582	37,301
2019	817,000	543,931	117,793	33,890
2020	798,000	514,444	121,103	30,382
2021	780,000	482,969	124,512	26,771
2022-2026	4,016,000	1,899,574	589,854	78,656
2027-2031	4,590,000	739,082	232,998	14,971
Total	\$ 12,569,000	5,341,851	1,445,597	254,825

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the County. As of September 30, 2016, the amount of outstanding debt was equal to 8.78% of the latest property assessments.

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

	Balance Oct. 1, 2015	Additions	Reductions	Balance Sept. 30, 2016	Amount due within one year
Governmental Activities:					
Compensated absences	\$ 109,845	11,783		121,628	
General obligation bonds	12,850,000		281,000	12,569,000	778,000
Capital leases	234,778	599,639	117,057	717,360	247,496
Other loans	1,530,076	45,000	129,479	1,445,597	144,755
Totals	\$ 14,724,699	656,422	527,536	14,853,585	1,170,251
Business-type Activities:					
Compensated absences	\$ 3,426	1,480		4,906	
Capital leases	-0-	144,629	29,289	115,340	35,724
Totals	\$ 3,426	146,109	29,289	120,246	35,724

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, 2016

(10) 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, 2016, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The employer's rate at September 30, 2016 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, 2016

(10) Defined Benefit Pension Plan (Continued)

The County's contributions (employer share only) to PERS for the years ending September 30, 2016, 2015 and 2014 were equal to the required contributions for each year, and were as follows:

Year Ending September 30,	Governmental Activities	Business-type Activities	Total
2016	\$ 486,076	9,761	495,837
2015	476,798	14,024	490,822
2014	464,093	12,213	476,306

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

At September 30, 2016, the County reported a liability for its proportionate share of the net pension liability of \$8,611,901 for governmental activities and \$230,035 for business-type activities. The net pension liability was measured as of June 30, 2016, 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, 2016, the County's proportion was 0.0495 percent, which was equal to its proportion measured as of June 30, 2015.

For the year ended September 30, 2016, the County recognized pension expense of \$1,236,576 for governmental activities and \$24,831 for business-type activities.

At September 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Governmental Activities	Business-type Activities	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 215,990	4,337	220,327
Net difference between projected and actual earnings on pension plan investments	1,014,115	20,364	1,034,479
Changes of assumptions	385,589	7,743	393,332
Contributions subsequent to the measurement date	123,487	2,443	125,930
Total Deferred Outflows of Resources	\$ 1,739,181	34,887	1,774,068

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

(10) Defined Benefit Pension Plan (Continued)

Deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date and consisting of \$123,487 for governmental activities and \$2,443 for business-type activities will be recognized as a reduction to the net pension liability in the year ended September 30, 2017.

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
2017	\$ 609,342	12,236	621,578
2018	530,939	10,661	541,600
2019	304,177	6,108	310,285
2020	171,236	3,439	174,675
2021	-0-	-0-	-0-
Thereafter	-0-	-0-	-0-
	<u>\$ 1,615,694</u>	<u>32,444</u>	<u>1,648,138</u>

Actuarial Assumptions. The total pension liability in the June 30, 2016 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, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2015. 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.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

(10) Defined Benefit Pension Plan (Continued)

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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	100.00 %	

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	\$ 11,337,344	8,841,936	6,771,556

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

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

(11) Contingencies

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

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

(12) Joint Ventures

The county participates in the following joint venture:

Clay County is a participant with the counties of Choctaw, Lowndes, Noxubee, Oktibbeha, Webster and Winston and also the cities of Columbus, Louisville, Starkville, Macon, Eupora, West Point, and Ackerman in a joint venture, authorized by Section 17-17-307, Miss. Code Ann. (1972), to operate the Golden Triangle Solid Waste Management Authority. The joint venture was created to provide solid waste disposal services for the applicable area and is governed by a 38-member board, of which Clay County appoints one member. Clay County did not appropriate funds to the organization in fiscal year 2016. The user governments will be billed based on the amount of solid waste from each government. Complete financial statements for the Golden Triangle Regional Solid Waste Management Authority can be obtained from Golden Triangle Planning and Development District, Post Office Box 828, Starkville, Mississippi 39760-0828.

(13) Jointly Governed Organizations

The county participates in the following jointly governed organizations:

East Mississippi Community College operates in a district composed of the counties of Clay, Kemper, Lauderdale, Lowndes, Noxubee, and Oktibbeha. The Clay County Board of Supervisors appoints two of the twelve members of the college board of trustees. The county levied \$511,320 for the maintenance and support of the college in fiscal year 2016.

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 2016. 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 \$77,286 for the library during fiscal year 2016.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

(13) Jointly Governed Organizations (Continued)

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 2016.

