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**CLAY COUNTY, MISSISSIPPI**  
**AUDITED FINANCIAL STATEMENTS**  
**AND SPECIAL REPORTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**CLAY COUNTY  
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SEPTEMBER 30, 2017**

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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, 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, 2017, and the related notes to the financial statements, which collectively comprise the County's 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 previously present fairly, in all material respects, the respective financial position of the governmental activities, 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance 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 on pages 6-15, 51-53, 54, and 55, respectively, 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 June 11, 2020, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Clay County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Clay County, Mississippi's internal control over financial reporting and compliance.



J. E. Vance & Company, P.A.  
June 11, 2020



# Clay County Board of Supervisors

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Joe Chandler

## 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, 2017. 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, 2017 was 53.99. This millage rate reflects a decrease of 3% from the prior year.

Total net position increased \$2,918,163, including a prior period adjustment of \$3,140,303, which represents a 7% increase from the prior fiscal year.

The County's ending cash balance increased by \$599,036, which represents an 11% increase from the previous year.

The County had \$12,627,139 in total revenues. Property tax revenues account for \$5,793,430 or 46% of total revenues. Intergovernmental Revenues in the form of reimbursements, shared revenue or grants, account for \$4,070,894, or 32% of total revenues. Charges for services account for \$1,471,000 or 12% of total revenue. Ad valorem tax in lieu fees account for \$751,460 or 6% 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 \$12,849,279 in total expenses, which represents a decrease of \$219,511 or 2% from the prior fiscal year. Expenses in the amount of \$5,138,493 were offset by charges for services, grants or outside contributions. General revenues of \$7,488,646 were not adequate to cover the remaining amount of expenses.

Among major funds, the General Fund had \$6,395,711 in revenues and \$6,097,986 in expenditures. The General Fund also had net other financing uses of \$66,175. The General Fund's fund balance increased \$231,550 from the prior year.

Among major funds, the TVA Bridge Bond Fund had \$51,170 in revenues and \$110,851 in expenditures. The TVA Bridge Bond Fund also had net other financing sources of \$122,130. The TVA Bridge Bond Fund's fund balance increased \$62,449 from the prior year.

Among major funds, the \$11M Industrial Dev Bond Fund had \$1,092,916 in revenues and \$1,088,247 in expenditures. The \$11M Industrial Dev Bond Fund's fund balance increased \$4,669 from the prior year.

Capital Assets, net of accumulated depreciation, decreased by \$377,854. This represents a 1% decrease from the prior year.

Long-term debt decreased by \$930,200. This represents a 6% decrease from the prior year. Yokohama Industrial Development Bonds outstanding in the amount of \$10,450,000 account for 74% of all long-term debt. This bond issue will be repaid from the in-lieu of ad valorem tax fee.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

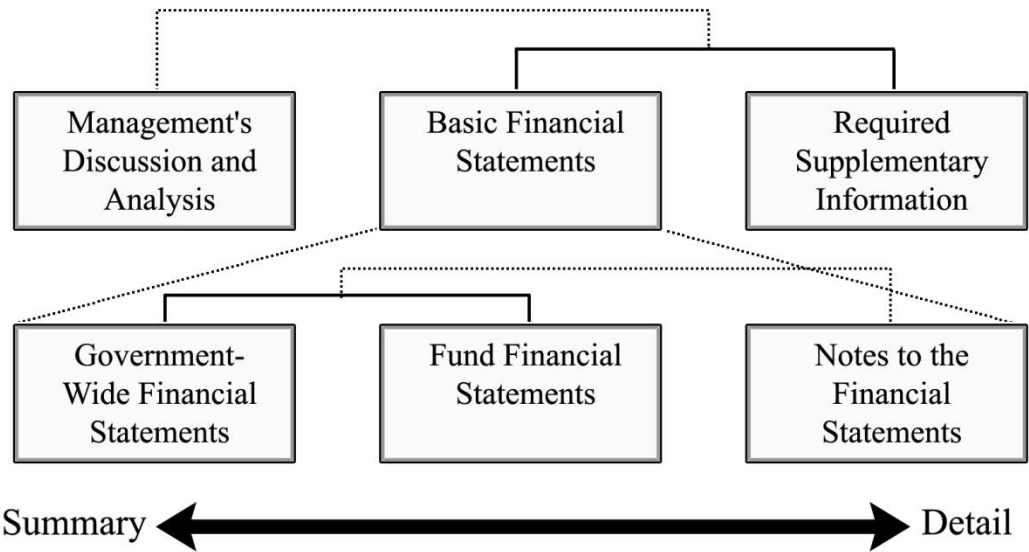


Figure 1 shows how required parts of this annual report are arranged and relate to one another.



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

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

	<b>Government-Wide Financial Statements</b>	<b>Fund Financial Statements</b>		
		<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
<b>Scope</b>	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
<b>Required financial statements</b>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in net position</li> </ul>
<b>Accounting basis and measurement focus</b>	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
<b>Type of asset, deferred outflow, liability, deferred inflow information</b>	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
<b>Type of inflow/outflow information</b>	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 and assistance, interest on long-term debt, and pension expense. The business-type activities of the County include the County's Solid Waste Fund.

The Government-wide Financial Statements can be found on pages 17 and 18 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 20 and 22, 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 19 and 21 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 23-25 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 26 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 27-49 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 51-53 of this report.

This report also presents a schedule of the County's proportionate share of the net pension liability of the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. This schedule is presented to show trending data over the most recent ten fiscal year period as required by the Governmental Accounting Standards Board. This required supplementary information can be found on page 54 of this report.

This report also presents a schedule of County contributions to PERS over the most recent ten fiscal year period as required by the Governmental Accounting Standards Board. This required supplementary information can be found on page 55 of this report.

### **Other Information**

Although not a required part of the basic financial statements, the Schedule of Surety Bonds for County Officials is presented for purposes of additional analysis. This schedule can be found on page 59 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 \$45,182,164 as of September 30, 2017.

By far, the largest portion of the County's net position (73%) 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 tables present a summary of the County's net position at September 30, 2017 and 2016.

	<b>Governmental Activities</b>		
	<b>2017</b>	<b>2016</b>	<b>Change</b>
Current assets	\$ 14,454,253	\$ 13,874,014	4%
Ad valorem tax fee in-lieu receivable	12,498,818	9,695,302	29%
Capital assets, net	45,531,626	45,908,609	-1%
Total assets	72,484,697	69,477,925	4%
Deferred outflows of resources	573,669	1,739,181	-67%
Current liabilities	859,411	754,681	14%
Long-term debt outstanding	13,957,095	14,853,585	-6%
Net pension liability	8,075,616	8,611,901	-6%
Total liabilities	22,892,122	24,220,167	-5%
Deferred inflows of resources	5,229,588	4,953,452	6%
Net position:			
Net Investment in capital assets	32,773,020	32,318,161	1%
Restricted	5,220,347	4,981,099	5%
Unrestricted	6,943,289	4,744,227	46%
Total net position	\$ 44,936,656	\$ 42,043,487	7%

	<b>Business-type Activities</b>		
	<b>2017</b>	<b>2016</b>	<b>Change</b>
Current assets	\$ 386,982	\$ 383,893	1%
Capital assets	175,505	176,376	0%
Total assets	562,487	560,269	0%
Deferred outflows	12,902	34,887	-63%
Current liabilities	26,562	24,361	9%
Long-term debt outstanding	86,536	120,246	-28%
Net pension liability	195,852	230,035	-15%
Total liabilities	308,950	374,642	-18%
Deferred inflows	20,931	-0-	100%
Net position:			
Net investment in capital assets	95,889	61,036	57%
Restricted	149,619	159,478	-6%
Total net position	\$ 245,508	\$ 220,514	11%

Additional information on net position:

