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CLAY COUNTY, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
AND SPECIAL REPORTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

**CLAY COUNTY
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SEPTEMBER 30, 2019**

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Clay County, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Clay County, Mississippi, (the County) as of and for the year ended September 30, 2019, 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, 2019, 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, 52-55, 56, and 57, 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 October 1, 2021, 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 black ink that reads "J. E. Vance & Company". The signature is written in a cursive, flowing style.

J. E. Vance & Company, P.A.
October 1, 2021



Clay County Board of Supervisors

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MANAGEMENT'S DISCUSSION AND ANALYSIS UNAUDITED

INTRODUCTION

The discussion and analysis of Clay County's financial performance provides an overall narrative review of the County's financial activities for the year ended September 30, 2019. 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, 2019 was 52.14. This millage rate reflects a decrease of 1% from the prior year.

Total net position decreased \$2,073,198, which represents a 5% decrease from the prior fiscal year.

The County's ending cash balance reported in governmental activities and business-type activities decreased by \$2,726,665, which represents a 29% decrease from the previous year. This decrease is primarily due to payments for construction on the Clay County Justice Court Complex.

The County had \$11,069,323 in total revenues. Property tax revenues account for \$6,348,179 or 57% of total revenues. Intergovernmental Revenues in the form of reimbursements, shared revenue or grants, account for \$2,098,244, or 19% of total revenues. Charges for services account for \$1,400,202 or 13% of total revenue. Ad valorem tax in lieu fees account for \$554,135 or 5% of total revenue. Other revenues such as road and bridge privilege taxes, interest income, rents, etc. account for the remaining 6% of total revenues.

The County had \$13,142,521 in total expenses, which represents an increase of \$1,079,390 or 9% from the prior fiscal year. Expenses in the amount of \$3,078,238 were offset by charges for services, grants or outside contributions. General revenues of \$7,991,085 were not adequate to cover the remaining amount of expenses.

Among major funds, the General Fund had \$7,015,179 in revenues and \$7,252,261 in expenditures. The General Fund also had net other financing uses of \$229,056. The General Fund’s fund balance decreased \$466,138 from the prior year.

Among major funds, the TVA Bridge Bond Fund had \$36,371 in revenues and \$182,468 in expenditures. The TVA Bridge Bond Fund also had net other financing sources of \$162,846. The TVA Bridge Bond Fund’s fund balance increased \$16,749 from the prior year.

Among major funds, the \$11M Industrial Dev Bond Fund had \$1,107,942 in revenues and \$1,291,628 in expenditures. The \$11M Industrial Dev Bond Fund also had net other financing uses of \$753,670. The \$11M Industrial Dev Bond Fund’s fund balance decreased \$937,356 from the prior year.

Among the major funds, the Cane Creek Emergency Road and Bridge Fund had \$83,714 in revenues and \$82,501 in expenditures. The Cane Creek Emergency Road and Bridge Fund also had net other financing sources of \$131,560. The Cane Creek Emergency Road and Bridge Fund’s fund balance increased \$132,773 from the prior year.

Among major funds, the C.O.P. Court Complex Fund had \$24,074 in revenues and \$2,466,070 in expenditures. The C.O.P. Court Complex Fund also had net other financing sources of \$271,437. The C.O.P. Court Complex Fund’s fund balance decreased \$2,170,559 from the prior year.

Capital Assets, net of accumulated depreciation, increased by \$1,190,209. This represents a 2.5% increase from the prior year.

Long-term debt decreased by \$576,902. This represents a 3.4% decrease from the prior year. Yokohama Industrial Development Bonds and the Special Obligation Refunding Bonds outstanding in the amount of \$9,590,000 account for 58% of all long-term debt. These bond issues 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

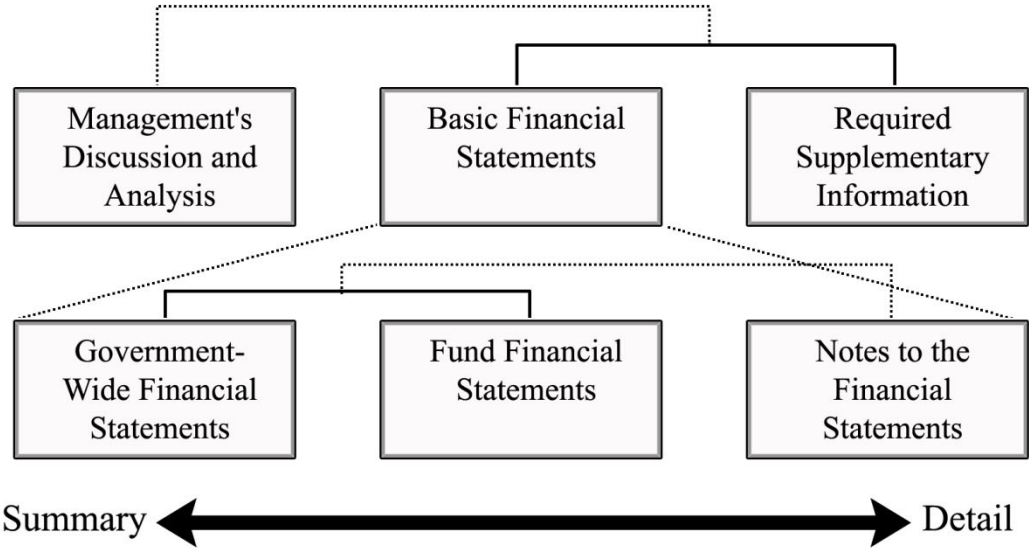


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

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, bond issue costs, 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 27-50 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 52-55 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 56 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 57 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 62 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position – Net position may serve over time as a useful indicator of government's financial position. In the case of Clay County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$42,091,553 as of September 30, 2019.

By far, the largest portion of the County's net position (80%) 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, 2019 and 2018.

Governmental Activities			
	2019	2018	Change
Current assets	\$ 13,135,949	\$ 15,333,516	-14%
Capital leases receivable	1,056,319	1,270,019	-17%
Ad valorem tax fee in-lieu receivable	11,351,966	11,879,723	-4%
Capital assets, net	47,961,824	46,754,017	3%
Total assets	73,506,058	75,237,275	-2%
Deferred outflows of resources	1,228,565	296,727	314%
Current liabilities	1,913,500	890,216	115%
Long-term debt outstanding	16,441,639	16,977,828	-3%
Net pension liability	8,564,017	8,171,239	5%
Total liabilities	26,919,156	26,039,283	3%
Deferred inflows of resources	5,926,562	5,530,180	7%
Net position:			
Net investment in capital assets	33,440,020	30,889,437	8%
Restricted	4,053,360	7,199,367	-44%
Unrestricted	4,395,525	5,875,735	-25%
Total net position	\$ 41,888,905	\$ 43,964,539	-5%
Business-type Activities			
	2019	2018	Change
Current assets	\$ 360,116	\$ 357,966	1%
Capital assets	125,696	143,294	-12%
Total assets	485,812	501,260	-3%
Deferred outflows of resources	38,619	53,098	-27%
Current liabilities	30,959	22,634	37%
Long-term debt outstanding	10,739	51,452	-79%
Net pension liability	264,867	262,510	1%
Total liabilities	306,565	336,596	-9%
Deferred inflows of resources	15,218	17,550	-13%
Net position:			
Net investment in capital assets	119,462	100,043	19%
Restricted	83,186	100,169	-17%
Total net position	\$ 202,648	\$ 200,212	1%

Additional information on net position:

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

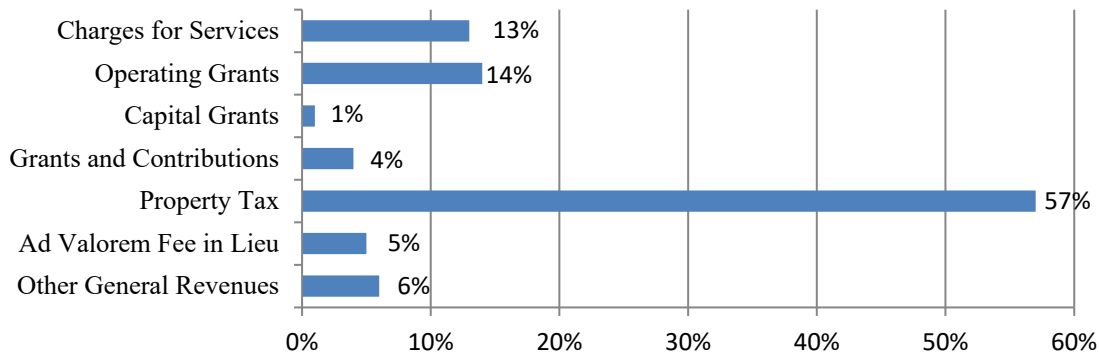
Governmental Activities			
	2019	2018	
Total unrestricted net position - governmental activities	\$ 4,395,525	\$ 5,875,735	
Unrestricted decrease in net position resulting from recognition of the net pension liability	8,442,827	8,119,824	
Unrestricted net position, exclusive of the net pension liability effect	\$ 12,838,352	\$ 13,995,559	

