



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

CLAY COUNTY, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
AND SPECIAL REPORTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

**CLAY COUNTY
TABLE OF CONTENTS
SEPTEMBER 30, 2018**

	<u>Page</u>
FINANCIAL SECTION	3
INDEPENDENT AUDITOR’S REPORT	4
MANAGEMENT’S DISCUSSION & ANALYSIS	6
FINANCIAL STATEMENTS	16
Statement of Net Position	17
Statement of Activities	18
Balance Sheet - Governmental Funds	19
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	20
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Statement of Net Position - Proprietary Fund	23
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund	24
Statement of Cash Flows - Proprietary Fund	25
Statement of Fiduciary Assets and Liabilities	26
Notes to Financial Statements	27
REQUIRED SUPPLEMENTARY INFORMATION	50
Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) General Fund	51
Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) TVA Bridge Bond Fund	52
Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) \$11M Industrial Dev Bond Fund	53
Schedule of the County’s Proportionate Share of the Net Pension Liability	54
Schedule of County Contributions	55
Notes to the Required Supplementary Information	56
OTHER INFORMATION	58
Schedule of Surety Bonds for County Officials	59
SPECIAL REPORTS	60
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 <i>Government Auditing Standards</i>	61
SCHEDULE OF FINDINGS AND RESPONSES	63

FINANCIAL SECTION

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

825 JEFFERSON STREET
POST OFFICE BOX 1280
TUPELO, MISSISSIPPI 38802

(662) 842-2123
FACSIMILE (662) 841-6809
E-MAIL: jev@jevance.com

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, 2018, 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, 2018, 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 August 31, 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.

A handwritten signature in cursive script that reads "J E Vance & Company". The signature is written in dark ink and is positioned above the printed name of the firm.

J. E. Vance & Company, P.A.
August 31, 2020



Clay County Board of Supervisors

P.O. Box 815
West Point, Mississippi 39773
Phone (662) 494-3313
Fax (662) 492-4059
E-mail: supervisors@claycounty.ms.gov

District 1
Lynn "Don" Horton
District 2
Luke Lummus
District 3
R.B. Davis, President
District 4
Shelton Deanes
District 5
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, 2018. 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, 2018 was 52.87. This millage rate reflects a decrease of 2% from the prior year.

Total net position decreased \$1,017,413, which represents a 2% decrease from the prior fiscal year.

The County's ending cash balance increased by \$2,337,927, which represents a 33% increase from the previous year. This increase is primarily due to the proceeds from issuance of certificates of participation related to the Clay County Justice Court Complex.

The County had \$11,045,719 in total revenues. Property tax revenues account for \$6,036,307 or 55% of total revenues. Intergovernmental Revenues in the form of reimbursements, shared revenue or grants, account for \$2,535,875, or 23% of total revenues. Charges for services account for \$1,446,678 or 13% of total revenue. Ad valorem tax in lieu fees account for \$464,726 or 4% of total revenue. Other revenues such as road and bridge privilege taxes, fines, fees, interest income etc. account for the remaining 5% of total revenues.

The County had \$12,063,131 in total expenses, which represents a decrease of \$786,148 or 6% from the prior fiscal year. Expenses in the amount of \$3,575,007 were offset by charges for services, grants or outside contributions. General revenues of \$7,470,711 were not adequate to cover the remaining amount of expenses.

Among major funds, the General Fund had \$6,520,683 in revenues and \$6,400,105 in expenditures. The General Fund also had net other financing sources of \$18,828. The General Fund's fund balance increased \$139,406 from the prior year.

Among major funds, the TVA Bridge Bond Fund had \$42,404 in revenues and \$170,257 in expenditures. The TVA Bridge Bond Fund also had net other financing sources of \$125,967. The TVA Bridge Bond Fund's fund balance decreased \$1,886 from the prior year.

Among major funds, the \$11M Industrial Dev Bond Fund had \$1,100,631 in revenues and \$1,083,821 in expenditures. The \$11M Industrial Dev Bond Fund also had net other financing uses of \$2,779. The \$11M Industrial Dev Bond Fund's fund balance increased \$14,031 from the prior year.

Among major funds, the C.O.P. Court Complex Fund had \$14,538 in revenues and \$1,541,855 in expenditures. The C.O.P. Court Complex Fund also had net other financing sources of \$3,954,621. The C.O.P. Court Complex Fund's fund balance increased \$2,427,304 from the prior year.

Capital Assets, net of accumulated depreciation, increased by \$1,190,180. This represents a 2.6% increase from the prior year.

Long-term debt increased by \$2,985,649. This represents a 21% increase from the prior year. Yokohama Industrial Development Bonds outstanding in the amount of \$9,890,000 account for 58% of all long-term debt. This bond issue will be repaid from the in-lieu of ad valorem tax fee.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

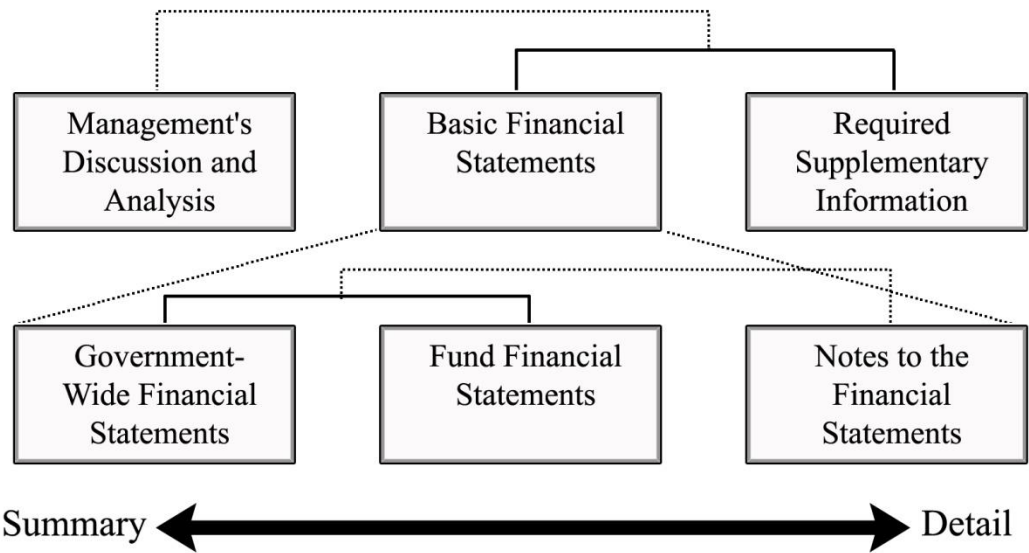


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

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

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

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

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

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

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

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or part of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government, public safety, public works (roads and bridges), health and welfare, culture and recreation, education, conservation of natural resources, economic development 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 \$44,164,751 as of September 30, 2018.

By far, the largest portion of the County's net position (70%) 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, 2018 and 2017.