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

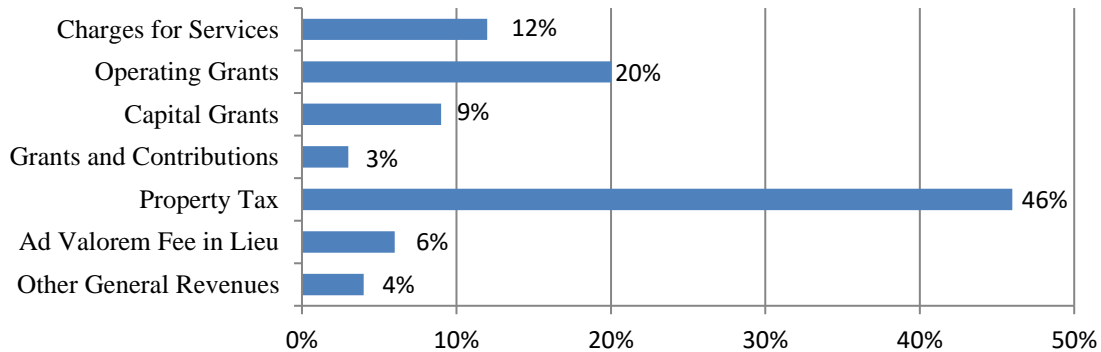
	<b>Governmental Activities</b>	
	<b>2017</b>	<b>2016</b>
Total unrestricted net position - governmental activities	\$ 6,943,289	\$ 4,744,227
Unrestricted decrease in net position resulting from recognition of the net pension liability	7,574,633	6,872,720
Unrestricted net position, exclusive of the net pension liability effect	\$ 14,517,922	\$ 11,616,947

	<b>Business-type Activities</b>	
	<b>2017</b>	<b>2016</b>
Total net position restricted for public works - business-type activities	\$ 149,619	\$ 159,478
Restricted decrease in net position resulting from recognition of the net pension liability	203,881	195,148
Net position restricted for public works, exclusive of the net pension liability effect	\$ 353,500	\$ 354,626

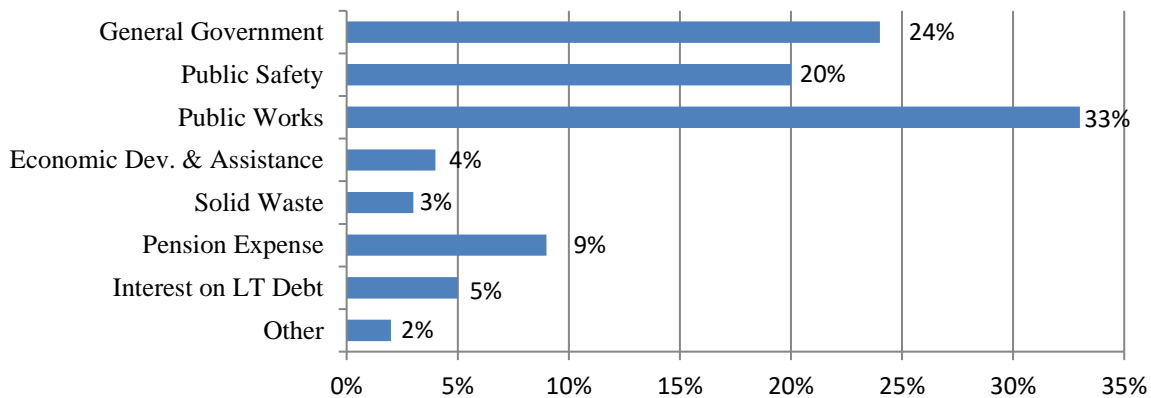
**Changes in Net Position** – Clay County’s total revenues for the fiscal year ended September 30, 2017 were \$12,627,139. The total cost for all services provided was \$12,849,279. The overall change in net position was \$2,918,163, including a prior period adjustment of \$3,140,303. The following table presents a summary of the changes in net position for the fiscal years ended September 30, 2017 and 2016.

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Revenues:			
Program revenues			
Charges for services	\$ 1,471,000	\$ 1,614,265	-9%
Operating grants and contributions	2,484,186	1,779,267	40%
Capital grants and contributions	1,183,307	1,202,883	-2%
General revenues			
Property taxes	5,793,430	5,573,018	4%
Road and bridge privilege taxes	242,680	242,854	0%
Grants and contributions not restricted	403,401	359,417	12%
Advalorem fee in lieu	751,460	541,316	39%
Unrestricted interest income	51,266	41,341	24%
Miscellaneous	246,409	196,047	26%
Total Revenues	<u>12,627,139</u>	<u>11,550,408</u>	9%
Expenses:			
General government	3,097,902	3,111,700	0%
Public safety	2,514,968	2,758,357	-9%
Public works	4,216,146	2,578,557	64%
Health and welfare	141,567	159,390	-11%
Culture and recreation	78,553	77,286	2%
Education	37,500	-0-	100%
Conservation of natural resources	34,727	29,622	17%
Economic development and assistance	537,766	2,145,697	-75%
Interest on long-term debt	642,072	658,463	-2%
Pension expense	1,192,502	1,236,576	-4%
Solid waste (Business-type)	355,576	313,142	14%
Total Expense	<u>12,849,279</u>	<u>13,068,790</u>	-2%
Change in Net Position	<u>(222,140)</u>	<u>(1,518,382)</u>	85%
Net Position - Beginning, as originally reported	<u>42,264,001</u>	<u>43,782,383</u>	-3%
Prior Period Adjustment	<u>3,140,303</u>	<u>-0-</u>	100%
Net Position - Beginning, as restated	<u>45,404,304</u>	<u>43,782,383</u>	4%
Net Position - Ending	<u>\$ 45,182,164</u>	<u>\$ 42,264,001</u>	7%

### HOW THE COUNTY GETS ITS REVENUE



### HOW THE COUNTY SPENDS ITS REVENUE



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

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	\$ 3,097,902	\$ 2,392,691
Public Safety	2,514,968	1,799,064
Public Works	4,216,146	1,663,678
Health and Welfare	141,567	113,466
Culture and Recreation	78,553	78,553
Education	37,500	37,500
Conservation of Natural Resources	34,727	34,727
Economic Development and Assistance	537,766	(222,414)
Interest on Long-term Debt	642,072	642,072
Pension Expense	1,192,502	1,192,502
	<u>\$ 12,493,703</u>	<u>\$ 7,731,839</u>

## 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 \$6,465,397, an increase of \$448,018 or 7% from the previous year.

**Business-type fund** – Operating revenue from the County's Solid Waste Fund decreased by 1% to \$370,478 and operating expenses increased approximately 12% to \$349,648. Nonoperating revenues in the form of interest income, intergovernmental grants, and other income totaled \$10,092, and nonoperating expenses in the form of interest expense and other expenses totaled \$5,928.

## 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 \$11M Industrial Development Bond Fund. These variances resulted from the timing of economic development projects.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets** – As of September 30, 2017, Clay County's total capital assets were \$77,181,893. 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 \$1,229,000 or 2%.

Total accumulated depreciation as of September 30, 2017 was \$31,474,762, including \$1,707,520 of depreciation expense for the year. The balance in total net capital assets was \$45,707,131 at year-end.

Additional information on Clay County's capital assets can be found in note 6 on page 37 of this report.

**Debt Administration** – At September 30, 2017, Clay County had \$14,043,631 in long-term debt outstanding. This includes general obligation bonds, capital leases, other loans, and compensated absences. Of this debt, \$1,235,212 is due within one year.

Additional information on Clay County's long-term debt can be found in note 9 on page 40 of this report.

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

Clay County continues to experience economic development growth. As of June 2020, Plum Creek Environmental Technologies, a manufacturer and distributor of waste and recycling containers and equipment, continues to employ approximately 100 employees and has expanded 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 these jobs created is welding.

Things continue to move along as scheduled with Yokohama Tire Company. The County continues to anticipate the announcement of Phase II in the future. Yokohama continues to anticipate the development and building of the remaining three phases of its operation. With the development of the other phases, the Fee in Lieu monies will increase which will have a positive impact upon the local economy and ad valorem millage assessment.

As of June 2020, Peco Foods, Inc. has employed approximately 75 employees. The company is completing a two-year renovation and construction project of an additional facility. Peco Foods anticipates having the renovation and construction of the additional facility completed by middle of next year. With the new facility, the company plans to employ up to 300 people by the end of next year. Peco Foods is a poultry processing plant which processes chicken for fast food restaurants.

Currently, Navistar Defense, LLC, a primary defense contractor, has a total employment of approximately 75 people with several expected contracts through December 2023. Some of these contracts are Unarmored Contracts, Heavy Duty Armored Contracts, Airforce Maxx Pro Contract and the NATO Contract. In December 2019, Navistar purchased additional property adjacent to the current plant site with intentions to expand operations. Between company expansion and increase in contracts, more jobs will be created thus increasing employment.

