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CLAY COUNTY, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
AND SPECIAL REPORTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

**CLAY COUNTY
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SEPTEMBER 30, 2020**

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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, 2020, 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, 2020, 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 31, 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 31, 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, 2020. 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 2020 census, is 18,636. 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, 2020 was 54.581. This millage rate reflects an increase of 5% from the prior year.

Total net position decreased \$557,911, which represents a 1% decrease from the prior fiscal year.

The County's ending cash balance reported in governmental activities and business-type activities decreased by \$1,396,369, which represents a 22% decrease from the previous year. This decrease is primarily due to payments for economic development obligations under the \$11M Industrial Development Project.

The County had \$14,071,959 in total revenues. Property tax revenues account for \$6,878,297 or 49% of total revenues. Intergovernmental Revenues in the form of reimbursements, shared revenue or grants, account for \$4,496,874, or 32% of total revenues. Charges for services account for \$1,505,734 or 11% of total revenue. Ad valorem tax in lieu fees account for \$570,768 or 4% of total revenue. Other revenues such as road and bridge privilege taxes, interest income, rents, etc. account for the remaining 4% of total revenues.

The County had \$14,629,870 in total expenses, which represents an increase of \$1,487,349 or 11% from the prior fiscal year. Expenses in the amount of \$5,410,691 were offset by charges for services, grants or outside contributions. General revenues of \$8,661,268 were not adequate to cover the remaining amount of expenses.

Among major funds, the General Fund had \$7,465,313 in revenues and \$7,231,682 in expenditures. The General Fund also had net other financing uses of \$307,650. The General Fund’s fund balance decreased \$74,019 from the prior year.

Among major funds, the TVA Bridge Bond Fund had \$29,186 in revenues and \$143,165 in expenditures. The TVA Bridge Bond Fund also had net other financing sources of \$118,317. The TVA Bridge Bond Fund’s fund balance increased \$4,338 from the prior year.

Among major funds, the \$11M Industrial Dev Bond Fund had \$1,088,798 in revenues and \$2,575,650 in expenditures. The \$11M Industrial Dev Bond Fund also had net other financing uses of \$306. The \$11M Industrial Dev Bond Fund’s fund balance decreased \$1,487,158 from the prior year.

Among the major funds, the Cane Creek Emergency Road and Bridge Fund had \$1,731,185 in revenues and \$1,723,061 in expenditures. The Cane Creek Emergency Road and Bridge Fund also had net other financing uses of \$1,213. The Cane Creek Emergency Road and Bridge Fund’s fund balance increased \$6,911 from the prior year.

Capital Assets, net of accumulated depreciation, increased by \$153,744. This represents a 0.3% increase from the prior year.

Long-term debt decreased by \$816,725. This represents a 5% decrease from the prior year. Yokohama Industrial Development Bonds and the Special Obligation Refunding Bonds outstanding in the amount of \$8,810,000 account for 56% 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

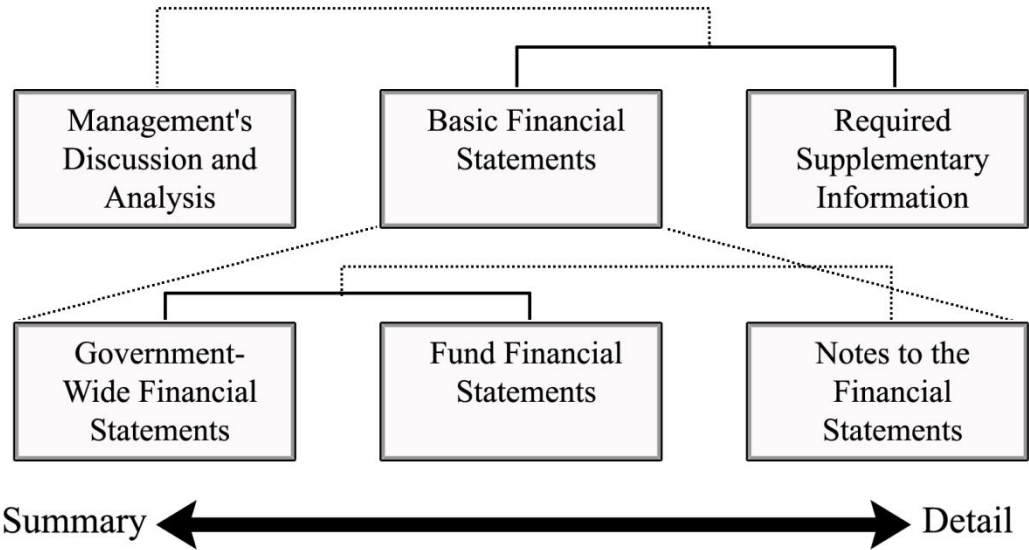


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

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, 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 \$41,533,642 as of September 30, 2020.