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.

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.

(14) Effect of Deferred Amounts on Net Position

Governmental Activities

The unrestricted net position amount of \$4,744,227 includes the effect of deferring the recognition of the net difference between expected and actual experience relating to the defined benefit pension plan. The \$215,990 balance of the net deferred outflow of resources at September 30, 2016 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 \$1,014,115 balance of the net deferred outflow of resources at September 30, 2016 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 \$385,589 balance of the net deferred outflow of resources at September 30, 2016 will be recognized as expense and decrease unrestricted net position over the next 3 years.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

(14) Effect of Deferred Amounts on Net Position (Continued)

Business-type Activities

The restricted net position amount of \$159,478 includes the effect of deferring the recognition of the net difference between expected and actual experience relating to the defined benefit pension plan. The \$4,337 balance of the net deferred outflow of resources at September 30, 2016 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 \$20,364 balance of the net deferred outflow of resources at September 30, 2016 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 \$7,743 balance of the net deferred outflow of resources at September 30, 2016 will be recognized as expense and decrease restricted net position over the next 3 years.

(15) Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Clay County evaluated the activity of the County through September 8, 2017, (the date the financial statements were available to be issued), and determined that no subsequent events have occurred that require disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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

		Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES					
Property taxes	\$	4,187,550	4,268,035	4,268,035	-0-
Licenses, commissions and other revenue		244,800	313,652	313,652	-0-
Fines and forfeitures		237,000	323,048	323,048	-0-
Intergovernmental revenues		1,039,422	865,222	865,222	-0-
Charges for services		208,875	303,591	303,591	-0-
Interest income		5,350	40,120	40,120	-0-
Miscellaneous revenues		97,600	96,719	96,719	-0-
Total Revenues		<u>6,020,597</u>	<u>6,210,387</u>	<u>6,210,387</u>	<u>-0-</u>
EXPENDITURES					
Current:					
General government		2,915,444	3,197,294	3,197,294	-0-
Public safety		2,267,134	2,396,072	2,396,072	-0-
Health and welfare		164,700	159,768	159,768	-0-
Conservation of natural resources		38,382	37,226	37,226	-0-
Economic Development		265,304	297,740	297,740	-0-
Debt service:					
Principal		42,504	56,968	56,968	-0-
Interest		2,713	2,625	2,625	-0-
Total Expenditures		<u>5,696,181</u>	<u>6,147,693</u>	<u>6,147,693</u>	<u>-0-</u>
Excess of Revenues over (under) Expenditures		<u>324,416</u>	<u>62,694</u>	<u>62,694</u>	<u>-0-</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from issuance of long-term debt			84,100	84,100	-0-
Transfers in		25,000	100,000	100,000	-0-
Transfers out		(245,800)	(175,000)	(175,000)	-0-
Total Other Financing Sources and Uses		<u>(220,800)</u>	<u>9,100</u>	<u>9,100</u>	<u>-0-</u>
Net Change in Fund Balance		<u>103,616</u>	<u>71,794</u>	<u>71,794</u>	<u>-0-</u>
Fund Balances - Beginning		<u>1,046,830</u>	<u>818,119</u>	<u>818,119</u>	<u>-0-</u>
Fund Balances - Ending	\$	<u><u>1,150,446</u></u>	<u><u>889,913</u></u>	<u><u>889,913</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)
Yokohama Blvd State Aid Road Fund
For the Year Ended September 30, 2016

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget
REVENUES				
Intergovernmental revenues	\$ -0-	1,185,013	1,185,013	-0-
Total Revenues	-0-	1,185,013	1,185,013	-0-
EXPENDITURES				
Current:				
Economic development	37,134	1,185,013	1,185,013	-0-
Total Expenditures	37,134	1,185,013	1,185,013	-0-
Excess of Revenues over (under) Expenditures	(37,134)	-0-	-0-	-0-
Net Change in Fund Balance	(37,134)	-0-	-0-	-0-
Fund Balances - Beginning	-0-	-0-	-0-	-0-
Fund Balances - Ending	\$ (37,134)	-0-	-0-	-0-

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, 2016

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget
REVENUES				
Interest income	\$ -0-	339	339	-0-
Total Revenues	-0-	339	339	-0-
EXPENDITURES				
Current:				
Economic development	1,484,788	-0-	-0-	-0-
Debt service:				
Interest	-0-	544,979	544,979	-0-
Total Expenditures	1,484,788	544,979	544,979	-0-
Excess of Revenues over (under) Expenditures	(1,484,788)	(544,640)	(544,640)	-0-
Net Change in Fund Balance	(1,484,788)	(544,640)	(544,640)	-0-
Fund Balances - Beginning	(1,794,116)	413,402	413,402	-0-
Fund Balances - Ending	\$ (3,278,904)	(131,238)	(131,238)	-0-