The County has continued to maintain existing relationships with local industries. 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, 2017**

**Exhibit 1**

	Primary Government			Component Unit
	Governmental	Business-type		Clay County
	Activities	Activities	Total	EDD
<b>ASSETS</b>				
Cash	\$ 5,732,920	256,254	5,989,174	131,638
Cash with fiscal agent	1,098,887		1,098,887	
Intergovernmental receivables	390,846	875	391,721	
Other receivables	39,832	24,029	63,861	
Property tax receivable	4,954,194		4,954,194	
Accounts receivable (net of allowance for uncollectibles of \$905,753)		111,452	111,452	
Fines receivable (net of allowance for uncollectibles of \$4,398,367)	788,808		788,808	
Ad Valorem Tax Fee In-Lieu Recievable	12,498,818		12,498,818	
Capital leases receivable	1,443,138		1,443,138	
Internal balances	5,628	(5,628)		
Capital assets:				
Land and construction in progress	1,884,827		1,884,827	7,484,844
Other capital assets, net	43,646,799	175,505	43,822,304	3,834,053
<b>Total Assets</b>	<b>72,484,697</b>	<b>562,487</b>	<b>73,047,184</b>	<b>11,450,535</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pensions	573,669	12,902	586,571	
<b>Total Deferred Outflows of Resources</b>	<b>573,669</b>	<b>12,902</b>	<b>586,571</b>	<b>-0-</b>
<b>LIABILITIES</b>				
Claims payable	555,568	12,714	568,282	
Intergovernmental payables	216,579		216,579	
Accrued interest payable	57,961	78	58,039	
Unearned revenue		13,770	13,770	
Amounts held in custody for others	29,303		29,303	
Long-term liabilities				
Due within one year:				
Capital debt	1,104,221	36,365	1,140,586	
Non-capital debt	94,626		94,626	
Due in more than one year:				
Capital debt	11,654,385	43,251	11,697,636	
Non-capital debt	1,103,863	6,920	1,110,783	
Net pension liability	8,075,616	195,852	8,271,468	
<b>Total Liabilities</b>	<b>22,892,122</b>	<b>308,950</b>	<b>23,201,072</b>	<b>-0-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property tax for future reporting period	4,954,194		4,954,194	
Deferred inflows related to pensions	72,686	20,931	93,617	
Unavailable revenue - interest on capital leases	202,708		202,708	
<b>Total Deferred Inflows of Resources</b>	<b>5,229,588</b>	<b>20,931</b>	<b>5,250,519</b>	<b>-0-</b>
<b>NET POSITION</b>				
Net investment in capital assets	32,773,020	95,889	32,868,909	11,318,897
Restricted:				
Expendable:				
General government	106,997		106,997	
Public safety	117,150		117,150	
Public works	1,849,619	149,619	1,999,238	
Debt service	2,658,913		2,658,913	
Culture and recreation	2,038		2,038	
Economic development	244,755		244,755	131,638
Unemployment compensation	56,076		56,076	
Capital projects	178,826		178,826	
Nonexpendable	5,973		5,973	
Unrestricted	6,943,289		6,943,289	
<b>Total Net Position</b>	<b>\$ 44,936,656</b>	<b>245,508</b>	<b>45,182,164</b>	<b>11,450,535</b>

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

**Clay County**  
**Statement of Activities**  
**For the Year Ended September 30, 2017**

**Exhibit 2**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component
	Expenses	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	\$ 3,097,902	574,352	130,859		(2,392,691)		(2,392,691)	
Public safety	2,514,968	526,170	189,734		(1,799,064)		(1,799,064)	
Public works	4,216,146		1,908,768	643,700	(1,663,678)		(1,663,678)	
Health and welfare	141,567		28,101		(113,466)		(113,466)	
Culture and recreation	78,553				(78,553)		(78,553)	
Education	37,500				(37,500)		(37,500)	
Conservation of natural resources	34,727				(34,727)		(34,727)	
Economic development and assistance	537,766		220,573	539,607	222,414		222,414	
Interest on long-term debt	642,072				(642,072)		(642,072)	
Pension expense	1,192,502				(1,192,502)		(1,192,502)	
Total Governmental Activities	12,493,703	1,100,522	2,478,035	1,183,307	(7,731,839)		(7,731,839)	
Business-type activities:								
Solid Waste	355,576	370,478	6,151			21,053	21,053	
Total Business-type Activities	355,576	370,478	6,151	-0-		21,053	21,053	
Total Primary Government	\$ 12,849,279	1,471,000	2,484,186	1,183,307	(7,731,839)	21,053	(7,710,786)	
Component unit:								
Clay County EDD	145,917							(145,917)
Total Component Units	145,917	-0-	-0-	-0-				(145,917)
General revenues:								
Property taxes					\$ 5,793,430		5,793,430	
Road & bridge privilege taxes					242,680		242,680	
Grants and contributions not restricted to specific programs					403,401		403,401	
Ad valorem fee in lieu					751,460		751,460	
Unrestricted interest income					50,478	788	51,266	216
Miscellaneous					243,256	3,153	246,409	12,012
Total General Revenues and Transfers					7,484,705	3,941	7,488,646	12,228
Changes in Net Position					(247,134)	24,994	(222,140)	(133,689)
Net Position - Beginning, as originally reported					42,043,487	220,514	42,264,001	11,584,224
Prior period adjustments					3,140,303	-0-	3,140,303	-0-
Net Position - Beginning, as restated					45,183,790	220,514	45,404,304	11,584,224
Net Position - Ending					\$ 44,936,656	245,508	45,182,164	11,450,535

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

**Clay County**  
**Balance Sheet - Governmental Funds**  
**September 30, 2017**

**Exhibit 3**

	Major Funds			Other	Total
	General Fund	TVA Bridge Bond Fund	\$11M Industrial Dev Bond Fund	Governmental Funds	Governmental Funds
<b>ASSETS</b>					
Cash	\$ 1,373,998	79,965	1,491,408	2,787,549	5,732,920
Cash with fiscal agent			1,098,887		1,098,887
Property tax receivable	3,920,897			1,033,297	4,954,194
Fines receivable (net of allowance for uncollectibles of \$4,398,367)	788,808				788,808
Capital lease receivable		1,413,138		30,000	1,443,138
Intergovernmental receivables	185,721			203,859	389,580
Other receivables	13,676			26,156	39,832
Due from other funds	41,059			55,411	96,470
Total Assets	\$ 6,324,159	1,493,103	2,590,295	4,136,272	14,543,829
<b>LIABILITIES</b>					
Liabilities:					
Claims payable	\$ 124,715			430,853	555,568
Intergovernmental payables	203,130			4,333	207,463
Due to other funds	52,274			47,173	99,447
Advances from other funds	511				511
Amounts held in custody for others	29,303				29,303
Total Liabilities	\$ 409,933	-0-	-0-	482,359	892,292
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - property taxes	3,920,897			1,033,297	4,954,194
Unavailable revenue - fines	788,808				788,808
Unavailable revenue - principal and interest on capital leases		1,413,138		30,000	1,443,138
Total Deferred Inflows of Resources	\$ 4,709,705	1,413,138	-0-	1,063,297	7,186,140
Fund balances:					
Restricted to:					
General government				213,500	213,500
Public safety				117,150	117,150
Public works				1,921,942	1,921,942
Culture and recreation				2,038	2,038
Economic development and assistance		79,965		164,790	244,755
Debt service			2,590,295	126,579	2,716,874
Unemployment compensation				56,076	56,076
Unassigned	1,204,521			(11,459)	1,193,062
Total Fund Balances	\$ 1,204,521	79,965	2,590,295	2,590,616	6,465,397
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 6,324,159	1,493,103	2,590,295	4,136,272	14,543,829

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, 2017**

**Exhibit 3-1**

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 6,465,397
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 \$31,166,086.	45,531,626
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	12,498,818
Fines receivable	788,808
Intergovernmental receivable	1,266
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(13,957,095)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(8,075,616)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(57,961)
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,240,430
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	573,669
Deferred inflows of resources related to pensions	<u>(72,686)</u>
Total Net Position - Governmental Activities	\$ <u><u>44,936,656</u></u>