	Governmental Activities		Change
	2018	2017	
Current assets	\$ 16,603,535	\$ 14,454,253	15%
Ad valorem tax fee in-lieu receivable	11,879,723	12,498,818	-5%
Capital assets, net	46,754,017	45,531,626	3%
Total assets	75,237,275	72,484,697	4%
Deferred outflows of resources	296,727	573,669	-48%
Current liabilities	890,216	859,411	4%
Long-term debt outstanding	16,977,828	13,957,095	22%
Net pension liability	8,171,239	8,075,616	1%
Total liabilities	26,039,283	22,892,122	14%
Deferred inflows of resources	5,530,180	5,229,588	6%
Net position:			
Net Investment in capital assets	30,889,437	32,773,020	-6%
Restricted	7,199,367	5,220,347	38%
Unrestricted	5,875,735	6,943,289	-15%
Total net position	\$ 43,964,539	\$ 44,936,656	-2%

	Business-type Activities		Change
	2018	2017	
Current assets	\$ 357,966	\$ 386,982	-7%
Capital assets	143,294	175,505	-18%
Total assets	501,260	562,487	-11%
Deferred outflows	53,098	12,902	312%
Current liabilities	22,634	26,562	-15%
Long-term debt outstanding	51,452	86,536	-41%
Net pension liability	262,510	195,852	34%
Total liabilities	336,596	308,950	9%
Deferred inflows	17,550	20,931	-16%
Net position:			
Net investment in capital assets	100,043	95,889	4%
Restricted	100,169	149,619	-33%
Total net position	\$ 200,212	\$ 245,508	-18%

Additional information on net position:

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

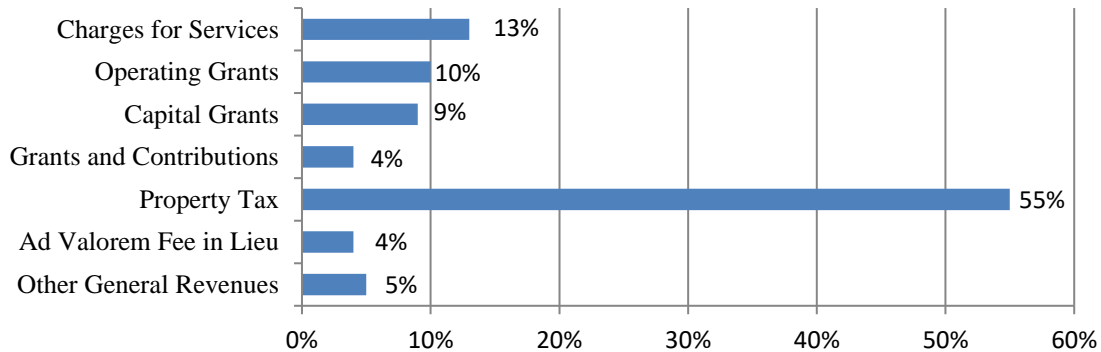
	Governmental Activities	
	2018	2017
Total unrestricted net position - governmental activities	\$ 5,875,735	\$ 6,943,289
Unrestricted decrease in net position resulting from recognition of the net pension liability	8,119,824	7,574,633
Unrestricted net position, exclusive of the net pension liability effect	\$ 13,995,559	\$ 14,517,922

	Business-type Activities	
	2018	2017
Total net position restricted for public works - business-type activities	\$ 100,169	\$ 149,619
Restricted decrease in net position resulting from recognition of the net pension liability	226,962	203,881
Net position restricted for public works, exclusive of the net pension liability effect	\$ 327,131	\$ 353,500

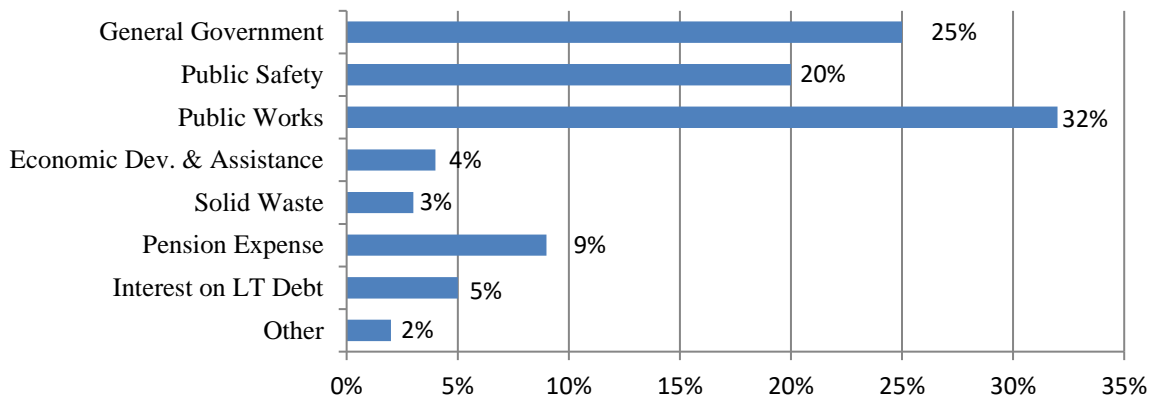
Changes in Net Position – Clay County’s total revenues for the fiscal year ended September 30, 2018 were \$11,045,719. The total cost for all services provided was \$12,063,132. The decrease in net position was \$1,017,413. The following table presents a summary of the changes in net position for the fiscal years ended September 30, 2018 and 2017.

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Revenues:			
Program revenues			
Charges for services	\$ 1,446,678	\$ 1,471,000	-2%
Operating grants and contributions	1,087,390	2,484,186	-56%
Capital grants and contributions	1,040,939	1,183,307	-12%
General revenues			
Property taxes	6,036,307	5,793,430	4%
Road and bridge privilege taxes	244,162	242,680	1%
Grants and contributions not restricted	407,546	403,401	1%
Advalorem fee in lieu	464,726	751,460	-38%
Unrestricted interest income	79,081	51,266	54%
Miscellaneous	238,889	246,409	-3%
Total Revenues	<u>11,045,718</u>	<u>12,627,139</u>	-13%
Expenses:			
General government	3,594,462	3,097,902	16%
Public safety	2,800,336	2,514,968	11%
Public works	3,067,618	4,216,146	-27%
Health and welfare	148,072	141,567	5%
Culture and recreation	78,854	78,553	0%
Education	50,000	37,500	33%
Conservation of natural resources	35,172	34,727	1%
Economic development and assistance	141,951	537,766	-74%
Interest on long-term debt	696,460	642,072	8%
Pension expense	1,039,025	1,192,502	-13%
Solid waste (Business-type)	411,181	355,576	16%
Total Expense	<u>12,063,131</u>	<u>12,849,279</u>	-6%
Change in Net Position	<u>(1,017,413)</u>	<u>(222,140)</u>	-358%
Net Position - Beginning, as originally reported	<u>45,182,164</u>	<u>42,264,001</u>	7%
Prior Period Adjustment	<u>-0-</u>	<u>3,140,303</u>	-100%
Net Position - Beginning, as restated	<u>45,182,164</u>	<u>45,404,304</u>	0%
Net Position - Ending	<u>\$ 44,164,751</u>	<u>\$ 45,182,164</u>	-2%

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	\$ 3,594,462	\$ 2,873,306
Public Safety	2,800,336	2,155,009
Public Works	3,067,618	1,431,769
Health and Welfare	148,072	105,026
Culture and Recreation	78,854	78,854
Education	50,000	50,000
Conservation of Natural Resources	35,172	(41,262)
Economic Development and Assistance	141,951	52,051
Interest on Long-term Debt	696,460	696,460
Pension Expense	1,039,025	1,039,025
	<u>\$ 11,651,950</u>	<u>\$ 8,440,238</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 \$8,656,755, an increase of \$2,191,358 or 34% from the previous year.