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, 2016

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget
REVENUES				
Intergovernmental revenues	\$ 87,500	89,258	89,258	-0-
Interest income		208	208	-0-
Miscellaneous revenues	45,120	42,707	42,707	-0-
Total Revenues	<u>132,620</u>	<u>132,173</u>	<u>132,173</u>	<u>-0-</u>
EXPENDITURES				
Current:				
Economic development	175,000	179,271	179,271	-0-
Debt service:				
Principal	71,128	71,719	71,719	-0-
Interest	35,033	34,444	34,444	-0-
Total Expenditures	<u>281,161</u>	<u>285,434</u>	<u>285,434</u>	<u>-0-</u>
Excess of Revenues over (under) Expenditures	<u>(148,541)</u>	<u>(153,261)</u>	<u>(153,261)</u>	<u>-0-</u>
OTHER FINANCING SOURCES (USES)				
Lease principal payments	115,990	118,412	118,412	-0-
Total Other Financing Sources and Uses	<u>115,990</u>	<u>118,412</u>	<u>118,412</u>	<u>-0-</u>
Net Change in Fund Balance	<u>(32,551)</u>	<u>(34,849)</u>	<u>(34,849)</u>	<u>-0-</u>
Fund Balances - Beginning	<u>50,618</u>	<u>84,050</u>	<u>84,050</u>	<u>-0-</u>
Fund Balances - Ending	<u>\$ 18,067</u>	<u>49,201</u>	<u>49,201</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>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability		0.0495%	0.0495%	0.0495%
County's proportionate share of the net pension liability	\$	8,841,936	7,651,724	6,008,394
County's covered-employee payroll	\$	3,148,171	3,116,330	3,024,166
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll		280.86%	245.54%	198.68%
Plan fiduciary net position as a percentage of the total pension liability		57.47%	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. 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*

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 495,837	490,822
Contributions in relation to the contractually required contribution	(495,837)	(490,822)
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>-0-</u>
County's covered-employee payroll	3,148,171	3,116,330
Contributions as a percentage of covered-employee payroll	15.75%	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, 2016

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, 2016

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	Yokohama Blvd	\$11 Million	
		Fund	State Aid	Industrial Dev	TVA Bridge
			Road Fund	Bond Fund	Bond Fund
Budget (Cash Basis)	\$	71,794	\$ -0-	\$ (544,640)	\$ (34,849)
Increase (Decrease)					
Net adjustments for					
revenue accruals		128	-0-	-0-	-0-
Net adjustments for					
expenditure accruals		11,456	-0-	-0-	(31,689)
GAAP Basis	\$	<u>83,378</u>	<u>\$ -0-</u>	<u>\$ (544,640)</u>	<u>\$ (66,538)</u>

Pension Schedules

A. Changes of Assumptions

2015

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.

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.

Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

2016

The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

CLAY COUNTY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2016

UNAUDITED

B. Changes in benefit provisions

2016

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

Method and assumptions used in calculations of actuarially determined contributions. The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (2016 Employer contributions are developed from 2014 valuation). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	29.2 years
Asset valuation method	5-year smoothed market
Price Inflation	3.50 percent
Salary increase	4.25 percent to 19.50 percent, including inflation
Investment rate of return	8.00 percent, net of pension plan investment expense, including inflation

OTHER INFORMATION

Clay County
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2016
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
Joe Chandler	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
George 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
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 Taggart	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

J. E. VANCE & COMPANY, P.A.
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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, 2016, and the related notes to the financial statements, which collectively comprise the county's basic financial statements and have issued our report thereon dated September 8, 2017.

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 (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clay County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of the Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "J. E. Vance & Company". The signature is written in a cursive, flowing style.

Tupelo, Mississippi
September 8, 2017

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

Members of the Board of Supervisors
Clay County, Mississippi

We have examined Clay County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13. Miss. Code Ann. (1972) during the year ended September 30, 2016. 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, 2015.

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

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

J E Vance & Company

Tupelo, Mississippi
September 8, 2017

Clay County
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2016

Schedule 1

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

Clay County
Schedule of Emergency Purchases
For the Year Ended September 30, 2016

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, 2016

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, 2016, 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 8, 2017, 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 8, 2017

SCHEDULE OF FINDINGS AND RESPONSES

**CLAY COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Section 1: Summary of Auditor's Results

Financial Statements:

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

Section 2: Financial Statement Findings

The results of our tests did not disclose any findings related to the financial statements that are required to be reported by *Government Auditing Standards*.