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

**Clay County**

**Exhibit 4**

**Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended September 30, 2017**

	Major Funds			Other	Total
	General	TVA Bridge	\$11M Industrial	Governmental	Governmental
	Fund	Bond Fund	Dev Bond Fund	Funds	Funds
<b>REVENUES</b>					
Property taxes	\$ 4,476,688			1,316,742	5,793,430
Road and bridge privilege taxes				242,680	242,680
Licenses, commissions and other revenue	297,336			9,115	306,451
Fines and forfeitures	308,227				308,227
Ad valorem tax-fee in lieu			1,088,247		1,088,247
Intergovernmental revenues	900,426			3,220,739	4,121,165
Charges for services	290,172			186,610	476,782
Interest income	39,760	182	4,669	5,867	50,478
Miscellaneous revenues	83,102	50,988		102,066	236,156
Total Revenues	<u>6,395,711</u>	<u>51,170</u>	<u>1,092,916</u>	<u>5,083,819</u>	<u>12,623,616</u>
<b>EXPENDITURES</b>					
Current:					
General government	3,134,145			46,564	3,180,709
Public safety	2,248,504			524,570	2,773,074
Public works				3,478,415	3,478,415
Health and welfare	141,567				141,567
Culture and recreation				78,553	78,553
Education	37,500				37,500
Conservation of natural resources	37,296				37,296
Economic development and assistance	416,379	4,688		619,494	1,040,561
Debt service:					
Principal	80,586	73,306	550,000	468,006	1,171,898
Interest	2,009	32,857	538,247	74,507	647,620
Total Expenditures	<u>6,097,986</u>	<u>110,851</u>	<u>1,088,247</u>	<u>5,290,109</u>	<u>12,587,193</u>
Excess of Revenues over (under) Expenditures	<u>297,725</u>	<u>(59,681)</u>	<u>4,669</u>	<u>(206,290)</u>	<u>36,423</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Long-term capital debt issued	38,000			219,750	257,750
Proceeds from sale of capital assets	7,000				7,000
Compensation for loss of capital assets	13,825				13,825
Transfers in	25,000			241,177	266,177
Transfers out	(150,000)			(116,177)	(266,177)
Lease principal payments		122,130		10,890	133,020
Total Other Financing Sources and Uses	<u>(66,175)</u>	<u>122,130</u>	<u>0</u>	<u>355,640</u>	<u>411,595</u>
Net Changes in Fund Balances	<u>231,550</u>	<u>62,449</u>	<u>4,669</u>	<u>149,350</u>	<u>448,018</u>
Fund Balances - Beginning	<u>972,971</u>	<u>17,516</u>	<u>2,585,626</u>	<u>2,441,266</u>	<u>6,017,379</u>
Fund Balances - Ending	\$ <u>1,204,521</u>	<u>79,965</u>	<u>2,590,295</u>	<u>2,590,616</u>	<u>6,465,397</u>

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

**Clay County**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in**  
**Fund Balances of Governmental Funds to the Statement of Activities**  
**For the Year Ended September 30, 2017**

**Exhibit 4-1**

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 448,018
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 \$1,320,904 exceeded depreciation of \$1,685,289 in the current period.	(364,385)
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 gain of \$8,227, compensation for loss of \$13,825, and the proceeds from the sale of \$7,000 in the current period.	(12,598)
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.	10,882
In lieu tax - Yokohama 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.	(1,088,247)
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	751,460
Change in long-term receivables:	
Intergovernmental revenues	(56,422)
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 \$1,171,898 exceeded debt proceeds of \$257,750.	914,148
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	5,548
Increase in compensated absences	(17,658)
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 the amount of principal collections of \$133,020.	(133,020)
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	(1,192,502)
Recording of contributions made to retirement plan	490,589
Change in Net Position of Governmental Activities	\$ <u>(247,134)</u>

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

**Clay County**  
**Statement of Net Position - Proprietary Fund**  
**September 30, 2017**

**Exhibit 5**

	Business-type Activities - Enterprise Fund
	Solid Waste Fund
<b>ASSETS</b>	
Current assets:	
Cash	\$ 256,254
Accounts receivable (net of allowance for uncollectibles of \$905,753)	111,452
Intergovernmental receivables	875
Other receivables	24,029
Total Current Assets	<u>392,610</u>
Noncurrent assets:	
Advances to other funds	511
Capital assets:	
Other capital assets, net	175,505
Total Noncurrent Assets	<u>176,016</u>
<b>Total Assets</b>	<u><b>568,626</b></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	12,902
<b>Total Deferred Outflows of Resources</b>	<u><b>12,902</b></u>
<b>LIABILITIES</b>	
Current liabilities:	
Claims payable	12,714
Accrued interest payable	78
Due to other funds	6,139
Unearned revenue	13,770
Capital debt:	
Capital leases payable	36,365
Total Current Liabilities	<u>69,066</u>
Noncurrent liabilities:	
Capital debt:	
Capital leases payable	43,251
Non-capital debt:	
Compensated absences payable	6,920
Net pension liability	195,852
Total Noncurrent Liabilities	<u>246,023</u>
<b>Total Liabilities</b>	<u><b>315,089</b></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	20,931
<b>Total Deferred Inflows of Resources</b>	<u><b>20,931</b></u>
<b>NET POSITION</b>	
Net investment in capital assets	95,889
Restricted for:	
Public works	149,619
<b>Total Net Position</b>	<u><u><b>\$ 245,508</b></u></u>

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



**Clay County**  
**Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund**  
**For the Year Ended September 30, 2017**

**Exhibit 6**

	<u>Business-type Activities - Enterprise Fund</u>
	Solid Waste Fund
Operating Revenues	
Charges for services	\$ 370,478
Total Operating Revenues	<u>370,478</u>
Operating Expenses	
Personal services	145,593
Pension expense	20,631
Contractual services	112,939
Materials and supplies	42,115
Depreciation expense	22,231
Indirect administrative cost	6,139
Total Operating Expenses	<u>349,648</u>
Operating Income (Loss)	<u>20,830</u>
Nonoperating Revenues (Expenses)	
Intergovernmental grants	6,151
Interest income	788
Interest expense	(1,839)
Other income	3,153
Other expense	(4,089)
Net Nonoperating Revenue (Expenses)	<u>4,164</u>
Changes in Net Position	<u>24,994</u>
Net Position - Beginning	<u>220,514</u>
Net Position - Ending	<u>\$ 245,508</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, 2017**

**Exhibit 7**

	<u>Business-type Activities - Enterprise Fund</u>
	<u>Solid Waste Fund</u>
Cash Flows From Operating Activities	
Receipts from customers	\$ 370,323
Payments to suppliers	(153,808)
Payments to employees	(155,477)
Payments to General Fund for indirect costs	(6,251)
Net Cash Provided by Operating Activities	<u>54,787</u>
Cash Flows From Capital and Related Financing Activities	
Acquisition and construction of capital assets	(25,449)
Principal paid on long-term debt	(35,724)
Interest paid on debt	(1,761)
Net Cash Used by Capital and Related Financing Activities	<u>(62,934)</u>
Cash Flows From Noncapital Financing Activities	
Intergovernmental grants received	5,888
Other cash receipts	3,153
Net Cash Provided by Noncapital Financing Activities	<u>9,041</u>
Cash Flows From Investing Activities	
Interest on deposits	788
Net Cash Provided by Investing Activities	<u>788</u>
Net Increase in Cash and Cash Equivalents	1,682
Cash and Cash Equivalents at Beginning of Year	254,572
Cash and Cash Equivalents at End of Year	<u>\$ 256,254</u>
Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities:	
Operating income	\$ 20,830
Adjustments to reconcile operating income to net cash	
provided by operating activities:	
Depreciation expense	22,231
Pension expense	20,631
Deferred outflows - contributions to retirement plan	(11,898)
Provision for uncollectible accounts	25,563
Changes in assets and liabilities:	
Increase in accounts receivable	(29,038)
Decrease in other receivables	2,443
Increase in claims payable	1,246
Increase in unearned revenue	877
Increase in compensated absences liability	2,014
Decrease in interfund payables	(112)
Total Adjustments	<u>33,957</u>
Net Cash Provided by Operating Activities	<u>\$ 54,787</u>

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

**Clay County**  
**Statement of Fiduciary Assets and Liabilities**  
**September 30, 2017**

**Exhibit 8**

	Agency Funds
ASSETS	
Cash and investments	\$ 124,184
Due from other funds	9,116
Total Assets	\$ <u>133,300</u>
LIABILITIES	
Amounts held in custody for others	\$ 44,308
Other liabilities	66,212
Intergovernmental payables	22,780
Total Liabilities	\$ <u>133,300</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, 2017**

**(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, 2017**

**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, deferred outflows, liabilities, deferred inflows, fund balances, 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.

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.

**CLAY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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

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.

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

\$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.

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.

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, 2017**

**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 or business-type 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.

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.

**CLAY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**I. Capital Assets (Continued)**

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.

**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.

Deferred inflows related to pensions – This amount represents the County's proportionate share of the deferred inflows of resources reported by the pension plan in which the County participates.