	Business-type Activities	
	2019	2018
Total net position restricted for public works - business-type activities	\$ 83,186	\$ 100,169
Restricted decrease in net position resulting from recognition of the net pension liability	241,466	226,962
Net position restricted for public works, exclusive of the net pension liability effect	\$ 324,652	\$ 327,131

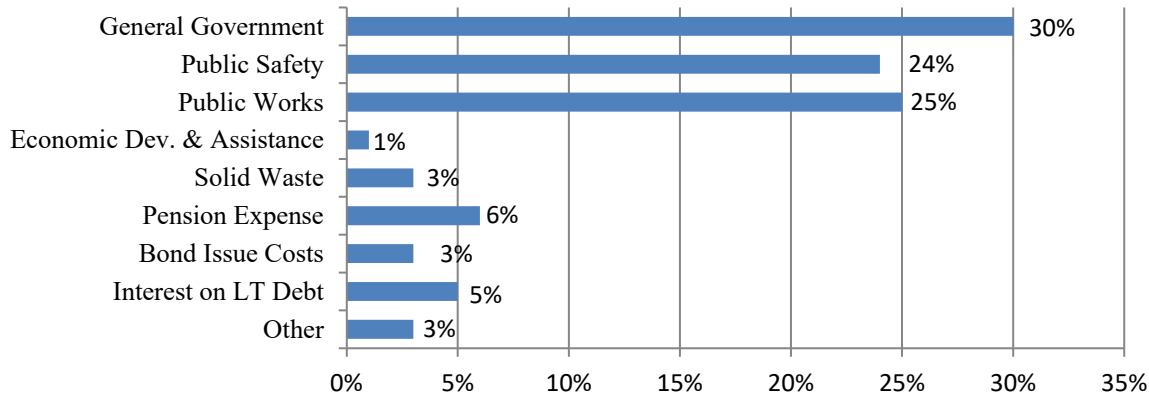
Changes in Net Position – Clay County’s total revenues for the fiscal year ended September 30, 2019 were \$11,069,323. The total cost for all services provided was \$13,142,519. The decrease in net position was \$2,073,196. The following table presents a summary of the changes in net position for the fiscal years ended September 30, 2019 and 2018.

	2019	2018	Change
Revenues:			
Program revenues			
Charges for services	\$ 1,400,202	\$ 1,446,678	-3%
Operating grants and contributions	1,522,462	1,087,390	40%
Capital grants and contributions	155,574	1,040,939	-85%
General revenues			
Property taxes	6,348,179	6,036,307	5%
Road and bridge privilege taxes	246,849	244,162	1%
Grants and contributions not restricted	420,208	407,546	3%
Advalorem fee in lieu	554,135	464,726	19%
Unrestricted interest income	156,710	79,081	98%
Miscellaneous	265,004	238,889	11%
Total Revenues	11,069,323	11,045,718	0%
Expenses:			
General government	3,970,285	3,594,462	10%
Public safety	3,137,419	2,800,336	12%
Public works	3,249,126	3,067,618	6%
Health and welfare	153,673	148,072	4%
Culture and recreation	82,114	78,854	4%
Education	106,579	50,000	113%
Conservation of natural resources	34,948	35,172	-1%
Economic development and assistance	165,143	141,951	16%
Interest on long-term debt	675,916	696,460	-3%
Bond issue costs	349,466	-0-	N/A
Pension expense	840,668	1,039,025	-19%
Solid waste (Business-type)	377,184	411,181	-8%
Total Expense	13,142,521	12,063,131	9%
Change in Net Position	(2,073,198)	(1,017,413)	-104%
Net Position - Beginning	44,164,751	45,182,164	-2%
Net Position - Ending	\$ 42,091,553	\$ 44,164,751	-5%

HOW THE COUNTY GETS ITS REVENUE



HOW THE COUNTY SPENDS ITS REVENUE



Governmental Activities – The following table presents the cost of eleven 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, Bond Issue Costs, 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	\$ 3,970,285	\$ 3,293,452
Public Safety	3,137,419	2,517,727
Public Works	3,249,126	2,137,627
Health and Welfare	153,673	126,926
Culture and Recreation	82,114	72,039
Education	106,579	106,579
Conservation of Natural Resources	34,948	34,948
Economic Development and Assistance	165,143	(94,676)
Interest on Long-term Debt	675,916	675,916
Bond Issue Costs	349,466	349,466
Pension Expense	840,668	840,668
	<u>\$ 12,765,337</u>	<u>\$ 10,060,672</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 \$4,968,430, a decrease of \$3,688,325 or 43% from the previous year.

Business-type fund – Operating revenue from the County's Solid Waste Fund increased by 1% to \$360,617 and operating expenses decreased approximately 6% to \$376,752. Nonoperating revenues in the form of interest income, intergovernmental grants, and other income totaled \$19,003, and nonoperating expenses in the form of interest expense totaled \$432.

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, the Cane Creek Emergency Road and Bridge Fund, and the C.O.P Court Complex Fund. These variances resulted from the timing of economic development and construction projects.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – As of September 30, 2019, Clay County's total capital assets were \$82,774,512. 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 \$2,947,227 or 4%.

Total accumulated depreciation as of September 30, 2019 was \$34,686,992, including \$1,847,903 of depreciation expense for the year. The balance in total net capital assets was \$48,087,520 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, 2019, Clay County had \$16,452,378 in long-term debt outstanding. This includes general obligation bonds, certificates of participation, capital leases, other loans, and compensated absences. Of this debt, \$1,323,683 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 growth. The County recently announced news of another industry locating in Clay County. Origis Energy Company recently finalized construction plans to build a 200-megawatt solar farm and a 200-megawatt battery storage facility that will occupy more than 2,000 acres of solar panels and approximately 200 acres for the battery storage. Once in operation, it is projected the farm will pay in excess of \$700,000 annually to the County which will be subject to the inter-local agreement between the City of West Point and Clay County to split 50/50 any fee in lieu agreement proceeds. In 11 years, that number is expected to be approximately \$2 million a year.

Plum Creek Environmental Technologies, a manufacturer and distributor of waste and recycling containers and equipment, continues to employ approximately 100 employees. They are in the process of renovating and moving a portion of their operations into a new facility purchased in 2020. By having the additional facility, it is their plan to increase the volume of business which, in turn, will increase the number of jobs available. The primary skillset of the jobs created is welding.

Yokohama Tire Company of Mississippi continues to progress. Yokohama continues to anticipate the development and building of the remaining three phases of its operation as planned initially. With the development of the other phases, the Fee in Lieu monies to the County will increase which will have a positive impact upon the local economy. Currently, they employ approximately 750 people.

Navistar Defense, LLC, a primary defense contractor, continues to hold its own. Currently, they employ approximately 60 people with several contracts through December 2023 pending. Once the contracts are activated, their plans are to increase employment to meet the demand which will have a positive impact on the local job market.

The County continues to maintain existing relationships with local industries which have been a vital part of the local economy. 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, 2019

Exhibit 1

	Primary Government			Component Unit
	Governmental	Business-type		Clay County
	Activities	Activities	Total	EDD
ASSETS				
Cash	\$ 6,219,967	221,580	6,441,547	131,437
Cash with fiscal agent	257,776		257,776	
Intergovernmental receivables	201,330		201,330	
Other receivables	116,772	25,370	142,142	
Property tax receivable	5,598,823		5,598,823	
Accounts receivable (net of allowance for uncollectibles of \$977,841)		117,873	117,873	
Fines receivable (net of allowance for uncollectibles of \$4,429,927)	736,574		736,574	
Ad Valorem Tax Fee In-Lieu Recievable	11,351,966		11,351,966	
Capital leases receivable	1,056,319		1,056,319	
Internal balances	4,707	(4,707)		
Capital assets:				
Land and construction in progress	1,965,516		1,965,516	7,484,844
Other capital assets, net	45,996,308	125,696	46,122,004	3,545,469
Total Assets	73,506,058	485,812	73,991,870	11,161,750
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	315,432	38,619	354,051	
Deferred amount on refunding	913,133		913,133	
Total Deferred Outflows of Resources	1,228,565	38,619	1,267,184	-0-
LIABILITIES				
Claims payable	427,786	16,906	444,692	
Intergovernmental payables	215,705		215,705	
Accrued interest payable	95,215	6	95,221	
Unearned revenue	1,144,171	14,047	1,158,218	
Amounts held in custody for others	30,623		30,623	
Long-term liabilities				
Due within one year:				
Capital debt	1,227,337	6,234	1,233,571	
Non-capital debt	90,112		90,112	
Due in more than one year:				
Capital debt	14,207,600		14,207,600	
Non-capital debt	916,590	4,505	921,095	
Net pension liability	8,564,017	264,867	8,828,884	
Total Liabilities	26,919,156	306,565	27,225,721	-0-
DEFERRED INFLOWS OF RESOURCES				
Property tax for future reporting period	5,598,823		5,598,823	
Deferred inflows related to pensions	194,242	15,218	209,460	
Unavailable revenue - interest on capital leases	133,497		133,497	
Total Deferred Inflows of Resources	5,926,562	15,218	5,941,780	-0-
NET POSITION				
Net investment in capital assets	33,440,020	119,462	33,559,482	11,030,313
Restricted:				
Expendable:				
General government	144,907		144,907	
Public safety	159,574		159,574	
Public works	1,360,925	83,186	1,444,111	
Debt service	1,670,792		1,670,792	
Culture and recreation	2,137		2,137	
Conservation of natural resources	76,433		76,433	
Economic development	260,543		260,543	131,437
Unemployment compensation	56,402		56,402	
Capital projects	321,647		321,647	
Unrestricted	4,395,525		4,395,525	
Total Net Position	\$ 41,888,905	202,648	42,091,553	11,161,750