By far, the largest portion of the County's net position (83%) 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, 2020 and 2019.

	Governmental Activities		Change
	2020	2019	
Current assets	\$ 12,298,580	\$ 13,135,949	-6%
Capital leases receivable	912,901	1,056,319	-14%
Ad valorem tax fee in-lieu receivable	10,840,971	11,351,966	-5%
Capital assets, net	48,133,165	47,961,824	0%
Total assets	72,185,617	73,506,058	-2%
Deferred outflows of resources	1,547,237	1,228,565	26%
Current liabilities	1,152,612	1,913,500	-40%
Long-term debt outstanding	15,633,249	16,441,639	-5%
Net pension liability	9,440,488	8,564,017	10%
Total liabilities	26,226,349	26,919,156	-3%
Deferred inflows of resources	6,158,739	5,926,562	4%
Net position:			
Net investment in capital assets	34,254,768	33,440,020	2%
Restricted	3,208,144	4,053,360	-21%
Unrestricted	3,884,854	4,395,525	-12%
Total net position	\$ 41,347,766	\$ 41,888,905	-1%

	Business-type Activities		Change
	2020	2019	
Current assets	\$ 386,940	\$ 360,116	7%
Capital assets	108,099	125,696	-14%
Total assets	495,039	485,812	2%
Deferred outflows of resources	35,446	38,619	-8%
Current liabilities	44,464	30,959	44%
Long-term debt outstanding	2,404	10,739	-78%
Net pension liability	291,974	264,867	10%
Total liabilities	338,842	306,565	11%
Deferred inflows of resources	5,767	15,218	-62%
Net position:			
Net investment in capital assets	108,099	119,462	-10%
Restricted	77,777	83,186	-7%
Total net position	\$ 185,876	\$ 202,648	-8%

Additional information on net position:

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

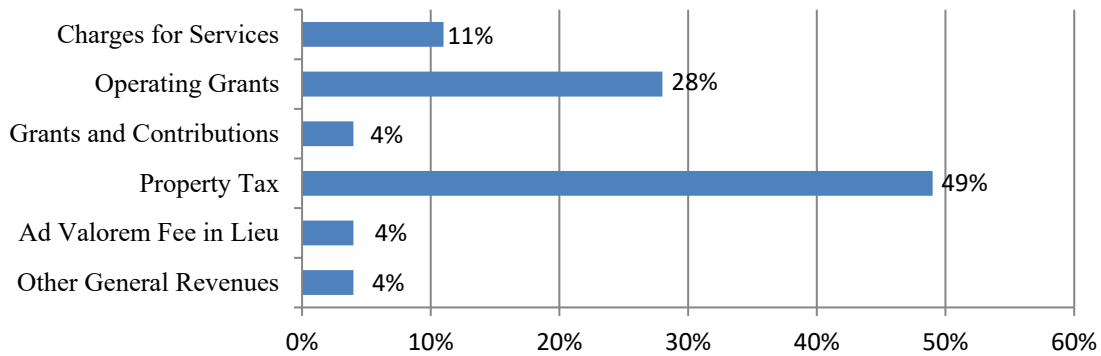
	Governmental Activities	
	2020	2019
Total unrestricted net position - governmental activities	\$ 3,884,854	\$ 4,395,525
Unrestricted decrease in net position resulting from recognition of the net pension liability	8,776,892	8,442,827
Unrestricted net position, exclusive of the net pension liability effect	\$ 12,661,746	\$ 12,838,352

	Business-type Activities	
	2020	2019
Total net position restricted for public works - business-type activities	\$ 77,777	\$ 83,186
Restricted decrease in net position resulting from recognition of the net pension liability	262,295	241,466
Net position restricted for public works, exclusive of the net pension liability effect	\$ 340,072	\$ 324,652