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



**CLAY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**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.

**L. Long-Term Liabilities**

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

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

**M. Equity Classifications**

Government-wide Financial Statements:

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

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

Restricted net position – Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net position – All other net position not meeting the definition of “restricted” or “net investment / investment in capital assets.”

Net Position Flow Assumption:

When an expense 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.

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.

**CLAY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**M. Equity Classifications (Continued)**

*Restricted fund balance* includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

*Unassigned fund balance* is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

Fund Balance Flow Assumption:

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.

**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.

**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, 2017**

**Q. Changes in Accounting Standards**

The County implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement No. 77, Tax Abatement Disclosures and GASB Statement No. 82, Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73. The provisions of these standards have been incorporated into the financial statements and notes.

**(2) Deposits**

**Primary Government**

The carrying amount of the County's total deposits with financial institutions at September 30, 2017, was \$7,212,245, including cash with fiscal agents of \$1,098,887, and the bank balance was \$7,383,825. 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 (FDIC). 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, 2017, was \$131,638 and the bank balance was \$131,638. 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 (FDIC). 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.

**(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.

**CLAY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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

Ad Valorem Tax Fee-In-Lieu Receivable at September 30, 2017 is as follows:

<u>Year Ending September 30</u>	<u>Amount</u>
2018	\$ 1,058,265
2019	1,058,265
2020	1,058,264
2021	1,058,265
2022	1,058,265
2023-2027	4,762,191
2028-2032	2,645,661
2033-2037	2,645,662
2038-2042	2,645,662
2043-2046	2,116,529
Total	\$ 20,107,029
Less: Discount to Present Value	7,608,211
Net Receivable	\$ 12,498,818

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.

**(4) Interfund Transactions and Balances**

The following is a summary of interfund balances at September 30, 2017:

**A. Due From/To Other Funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Solid Waste Fund	\$ 6,139
General Fund	Other Governmental Funds	34,920
Other Governmental Funds	General Fund	43,158
Other Governmental Funds	Other Governmental Funds	12,253
Agency Funds	General Fund	9,116
Total		\$ 105,586

The payables from the General Fund represent the tax revenue collected but not settled until October 2017. The payable from the Solid Waste Fund primarily represents the indirect cost for the September 30, 2017 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**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Solid Waste Fund	General Fund	\$ 511
Total		\$ 511

**CLAY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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

C. Transfers In/Out

Transfers In	Transfers Out	Amount
General Fund	Other Governmental Funds	\$ 25,000
Other Governmental Funds	General Fund	150,000
Other Governmental Funds	Other Governmental Funds	91,177
Total		<u>\$ 266,177</u>

The principal purpose of interfund transfers was to provide funds for debt service payments 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.

**(5) Intergovernmental Receivables**

Intergovernmental receivables at September 30, 2017 consisted of the following:

**Primary Government**

Governmental Activities:

Description	Amount
Legislative Tag Credit	\$ 104,891
Motor Vehicle Fuel Tax	43,669
Motor Vehicle Licenses	9,596
Reimbursement for 16th Circuit Drug Court	7,360
Reimbursement for School Resource Officer	8,639
State Reimbursement for Yokohama R.O.W. Acquisition	114,460
State Reimbursement for Road and Bridge Projects	45,730
Tri-County Interlocal Reimbursement	43,750
Other	11,485
Total Governmental Funds	<u>389,580</u>
Harvest Permits	<u>1,266</u>
Total Long-term Receivables	<u>1,266</u>
Total Governmental Activities	<u>\$ 390,846</u>

Business-type Activities:

Description	Amount
Local reimbursement	\$ 875
Total Business-type Activities	<u>\$ 875</u>

**CLAY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**(6) Capital Assets**

The following is a summary of capital assets activity for the year ended September 30, 2017:

<b>Primary Government:</b>	<b>Balance 10/1/2016</b>	<b>Increases</b>	<b>Decreases</b>	<b>Reclassification</b>	<b>Balance 9/30/2017</b>
<b>Governmental Activities:</b>					
<u>Non-depreciable capital assets:</u>					
Land	\$ 1,334,966	10,150			\$ 1,345,116
Construction-in-progress	10,054	529,657			539,711
Total non-depreciable capital assets	1,345,020	539,807	-0-	-0-	1,884,827
<u>Depreciable capital assets:</u>					
Infrastructure	60,326,709	540,081			60,866,790
Buildings	5,627,394				5,627,394
Mobile equipment	5,911,328	43,266	28,000	66,028	5,992,622
Furniture and equipment	1,297,518		20,916		1,276,602
Leased property under capital leases	945,294	197,750	27,539	(66,028)	1,049,477
Total depreciable capital assets	74,108,243	781,097	76,455	-0-	74,812,885
<u>Less accumulated depreciation for:</u>					
Infrastructure	20,642,957	1,232,031			21,874,988
Buildings	2,884,872	75,531			2,960,403
Mobile equipment	4,828,598	157,758	25,200	29,713	4,990,869
Furniture and equipment	975,337	80,926	18,828		1,037,435
Leased property under capital leases	212,890	139,043	19,829	(29,713)	302,391
Total accumulated depreciation	29,544,654	1,685,289	63,857	-0-	31,166,086
Total depreciable capital assets, net	44,563,589	(904,192)	12,598	-0-	43,646,799
<b>Governmental activities capital assets, net</b>	45,908,609	(364,385)	12,598	-0-	45,531,626
<b>Business-type Activities:</b>					
<u>Depreciable capital assets:</u>					
Mobile equipment	342,461	25,449	40,898		327,012
Furniture and equipment	12,540				12,540
Leased property under capital leases	144,629				144,629
Total depreciable capital assets	499,630	25,449	40,898	-0-	484,181
<u>Less accumulated depreciation for:</u>					
Mobile equipment	298,951	9,214	36,809		271,356
Furniture and equipment	11,286				11,286
Leased property under capital leases	13,017	13,017			26,034
Total accumulated depreciation	323,254	22,231	36,809	-0-	308,676
Total depreciable capital assets, net	176,376	3,218	4,089	-0-	175,505
<b>Business-type activities capital assets, net</b>	176,376	3,218	4,089	-0-	175,505
<b>Primary government capital assets, net</b>	\$ 46,084,985	(361,167)	16,687	-0-	\$ 45,707,131

**CLAY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**(6) Capital Assets (Continued)**

<b>Discretely Presented Component Unit - Clay County EDD</b>	<b>Balance 10/1/2016</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 9/30/2017</b>
Governmental Activities:				
<u>Non-depreciable capital assets:</u>				
Land	\$ 7,475,994	8,850		\$ 7,484,844
Total non-depreciable capital assets	<u>7,475,994</u>	<u>8,850</u>	<u>-0-</u>	<u>7,484,844</u>
<u>Depreciable capital assets:</u>				
Infrastructure	4,122,638			4,122,638
Total depreciable capital assets	<u>4,122,638</u>	<u>-0-</u>	<u>-0-</u>	<u>4,122,638</u>
<u>Less accumulated depreciation for:</u>				
Infrastructure	144,292	144,293		288,585
Total accumulated depreciation	<u>144,292</u>	<u>144,293</u>	<u>-0-</u>	<u>288,585</u>
Total depreciable capital assets, net	<u>3,978,346</u>	<u>(144,293)</u>	<u>-0-</u>	<u>3,834,053</u>
Governmental activities capital assets, net	<u>\$ 11,454,340</u>	<u>(135,443)</u>	<u>-0-</u>	<u>\$ 11,318,897</u>

Depreciation expense was charged to the following functions:

<b>Primary Government</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>
General government	\$ 119,686	\$ -0-
Public safety	198,482	-0-
Public works	1,329,835	-0-
Economic Development	37,286	-0-
Solid Waste	-0-	22,231
Total depreciation expense	<u>\$ 1,685,289</u>	<u>\$ 22,231</u>
<b>Discretely Presented Component Unit - Clay County EDD</b>	<b>Governmental Activities</b>	
Economic Development	\$ 144,293	
Total depreciation expense	<u>\$ 144,293</u>	

Commitments with respect to unfinished capital projects at September 30, 2017, consisted of the following:

<b>Primary Government</b>	<b>Remaining Financial Commitment</b>	<b>Expected Date of Completion</b>
Governmental Activities:		
<u>Description of Commitment</u>		
STPBR 0770(5)B	\$ 1,393,666	Jun-18
LSBP-13(16)	<u>68,023</u>	Apr-18
Total Governmental Activities	<u>\$ 1,461,689</u>	

**CLAY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**(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, 2017, to January 1, 2018. 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, 2017:

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

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2017, are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 131,993	34,580
2019	141,373	31,746
2020	140,802	27,316
2021	127,605	23,060
2022	92,284	19,660
2023-2027	457,243	56,933
2028-2032	149,130	9,413
Total	<u>\$ 1,240,430</u>	<u>202,708</u>

**As Lessee:**

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2017:

<u>Classes of Property</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Mobile equipment	\$ 877,358	144,629
Furniture and equipment	172,119	-0-
Total	1,049,477	144,629
Less: Accumulated Depreciation	302,391	26,034
Leased Property Under Capital Lease	<u>\$ 747,086</u>	<u>118,595</u>



**CLAY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**(8) Capital Leases (Continued)**

The following is a schedule by years of the total payments due as of September 30, 2017:

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2018	\$ 272,503	13,484	36,365	1,121
2019	227,339	5,505	37,017	468
2020	87,793	2,354	6,234	14
2021	65,100	734	-0-	-0-
2022	3,471	6	-0-	-0-
Total	<u>\$ 656,206</u>	<u>22,083</u>	<u>79,616</u>	<u>1,603</u>

**(9) Long-term Debt**

Debt outstanding as of September 30, 2017, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rates	Final Maturity Date
<b>Governmental Activities</b>			
General Obligation Bonds:			
District 3 road 2000 issue	\$ 115,000	5.5/7.5	08/01/20
District 2 road 2001 issue	150,000	5.25/5.65	12/01/20
\$11 million industrial dev bond issue	10,450,000	2.448/6.25	03/01/31
District 5 road 2013 issue	350,000	2.4/2.5	05/01/25
District 4 road 2013 issue	389,000	2.9	11/01/25
District 4 road 2008 issue	245,000	4.0	09/01/23
District 5 road 2014 issue	92,000	2.19	03/15/19
UNA Community Center 2017	60,000	2.29	06/30/22
Total General Obligation Bonds	<u>\$ 11,851,000</u>		
Capital Leases:			
2 Chevy Tahoes	\$ 32,964	2.55	04/21/20
5 Dodge Vehicles	14,099	2.04	03/28/18
Chevrolet Suburban	14,301	1.87	03/10/19
Kubota Tractor #2	14,319	1.82	02/10/19
Single Axle Cab & Chassis	22,757	2.04	01/10/19
3 Dodge Vehicles	42,570	1.65	03/10/19
E-911 Telephone Equipment	125,051	1.95	01/11/21
2015 Freightliner	69,628	1.78	08/19/19
2017 Freightliner	48,748	1.78	08/19/19
Asphalt Distributor	112,019	1.93	10/27/19
Chip Spreader	159,750	2.16	10/03/21
Total Capital Leases	<u>\$ 656,206</u>		
Other Loans:			
Fisher Marine building renovation	\$ 454,797	3.00	09/01/31
Commercial building	568,406	3.00	06/01/27
Two Volunteer fire trucks #2	251,400	3.00	07/01/25
Industrial lot	36,000	2.19	03/15/21
Total Other Loans	<u>\$ 1,310,603</u>		
<b>Business-type Activities</b>			
Capital Leases:			
Freightliner truck	<u>\$ 79,616</u>	1.78	11/30/19

**CLAY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**(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
2018	\$ 802,000	570,839	124,344	37,301
2019	829,000	545,045	117,793	33,890
2020	810,000	515,282	121,103	30,382
2021	792,000	483,526	124,512	26,771
2022	784,000	453,104	119,025	23,058
2023-2027	4,059,000	1,699,540	554,695	61,256
2028-2032	3,775,000	486,291	149,131	9,313
Total	\$ 11,851,000	4,753,627	1,310,603	221,971

**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, 2017, the amount of outstanding debt was equal to 8.18% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2017:

	Balance Oct. 1, 2016	Additions	Reductions	Balance Sept. 30, 2017	Amount due within one year
<b>Governmental Activities:</b>					
Compensated absences	\$ 121,628	17,658		139,286	
General obligation bonds	12,569,000	60,000	778,000	11,851,000	802,000
Capital leases	717,360	197,750	258,904	656,206	272,503
Other loans	1,445,597		134,994	1,310,603	124,344
Totals	\$ 14,853,585	275,408	1,171,898	13,957,095	1,198,847
<b>Business-type Activities:</b>					
Compensated absences	\$ 4,906	2,014		6,920	
Capital leases	115,340		35,724	79,616	36,365
Totals	\$ 120,246	2,014	35,724	86,536	36,365

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, 2017**

**(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. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

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, 2017, 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, 2017 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.

The County's contributions (employer share only) to PERS for the years ending September 30, 2017, 2016 and 2015 were equal to the required contributions for each year, and were as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
2017	\$ 490,589	11,898	502,487
2016	486,076	9,761	495,837
2015	476,798	14,024	490,822

**CLAY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**(10) Defined Benefit Pension Plan (Continued)**

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

At September 30, 2017, the County reported a liability for its proportionate share of the net pension liability of \$8,075,616 for governmental activities and \$195,852 for business-type activities. The net pension liability was measured as of June 30, 2017, 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, 2017, the County's proportion was 0.049758 percent. This was an increase of 0.000258 percent from its proportionate share used to calculate the September 30, 2016 net pension liability, which was based on a measurement date of June 30, 2016.

For the year ended September 30, 2017, the County recognized pension expense of \$1,192,502 for governmental activities and \$20,631 for business-type activities.

At September 30, 2017, 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
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$ 116,021	2,814	118,835
Net difference between projected and actual earnings on pension plan investments	110,009	2,668	112,677
Changes of assumptions	179,490	4,353	183,843
Changes in the proportion and differences between the County's contributions and proportionate share of contributions	25,744	624	26,368
Changes in internal allocation	19,168		19,168
Contributions subsequent to the measurement date	123,237	2,443	125,680
<b>Total Deferred Outflows of Resources</b>	<b>\$ 573,669</b>	<b>12,902</b>	<b>586,571</b>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$ 58,925	1,429	60,354
Changes of assumptions	13,761	334	14,095
Changes in internal allocation		19,168	19,168
<b>Total Deferred Inflows of Resources</b>	<b>\$ 72,686</b>	<b>20,931</b>	<b>93,617</b>

\$125,680 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2018.

**CLAY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**(10) Defined Benefit Pension Plan (Continued)**

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

Year ending September 30:	Governmental Activities	Business-type Activities	Total
2018	\$ 373,108	765	373,873
2019	146,094	(4,741)	141,353
2020	14,536	(2,713)	11,823
2021	(155,992)	(3,783)	(159,775)
	<u>\$ 377,746</u>	<u>(10,472)</u>	<u>367,274</u>

Actuarial Assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	3.00 percent
Salary increases	3.25 – 18.50 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 2022, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Broad	27.00 %	4.60 %
International Equity	18.00	4.50
Emerging Markets Equity	4.00	4.75
Global	12.00	4.75
Fixed Income	18.00	0.75
Real Estate	10.00	3.50
Private Equity	8.00	5.10
Emerging Debt	2.00	2.25
Cash	1.00	0.00
Total	<u>100.00 %</u>	

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.

**CLAY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**(10) Defined Benefit Pension Plan (Continued)**

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%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension liability	\$ 10,848,583	8,271,468	6,131,903

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

**(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 2017. 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.

**CLAY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**(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 \$515,415 for the maintenance and support of the college in fiscal year 2017.

Golden Triangle Planning and Development District operates in a district composed of the Counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster and Winston. The County appoints four of the twenty-eight members of the Board of Directors. The County contributed \$73,254 to the district during fiscal year 2017.

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 \$366,818 for support of the organization in fiscal year 2017. Additionally, the county and the city of West Point have an inter-local agreement to share in the appropriation to the LINK. The city of West Point reimbursed the county in the amount of \$175,000 towards this purpose during fiscal year 2017.

The Tombigbee Regional Library System operates in a district composed of the counties of Choctaw, Clay, Monroe and Webster. The Clay County Board of Supervisors appoints one of the five members of the board of directors. The county levied \$78,238 for the library during fiscal year 2017.

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 2017.

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.

**CLAY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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

**Governmental Activities**

The unrestricted net position amount of \$6,943,289 includes the effect of deferring the recognition of the net difference between expected and actual experience relating to the defined benefit pension plan. The \$57,096 balance of the net deferred outflow of resources at September 30, 2017 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 \$110,009 balance of the net deferred outflow of resources at September 30, 2017 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 \$165,729 balance of the net deferred outflow of resources at September 30, 2017 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 changes in the proportion and differences between the County's contributions and proportionate share of contributions. The \$25,744 balance of the net deferred outflow of resources at September 30, 2017 will be recognized as expense and decrease unrestricted net position over the next 3 years.