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

Clay County
Statement of Activities
For the Year Ended September 30, 2019

Exhibit 2

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component
			Operating	Capital	Primary Government		Unit	
Functions/Programs	Expenses	Charges for	Grants and	Grants and	Governmental	Business-type	Clay County	
		Services	Contributions	Contributions	Activities	Activities	EDD	
Primary government:								
Governmental activities:								
General government	\$ 3,970,285	545,072	131,761		(3,293,452)		(3,293,452)	
Public safety	3,137,419	489,513	130,179		(2,517,727)		(2,517,727)	
Public works	3,249,126		955,925	155,574	(2,137,627)		(2,137,627)	
Health and welfare	153,673		26,747		(126,926)		(126,926)	
Culture and recreation	82,114	5,000	5,075		(72,039)		(72,039)	
Education	106,579				(106,579)		(106,579)	
Conservation of natural resources	34,948				(34,948)		(34,948)	
Economic development and assistance	165,143		259,819		94,676		94,676	
Interest on long-term debt	675,916				(675,916)		(675,916)	
Bond issue costs	349,466				(349,466)		(349,466)	
Pension expense	840,668				(840,668)		(840,668)	
Total Governmental Activities	12,765,337	1,039,585	1,509,506	155,574	(10,060,672)		(10,060,672)	
Business-type activities:								
Solid Waste	377,184	360,617	12,956			(3,611)	(3,611)	
Total Business-type Activities	377,184	360,617	12,956	-0-		(3,611)	(3,611)	
Total Primary Government	\$ 13,142,521	1,400,202	1,522,462	155,574	(10,060,672)	(3,611)	(10,064,283)	
Component unit:								
Clay County EDD	155,732						(155,732)	
Total Component Units	155,732	-0-	-0-	-0-			(155,732)	
General revenues:								
Property taxes					\$ 6,348,179		6,348,179	
Road & bridge privilege taxes					246,849		246,849	
Grants and contributions not restricted to specific programs					420,208		420,208	
Ad valorem fee in lieu					554,135		554,135	
Unrestricted interest income					152,948	3,762	156,710 405	
Miscellaneous					262,719	2,285	265,004 12,005	
Total General Revenues and Transfers					7,985,038	6,047	7,991,085 12,410	
Changes in Net Position					(2,075,634)	2,436	(2,073,198) (143,322)	
Net Position - Beginning					43,964,539	200,212	44,164,751 11,305,072	
Net Position - Ending					\$ 41,888,905	202,648	42,091,553 11,161,750	

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

Clay County
Balance Sheet - Governmental Funds
September 30, 2019

Exhibit 3

	Major Funds					Other	Total
	General Fund	TVA Bridge Bond Fund	\$11M Industrial Dev Bond Fund	Cane Creek Emergency Road and Bridge Fund	C.O.P. Court Complex Fund	Governmental Funds	Governmental Funds
ASSETS							
Cash	\$ 1,189,213	94,828	1,665,939	1,220,272		2,049,715	6,219,967
Cash with fiscal agent			1,031		256,745		257,776
Property tax receivable	4,535,729					1,063,094	5,598,823
Fines receivable (net of allowance for uncollectibles of \$4,429,927)	736,574						736,574
Capital lease receivable		1,056,319					1,056,319
Intergovernmental receivables	156,057					43,948	200,005
Other receivables	46,346					57,914	104,260
Due from other funds	85,254					38,442	123,696
Total Assets	\$ 6,749,173	1,151,147	1,666,970	1,220,272	256,745	3,253,113	14,297,420
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES							
Liabilities:							
Claims payable	\$ 313,800					113,986	427,786
Intergovernmental payables	207,436						207,436
Due to other funds	46,711					80,036	126,747
Advances from other funds	511						511
Unearned revenue				1,087,499		56,672	1,144,171
Amounts held in custody for others	30,623						30,623
Total Liabilities	\$ 599,081	-0-	-0-	1,087,499	-0-	250,694	1,937,274
Deferred inflows of resources:							
Unavailable revenue - property taxes	4,535,729					1,063,094	5,598,823
Unavailable revenue - fines	736,574						736,574
Unavailable revenue - principal and interest on capital leases		1,056,319					1,056,319
Total Deferred Inflows of Resources	\$ 5,272,303	1,056,319	-0-	-0-	-0-	1,063,094	7,391,716
Fund balances:							
Restricted to:							
General government						209,718	209,718
Public safety						159,574	159,574
Public works				132,773		1,228,243	1,361,016
Culture and recreation						2,137	2,137
Conservation of Natural Resources						76,433	76,433
Economic development and assistance		94,828				165,715	260,543
Debt service			1,666,970			99,037	1,766,007
Capital projects					256,745		256,745
Unemployment compensation						56,402	56,402
Unassigned	877,789					(57,934)	819,855
Total Fund Balances	\$ 877,789	94,828	1,666,970	132,773	256,745	1,939,325	4,968,430
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 6,749,173	1,151,147	1,666,970	1,220,272	256,745	3,253,113	14,297,420

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, 2019

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 4,968,430
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 \$34,428,309.	47,961,824
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	11,351,966
Fines receivable	736,574
Intergovernmental receivables	1,325
Other receivables	12,512
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(16,441,639)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(8,564,017)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(95,215)
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds.	922,822
Deferred outflows of resources related to refunding are applicable to future periods and, therefore, are not reported in the funds.	913,133
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	315,432
Deferred inflows of resources related to pensions	<u>(194,242)</u>
Total Net Position - Governmental Activities	\$ <u><u>41,888,905</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, 2019

Exhibit 4

	Major Funds					Other	Total
	General Fund	TVA Bridge Bond Fund	\$11M Industrial Dev Bond Fund	Cane Creek Emergency Road and Bridge Fund	C.O.P. Court Complex Fund	Governmental Funds	Governmental Funds
REVENUES							
Property taxes	\$ 5,018,410					1,329,769	6,348,179
Road and bridge privilege taxes						246,849	246,849
Licenses, commissions and other revenue	294,561					8,623	303,184
Fines and forfeitures	304,127						304,127
Ad valorem tax-fee in lieu			1,081,892				1,081,892
Intergovernmental revenues	967,815			82,501		1,035,183	2,085,499
Charges for services	254,150					210,562	464,712
Interest income	63,818	1,982	26,050	1,213	24,074	35,811	152,948
Miscellaneous revenues	112,298	34,389				103,218	249,905
Total Revenues	7,015,179	36,371	1,107,942	83,714	24,074	2,970,015	11,237,295
EXPENDITURES							
Current:							
General government	4,182,788				2,325,178	5,817	6,513,783
Public safety	2,737,856					738,573	3,476,429
Public works				82,501		2,051,271	2,133,772
Health and welfare	153,673						153,673
Culture and recreation						82,114	82,114
Education	37,500					69,079	106,579
Conservation of natural resources	37,665						37,665
Economic development and assistance	32,119	76,305				19,433	127,857
Debt service:							
Principal	62,176	79,247	575,000			568,236	1,284,659
Interest	8,484	26,916	367,162		140,892	62,285	605,739
Bond issue costs			349,466				349,466
Total Expenditures	7,252,261	182,468	1,291,628	82,501	2,466,070	3,596,808	14,871,736
Excess of Revenues over (under) Expenditures	(237,082)	(146,097)	(183,686)	1,213	(2,441,996)	(626,793)	(3,634,441)
OTHER FINANCING SOURCES (USES)							
Long-term capital debt issued	236,792		7,070,000			258,650	7,565,442
Proceeds from sale of capital assets						18,357	18,357
Transfers in	5,589			131,560	271,437	376,728	785,314
Transfers out	(471,437)		(5,589)			(308,288)	(785,314)
Lease principal payments		162,846				17,552	180,398
Payment to bond refunding escrow agent			(996,145)				(996,145)
Debt service principal - refunding bonds			(6,795,000)				(6,795,000)
Discount on bonds issued			(26,936)				(26,936)
Total Other Financing Sources and Uses	(229,056)	162,846	(753,670)	131,560	271,437	362,999	(53,884)
Net Changes in Fund Balances	(466,138)	16,749	(937,356)	132,773	(2,170,559)	(263,794)	(3,688,325)
Fund Balances - Beginning	1,343,927	78,079	2,604,326	-0-	2,427,304	2,203,119	8,656,755
Fund Balances - Ending	\$ 877,789	94,828	1,666,970	132,773	256,745	1,939,325	4,968,430