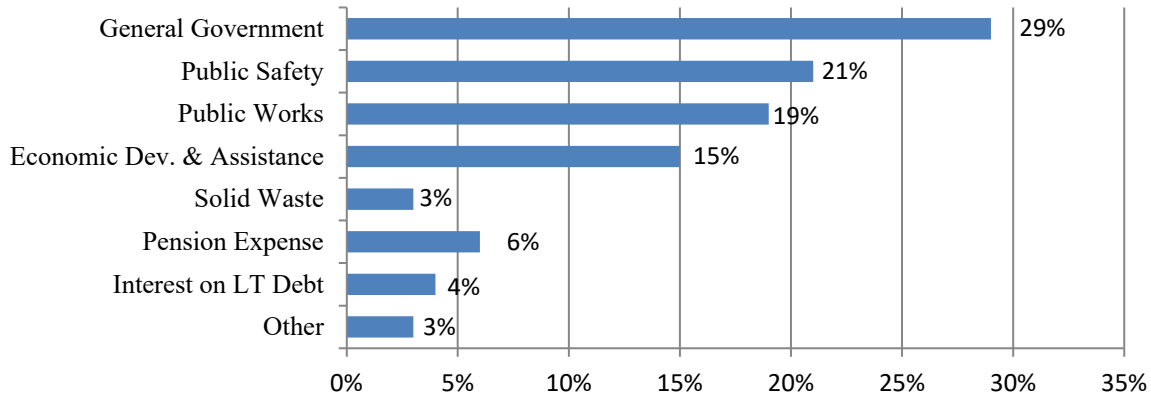
Changes in Net Position – Clay County’s total revenues for the fiscal year ended September 30, 2020 were \$14,071,959. The total cost for all services provided was \$14,629,870. The decrease in net position was \$557,911. The following table presents a summary of the changes in net position for the fiscal years ended September 30, 2020 and 2019.

	2020	2019	Change
Revenues:			
Program revenues			
Charges for services	\$ 1,505,734	\$ 1,400,202	8%
Operating grants and contributions	3,887,920	1,522,462	155%
Capital grants and contributions	17,037	155,574	-89%
General revenues			
Property taxes	6,878,297	6,348,179	8%
Road and bridge privilege taxes	252,884	246,849	2%
Grants and contributions not restricted	591,917	420,208	41%
Advalorem fee in lieu	570,768	554,135	3%
Unrestricted interest income	163,443	156,710	4%
Miscellaneous	203,959	265,004	-23%
Total Revenues	14,071,959	11,069,323	27%
Expenses:			
General government	4,229,640	3,970,285	7%
Public safety	3,126,154	3,137,419	0%
Public works	2,838,500	3,249,126	-13%
Health and welfare	157,674	153,673	3%
Culture and recreation	83,345	82,114	1%
Education	87,800	106,579	-18%
Conservation of natural resources	31,871	34,948	-9%
Economic development and assistance	2,151,189	165,143	1203%
Interest on long-term debt	627,950	675,916	-7%
Bond issue costs	-0-	349,466	N/A
Pension expense	904,198	840,668	8%
Solid waste (Business-type)	391,549	377,184	4%
Total Expense	14,629,870	13,142,521	11%
Change in Net Position	(557,911)	(2,073,198)	73%
Net Position - Beginning	42,091,553	44,164,751	-5%
Net Position - Ending	\$ 41,533,642	\$ 42,091,553	-1%

HOW THE COUNTY GETS ITS REVENUE



HOW THE COUNTY SPENDS ITS REVENUE



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

The table also shows each function's net cost (total cost less charges for services generated by the activity and intergovernmental aid provided for that activity.) The net cost shows the financial burden that was placed on Clay County's taxpayers by each of these functions.

	Total Costs	Net Costs
General Government	\$ 4,229,640	\$ 3,361,333
Public Safety	3,126,154	2,250,010
Public Works	2,838,500	349,085
Health and Welfare	157,674	113,524
Culture and Recreation	83,345	76,308
Education	87,800	87,800
Conservation of Natural Resources	31,871	31,871
Economic Development and Assistance	2,151,189	1,392,131
Interest on Long-term Debt	627,950	627,950
Pension Expense	904,198	904,198
	<u>\$ 14,238,321</u>	<u>\$ 9,194,210</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 \$4,029,958, a decrease of \$938,472 or 19% from the previous year.

Business-type fund – Operating revenue from the County's Solid Waste Fund were \$361,338, an increase of 0%, and operating expenses were \$391,541, an increase of 4%. Nonoperating revenues in the form of interest income, intergovernmental grants, and other income totaled \$13,439, and nonoperating expenses in the form of interest expense totaled \$8.

BUDGETARY HIGHLIGHTS OF MAJOR FUNDS

A schedule showing the original and final budget amounts compared to the County's actual financial activity for the General Fund and other major special revenue funds is provided in this report as required supplementary information after the notes to the Financial Statements.

The Original Budget was amended to actual at year end. The only significant variances from the original Budget in regard to total Revenues and Expenditures occurred in the \$11M Industrial Development Bond Fund, and the Cane Creek Emergency Road and Bridge Fund. These variances resulted from the timing of economic development and construction projects.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – As of September 30, 2020, Clay County's total capital assets were \$84,618,216. This includes roads, bridges, other infrastructure, land, buildings, mobile equipment, furniture and equipment, leased property under capital lease and construction in progress. This amount represents an increase from the previous year of \$1,843,704 or 2%.