Unrestricted net position also includes the effect of changes of internal allocation between governmental activities and business-type activities. The \$19,168 balance of the net deferred outflow of resources at September 30, 2017 will be recognized as expense and decrease unrestricted net position over the next 3 years.

**Business-type Activities**

The restricted net position amount of \$149,619 includes the effect of deferring the recognition of the net difference between expected and actual experience relating to the defined benefit pension plan. The \$1,385 balance of the net deferred outflow of resources at September 30, 2017 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 \$2,668 balance of the net deferred outflow of resources at September 30, 2017 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 \$4,019 balance of the net deferred outflow of resources at September 30, 2017 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 changes in the proportion and differences between the County's contributions and proportionate share of contributions. The \$624 balance of the net deferred outflow of resources at September 30, 2017 will be recognized as expense and decrease unrestricted net position over the next 3 years.

Restricted net position also includes the effect of changes of internal allocation between business-type activities and governmental activities. The \$19,168 balance of the net deferred inflow of resources at September 30, 2017 will be recognized as revenue and increase restricted net position over the next 3 years.



**CLAY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**(15) Deficit Fund Balance**

The following funds reported deficits in fund balances at September 30, 2017.

**Governmental Funds:**

Yokohama Blvd State Aid Road Fund	\$ 275
Emergency 911 Fund	6,188
Daily Times Leader Building Notes 2012	<u>4,996</u>
	<u>\$ 11,459</u>

**(16) Tax Abatements**

There are currently a number of agencies with economic development directives and targeted industries in Clay County, Mississippi. These efforts to bring businesses and industries into Clay County afford the County the opportunity to develop these partnerships that help raise the prominence of the region and attract prospective projects. Due to the pro-business attitude and wise infrastructure planning of the local elected officials as well as the ability to offer various incentives to entice businesses and industries to locate in Clay County, the County operates strongly with a well diverse base of manufacturers and distributors.

**Facts and Assumptions**

Clay County provides tax incentives and abatements under three programs: real and personal property tax reductions not to exceed ten years for new enterprises, fee in lieu of personal and real property taxes, and personal property tax reductions for a licensed free-port warehouse. Various Mississippi Code sections allow the County to offer the before mentioned incentives. In order to qualify for any incentive there is an application process, presentation to the Board of Supervisors and ultimately a recommendation by the Board of Supervisors to grant the incentive.

- Mississippi Code Section 27-31-101 allows County Board of Supervisors, at their discretion, to grant tax exemptions for new enterprises from ad valorem taxation, however they do not have the authority to exempt ad valorem taxes for school districts and shall not exceed a period longer than ten years. The date of completion of the new enterprise is when the exemption shall begin. The various new enterprises which fall under this code section and are eligible for an exemption are determined by the Mississippi Department of Revenue and are limited to the following: Warehouse and/or distribution centers, manufacturing, processors and refineries, research facilities, corporate regional and national headquarters meeting minimum criteria established by the Mississippi Development Authority, recreational facilities that impact tourism and data/information procession enterprises that both meet minimum established criteria, technology intensive enterprises or facilities, health care industry facilities as defined in Code Section 57-117-3 and telecommunications enterprises meeting minimum criteria.
- Mississippi Code Section 27-31-104 allows County Board of Supervisors, at their discretion, to grant a fee in lieu of taxes for certain projects. The County Board of Supervisors are authorized to enter into an agreement with a private company having a minimum capital investment of one hundred million dollars or a qualified business meeting minimum criteria established by the Mississippi Development Authority. The Board of Supervisors may enter into a fee in lieu agreement on behalf of the County and the County school district. Any grant of fee in lieu of ad valorem taxes shall be in a written agreement negotiated by the enterprise and the Board of Supervisors with final approval given by the Mississippi Development Authority. The minimum sum allowable as a fee in lieu shall not be less than one-third of the ad valorem levy, including ad valorem taxes for school district purposes.
- Mississippi Code Section 27-31-53 allows County Board of Supervisors, at their discretion, to grant eligible warehouses a license to operate as a free port warehouse. A free port warehouse is regularly engaged in the handling and storage of personal property pending transit to a final destination outside the State of Mississippi. This exemption may be granted for all local property taxes and may be granted for any period of time set by the Board of Supervisors.

**CLAY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**(16) Tax Abatements (Continued)**

<u>Company</u>	<u>Tax Abatement Programs</u>	<u>Years Remaining</u>	<u>Amount of taxes abated during the fiscal year</u>	<u>Annual Fee in Lieu Payment</u>
Fabricators Supply	Real & Personal Exemption / Free-Port Warehouse	9 / Free-Port	\$ 3,116	N/A
Southern Ionics	Real & Personal Exemption	5	\$ 1,637	N/A
Duke Pecan & Fur Company	Free-Port Warehouse	Free-Port	\$ 8,395	N/A
Yokohama Tire Corporation	Tax-Fee in Lieu Agreement *	30	\$ 883,299	\$ 1,700,000

\* - This tax-fee in lieu agreement is disclosed in greater detail in Note 3 on page 34 of this report.

These incentives have served many purposes, including but not limited to: the amount of dollars through infrastructure improvements, the overall number of new businesses and industries that have located or relocated to Clay County, the number of jobs that have been and continue to be created in Clay County, and most importantly an excellent quality of life for all citizens throughout the County while maintaining a low tax bill without a significant tax increase.

**(17) Prior Period Adjustment**

A summary of the significant net position adjustment is as follows:

Exhibit 2 – Statement of Activities – Governmental Activities.

<u>Explanation</u>	<u>Amount</u>
To correct calculation of ad valorem tax fee-in-lieu receivable based on current understanding of the fee-in-lieu agreement	\$ 3,140,303
Total prior period adjustment	\$ 3,140,303

**(18) 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 June 11, 2020, (the date the financial statements were available to be issued) and determined that the following subsequent events have occurred that require disclosure in the notes to the financial statements:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
05/01/18	3.00%	4,015,000	Certificates of Participation	Advalorem taxes
07/23/18	3.55%	102,503	Capital Lease	Advalorem taxes
08/06/18	3.55%	157,402	Capital Lease	Advalorem taxes
12/14/18	3.87%	236,792	Capital Lease	Advalorem taxes
04/01/19	3.00%	258,650	Capital Lease	Advalorem taxes

## **REQUIRED SUPPLEMENTARY INFORMATION**

**Clay County**  
**Budgetary Comparison Schedule -**  
**Budget and Actual (Non-GAAP Basis)**  
**General Fund**  
**For the Year Ended September 30, 2017**

**UNAUDITED**

		Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>					
Property taxes	\$	4,395,194	4,475,437	4,471,667	(3,770)
Licenses, commissions and other revenue		259,600	293,646	297,416	3,770
Fines and forfeitures		250,000	306,864	306,864	-0-
Intergovernmental revenues		818,560	882,356	899,494	17,138
Charges for services		368,194	318,112	300,974	(17,138)
Interest income		25,350	39,717	39,717	-0-
Miscellaneous revenues		52,100	87,781	81,279	(6,502)
Total Revenues		<u>6,168,998</u>	<u>6,403,913</u>	<u>6,397,411</u>	<u>(6,502)</u>
<b>EXPENDITURES</b>					
Current:					
General government		3,395,267	3,399,651	3,120,333	(279,318)
Public safety		2,276,171	2,209,644	2,247,644	38,000
Health and welfare		156,650	142,476	142,476	-0-
Education		-0-	-0-	37,500	37,500
Conservation of natural resources		41,202	37,535	37,535	-0-
Economic Development		27,304	139,504	418,822	279,318
Debt service:					
Principal		71,909	72,900	80,586	7,686
Interest		2,060	2,372	2,009	(363)
Total Expenditures		<u>5,970,563</u>	<u>6,004,082</u>	<u>6,086,905</u>	<u>82,823</u>
Excess of Revenues over (under) Expenditures		<u>198,435</u>	<u>399,831</u>	<u>310,506</u>	<u>(89,325)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from issuance of long-term debt		-0-	-0-	38,000	38,000
Proceeds from the sale of cap assets		-0-	7,000	7,000	-0-
Compensation for loss of capital assets		-0-	-0-	13,825	13,825
Transfers in		25,000	25,000	25,000	-0-
Transfers out		(210,050)	(187,500)	(150,000)	37,500
Total Other Financing Sources and Uses		<u>(185,050)</u>	<u>(155,500)</u>	<u>(66,175)</u>	<u>89,325</u>
Net Change in Fund Balance		<u>13,385</u>	<u>244,331</u>	<u>244,331</u>	<u>-0-</u>
Fund Balances - Beginning		<u>1,150,446</u>	<u>889,913</u>	<u>889,913</u>	<u>-0-</u>
Fund Balances - Ending	\$	<u><u>1,163,831</u></u>	<u><u>1,134,244</u></u>	<u><u>1,134,244</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)**  
**TVA Bridge Bond Fund**  
**For the Year Ended September 30, 2017**