Business-type fund – Operating revenue from the County's Solid Waste Fund decreased by 3% to \$358,159 and operating expenses increased approximately 14% to \$400,116. Nonoperating revenues in the form of interest income, intergovernmental grants, and other income totaled \$7,726, and nonoperating expenses in the form of interest expense and other expenses totaled \$11,065.

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 and the C.O.P Court Complex Fund. These variances resulted from the timing of economic development and general government construction projects.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – As of September 30, 2018, Clay County's total capital assets were \$79,827,285. 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 \$2,645,392 or 3%.

Total accumulated depreciation as of September 30, 2018 was \$32,929,974, including \$1,721,806 of depreciation expense for the year. The balance in total net capital assets was \$46,897,311 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, 2018, Clay County had \$17,029,280 in long-term debt outstanding. This includes general obligation bonds, capital leases, other loans, and compensated absences. Of this debt, \$1,263,514 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, 2018

Exhibit 1

	Primary Government			Component Unit
	Governmental	Business-type		Clay County
	Activities	Activities	Total	EDD
ASSETS				
Cash	\$ 5,668,397	223,402	5,891,799	133,937
Cash with fiscal agent	3,534,189		3,534,189	
Intergovernmental receivables	169,844	1,113	170,957	
Other receivables	59,232	25,324	84,556	
Property tax receivable	5,118,069		5,118,069	
Accounts receivable (net of allowance for uncollectibles of \$943,247)		113,811	113,811	
Fines receivable (net of allowance for uncollectibles of \$4,442,310)	778,101		778,101	
Ad Valorem Tax Fee In-Lieu Recievable	11,879,723		11,879,723	
Capital leases receivable	1,270,019		1,270,019	
Internal balances	5,684	(5,684)		
Capital assets:				
Land and construction in progress	3,984,314		3,984,314	7,484,844
Other capital assets, net	42,769,703	143,294	42,912,997	3,689,761
Total Assets	75,237,275	501,260	75,738,535	11,308,542
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	296,727	53,098	349,825	
Total Deferred Outflows of Resources	296,727	53,098	349,825	-0-
LIABILITIES				
Claims payable	569,772	8,131	577,903	3,470
Intergovernmental payables	187,455		187,455	
Accrued interest payable	113,313	42	113,355	
Unearned revenue		14,461	14,461	
Amounts held in custody for others	19,676		19,676	
Long-term liabilities				
Due within one year:				
Capital debt	1,129,661	37,017	1,166,678	
Non-capital debt	96,836		96,836	
Due in more than one year:				
Capital debt	14,734,919	6,234	14,741,153	
Non-capital debt	1,016,412	8,201	1,024,613	
Net pension liability	8,171,239	262,510	8,433,749	
Total Liabilities	26,039,283	336,596	26,375,879	3,470
DEFERRED INFLOWS OF RESOURCES				
Property tax for future reporting period	5,118,069		5,118,069	
Deferred inflows related to pensions	245,312	17,550	262,862	
Unavailable revenue - interest on capital leases	166,799		166,799	
Total Deferred Inflows of Resources	5,530,180	17,550	5,547,730	-0-
NET POSITION				
Net investment in capital assets	30,889,437	100,043	30,989,480	11,174,605
Restricted:				
Expendable:				
General government	107,339		107,339	
Public safety	141,499		141,499	
Public works	1,487,162	100,169	1,587,331	
Debt service	4,998,236		4,998,236	
Culture and recreation	1,502		1,502	
Conservation of natural resources	76,433		76,433	
Economic development	236,976		236,976	130,467
Unemployment compensation	56,225		56,225	
Capital projects	93,995		93,995	
Unrestricted	5,875,735		5,875,735	
Total Net Position	\$ 43,964,539	200,212	44,164,751	11,305,072

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

Clay County
Statement of Activities
For the Year Ended September 30, 2018

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component
		Charges for	Operating	Capital	Primary Government	Business-type	Total	Unit
		Services	Grants and	Grants and	Governmental	Activities		Clay County
			Contributions	Contributions	Activities			EDD
Primary government:								
Governmental activities:								
General government	\$ 3,594,462	596,015	125,141		(2,873,306)		(2,873,306)	
Public safety	2,800,336	492,504	152,823		(2,155,009)		(2,155,009)	
Public works	3,067,618		594,910	1,040,939	(1,431,769)		(1,431,769)	
Health and welfare	148,072		43,046		(105,026)		(105,026)	
Culture and recreation	78,854				(78,854)		(78,854)	
Education	50,000				(50,000)		(50,000)	
Conservation of natural resources	35,172		76,434		41,262		41,262	
Economic development and assistance	141,951		89,900		(52,051)		(52,051)	
Interest on long-term debt	696,460				(696,460)		(696,460)	
Pension expense	1,039,025				(1,039,025)		(1,039,025)	
Total Governmental Activities	11,651,950	1,088,519	1,082,254	1,040,939	(8,440,238)		(8,440,238)	
Business-type activities:								
Solid Waste	411,181	358,159	5,136			(47,886)	(47,886)	
Total Business-type Activities	411,181	358,159	5,136	-0-		(47,886)	(47,886)	
Total Primary Government	\$ 12,063,131	1,446,678	1,087,390	1,040,939	(8,440,238)	(47,886)	(8,488,124)	
Component unit:								
Clay County EDD	161,401							(161,401)
Total Component Units	161,401	-0-	-0-	-0-				(161,401)
General revenues:								
Property taxes					\$ 6,036,307		6,036,307	
Road & bridge privilege taxes					244,162		244,162	
Grants and contributions not restricted to specific programs					407,546		407,546	
Ad valorem fee in lieu					464,726		464,726	
Unrestricted interest income					78,185	896	79,081	430
Miscellaneous					237,195	1,694	238,889	15,508
Total General Revenues and Transfers					7,468,121	2,590	7,470,711	15,938
Changes in Net Position					(972,117)	(45,296)	(1,017,413)	(145,463)
Net Position - Beginning					44,936,656	245,508	45,182,164	11,450,535
Net Position - Ending					\$ 43,964,539	200,212	44,164,751	11,305,072

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

Clay County
Balance Sheet - Governmental Funds
September 30, 2018

Exhibit 3

	Major Funds				Other	Total
	General Fund	TVA Bridge Bond Fund	\$11M Industrial Dev Bond Fund	C.O.P. Court Complex Fund	Governmental Funds	Governmental Funds
ASSETS						
Cash	\$ 1,613,986	78,079	1,497,441		2,478,891	5,668,397
Cash with fiscal agent			1,106,885	2,427,304		3,534,189
Property tax receivable	4,084,647				1,033,422	5,118,069
Fines receivable (net of allowance for uncollectibles of \$4,442,310)	778,101					778,101
Capital lease receivable		1,252,019			18,000	1,270,019
Intergovernmental receivables	124,032				42,124	166,156
Other receivables	30,210				29,022	59,232
Due from other funds	26,196				36,154	62,350
Total Assets	<u>\$ 6,657,172</u>	<u>1,330,098</u>	<u>2,604,326</u>	<u>2,427,304</u>	<u>3,637,613</u>	<u>16,656,513</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Claims payable	\$ 206,701				363,071	569,772
Intergovernmental payables	179,918					179,918
Due to other funds	43,691				20,001	63,692
Advances from other funds	511					511
Amounts held in custody for others	19,676					19,676
Total Liabilities	<u>\$ 450,497</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>383,072</u>	<u>833,569</u>
Deferred inflows of resources:						
Unavailable revenue - property taxes	4,084,647				1,033,422	5,118,069
Unavailable revenue - fines	778,101					778,101
Unavailable revenue - principal and interest on capital leases		1,252,019			18,000	1,270,019
Total Deferred Inflows of Resources	<u>\$ 4,862,748</u>	<u>1,252,019</u>	<u>-0-</u>	<u>-0-</u>	<u>1,051,422</u>	<u>7,166,189</u>
Fund balances:						
Restricted to:						
General government					172,344	172,344
Public safety					141,499	141,499
Public works					1,516,300	1,516,300
Culture and recreation					1,502	1,502
Conservation of Natural Resources					76,433	76,433
Economic development and assistance		78,079			158,897	236,976
Debt service			2,604,326	2,427,304	79,919	5,111,549
Unemployment compensation					56,225	56,225
Unassigned	1,343,927					1,343,927
Total Fund Balances	<u>\$ 1,343,927</u>	<u>78,079</u>	<u>2,604,326</u>	<u>2,427,304</u>	<u>2,203,119</u>	<u>8,656,755</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 6,657,172</u>	<u>1,330,098</u>	<u>2,604,326</u>	<u>2,427,304</u>	<u>3,637,613</u>	<u>16,656,513</u>