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

Clay County

Exhibit 4-1

**Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2019**

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (3,688,325)
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 \$3,044,926 exceeded depreciation of \$1,830,305 in the current period.	1,214,621
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net loss of \$11,543 and the proceeds from the sale of \$18,357 in the current period.	(6,814)
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.	(41,527)
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.	(1,081,892)
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	554,135
Change in long-term receivables:	
Other receivables	10,360
Intergovernmental revenues	(211)
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 a combination of the following items:	
General obligation refunding bonds issued	(7,070,000)
Capital leases issued	(495,442)
Principal payments on long-term debt	8,079,659
Payment to bond refunding escrow agent	996,145
Bond discount on issued debt	26,936
Amortization of bond discount	(5,263)
Amortization of deferred amount on refunding	(83,012)
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by a combination of the following items:	
Decrease in accrued interest payable	18,098
Decrease in compensated absences	299
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 \$180,398.	(180,398)
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	(840,668)
Recording of contributions made to retirement plan	517,665
Change in Net Position of Governmental Activities	\$ <u>(2,075,634)</u>

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

Clay County
Statement of Net Position - Proprietary Fund
September 30, 2019

Exhibit 5

	Business-type Activities - Enterprise Fund
	Solid Waste Fund
ASSETS	
Current assets:	
Cash	\$ 221,580
Accounts receivable (net of allowance for uncollectibles of \$977,841)	117,873
Other receivables	25,370
Total Current Assets	<u>364,823</u>
Noncurrent assets:	
Advances to other funds	511
Capital assets:	
Other capital assets, net	125,696
Total Noncurrent Assets	<u>126,207</u>
Total Assets	<u>491,030</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	38,619
Total Deferred Outflows of Resources	<u>38,619</u>
LIABILITIES	
Current liabilities:	
Claims payable	16,906
Accrued interest payable	6
Due to other funds	5,218
Unearned revenue	14,047
Capital debt:	
Capital leases payable	6,234
Total Current Liabilities	<u>42,411</u>
Non-capital debt:	
Compensated absences payable	4,505
Net pension liability	264,867
Total Noncurrent Liabilities	<u>269,372</u>
Total Liabilities	<u>311,783</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	15,218
Total Deferred Inflows of Resources	<u>15,218</u>
NET POSITION	
Net investment in capital assets	119,462
Restricted for:	
Public works	83,186
Total Net Position	<u>\$ 202,648</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, 2019

Exhibit 6

	Business-type Activities - Enterprise Fund
	Solid Waste Fund
Operating Revenues	
Charges for services	\$ 360,617
Total Operating Revenues	<u>360,617</u>
Operating Expenses	
Personal services	158,720
Pension expense	31,983
Contractual services	108,724
Materials and supplies	54,510
Depreciation expense	17,598
Indirect administrative cost	5,217
Total Operating Expenses	<u>376,752</u>
Operating Income (Loss)	<u>(16,135)</u>
Nonoperating Revenues (Expenses)	
Intergovernmental grants	12,956
Interest income	3,762
Interest expense	(432)
Other income	2,285
Net Nonoperating Revenue (Expenses)	<u>18,571</u>
Changes in Net Position	<u>2,436</u>
Net Position - Beginning	<u>200,212</u>
Net Position - Ending	<u>\$ 202,648</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, 2019

Exhibit 7

	<u>Business-type Activities - Enterprise Fund</u>	<u>Solid Waste Fund</u>
Cash Flows From Operating Activities		
Receipts from customers	\$	356,095
Payments to suppliers		(160,766)
Payments to employees		(173,585)
Payments to General Fund for indirect costs		(6,195)
Net Cash Provided by Operating Activities		<u>15,549</u>
Cash Flows From Capital and Related Financing Activities		
Principal paid on long-term debt		(37,017)
Interest paid on debt		(469)
Net Cash Used by Capital and Related Financing Activities		<u>(37,486)</u>
Cash Flows From Noncapital Financing Activities		
Intergovernmental grants received		14,068
Other cash receipts		2,285
Net Cash Provided by Noncapital Financing Activities		<u>16,353</u>
Cash Flows From Investing Activities		
Interest on deposits		3,762
Net Cash Provided by Investing Activities		<u>3,762</u>
Net Decrease in Cash and Cash Equivalents		(1,822)
Cash and Cash Equivalents at Beginning of Year		223,402
Cash and Cash Equivalents at End of Year	\$	<u><u>221,580</u></u>
Reconciliation of Operating Loss to Net Cash		
Provided by Operating Activities:		
Operating loss	\$	<u>(16,135)</u>
Adjustments to reconcile operating loss to net cash		
provided by operating activities:		
Depreciation expense		17,598
Pension expense		31,983
Deferred outflows - contributions to retirement plan		(17,478)
Provision for uncollectible accounts		34,594
Changes in assets and liabilities:		
Increase in accounts receivable		(38,656)
Increase in other receivables		(46)
Increase in claims payable		8,776
Decrease in unearned revenue		(414)
Decrease in compensated absences liability		(3,696)
Decrease in interfund payables		(977)
Total Adjustments		<u>31,684</u>
Net Cash Provided by Operating Activities	\$	<u><u>15,549</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, 2019

Exhibit 8

	Agency Funds
ASSETS	
Cash	\$ 296,677
Due from other funds	8,269
Total Assets	\$ <u>304,946</u>
LIABILITIES	
Amounts held in custody for others	\$ 228,813
Other liabilities	52,041
Intergovernmental payables	24,092
Total Liabilities	\$ <u>304,946</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, 2019

(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, 2019

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, 2019**

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.

Cane Creek Emergency Road and Bridge Fund – This fund is used to account for infrastructure improvements pursuant to funds received from the Mississippi legislature for emergency bridge repairs.

C.O.P. Court Complex Fund – This capital projects 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, 2019**

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, 2019

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 amount on refunding – For current refunding's and advance refunding's resulting in defeasance of debt reported by governmental activities, business type activities, and proprietary funds, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a new systematic and rational manner over the remaining life of the old debt or life of the new debt, whichever is shorter.

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.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

J. Deferred Outflows/Inflows of Resources (Continued)

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.

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 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.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

M. Equity Classifications (Continued)

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:

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.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

P. Compensated Absences

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

Q. Changes in Accounting Standards

The County implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements. The provisions of this standard have been incorporated into the financial statements and notes.

(2) Deposits

Primary Government

The carrying amount of the County's total deposits with financial institutions at September 30, 2019, was \$6,996,000, including cash with fiscal agents of \$257,776, and the bank balance was \$7,110,081. 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, 2019, was \$131,437 and the bank balance was \$131,437. 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.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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

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

Ad Valorem Tax Fee-In-Lieu Receivable at September 30, 2019 is as follows:

<u>Year Ended September 30</u>	<u>Amount</u>
2020	\$ 1,047,916
2021	1,047,916
2022	1,047,916
2023	1,047,916
2024	1,047,916
2025-2029	3,667,707
2030-2034	2,619,791
2035-2039	2,619,791
2040-2044	2,619,791
2045-2046	1,047,916
Total	\$ 17,814,576
Less: Discount to Present Value	6,462,610
Net Receivable	\$ 11,351,966

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 original 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, 2019:

A. Due From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Solid Waste Fund	\$ 5,218
General Fund	Other Governmental Funds	80,036
Other Governmental Funds	General Fund	38,442
Agency Funds	General Fund	8,269
Total		\$ 131,965

The payables from the General Fund represent the tax revenue collected but not settled until October 2019. 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, 2019 fiscal year, which is expected to be repaid within one year. All interfund balances are expected to be repaid within one year from the date of the financial statements.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

(4) Interfund Transactions and Balances (Continued)

B. Advances From/To Other Funds

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

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

C. Transfers In/Out

Transfers In	Transfers Out	Amount
General Fund	\$11M Industrial Dev Bond Fund	\$ 5,589
Cane Creek ERBR Fund	Other Governmental Funds	131,560
C.O.P Court Complex Fund	General Fund	271,437
Other Governmental Funds	General Fund	200,000
Other Governmental Funds	Other Governmental Funds	<u>176,728</u>
Total		<u>\$ 785,314</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, 2019 consisted of the following:

Primary Government

Governmental Activities:

Description	Amount
Legislative Tag Credit	\$ 108,076
Motor Vehicle Fuel Tax	42,552
Motor Vehicle Licenses	11,214
Reimbursement for 16th Circuit Drug Court	28,684
Harvest Permits	1,396
Other	<u>8,083</u>
Total Governmental Funds	<u>200,005</u>
Local work program reimbursement	<u>1,325</u>
Total Long-term Receivables	<u>1,325</u>
Total Governmental Activities	<u>\$ 201,330</u>