**UNAUDITED**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Interest income	\$	182	182	-0-
Miscellaneous revenues	50,000	50,948	50,988	40
Total Revenues	50,000	51,130	51,170	40
EXPENDITURES				
Current:				
Economic development		36,376	36,376	-0-
Debt service:				
Principal	180,000	74,638	73,306	(1,332)
Interest	35,000	31,525	32,857	1,332
Total Expenditures	215,000	142,539	142,539	-0-
Excess of Revenues over (under) Expenditures	(165,000)	(91,409)	(91,369)	40
OTHER FINANCING SOURCES (USES)				
Lease principal payments	236,000	122,170	122,130	(40)
Total Other Financing Sources and Uses	236,000	122,170	122,130	(40)
Net Change in Fund Balance	71,000	30,761	30,761	-0-
Fund Balances - Beginning	18,067	49,201	49,201	-0-
Fund Balances - Ending	\$ 89,067	79,962	79,962	-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)**  
**\$11M Industrial Dev Bond Fund**  
**For the Year Ended September 30, 2017**

**UNAUDITED**

		Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>					
Ad valorem tax-fee in lieu	\$	-0-	1,088,247	1,088,247	-0-
Interest income		-0-	-0-	4,669	4,669
Total Revenues		-0-	1,088,247	1,092,916	4,669
<b>EXPENDITURES</b>					
Debt service:					
Principal		-0-	550,000	550,000	-0-
Interest		-0-	532,868	538,247	5,379
Total Expenditures		-0-	1,082,868	1,088,247	5,379
Excess of Revenues over (under) Expenditures		-0-	5,379	4,669	(710)
<b>OTHER FINANCING SOURCES (USES)</b>					
Total Other Financing Sources and Uses		-0-	-0-	-0-	-0-
Net Change in Fund Balance		-0-	5,379	4,669	(710)
Fund Balances - Beginning		2,585,626	2,585,626	2,585,626	-0-
Fund Balances - Ending	\$	<u>2,585,626</u>	<u>2,591,005</u>	<u>2,590,295</u>	<u>(710)</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\***  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability	0.049758%	0.049500%	0.049500%	0.049500%
County's proportionate share of the net pension liability	\$ 8,271,468	8,841,936	7,651,724	6,008,394
County's covered payroll	\$ 3,191,980	3,140,944	3,089,149	2,984,809
County's proportionate share of the net pension liability as a percentage of its covered payroll	259.13%	281.51%	247.70%	201.30%
Plan fiduciary net position as a percentage of the total pension liability	61.49%	57.47%	61.70%	67.21%

\* The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the fiscal 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\***  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 502,487	495,837	490,822
Contributions in relation to the contractually required contribution	502,487	495,837	490,822
Contribution deficiency (excess)	\$ <u><u>-0-</u></u>	<u><u>-0-</u></u>	<u><u>-0-</u></u>
County's covered payroll	3,190,390	3,148,171	3,116,330
Contributions as a percentage of covered payroll	15.75%	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, 2017**

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

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

**B. Basis of Presentation**

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

**C. Budget/GAAP Reconciliation**

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

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

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

	Governmental Fund Types		
	General Fund	TVA Bridge Bond Fund	\$11M Industrial Dev Bond Fund
Budget (Cash Basis)	\$ 244,331	\$ 30,761	\$ 4,669
Increase (Decrease)			
Net adjustments for revenue accruals	(1,700)	-0-	-0-
Net adjustments for expenditure accruals	(11,081)	31,688	-0-
GAAP Basis	\$ 231,550	\$ 62,449	\$ 4,669

**CLAY COUNTY**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**UNAUDITED**

Pension Schedules

**A. Changes of Assumptions**

2017

- The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.
- The wage inflation assumption was reduced from 3.75% to 3.25%.
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

2016

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

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.

**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.

**C. 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 (June 30, 2015 valuation for the June 30, 2017 fiscal year end). 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	33.9 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.75 percent to 19.00 percent, including inflation
Investment rate of return	7.75 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, 2017**  
**UNAUDITED**

<b>Name</b>	<b>Position</b>	<b>Insurance Company</b>	<b>Bond</b>
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 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
Chris McBrayer	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
Jim Lang	Deputy Tax Clerk	Western Surety	50,000
Porsha Lee	Deputy Tax Clerk	Western Surety	50,000
Kay Frost	Deputy Tax Clerk	Western Surety	50,000
Alice 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 discretely presented component unit, each major fund and the aggregate remaining fund information of Clay County, Mississippi, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the county's basic financial statements and have issued our report thereon dated June 11, 2020.

**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*.

We noted certain matters that we reported to the management of Clay County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated June 11, 2020, included within this document.

## 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  
June 11, 2020

**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, 2017. 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, 2017.

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

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



Tupelo, Mississippi  
June 11, 2020



**Clay County**  
**Schedule of Purchases Not Made From the Lowest Bidder**  
**For the Year Ended September 30, 2017**

**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, 2017**

**Schedule 2**

Our tests did not identify any emergency purchases.

**Clay County**  
**Schedule of Purchases Made Noncompetitively from a Sole Source**  
**For the Year Ended September 30, 2017**

**Schedule 3**

Our tests 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, 2017, 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 June 11, 2020, on the financial statements of Clay County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of our review procedures and compliance tests identified certain immaterial instances of noncompliance with state laws and regulations and other matters that are opportunities for strengthening internal controls and operating efficiency. Our findings and recommendations and your responses are disclosed below:

**Board of Supervisors.**

1. Finding – Three funds had deficit fund balances at year end.

Repeat Finding – No.

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

Condition – During work performed, we noted that three funds had deficit fund balances at year end (see Note 15).

Cause – County employees did not follow the Mississippi statute listed above.

Effect – Having an insufficient balance in the respective funds is a violation of the statute listed above.

Recommendation – All funds should be examined on a regular basis to see if sufficient funds are available before incurring costs. Transfers should be made to funds to keep from having deficit fund balances.

View of Responsible Official(s) – We will monitor the funds more closely to insure when budgets are required to be amended, that amendments are made in the correct amount and avoid deficit fund balances.

**Board of Supervisors, Chancery Clerk, Circuit Clerk, Three (3) Deputy Circuit Clerks, Justice Court Clerk, Sheriff, Tax Assessor/Collector, and Constable-District 1**

**2. Finding – Public Officials Should Ensure Compliance with State Law over Surety Bonds.**

Repeat Finding – No.

Criteria – *Section 25-1-15, Mississippi Code Annotated (1972)*, states, "A new bond in an amount not less than that required by law shall be secured upon employment and coverage shall continue by the securing of a new bond every four ( 4) years concurrent with the normal election cycle of the Governor or the normal election cycle of the local government applicable to the employee."

Condition – Review of the bond schedule revealed that the following county officials and employee's bonds were listed as "Continuation Certificates":

- Four (4) Supervisors
- Chancery Clerk
- Circuit Clerk
- Three (3) Deputy Circuit Clerks
- Justice Court Clerk
- Sheriff
- Tax Assessor/Collector
- Constable District 1

A "Continuation Certificate" is a document that extends the life of the original surety bond. A "Continuation Certificate" only covers the current bonding period rather than both the current and previous periods. Failure to have a bond in place for a specific term of office could limit the amount available for recovery if a loss occurred over multiple terms.

Cause – County employees did not follow the Mississippi statute listed above.

Effect – Failure to have a bond in place for a specific term of office could limit the amount available for recovery if a loss occurred over multiple terms.

Recommendation – The county officials should ensure that the bonds secured list a term of office covered and that new bonds are secured every four (4) years concurrent with the normal election cycle of the Governor.

View of Responsible Official(s) – This will be corrected.

Clay County's response to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.



Tupelo, Mississippi  
June 11, 2020

## **SCHEDULE OF FINDINGS AND RESPONSES**

**Clay County**  
**Schedule of Findings and Responses**  
**For the Year Ended September 30, 2017**

**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.