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, 2018

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 8,656,755
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 \$32,668,889.	46,754,017
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	11,879,723
Fines receivable	778,101
Intergovernmental receivable	3,688
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(16,977,828)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(8,171,239)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(113,313)
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,103,220
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	296,727
Deferred inflows of resources related to pensions	<u>(245,312)</u>
Total Net Position - Governmental Activities	\$ <u><u>43,964,539</u></u>

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

Clay County
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2018

Exhibit 4

	Major Funds				Other	Total
	General Fund	TVA Bridge Bond Fund	\$11M Industrial Dev Bond Fund	C.O.P. Court Complex Fund	Governmental Funds	Governmental Funds
REVENUES						
Property taxes	\$ 4,766,209				1,270,098	6,036,307
Road and bridge privilege taxes					244,162	244,162
Licenses, commissions and other revenue	299,501				9,582	309,083
Fines and forfeitures	287,392					287,392
Ad valorem tax-fee in lieu			1,083,821			1,083,821
Intergovernmental revenues	802,345				1,725,972	2,528,317
Charges for services	251,884				250,867	502,751
Interest income	38,473	253	16,810	14,538	8,111	78,185
Miscellaneous revenues	74,879	42,151			118,541	235,571
Total Revenues	6,520,683	42,404	1,100,631	14,538	3,627,333	11,305,589
EXPENDITURES						
Current:						
General government	3,646,216			1,343,963	51,013	5,041,192
Public safety	2,488,830				499,494	2,988,324
Public works					3,012,087	3,012,087
Health and welfare	148,072					148,072
Culture and recreation					78,854	78,854
Education					50,000	50,000
Conservation of natural resources	37,767					37,767
Economic development and assistance	10,571	64,095			30,000	104,666
Debt service:						
Principal	66,730	76,908	560,000		493,841	1,197,479
Interest	1,919	29,254	523,821	197,892	83,095	835,981
Total Expenditures	6,400,105	170,257	1,083,821	1,541,855	4,298,384	13,494,422
Excess of Revenues over (under) Expenditures	120,578	(127,853)	16,810	(1,527,317)	(671,051)	(2,188,833)
OTHER FINANCING SOURCES (USES)						
Long-term capital debt issued	157,402			4,015,000	102,503	4,274,905
Proceeds from sale of capital assets					28,455	28,455
Transfers in	77,779				385,460	463,239
Transfers out	(216,353)		(2,779)		(244,107)	(463,239)
Lease principal payments		125,967			11,243	137,210
Discount on certificates of participation issued				(60,379)		(60,379)
Total Other Financing Sources and Uses	18,828	125,967	(2,779)	3,954,621	283,554	4,380,191
Net Changes in Fund Balances	139,406	(1,886)	14,031	2,427,304	(387,497)	2,191,358
Fund Balances - Beginning	1,204,521	79,965	2,590,295	-0-	2,590,616	6,465,397
Fund Balances - Ending	\$ 1,343,927	78,079	2,604,326	2,427,304	2,203,119	8,656,755

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, 2018

Exhibit 4-1

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 2,191,358
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 \$2,948,797 exceeded depreciation of \$1,699,575 in the current period.	1,249,222
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 \$1,624 and the proceeds from the sale of \$28,455 in the current period.	(26,831)
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.	(10,707)
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.	(1,083,821)
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	464,726
Change in long-term receivables:	
Intergovernmental revenues	2,422
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 \$1,197,479 and discount amortization of \$3,019 exceeded debt proceeds of \$4,214,526.	(3,020,066)
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by a combination of the following items:	
Increase in accrued interest payable	(55,352)
Increase in compensated absences	(667)
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 \$137,210.	(137,210)
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	(1,039,025)
Recording of contributions made to retirement plan	493,834
Change in Net Position of Governmental Activities	\$ <u>(972,117)</u>

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

Clay County
Statement of Net Position - Proprietary Fund
September 30, 2018

Exhibit 5

	Business-type Activities - Enterprise Fund
	Solid Waste Fund
ASSETS	
Current assets:	
Cash	\$ 223,402
Accounts receivable (net of allowance for uncollectibles of \$943,247)	113,811
Intergovernmental receivables	1,113
Other receivables	25,324
Total Current Assets	<u>363,650</u>
Noncurrent assets:	
Advances to other funds	511
Capital assets:	
Other capital assets, net	143,294
Total Noncurrent Assets	<u>143,805</u>
Total Assets	<u>507,455</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	53,098
Total Deferred Outflows of Resources	<u>53,098</u>
LIABILITIES	
Current liabilities:	
Claims payable	8,131
Accrued interest payable	42
Due to other funds	6,195
Unearned revenue	14,461
Capital debt:	
Capital leases payable	37,017
Total Current Liabilities	<u>65,846</u>
Noncurrent liabilities:	
Capital debt:	
Capital leases payable	6,234
Non-capital debt:	
Compensated absences payable	8,201
Net pension liability	262,510
Total Noncurrent Liabilities	<u>276,945</u>
Total Liabilities	<u>342,791</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	17,550
Total Deferred Inflows of Resources	<u>17,550</u>
NET POSITION	
Net investment in capital assets	100,043
Restricted for:	
Public works	100,169
Total Net Position	<u>\$ 200,212</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, 2018

Exhibit 6

	<u>Business-type Activities - Enterprise Fund</u>
	<u>Solid Waste Fund</u>
Operating Revenues	
Charges for services	\$ 358,159
Total Operating Revenues	<u>358,159</u>
Operating Expenses	
Personal services	178,194
Pension expense	38,946
Contractual services	101,357
Materials and supplies	53,193
Depreciation expense	22,231
Indirect administrative cost	6,195
Total Operating Expenses	<u>400,116</u>
Operating Income (Loss)	<u>(41,957)</u>
Nonoperating Revenues (Expenses)	
Intergovernmental grants	5,136
Interest income	896
Interest expense	(1,085)
Other income	1,694
Other expense	(9,980)
Net Nonoperating Revenue (Expenses)	<u>(3,339)</u>
Changes in Net Position	<u>(45,296)</u>
Net Position - Beginning	<u>245,508</u>
Net Position - Ending	<u>\$ 200,212</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, 2018