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

(6) Capital Assets

The following is a summary of capital assets activity for the year ended September 30, 2019:

Primary Government:	Balance				Balance
	10/1/2018	Increases	Decreases	Adjustments	9/30/2019
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 1,815,116				\$ 1,815,116
Construction-in-progress	2,169,198	2,680,392		(4,699,190)	150,400
Total non-depreciable capital assets	3,984,314	2,680,392	-0-	(4,699,190)	1,965,516
<u>Depreciable capital assets:</u>					
Infrastructure	61,371,478			1,159,190	62,530,668
Buildings	5,627,394			3,540,000	9,167,394
Mobile equipment	5,978,114	56,236	56,749	410,839	6,388,440
Furniture and equipment	1,283,346	21,900	40,950		1,264,296
Leased property under capital leases	1,198,260	286,398		(410,839)	1,073,819
Total depreciable capital assets	75,458,592	364,534	97,699	4,699,190	80,424,617
<u>Less accumulated depreciation for:</u>					
Infrastructure	23,100,447	1,284,044			24,384,491
Buildings	3,035,934	146,288			3,182,222
Mobile equipment	5,070,909	198,099	51,075	159,940	5,377,873
Furniture and equipment	1,113,934	54,559	39,810		1,128,683
Leased property under capital leases	367,665	147,315		(159,940)	355,040
Total accumulated depreciation	32,688,889	1,830,305	90,885	-0-	34,428,309
Total depreciable capital assets, net	42,769,703	(1,465,771)	6,814	4,699,190	45,996,308
Governmental activities capital assets, net	46,754,017	1,214,621	6,814	-0-	47,961,824
Business-type Activities:					
<u>Depreciable capital assets:</u>					
Mobile equipment	227,210				227,210
Furniture and equipment	12,540				12,540
Leased property under capital leases	144,629				144,629
Total depreciable capital assets	384,379	-0-	-0-	-0-	384,379
<u>Less accumulated depreciation for:</u>					
Mobile equipment	190,748	4,581			195,329
Furniture and equipment	11,286				11,286
Leased property under capital leases	39,051	13,017			52,068
Total accumulated depreciation	241,085	17,598	-0-	-0-	258,683
Total depreciable capital assets, net	143,294	(17,598)	-0-	-0-	125,696
Business-type activities capital assets, net	143,294	(17,598)	-0-	-0-	125,696
Primary government capital assets, net	\$ 46,897,311	1,197,023	6,814	-0-	\$ 48,087,520

Adjustments were made to reclassify property no longer under capital lease and to record completed construction.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

(6) Capital Assets (Continued)

Discretely Presented Component Unit - Clay County EDD	Balance 10/1/2018	Increases	Decreases	Balance 9/30/2019
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	432,877	144,292		577,169
Total accumulated depreciation	432,877	144,292	-0-	577,169
Total depreciable capital assets, net	3,689,761	(144,292)	-0-	3,545,469
Governmental activities capital assets, net	\$ 11,174,605	(144,292)	-0-	\$ 11,030,313

Depreciation expense was charged to the following functions:

Primary Government	Governmental Activities	Business-type Activities
General government	\$ 166,991	\$ -0-
Public safety	245,464	-0-
Public works	1,380,564	-0-
Economic Development	37,286	-0-
Solid Waste	-0-	17,598
Total depreciation expense	\$ 1,830,305	\$ 17,598
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, 2019, consisted of the following:

Primary Government	Remaining Financial Commitment	Expected Date of Completion
Governmental Activities:		
<u>Description of Commitment</u>		
ERBR-STP/BR 0013(53)B - Cane Creek Bridge	\$ 1,670,449	Sep-20
ERBR-13(01) - Mhoon Valley Road	1,079,943	Dec-21
Total Governmental Activities	\$ 2,750,392	

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

(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, 2019, to January 1, 2020. 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, 2019:

Classes of Property	Amount
Industrial facilities:	
Land	\$ 375,000
Buildings	1,570,193
Total	<u>\$ 1,945,193</u>

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2019, are as follows:

Year Ending September 30,	Principal	Interest
2020	\$ 116,154	25,019
2021	113,736	22,529
2022	86,559	19,604
2023	89,192	16,971
2024	91,904	14,259
2025-2029	348,479	32,592
2030-2031	76,798	2,523
Total	<u>\$ 922,822</u>	<u>133,497</u>

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2019:

Classes of Property	Governmental Activities	Business-type Activities
Mobile equipment	\$ 718,803	144,629
Furniture and equipment	355,016	-0-
Total	1,073,819	144,629
Less: Accumulated Depreciation	355,040	52,068
Leased Property Under Capital Lease	<u>\$ 718,779</u>	<u>92,561</u>

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

(8) Capital Leases (Continued)

The following is a schedule by years of the total payments due as of September 30, 2019:

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2020	\$ 183,246	15,953	6,234	14
2021	161,258	10,743	-0-	-0-
2022	106,160	6,288	-0-	-0-
2023	99,949	2,421	-0-	-0-
2024	12,958	84	-0-	-0-
Total	<u>\$ 563,571</u>	<u>35,489</u>	<u>6,234</u>	<u>14</u>

(9) Long-term Debt

Debt outstanding as of September 30, 2019, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rates	Final Maturity Date
Governmental Activities			
General Obligation Bonds:			
District 3 road 2000 issue	\$ 40,000	5.5/7.5	08/01/20
District 2 road 2001 issue	80,000	5.25/5.65	12/01/20
\$11 million industrial development bond	2,520,000	3.66/4.07	03/01/23
\$7 million special obligation refunding bond	7,070,000	2.76/3.25	03/01/30
District 5 road 2013 issue	269,000	2.4/2.5	05/01/25
District 4 road 2013 issue	310,000	2.9	11/01/25
District 4 road 2008 issue	170,000	4.0	09/01/23
UNA Community Center 2017	36,000	2.29	06/30/22
Total General Obligation Bonds	<u>\$ 10,495,000</u>		
Certificates of Participation:			
Justice/ Circuit Court Complex	<u>4,015,000</u>	3.0/3.8	05/01/38
Capital Leases:			
2 Chevy Tahoes	\$ 7,698	2.55	04/21/20
E-911 CAD System	125,625	3.55	08/06/23
E-911 Telephone Equipment	56,450	1.95	01/11/21
Asphalt Distributor	4,568	1.93	10/27/19
Caterpillar Backhoe	80,184	3.55	07/23/23
Chip Spreader	84,923	2.16	10/03/21
MSN Win Radio System	204,123	3.87	08/06/23
Total Capital Leases	<u>\$ 563,571</u>		
Other Loans:			
Fisher Marine building renovation	\$ 401,192	3.00	09/01/31
Commercial building	465,856	3.00	06/01/27
Two Volunteer fire trucks #2	192,924	3.00	07/01/25
Volunteer fire truck	247,475	3.00	03/01/29
Total Other Loans	<u>\$ 1,307,447</u>		
Business-type Activities			
Capital Leases:			
Freightliner truck	<u>\$ 6,234</u>	1.78	11/30/19

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

(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
2020	\$ 995,000	332,996	-0-	140,892	144,467	37,093
2021	927,000	296,832	165,000	140,893	139,066	32,988
2022	924,000	262,622	170,000	135,942	143,296	28,758
2023	949,000	227,563	180,000	130,843	147,655	24,399
2024	932,000	195,700	185,000	125,443	152,146	19,908
2025-2029	4,753,000	547,102	1,005,000	536,975	504,019	41,855
2030-2034	1,015,000	16,494	1,190,000	348,870	76,798	2,423
2035-2039	-0-	-0-	1,120,000	108,300	-0-	-0-
Total	\$ 10,495,000	1,879,309	4,015,000	1,668,158	1,307,447	187,424

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, 2019, the amount of outstanding debt was equal to 6.85% of the latest property assessments.

Advance Refunding – On May 30, 2019, the County issued \$7,070,000 in general obligation refunding bonds with an average interest rate of 3.15% to advance refund \$6,795,000 of the following outstanding bond issue:

Issue	Average Interest Rate of Refunded Portion	Outstanding Amount Refunded
\$11 Million Industrial Dev Bond 2013	5.94% \$	6,795,000

The above bond had an outstanding balance of \$9,315,000 at the time of refunding, but only \$6,795,000 of the bond was refunded, leaving a remaining principal balance of \$2,520,000, of which \$0 was redeemed during the remainder of fiscal year 2019.

The net proceeds of \$7,791,145 (after payment of \$349,466 in underwriting fees and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, those bonds are considered defeased, and the liability for those bonds has been removed from the Statement of Net Position.

The County refunded the above bond to reduce its total debt service payments over the next 7 years by \$1,627,357 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$457,358.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

(9) Long-term Debt (Continued)

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2019:

	Balance Oct. 1, 2018	Additions	Reductions	Balance Sept. 30, 2019	Amount due within one year
Governmental Activities:					
Compensated absences	\$ 139,953		299	139,654	
General obligation bonds	11,049,000	7,070,000	7,624,000	10,495,000	995,000
Certificates of participation	4,015,000			4,015,000	
Unamortized discount	(57,360)	(26,936)	(5,263)	(79,033)	(5,264)
Capital leases	635,340	236,792	308,561	563,571	183,246
Other loans	1,195,895	258,650	147,098	1,307,447	144,467
Totals	<u>\$ 16,977,828</u>	<u>7,538,506</u>	<u>8,074,695</u>	<u>16,441,639</u>	<u>1,317,449</u>
Business-type Activities:					
Compensated absences	\$ 8,201		3,696	4,505	
Capital leases	43,251		37,017	6,234	6,234
Totals	<u>\$ 51,452</u>	<u>-0-</u>	<u>40,713</u>	<u>10,739</u>	<u>6,234</u>

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.

(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.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

(10) Defined Benefit Pension Plan (Continued)

Contributions. At September 30, 2019, 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, 2019 was 17.40% of annual covered payroll. This rate was increased as of July 1, 2019, from 15.75%. 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, 2019, 2018 and 2017 were equal to the required contributions for each year, and were as follows:

Year Ending September 30,	Governmental Activities	Business-type Activities	Total
2019	\$ 517,665	17,478	535,143
2018	493,834	15,865	509,699
2017	490,589	11,898	502,487

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

At September 30, 2019, the County reported a liability for its proportionate share of the net pension liability of \$8,564,017 for governmental activities and \$264,867 for business-type activities. The net pension liability was measured as of June 30, 2019, 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, 2019, the County's proportion was 0.050187 percent. This was an decrease of 0.000518 percent from its proportionate share used to calculate the September 30, 2018 net pension liability, which was based on a measurement date of June 30, 2018.

For the year ended September 30, 2019, the County recognized pension expense of \$840,668 for governmental activities and \$31,983 for business-type activities.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

(10) Defined Benefit Pension Plan (Continued)

At September 30, 2019, 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	\$ 5,066	157	5,223
Changes of assumptions	83,963	2,597	86,560
Changes in the proportion and differences between the County's contributions and proportionate share of contributions	75,320	2,329	77,649
Changes in internal allocation	10,101	28,776	38,877
Contributions subsequent to the measurement date	140,982	4,760	145,742
Total Deferred Outflows of Resources	\$ 315,432	38,619	354,051
Deferred Inflows of Resources			
Differences between expected and actual experience	\$ 9,219	285	9,504
Net difference between projected and actual earnings on pension plan investments	93,694	2,897	96,591
Changes in the proportion and differences between the County's contributions and proportionate share of contributions	62,553	1,935	64,488
Changes in internal allocation	28,776	10,101	38,877
Total Deferred Inflows of Resources	\$ 194,242	15,218	209,460

\$145,742 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, 2020.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

(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
2020	\$ 52,138	11,486	63,624
2021	(121,212)	7,648	(113,564)
2022	10,183	(1,703)	8,480
2023	39,099	1,210	40,309
	<u>\$ (19,792)</u>	<u>18,641</u>	<u>(1,151)</u>

Actuarial Assumptions. The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	2.75 percent
Salary increases	3.00 – 18.25 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS.H.-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

The actuarial assumptions are based on the experience investigation for the four-year period ending June 30, 2018.

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, 2019, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	27.00 %	4.90 %
International Equity	22.00	4.75
Global Equity	12.00	5.00
Fixed Income	20.00	1.50
Real Estate	10.00	4.00
Private Equity	8.00	6.25
Cash Equivalents	1.00	0.25
Total	<u>100.00 %</u>	

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

(10) Defined Benefit Pension Plan (Continued)

Discount Rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (17.40%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension liability	\$ 11,605,873	8,828,884	6,536,728

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 2019. 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, 2019**

(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 \$542,434 for the maintenance and support of the college in fiscal year 2019.

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 \$63,323 to the district during fiscal year 2019.

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 2019. 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 \$218,750 towards this purpose during fiscal year 2019.

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 \$76,355 for the library during fiscal year 2019.

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 2019.

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, 2019

(14) Effect of Deferred Amounts on Net Position

Governmental Activities

The unrestricted net position amount of \$4,395,525 includes the effect of deferring the recognition of the net difference between expected and actual experience relating to the defined benefit pension plan. The \$4,153 balance of the net deferred inflow of resources at September 30, 2019 will be recognized as revenue and increase 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 \$93,694 balance of the net deferred inflow of resources at September 30, 2019 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 \$83,963 balance of the net deferred outflow of resources at September 30, 2019 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 \$12,767 balance of the net deferred outflow of resources at September 30, 2019 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 \$18,675 balance of the net deferred inflow of resources at September 30, 2019 will be recognized as revenue and increase unrestricted net position over the next 3 years.

Business-type Activities

The restricted net position amount of \$83,186 includes the effect of deferring the recognition of the net difference between expected and actual experience relating to the defined benefit pension plan. The \$128 balance of the net deferred inflow of resources at September 30, 2019 will be recognized as revenue and increase restricted net position over the next 3 years.

Restricted net position also includes the effect of deferring the recognition of the net difference between projected and actual earnings on defined benefit pension plan investments. The \$2,897 balance of the net deferred inflow of resources at September 30, 2019 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 \$2,597 balance of the net deferred outflow of resources at September 30, 2019 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 \$394 balance of the net deferred outflow of resources at September 30, 2019 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 \$18,675 balance of the net deferred outflow of resources at September 30, 2019 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, 2019

(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, 2019

(15) Tax Abatements (Continued)

<u>Company</u>	<u>Tax Abatement Programs</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	\$ 7,251	N/A
Southern Ionics	Real & Personal Exemption	\$ 1,190	N/A
Plum Creek	Real & Personal Exemption	\$ 7,168	N/A
Yokohama Tire Corporation	Tax-Fee in Lieu Agreement / Free-Port Warehouse*	\$ 2,554,153	\$ 1,700,000

* - This tax-fee in lieu agreement is disclosed in greater detail in Note 3 on page 35 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) Deficit Fund Balance

The following fund reported a deficit fund balance at September 30, 2019.

Governmental Funds:

E911 Assessment Fund	\$ <u>57,934</u>
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(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 October 1, 2021, (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>
09/28/20	2.60%	500,000	General obligation bond	Advalorem taxes
05/01/21	3.00%	143,596	Other loan	Advalorem taxes

REQUIRED SUPPLEMENTARY INFORMATION

Clay County
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
General Fund
For the Year Ended September 30, 2019

UNAUDITED

		Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES					
Property taxes	\$	4,881,466	4,984,699	5,011,248	26,549
Licenses, commissions and other revenue		278,400	288,821	293,613	4,792
Fines and forfeitures		305,000	300,824	300,824	-0-
Intergovernmental revenues		821,370	789,310	947,269	157,959
Charges for services		351,194	360,682	241,392	(119,290)
Interest income		30,500	67,941	62,352	(5,589)
Miscellaneous revenues		60,540	143,733	115,181	(28,552)
Total Revenues		<u>6,728,470</u>	<u>6,936,010</u>	<u>6,971,879</u>	<u>35,869</u>
EXPENDITURES					
Current:					
General government		3,823,592	4,302,974	4,036,537	266,437
Public safety		2,239,341	2,551,364	2,788,156	(236,792)
Health and welfare		158,400	152,757	152,757	-0-
Education				37,500	(37,500)
Conservation of natural resources		41,600	37,291	37,291	-0-
Economic Development		27,304	(6,346)	32,323	(38,669)
Debt service:					
Principal		81,293	62,186	62,176	10
Interest		<u>7,500</u>	<u>8,473</u>	<u>8,483</u>	<u>(10)</u>
Total Expenditures		<u>6,379,030</u>	<u>7,108,699</u>	<u>7,155,223</u>	<u>(46,524)</u>
Excess of Revenues over (under) Expenditures		<u>349,440</u>	<u>(172,689)</u>	<u>(183,344)</u>	<u>(10,655)</u>
OTHER FINANCING SOURCES (USES)					
Long-term capital debt issued				236,792	236,792
Proceeds from the sale of cap assets			7,250	-0-	(7,250)
Transfers in		285,000	463,800	5,589	(458,211)
Transfers out		<u>(463,800)</u>	<u>(706,300)</u>	<u>(471,437)</u>	<u>234,863</u>
Total Other Financing Sources and Uses		<u>(178,800)</u>	<u>(235,250)</u>	<u>(229,056)</u>	<u>6,194</u>
Net Change in Fund Balance		<u>170,640</u>	<u>(407,939)</u>	<u>(412,400)</u>	<u>(4,461)</u>
Fund Balances - Beginning		<u>1,552,975</u>	<u>1,399,968</u>	<u>1,399,968</u>	<u>-0-</u>
Fund Balances - Ending	\$	<u><u>1,723,615</u></u>	<u><u>992,029</u></u>	<u><u>987,568</u></u>	<u><u>(4,461)</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, 2019

UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Interest income	\$ 100	1,982	1,982	-0-
Miscellaneous revenues	52,000	35,625	34,389	(1,236)
Total Revenues	52,100	37,607	36,371	(1,236)
EXPENDITURES				
Current:				
Economic development	-0-	76,305	76,305	-0-
Debt service:				
Principal	70,000	79,247	79,247	-0-
Interest	30,000	26,916	26,916	-0-
Total Expenditures	100,000	182,468	182,468	-0-
Excess of Revenues over (under) Expenditures	(47,900)	(144,861)	(146,097)	(1,236)
OTHER FINANCING SOURCES (USES)				
Lease principal payments	110,000	161,610	162,846	1,236
Total Other Financing Sources and Uses	110,000	161,610	162,846	1,236
Net Change in Fund Balance	62,100	16,749	16,749	-0-
Fund Balances - Beginning	151,067	71,316	71,316	-0-
Fund Balances - Ending	\$ 213,167	88,065	88,065	-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, 2019

UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Ad valorem tax-fee in lieu	\$ 1,081,892	1,081,892	1,081,892	-0-
Interest income	-0-	-0-	26,050	26,050
Total Revenues	<u>1,081,892</u>	<u>1,081,892</u>	<u>1,107,942</u>	<u>26,050</u>
EXPENDITURES				
Debt service:				
Principal	575,000	575,000	575,000	-0-
Interest	506,892	336,521	367,162	(30,641)
Other costs	-0-	-0-	349,466	(349,466)
Total Expenditures	<u>1,081,892</u>	<u>911,521</u>	<u>1,291,628</u>	<u>(380,107)</u>
Excess of Revenues over (under) Expenditures	<u>-0-</u>	<u>170,371</u>	<u>(183,686)</u>	<u>(354,057)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term debt issued			7,070,000	7,070,000
Transfers in			1,305,846	1,305,846
Transfers out			(1,311,435)	(1,311,435)
Debt service principal - refunding bonds			(7,791,145)	(7,791,145)
Discount on bonds issued			(26,936)	(26,936)
Total Other Financing Sources and Uses	<u>-0-</u>	<u>-0-</u>	<u>(753,670)</u>	<u>(753,670)</u>
Net Change in Fund Balance	<u>-0-</u>	<u>170,371</u>	<u>(937,356)</u>	<u>(1,107,727)</u>
Fund Balances - Beginning	<u>2,585,626</u>	<u>2,596,101</u>	<u>2,604,326</u>	<u>8,225</u>
Fund Balances - Ending	<u>\$ 2,585,626</u>	<u>2,766,472</u>	<u>1,666,970</u>	<u>(1,099,502)</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)
Cane Creek Emergency Road and Bridge Fund
For the Year Ended September 30, 2019

UNAUDITED

		Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES					
Intergovernmental revenues	\$	-0-	-0-	1,170,000	1,170,000
Interest income		-0-	-0-	1,213	1,213
Miscellaneous revenues		-0-	1,301,561	-0-	(1,301,561)
Total Revenues		-0-	1,301,561	1,171,213	(130,348)
EXPENDITURES					
Current:					
Public works		-0-	82,501	82,501	-0-
Total Expenditures		-0-	82,501	82,501	-0-
Excess of Revenues over (under) Expenditures		-0-	1,219,060	1,088,712	(130,348)
OTHER FINANCING SOURCES (USES)					
Transfers in				131,560	131,560
Total Other Financing Sources and Uses		-0-	-0-	131,560	131,560
Net Change in Fund Balance		-0-	1,219,060	1,220,272	1,212
Fund Balances - Beginning		-0-	-0-	-0-	-0-
Fund Balances - Ending	\$	-0-	1,219,060	1,220,272	1,212

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, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability	0.050187%	0.050705%	0.049758%	0.049500%	0.049500%	0.049500%
County's proportionate share of the net pension liability	\$ 8,828,884	8,433,749	8,271,468	8,841,936	7,651,724	6,008,394
County's covered payroll	\$ 3,268,571	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	270.11%	260.46%	259.13%	281.51%	247.70%	201.30%
Plan fiduciary net position as a percentage of the total pension liability	61.59%	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, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 535,143	509,699	502,487	495,837	490,822
Contributions in relation to the contractually required contribution	535,143	509,699	502,487	495,837	490,822
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
County's covered payroll	3,309,989	3,236,182	3,190,390	3,148,171	3,116,330
Contributions as a percentage of covered payroll	16.17%	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 2019 contributions as a percentage of covered payroll will be an average of the former contribution rate of 15.75% and the current contribution rate of 17.40%.

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, 2019
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	Cane Creek Emergency Road and Bridge Fund
Budget (Cash Basis)	\$ (412,400)	\$ 16,749	\$ (937,356)	\$ 1,220,272
Increase (Decrease)				
Net adjustments for revenue accruals	43,300	-0-	-0-	(1,087,499)
Net adjustments for expenditure accruals	(97,038)	-0-	-0-	-0-
GAAP Basis	\$ <u>(466,138)</u>	\$ <u>16,749</u>	\$ <u>(937,356)</u>	\$ <u>132,773</u>

CLAY COUNTY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2019
UNAUDITED

Pension Schedules

A. Changes of Assumptions

2019

- The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
- The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments: For males, 137% of male rates at all ages, and for females, 115% of female rates at all ages. Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
- The price inflation assumption was reduced from 3.00% to 2.75%.
- The wage inflation assumption was reduced from 3.25% to 3.00%.
- Withdrawal rates, pre-retirement mortality 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 7% to 9%.

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.

CLAY COUNTY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2019
UNAUDITED

B. Changes in Benefit Provisions

2016

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

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, 2017 valuation for the June 30, 2019 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	38.4 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.25 percent to 18.50 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, 2019
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
Christina Bradshaw	Asst. Purchase Clerk	Western Surety	50,000
Ava Harris	Asst. Purchase Clerk	Western Surety	50,000
LaFrance Boyd	Receiving Clerk	Western Surety	75,000
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
Stephen McKee	Asst. Receiving Clerk	Western Surety	50,000
John Taylor	Asst. Receiving Clerk	Western Surety	50,000
Rose Johnson	Asst. Receiving Clerk	Western Surety	50,000
Amy Berry	Inv. Control Clerk	Western Surety	75,000
Sherman Ivy	Constables	Travelers	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	Western Surety	50,000
Hope Johnson	Deputy Circuit Clerk	Travelers	50,000
Morgan Washington	Deputy Circuit Clerk	Travelers	50,000
Kimberly Hood	Drug Court Administrator	Western Surety	50,000
Jo Anna Graves	Drug Court Clerk	Travelers	50,000
Tonya Young	Drug Court Clerk	Travelers	50,000
Brett Briggs	Drug Court Clerk	Travelers	50,000
Eddie Scott	Sheriff	Western Surety	100,000
Thomas Hampton	Justice Court Judge	Travelers	50,000
Chris McBrayer	Justice Court Judge	Travelers	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

SPECIAL REPORTS

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board of Supervisors
Clay County, Mississippi

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of the governmental activities, 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, 2019, and the related notes to the financial statements, which collectively comprise the county's basic financial statements and have issued our report thereon dated October 1, 2021.

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 certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as 2019-001 and 2019-002 that we consider to be significant deficiencies.

Compliance and Other Matters

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

We also noted certain matters which we have reported to the management of Clay County, Mississippi, in the Independent Accountant's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated October 1, 2021, included within this document.

Clay County's Responses to Findings

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

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
October 1, 2021

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

Members of the Board of Supervisors
Clay County, Mississippi

We have examined Clay County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2019. The Board of Supervisors of Clay County, Mississippi, is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

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

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

The results of our audit procedures disclosed a certain instance of noncompliance with the aforementioned code sections. This instance of noncompliance was considered in forming our opinion on compliance. Our finding and recommendation and your response is disclosed below:

Inventory Control Clerk

1. Finding – Public Officials Should Ensure Compliance with State Law over Inventory Report.

Repeat Finding – Yes.

Criteria – Section 31-7-107 Mississippi Code Annotated (1972), states, " ... the Inventory Control Clerk, pursuant to regulations promulgated by the State Auditor, shall perform physical inventories of assets of the county on or before October 1 of each year and shall file with the Board of Supervisors, in triplicate, a written report of such inventory.

The Clerk of the Board of Supervisors shall keep the original of each inventory report so filed by the Inventory Control Clerk as a permanent record of the county and shall forward a copy to the State Department of Audit not later than October 15."

Condition – During our test work, it was noted that the fixed asset report was not filed with the Board of Supervisors by October 1, nor filed with State Department of Audit by October 15. It was submitted on January 22, 2020.

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

Effect – Failure to file the inventory report to the Board of Supervisors for approval or the State Department of Audit within the required dates could result in a loss or misappropriation of public funds.

Recommendation – The Inventory Control Clerk should file the fixed asset report with the Board of Supervisors by October 1st and to the State Department of Audit by October 15th.

Official Response – The County's Annual Fixed Asset Report was not filed with the Office of Auditor due to reconciliation issues. We will attempt to complete and file this report Board and the office of State Auditor in a timely manner.