Exhibit 7

	<u>Business-type Activities - Enterprise Fund</u>	<u>Solid Waste Fund</u>
Cash Flows From Operating Activities		
Receipts from customers	\$	355,196
Payments to suppliers		(159,133)
Payments to employees		(192,778)
Payments to General Fund for indirect costs		(6,139)
Net Cash Used by Operating Activities		<u>(2,854)</u>
Cash Flows From Capital and Related Financing Activities		
Principal paid on long-term debt		(36,365)
Interest paid on debt		(1,121)
Net Cash Used by Capital and Related Financing Activities		<u>(37,486)</u>
Cash Flows From Noncapital Financing Activities		
Intergovernmental grants received		4,898
Other cash receipts		1,694
Net Cash Provided by Noncapital Financing Activities		<u>6,592</u>
Cash Flows From Investing Activities		
Interest on deposits		896
Net Cash Provided by Investing Activities		<u>896</u>
Net Decrease in Cash and Cash Equivalents		(32,852)
Cash and Cash Equivalents at Beginning of Year		256,254
Cash and Cash Equivalents at End of Year	\$	<u><u>223,402</u></u>
Reconciliation of Operating Loss to Net Cash		
Used by Operating Activities:		
Operating loss	\$	<u>(41,957)</u>
Adjustments to reconcile operating loss to net cash		
used by operating activities:		
Depreciation expense		22,231
Pension expense		38,946
Deferred outflows - contributions to retirement plan		(15,865)
Provision for uncollectible accounts		37,494
Changes in assets and liabilities:		
Increase in accounts receivable		(39,853)
Increase in other receivables		(1,295)
Decrease in claims payable		(4,583)
Increase in unearned revenue		691
Increase in compensated absences liability		1,281
Increase in interfund payables		56
Total Adjustments		<u>39,103</u>
Net Cash Used by Operating Activities	\$	<u><u>(2,854)</u></u>

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

Clay County
Statement of Fiduciary Assets and Liabilities
September 30, 2018

Exhibit 8

	Agency Funds
ASSETS	
Cash	\$ 82,167
Due from other funds	7,537
Total Assets	\$ <u>89,704</u>
LIABILITIES	
Amounts held in custody for others	\$ 7,537
Other liabilities	82,167
Total Liabilities	\$ <u>89,704</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, 2018

(1) Summary of Significant Accounting Policies

A. Financial Reporting Entity

Clay County is a political subdivision of the State of Mississippi. The county is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Clay County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county.

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the county legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor - Collector
- Sheriff

B. Individual Component Unit Disclosures

Discretely Presented Component Unit

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

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

C. Basis of Presentation

The County's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements

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

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

C. Basis of Presentation (Continued)

The Statement of Net Position presents the financial condition of the governmental and business-type activities of the County at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the County's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business-type activity or governmental function is self-financing or draws from the general revenues of the County.

Fund Financial Statements

Fund financial statements of the County are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund balance, 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, 2018

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 industrial development bonds that were issued for economic development.

C.O.P. Court Complex Fund – This fund is used to account for monies from the issuance of certificates of participation that were issued for the purchase and renovation of a new justice court and circuit court complex.

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, 2018

F. Deposits and Investments

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

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

G. Receivables

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

H. Interfund Transactions and Balances

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

I. Capital Assets

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

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, 2018

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:

	Capitalization Thresholds	Estimated Useful Life
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.

Unavailable revenue – fines – 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.

Unavailable revenue – interest on capital leases / unavailable revenue – principal and interest on capital leases – 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.

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. See Notes 10 and 14 for additional details.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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 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:

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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, 2018

(2) Deposits

Primary Government

The carrying amount of the County's total deposits with financial institutions at September 30, 2018, was \$9,508,155, including cash with fiscal agents of \$3,534,189, and the bank balance was \$9,759,209. 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, 2018, was \$133,937 and the bank balance was \$133,937. 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, 2018

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

Ad Valorem Tax Fee-In-Lieu Receivable at September 30, 2018 is as follows:

<u>Year Ended September 30</u>	<u>Amount</u>
2019	\$ 1,048,237
2020	1,048,237
2021	1,048,237
2022	1,048,237
2023	1,048,237
2024-2028	4,192,949
2029-2033	2,620,593
2034-2038	2,620,593
2039-2043	2,620,593
2044-2046	1,572,356
Total	\$ 18,868,269
Less: Discount to Present Value	6,988,546
Net Receivable	\$ 11,879,723

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, 2018:

A. Due From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Solid Waste Fund	\$ 6,195
General Fund	Other Governmental Funds	20,001
Other Governmental Funds	General Fund	36,154
Agency Funds	General Fund	7,537
Total		\$ 69,887

The payables from the General Fund represent the tax revenue collected but not settled until October 2018. The payables from Other Governmental Funds primarily represent a loan to the E911 fund to cover temporary operating cash shortfalls. The payable from the Solid Waste Fund primarily represents the indirect cost for the September 30, 2018 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

The advances from the Solid Waste Fund represent an overpayment on shared costs to the General Fund occurring in a prior year.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

(4) Interfund Transactions and Balances (Continued)

C. Transfers In/Out

Transfers In	Transfers Out	Amount
General Fund	Other Governmental Funds	\$ 77,779
Other Governmental Funds	General Fund	216,353
Other Governmental Funds	\$11M Industrial Dev Bond Fund	2,779
Other Governmental Funds	Other Governmental Funds	166,328
Total		<u>\$ 463,239</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, 2018 consisted of the following:

Primary Government

Governmental Activities:

Description	Amount
Legislative Tag Credit	\$ 88,412
Motor Vehicle Fuel Tax	42,124
Motor Vehicle Licenses	11,298
Reimbursement for 16th Circuit Drug Court	5,840
Reimbursement for School Resource Officer	8,639
Other	9,843
Total Governmental Funds	<u>166,156</u>
Harvest Permits	<u>3,688</u>
Total Long-term Receivables	<u>3,688</u>
Total Governmental Activities	<u>\$ 169,844</u>

Business-type Activities:

Description	Amount
Local reimbursement	\$ 1,113
Total Business-type Activities	<u>\$ 1,113</u>

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

(6) Capital Assets

The following is a summary of capital assets activity for the year ended September 30, 2018:

Primary Government:	Balance 10/1/2017	Increases	Decreases	Reclassification	Balance 9/30/2018
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 1,345,116	470,000			\$ 1,815,116
Construction-in-progress	539,711	2,134,175		(504,688)	2,169,198
Total non-depreciable capital assets	1,884,827	2,604,175	-0-	(504,688)	3,984,314
<u>Depreciable capital assets:</u>					
Infrastructure	60,866,790			504,688	61,371,478
Buildings	5,627,394				5,627,394
Mobile equipment	5,992,622	80,226	203,603	108,869	5,978,114
Furniture and equipment	1,276,602	6,744			1,283,346
Leased property under capital leases	1,049,477	257,652		(108,869)	1,198,260
Total depreciable capital assets	74,812,885	344,622	203,603	504,688	75,458,592
<u>Less accumulated depreciation for:</u>					
Infrastructure	21,874,988	1,225,459			23,100,447
Buildings	2,960,403	75,531			3,035,934
Mobile equipment	4,990,869	178,424	176,772	78,388	5,070,909
Furniture and equipment	1,037,435	76,499			1,113,934
Leased property under capital leases	302,391	143,662		(78,388)	367,665
Total accumulated depreciation	31,166,086	1,699,575	176,772	-0-	32,688,889
Total depreciable capital assets, net	43,646,799	(1,354,953)	26,831	504,688	42,769,703
Governmental activities capital assets, net	45,531,626	1,249,222	26,831	-0-	46,754,017
Business-type Activities:					
<u>Depreciable capital assets:</u>					
Mobile equipment	327,012		99,802		227,210
Furniture and equipment	12,540				12,540
Leased property under capital leases	144,629				144,629
Total depreciable capital assets	484,181	-0-	99,802	-0-	384,379
<u>Less accumulated depreciation for:</u>					
Mobile equipment	271,356	9,214	89,822		190,748
Furniture and equipment	11,286				11,286
Leased property under capital leases	26,034	13,017			39,051
Total accumulated depreciation	308,676	22,231	89,822	-0-	241,085
Total depreciable capital assets, net	175,505	(22,231)	9,980	-0-	143,294
Business-type activities capital assets, net	175,505	(22,231)	9,980	-0-	143,294
Primary government capital assets, net	\$ 45,707,131	1,226,991	36,811	-0-	\$ 46,897,311

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

(6) Capital Assets (Continued)

Discretely Presented Component Unit - Clay County EDD	Balance 10/1/2017	Increases	Decreases	Balance 9/30/2018
Governmental Activities:				
<u>Non-depreciable capital assets:</u>				
Land	\$ 7,484,844			\$ 7,484,844
Total non-depreciable capital assets	7,484,844	-0-	-0-	7,484,844
<u>Depreciable capital assets:</u>				
Infrastructure	4,122,638			4,122,638
Total depreciable capital assets	4,122,638	-0-	-0-	4,122,638
<u>Less accumulated depreciation for:</u>				
Infrastructure	288,585	144,292		432,877
Total accumulated depreciation	288,585	144,292	-0-	432,877
Total depreciable capital assets, net	3,834,053	(144,292)	-0-	3,689,761
Governmental activities capital assets, net	\$ 11,318,897	(144,292)	-0-	\$ 11,174,605

Depreciation expense was charged to the following functions:

Primary Government	Governmental Activities	Business-type Activities
General government	\$ 119,686	\$ -0-
Public safety	208,384	-0-
Public works	1,334,219	-0-
Economic Development	37,286	-0-
Solid Waste	-0-	22,231
Total depreciation expense	\$ 1,699,575	\$ 22,231
Discretely Presented Component Unit - Clay County EDD	Governmental Activities	
Economic Development	\$ 144,292	
Total depreciation expense	\$ 144,292	

Commitments with respect to unfinished capital projects at September 30, 2018, consisted of the following:

Primary Government	Remaining Financial Commitment	Expected Date of Completion
Governmental Activities:		
Description of Commitment		
STPBR 0770(5)B	\$ 67,692	Dec-18
Justice/ Circuit Court Complex	2,468,146	Aug-19
Total Governmental Activities	\$ 2,535,838	

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

(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, 2018, to January 1, 2019. 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, 2018:

<u>Classes of Property</u>	<u>Amount</u>
Industrial facilities:	
Land	\$ 164,000
Buildings	<u>2,066,193</u>
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, 2018, are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 136,155	30,417
2020	140,802	27,316
2021	127,605	23,060
2022	92,284	19,660
2023	89,192	16,972
2024-2028	403,676	43,948
2029-2031	<u>113,506</u>	<u>5,426</u>
Total	<u>\$ 1,103,220</u>	<u>166,799</u>

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2018:

<u>Classes of Property</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Mobile equipment	\$ 870,992	144,629
Furniture and equipment	<u>327,268</u>	<u>-0-</u>
Total	1,198,260	144,629
Less: Accumulated Depreciation	<u>367,665</u>	<u>39,051</u>
Leased Property Under Capital Lease	<u>\$ 830,595</u>	<u>105,578</u>

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

(8) Capital Leases (Continued)

The following is a schedule by years of the total payments due as of September 30, 2018:

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2019	\$ 273,087	13,804	37,017	468
2020	138,188	8,847	6,234	14
2021	117,230	5,412	-0-	-0-
2022	57,482	2,802	-0-	-0-
2023	49,353	853	-0-	-0-
Total	\$ 635,340	31,718	43,251	482

(9) Long-term Debt

Debt outstanding as of September 30, 2018, consisted of the following:

Description and Purpose	Outstanding	Rates	Maturity Date
Governmental Activities			
General Obligation Bonds:			
District 3 road 2000 issue	\$ 80,000	5.5/7.5	08/01/20
District 2 road 2001 issue	115,000	5.25/5.65	12/01/20
\$11 million industrial dev bond issue	9,890,000	2.448/6.25	03/01/31
District 5 road 2013 issue	310,000	2.4/2.5	05/01/25
District 4 road 2013 issue	350,000	2.9	11/01/25
District 4 road 2008 issue	210,000	4.0	09/01/23
District 5 road 2014 issue	46,000	2.19	03/15/19
UNA Community Center 2017	48,000	2.29	06/30/22
Total General Obligation Bonds	\$ 11,049,000		
Certificates of Participation:			
Justice/ Circuit Court Complex	4,015,000	3.0/3.8	05/01/38
Capital Leases:			
2 Chevy Tahoes	\$ 20,487	2.55	04/21/20
Chevrolet Suburban	4,812	1.87	03/10/19
Kubota Tractor #2	4,250	1.82	02/10/19
Single Axle Cab & Chassis	5,747	2.04	01/10/19
3 Dodge Vehicles	14,307	1.65	03/10/19
E-911 CAD System	155,001	3.55	08/06/23
E-911 Telephone Equipment	91,086	1.95	01/11/21
2015 Freightliner	33,596	1.78	08/19/19
2017 Freightliner	23,522	1.78	08/19/19
Asphalt Distributor	58,812	1.93	10/27/19
Caterpillar Backhoe	99,371	3.55	07/23/23
Chip Spreader	124,349	2.16	10/03/21
Total Capital Leases	\$ 635,340		
Other Loans:			
Fisher Marine building renovation	\$ 428,396	3.00	09/01/31
Commercial building	517,899	3.00	06/01/27
Two Volunteer fire trucks #2	222,600	3.00	07/01/25
Industrial lot	27,000	2.19	03/15/21
Total Other Loans	\$ 1,195,895		
Business-type Activities			
Capital Leases:			
Freightliner truck	\$ 43,251	1.78	11/30/19

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

(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		Certificates of Participation		Other Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 829,000	545,045	-0-	140,893	127,429	33,890
2020	810,000	515,283	-0-	140,892	121,103	30,382
2021	792,000	483,526	165,000	140,893	124,512	26,771
2022	784,000	453,105	170,000	135,942	119,026	23,058
2023	804,000	421,971	180,000	130,843	122,646	19,438
2024-2028	4,120,000	1,483,547	975,000	568,487	467,673	45,806
2029-2033	2,910,000	280,312	1,150,000	390,550	113,506	5,325
2034-2038	-0-	-0-	1,375,000	160,550	-0-	-0-
Total	\$ 11,049,000	4,182,789	4,015,000	1,809,050	1,195,895	184,670

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, 2018, the amount of outstanding debt was equal to 7.58% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2018:

	Balance Oct. 1, 2017	Additions	Reductions	Balance Sept. 30, 2018	Amount due within one year
Governmental Activities:					
Compensated absences	\$ 139,286	667		139,953	
General obligation bonds	11,851,000		802,000	11,049,000	829,000
Certificates of participation		4,015,000		4,015,000	
Unamortized discount		(60,379)	(3,019)	(57,360)	(3,019)
Capital leases	656,206	259,905	280,771	635,340	273,087
Other loans	1,310,603		114,708	1,195,895	127,429
Totals	\$ 13,957,095	4,215,193	1,194,460	16,977,828	1,226,497
Business-type Activities:					
Compensated absences	\$ 6,920	1,281		8,201	
Capital leases	79,616		36,365	43,251	37,017
Totals	\$ 86,536	1,281	36,365	51,452	37,017

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, 2018

(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, 2018, 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, 2018 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, 2018, 2017 and 2016 were equal to the required contributions for each year, and were as follows:

Year Ending September 30,	Governmental Activities	Business-type Activities	Total
2018	\$ 493,834	15,865	509,699
2017	490,589	11,898	502,487
2016	486,076	9,761	495,837

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

(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, 2018, the County reported a liability for its proportionate share of the net pension liability of \$8,171,239 for governmental activities and \$262,510 for business-type activities. The net pension liability was measured as of June 30, 2018, 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, 2018, the County's proportion was 0.050705 percent. This was an increase of 0.000947 percent from its proportionate share used to calculate the September 30, 2017 net pension liability, which was based on a measurement date of June 30, 2017.

For the year ended September 30, 2018, the County recognized pension expense of \$1,039,025 for governmental activities and \$38,946 for business-type activities.

At September 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Governmental Activities	Business-type Activities	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 35,822	1,151	36,973
Changes of assumptions	4,821	155	4,976
Changes in the proportion and differences between the County's contributions and proportionate share of contributions	123,509	3,968	127,477
Changes in internal allocation	11,080	43,921	55,001
Contributions subsequent to the measurement date	121,495	3,903	125,398
Total Deferred Outflows of Resources	\$ 296,727	53,098	349,825
Deferred Inflows of Resources			
Differences between expected and actual experience	\$ 34,446	1,106	35,552
Net difference between projected and actual earnings on pension plan investments	162,432	5,219	167,651
Changes of assumptions	4,513	145	4,658
Changes in internal allocation	43,921	11,080	55,001
Total Deferred Inflows of Resources	\$ 245,312	17,550	262,862

\$125,398 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, 2019.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

(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
2019	\$ 135,738	11,644	147,382
2020	2,885	12,636	15,521
2021	(171,956)	8,545	(163,411)
2022	(36,747)	(1,180)	(37,927)
	<u>\$ (70,080)</u>	<u>31,645</u>	<u>(38,435)</u>

Actuarial Assumptions. The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	3.00 percent
Salary increases	3.75 – 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, 2018 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, 2018, 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, 2018

(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	\$ 11,104,826	8,433,749	6,213,730

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 2018. 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, 2018

(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 \$521,815 for the maintenance and support of the college in fiscal year 2018.

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 \$66,616 to the district during fiscal year 2018.

Golden Triangle Development LINK provides services for the counties of Clay, Lowndes, and Oktibbeha. The Clay County Board of Supervisors appoints one of the ten members of the board of directors. The county appropriated \$350,000 for support of the organization in fiscal year 2018. 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 \$131,250 towards this purpose during fiscal year 2018.

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 \$83,187 for the library during fiscal year 2018.

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 2018.

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, 2018

(14) Effect of Deferred Amounts on Net Position

Governmental Activities

The unrestricted net position amount of \$5,875,735 includes the effect of deferring the recognition of the net difference between expected and actual experience relating to the defined benefit pension plan. The \$1,376 balance of the net deferred outflow of resources at September 30, 2018 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 \$162,432 balance of the net deferred inflow of resources at September 30, 2018 will be recognized as revenue and increase 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 \$308 balance of the net deferred outflow of resources at September 30, 2018 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 \$123,509 balance of the net deferred outflow of resources at September 30, 2018 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 \$32,841 balance of the net deferred inflow of resources at September 30, 2018 will be recognized as revenue and increase unrestricted net position over the next 3 years.

Business-type Activities

The restricted net position amount of \$100,169 includes the effect of deferring the recognition of the net difference between expected and actual experience relating to the defined benefit pension plan. The \$45 balance of the net deferred outflow of resources at September 30, 2018 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 \$5,219 balance of the net deferred inflow of resources at September 30, 2018 will be recognized as revenue and increase 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 \$10 balance of the net deferred outflow of resources at September 30, 2018 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 \$3,968 balance of the net deferred outflow of resources at September 30, 2018 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 \$32,841 balance of the net deferred outflow of resources at September 30, 2018 will be recognized as expense and decrease restricted net position over the next 3 years.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

(15) 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, 2018

(15) 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	2 / Free-Port	\$ 2,336	N/A
Southern Ionics	Real & Personal Exemption	2	\$ 1,651	N/A
Duke Pecan & Fur Company	Free-Port Warehouse	Free-Port	\$ 8,354	N/A
Yokohama Tire Corporation	Tax-Fee in Lieu Agreement *	26	\$ 899,828	\$ 1,700,000

* - This tax-fee in lieu agreement is disclosed in greater detail in Note 3 on page 37 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.

(16) Purchasing and Compliance with State Laws

The Mississippi Office of the State Auditor (OSA) has elected to perform limited procedures in relation to purchasing and compliance with state laws. This report should be viewed in conjunction with the report from OSA in order to gain a comprehensive understanding of the County's operations. This report and OSA's report will be available on OSA's website at <http://www.osa.ms.gov/reports>. OSA's report will include a Purchasing Report and Limited Compliance Review Report.

(17) Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Clay County evaluated the activity of the County through August 31, 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>
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, 2018

UNAUDITED

		Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES					
Property taxes	\$	4,689,070	4,752,481	4,775,688	23,207
Licenses, commissions and other revenue		274,300	298,154	301,940	3,786
Fines and forfeitures		310,000	292,827	292,827	-0-
Intergovernmental revenues		742,310	804,178	789,099	(15,079)
Charges for services		383,194	283,798	298,877	15,079
Interest income		25,350	41,236	41,236	-0-
Miscellaneous revenues		42,000	93,168	66,175	(26,993)
Total Revenues		<u>6,466,224</u>	<u>6,565,842</u>	<u>6,565,842</u>	<u>-0-</u>
EXPENDITURES					
Current:					
General government		3,469,712	3,623,151	3,623,151	-0-
Public safety		2,125,483	2,274,530	2,431,932	(157,402)
Health and welfare		158,400	147,809	147,809	-0-
Conservation of natural resources		41,600	37,418	37,418	-0-
Economic Development		37,304	7,630	7,630	-0-
Debt service:					
Principal		64,328	66,730	66,730	-0-
Interest		1,453	1,919	1,919	-0-
Total Expenditures		<u>5,898,280</u>	<u>6,159,187</u>	<u>6,316,589</u>	<u>(157,402)</u>
Excess of Revenues over (under) Expenditures		<u>567,944</u>	<u>406,655</u>	<u>249,253</u>	<u>(157,402)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from issuance of long-term debt				157,402	157,402
Transfers in		285,000	75,000	75,000	-0-
Transfers out		(463,800)	(215,931)	(215,931)	-0-
Total Other Financing Sources and Uses		<u>(178,800)</u>	<u>(140,931)</u>	<u>16,471</u>	<u>157,402</u>
Net Change in Fund Balance		<u>389,144</u>	<u>265,724</u>	<u>265,724</u>	<u>-0-</u>
Fund Balances - Beginning		<u>1,163,831</u>	<u>1,134,244</u>	<u>1,134,244</u>	<u>-0-</u>
Fund Balances - Ending	\$	<u><u>1,552,975</u></u>	<u><u>1,399,968</u></u>	<u><u>1,399,968</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, 2018

UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Interest income	\$ -0-	253	253	-0-
Miscellaneous revenues	52,000	42,404	41,594	(810)
Total Revenues	52,000	42,657	41,847	(810)
EXPENDITURES				
Current:				
Economic development	-0-	64,095	64,095	-0-
Debt service:				
Principal	70,000	76,898	76,908	(10)
Interest	30,000	29,265	29,255	10
Total Expenditures	100,000	170,258	170,258	-0-
Excess of Revenues over (under) Expenditures	(48,000)	(127,601)	(128,411)	(810)
OTHER FINANCING SOURCES (USES)				
Lease principal payments	110,000	118,955	119,765	810
Total Other Financing Sources and Uses	110,000	118,955	119,765	810
Net Change in Fund Balance	62,000	(8,646)	(8,646)	-0-
Fund Balances - Beginning	89,067	79,962	79,962	-0-
Fund Balances - Ending	\$ 151,067	71,316	71,316	-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, 2018

UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Ad valorem tax-fee in lieu	\$ 1,083,821	1,083,821	1,083,821	-0-
Interest income	-0-	-0-	16,810	16,810
Total Revenues	<u>1,083,821</u>	<u>1,083,821</u>	<u>1,100,631</u>	<u>16,810</u>
EXPENDITURES				
Debt service:				
Principal	560,000	560,000	560,000	-0-
Interest	523,821	518,725	523,821	(5,096)
Total Expenditures	<u>1,083,821</u>	<u>1,078,725</u>	<u>1,083,821</u>	<u>(5,096)</u>
Excess of Revenues over (under) Expenditures	<u>-0-</u>	<u>5,096</u>	<u>16,810</u>	<u>11,714</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-0-	-0-	(2,779)	(2,779)
Total Other Financing Sources and Uses	<u>-0-</u>	<u>-0-</u>	<u>(2,779)</u>	<u>(2,779)</u>
Net Change in Fund Balance	<u>-0-</u>	<u>5,096</u>	<u>14,031</u>	<u>8,935</u>
Fund Balances - Beginning	<u>2,585,626</u>	<u>2,591,005</u>	<u>2,590,295</u>	<u>(710)</u>
Fund Balances - Ending	<u>\$ 2,585,626</u>	<u>2,596,101</u>	<u>2,604,326</u>	<u>8,225</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, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability	0.050705%	0.049758%	0.049500%	0.049500%	0.049500%
County's proportionate share of the net pension liability	\$ 8,433,749	8,271,468	8,841,936	7,651,724	6,008,394
County's covered payroll	\$ 3,237,972	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	260.46%	259.13%	281.51%	247.70%	201.30%
Plan fiduciary net position as a percentage of the total pension liability	62.54%	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, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 509,699	502,487	495,837	490,822
Contributions in relation to the contractually required contribution	509,699	502,487	495,837	490,822
Contribution deficiency (excess)	\$ <u><u>-0-</u></u>	<u><u>-0-</u></u>	<u><u>-0-</u></u>	<u><u>-0-</u></u>
 County's covered payroll	 3,236,182	 3,190,390	 3,148,171	 3,116,330
Contributions as a percentage of covered payroll	15.75%	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, 2018
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)	\$ 265,724	\$ (8,646)	\$ 14,031
Increase (Decrease)			
Net adjustments for revenue accruals	(45,160)	6,760	-0-
Net adjustments for expenditure accruals	(81,158)	-0-	-0-
GAAP Basis	<u>\$ 139,406</u>	<u>\$ (1,886)</u>	<u>\$ 14,031</u>

CLAY COUNTY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2018
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, 2016 valuation for the June 30, 2018 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	36.6 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, 2018
UNAUDITED

Name	Position	Insurance Company	Bond
Lynn Horton	Supervisors	Brierfield	\$ 100,000
Luke Lummus	Supervisors	Western Surety	100,000
R.B. Davis	Supervisors	Western Surety	100,000
Shelton Deanes	Supervisors	Brierfield	100,000
Joe Chandler	Supervisors	Western Surety	100,000
Amy Berry	Chancery Clerk	Western Surety	100,000
Nikkie Cude	Purchase Clerk	Western Surety	75,000
Ava Harris	Asst. Purchase Clerk	Western Surety	50,000
LaFrance Boyd	Receiving Clerk	Western Surety	75,000
George White	Asst. Receiving Clerk	Western Surety	50,000
Robert Starks	Asst. Receiving Clerk	Western Surety	50,000
James Eddie Decker	Asst. Receiving Clerk	Western Surety	50,000
John Fields	Asst. Receiving Clerk	Western Surety	50,000
Michael Weaver	Asst. Receiving Clerk	Western Surety	50,000
John Stovall	Asst. Receiving Clerk	Western Surety	50,000
Grady 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
Christie Ann Morris	Deputy Circuit Clerk	Western Surety	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 Harris	Drug Court Administrator	Western Surety	50,000
Kimberly Hood	Drug Court Administrator	Western Surety	50,000
Annete Savors	Court Reporter	Western Surety	2,000
Melissa Grimes	Court Reporter	FCCI	2,000
Jo Anna Graves	Clerk	Travelers	50,000

SPECIAL REPORTS

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

825 JEFFERSON STREET
POST OFFICE BOX 1280
TUPELO, MISSISSIPPI 38802

(662) 842-2123
FACSIMILE (662) 841-6809
E-MAIL: jev@jevance.com

**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, 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, 2018, and the related notes to the financial statements, which collectively comprise the county's basic financial statements and have issued our report thereon dated August 31, 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as 2018-001 that we consider to be a significant deficiency.

Compliance and Other Matters

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

Clay County's Responses to Findings

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

Purpose of the Report

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

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

Tupelo, Mississippi
August 31, 2020

SCHEDULE OF FINDINGS AND RESPONSES

Clay County
Schedule of Findings and Responses
For the Year Ended September 30, 2018

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? | Yes |
| 3. Noncompliance material to the financial statements? | No |

Section 2: Financial Statement Findings

Comptroller.

Significant Deficiency

2018-001. Receipts by direct deposit were not timely posted to the County receipt journal.

Repeat Finding No

Criteria An effective system of internal control requires receipts to be recorded on a timely basis to ensure the completeness and inclusion of all transactions and to enable accurate preparation of bank reconciliations.

Condition Certain receipts by direct deposit were not recorded in the County receipt ledger until the following month. The prepared bank reconciliations listed these receipts as outstanding deposits despite the amounts having been received in the previous month.

Cause Receipts were not timely prepared for amounts received by direct deposit.

Effect The corresponding transactions were not posted to the county ledger resulting in incomplete financial statement receipts. Corrections to the financial statements were proposed and made with management's approval.

Recommendation All receipts should be recorded on a timely basis prior to completion of bank reconciliations.

Comptrollers Response I will make sure these receipts are posted to the ledger on a timely basis moving forward.