In our opinion, except as explained in the third paragraph and except for the noncompliance referred to in the preceding paragraph, Clay County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2019.

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

Clay County's response to the finding included in this report was not audited, and accordingly, we express no opinion on it.

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

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

Tupelo, Mississippi
October 1, 2021

Clay County
Schedule of Purchases from Other Than the Lowest Bidder
For the Year Ended September 30, 2019

Schedule 1

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reason for Accepting Other Than the Lowest Bid</u>
6/7/2019	Court Reporter Machines	\$ 16,485	Infoware	\$ 14,592	The selected bid included amenities that the lowest bidder did not offer. Also, the selected vendor's physical location was much closer.

**Clay County
Schedule of Emergency Purchases
For the Year Ended September 30, 2019**

Schedule 2

Our tests did not identify any emergency purchases.

Clay County
Schedule of Purchases Made Noncompetitively from a Sole Source
For the Year Ended September 30, 2019

Schedule 3

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

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

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Limited Internal Control and Compliance Review Management Report

Members of the Board of Supervisors
Clay County, Mississippi

In planning and performing our audit of the financial statements of Clay County, Mississippi for the year ended September 30, 2019, we considered Clay County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Clay County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated October 1, 2021, on the financial statements of Clay County, Mississippi.

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

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

Board of Supervisors.

1. Finding – One fund had a deficit fund balance at year end.

Repeat Finding – No.

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

Condition – During work performed, we noted that the E911 assessment fund had a deficit fund balance at year end (see Note 16).

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

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

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

View of Responsible Official(s) – We have corrected this issue and will continue to monitor funds for compliance moving forward.

Multiple Offices

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

Repeat Finding – Yes. (2018 Compliance Audit)

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

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

- Four (4) Supervisors
- Chancery Clerk
- Circuit Clerk
- Purchase Clerk
- One (1) Assistant Purchase Clerk
- Receiving Clerk
- Six (6) Assistant Receiving Clerks
- Two (2) Deputy Circuit Clerks
- Justice Court Clerk
- Two (2) Deputy Justice Court Clerks
- Sheriff
- Tax Assessor/Collector
- Four (4) Deputy Tax Assessor/Collector Clerks

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

In addition, the following officials were not bonded for the entirety of fiscal year 2019.

- One (1) Assistant Purchase Clerk
- Two (2) Assistant Receiving Clerks
- One (1) Deputy Circuit Clerk

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

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

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

View of Responsible Official(s) – These issues were corrected for the 2020 term.

Board of Supervisors, Payroll Clerk

3. Finding – Public Officials should ensure compliance with state law over reemployment of PERS service retirees.

Repeat Finding – Yes. (2018 Compliance Audit)

Criteria – *Section 25-11-127 (4) Mississippi Code Annotated (1972)*, states, "The provisions of this section shall not be construed to prohibit any retiree, regardless of age, from being employed and drawing a retirement allowance either:

- (a) For a period of time not to exceed one-half (1/2) of the normal working days for the position in any fiscal year during which the retiree will receive no more than one-half (1/2) of the salary in effect for the position at the time of employment, or
- (b) For a period of time in any fiscal year sufficient in length to permit a retiree to earn not in excess of twenty-five percent (25%) of retiree's average compensation."

Condition – During our review of the County's PERS form 4Bs, we noted that two (2) retired employees were paid in excess of the amounts allowed by Section 25-11-127(4).

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

Effect – Failure to follow state statute could result in retirees' benefits being canceled where necessary, and a demand could be made for the return of any such benefits erroneously issued to the retiree according to PERS Board Regulations Title 2 7 Part 210 Chapter 34: 111.

Recommendation – The Board of Supervisors and Payroll Clerk should ensure retirees are paid according to the PERS form 4B, section 2, and do not exceed the approved annual compensation as approved by PERS.

View of Responsible Official(s) –

Board of Supervisors – Employees are well aware of their earnings and the consequences of exceeding the limit. The penalty is against the retiree, not the county. In the future, the county will continue to make every effort to work with the Retiree.

Payroll Clerk – We will correct this going forward.

Chancery Clerk

4. Finding – Public Officials Should Ensure Compliance with State Law over Proper Completion of the Annual Financial Report.

Repeat Finding – Yes. (2018 Compliance Audit)

Criteria – *Section 9-1-45(1), Mississippi Code Annotated (1972)*, states, "Each Chancery and Circuit Clerk shall file, not later than April 15 of each year, with the State Auditor of Public Accounts a true and accurate annual report on a form to be designed and supplied to each Clerk by the State Auditor of Public Accounts immediately after January 1 of each year. The form shall include the following information: (a) revenues subject to the salary cap, including fees; (b) revenues not subject to the salary cap; and (c) expenses of office, including any salary paid to a Clerk's spouse or children. Each Chancery and Circuit clerk shall provide any additional information requested by the Public Employees' Retirement System for the purpose of retirement calculations."

Condition – The following error was found on the Annual Financial Report as prepared by the Chancery Clerk:

- The amount of wages claimed as an expense were understated by \$26,611 due to the clerk inadvertently listing net wages paid instead of gross wages paid.

Cause – This misstatement was due to a clerical error.

Effect – Failure to prepare the Annual Financial Report correctly may result in improper calculation of salary limitations, retirement contributions for the Chancery Clerk, as well as the amount due to the County.

Recommendation – The Chancery Clerk should prepare the Annual Financial Report accurately, and submit the amended report to the Office of the State Auditor and PERS.

View of Responsible Official(s) – Exceptions were noted. I have made the necessary corrections and filed an amended Annual Financial Report for calendar years 2019 and 2020.

Election Commissioners and Circuit Clerk

5. Finding – Public Officials Should Ensure Compliance with State Law over Claim Forms.

Repeat Finding – Yes. (2018 Compliance Audit)

Criteria – *Section 23-15-153(5), Mississippi Code Annotated (1972)*, states, "The Election Commissioners shall be entitled to receive a per diem in the amount of One Hundred Dollars (\$100), to be paid from the county general fund, not to exceed fourteen (14) days for every day or period of no less than five (5) hours accumulated over two (2) or more days actually employed in the performance of their duties for the necessary time spent in the revision of the county voter roll as electronically maintained by the Statewide Elections Management System and in the conduct of a runoff election following either a general or special election."

Section 23-15-153(10), Mississippi Code Annotated (1972), states, "Every Election Commissioner shall sign personally a certification setting forth the number of hours actually worked in the performance of the Commissioner's official duties and for which the Commissioner seeks compensation. The certification must be on the form as prescribed in this subsection. The Commissioner's signature is, as a matter of law, made under the Commissioner's oath of office and under penalties of perjury ... When properly completed and signed, the certification must be filed with the Clerk of the County Board of Supervisors before any payment may be made. The certification will be a public record available for inspection and reproduction immediately upon oral or written request of any person."

Condition – As a result of procedures performed, the following exceptions with Election Commissioners and the Circuit Clerk's claim forms were noted:

- Ten (10) instances where claims forms were not signed by the commissioner.
- Three (3) instances where per diem days were added incorrectly and the clerk was underpaid a total of \$300.
- Five (5) instances where claims forms were filed the following month after month-end payroll was due.

Cause – County officials did not follow the Mississippi statutes listed above.

Effect – The failure to properly prepare and submit claim forms could result in the loss or misappropriation, fraud, waste, and abuse of public funds.

Recommendation – The Election Commissioners and Circuit Clerk should complete the claim forms correctly on the forms prescribed in statutes listed above.

View of Responsible Official(s) – We implemented these recommendations during the 2020 fiscal year.

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

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

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

Tupelo, Mississippi
October 1, 2021

SCHEDULE OF FINDINGS AND RESPONSES

Clay County
Schedule of Findings and Responses
For the Year Ended September 30, 2019

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

2019-001.	<u>Receipts by direct deposit were not timely posted to the County receipt journal.</u>
Repeat Finding	Yes.
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.
Response	I am now making timely postings for direct deposits.

Justice Court Clerk

Significant Deficiency

2019-002.

Internal Controls in the Justice Court Clerk's Office should be strengthened.

Repeat Finding – No

Criteria	Effective internal controls over financial accounting and reporting should include the following: <ul style="list-style-type: none">▪ Trial balance & financial statements reviewed monthly by the justice court clerk.▪ Cash reconciliations should be reconciled to the monthly ledger.
Condition	The monthly bank reconciliations for the criminal account did not match subsidiary accounting ledgers.
Cause	The justice court clerk did not have effective controls in place regarding financial accounting and reporting.
Effect	This resulted in an unreconciled difference amounting to \$44,381, largely due to a monthly settlement check not posting correctly against the criminal account journal. This error originated in February 2020 and was uncorrected when a cash count was performed during August 2020.
Recommendation	The justice court clerk should implement additional controls and safeguards to ensure that financial records and cash reconciliations are appropriately maintained and reviewed not less than monthly.
Response	I will work with our software provider to correct this issue.