Total accumulated depreciation as of September 30, 2020 was \$36,376,952, including \$1,689,960 of depreciation expense for the year. The balance in total net capital assets was \$48,241,264 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, 2020, Clay County had \$15,635,653 in long-term debt outstanding. This includes general obligation bonds, certificates of participation, capital leases, other loans, and compensated absences. Of this debt, \$1,433,802 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, 2020

Exhibit 1

	Primary Government			Component Unit
	Governmental	Business-type		Clay County
	Activities	Activities	Total	EDD
ASSETS				
Cash	\$ 4,801,150	244,028	5,045,178	144,102
Cash with fiscal agent	44,849		44,849	
Intergovernmental receivables	580,029	1,052	581,081	
Other receivables	54,156	26,786	80,942	
Property tax receivable	5,996,823		5,996,823	
Accounts receivable (net of allowance for uncollectibles of \$1,006,720)		118,446	118,446	
Fines receivable (net of allowance for uncollectibles of \$4,378,838)	818,201		818,201	
Ad Valorem Tax Fee In-Lieu Recievable	10,840,971		10,840,971	
Capital leases receivable	912,901		912,901	
Internal balances	3,372	(3,372)		
Capital assets:				
Land and construction in progress	3,726,018		3,726,018	7,484,844
Other capital assets, net	44,407,147	108,099	44,515,246	3,401,176
Total Assets	72,185,617	495,039	72,680,656	11,030,122
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	717,116	35,446	752,562	
Deferred amount on refunding	830,121		830,121	
Total Deferred Outflows of Resources	1,547,237	35,446	1,582,683	-0-
LIABILITIES				
Claims payable	681,471	27,942	709,413	
Intergovernmental payables	245,743		245,743	
Accrued interest payable	90,878		90,878	
Unearned revenue	20,563	16,522	37,085	
Amounts held in custody for others	113,957		113,957	
Long-term liabilities				
Due within one year:				
Capital debt	1,338,975		1,338,975	
Non-capital debt	94,827		94,827	
Due in more than one year:				
Capital debt	13,369,543		13,369,543	
Non-capital debt	829,904	2,404	832,308	
Net pension liability	9,440,488	291,974	9,732,462	
Total Liabilities	26,226,349	338,842	26,565,191	-0-
DEFERRED INFLOWS OF RESOURCES				
Property tax for future reporting period	5,996,823		5,996,823	
Deferred inflows related to pensions	53,520	5,767	59,287	
Unavailable revenue - interest on capital leases	108,396		108,396	
Total Deferred Inflows of Resources	6,158,739	5,767	6,164,506	-0-
NET POSITION				
Net investment in capital assets	34,254,768	108,099	34,362,867	10,886,020
Restricted:				
Expendable:				
General government	165,748		165,748	
Public safety	274,261		274,261	
Public works	1,697,770	77,777	1,775,547	
Debt service	272,308		272,308	
Culture and recreation	1,145		1,145	
Conservation of natural resources	76,433		76,433	
Economic development	279,364		279,364	144,102
Unemployment compensation	56,480		56,480	
Capital projects	384,635		384,635	
Unrestricted	3,884,854		3,884,854	
Total Net Position	\$ 41,347,766	185,876	41,533,642	11,030,122

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

Clay County
Statement of Activities
For the Year Ended September 30, 2020

Exhibit 2

Program Revenues					Net (Expense) Revenue and Changes in Net Position			Component
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Unit
					Governmental Activities	Business-type Activities	Total	Clay County EDD
Primary government:								
Governmental activities:								
General government	\$ 4,229,640	698,162	170,145		(3,361,333)		(3,361,333)	
Public safety	3,126,154	446,234	419,910	10,000	(2,250,010)		(2,250,010)	
Public works	2,838,500		2,489,415		(349,085)		(349,085)	
Health and welfare	157,674		44,150		(113,524)		(113,524)	
Culture and recreation	83,345			7,037	(76,308)		(76,308)	
Education	87,800				(87,800)		(87,800)	
Conservation of natural resources	31,871				(31,871)		(31,871)	
Economic development and assistance	2,151,189		759,058		(1,392,131)		(1,392,131)	
Interest on long-term debt	627,950				(627,950)		(627,950)	
Pension expense	904,198				(904,198)		(904,198)	
Total Governmental Activities	14,238,321	1,144,396	3,882,678	17,037	(9,194,210)		(9,194,210)	
Business-type activities:								
Solid Waste	391,549	361,338	5,242			(24,969)	(24,969)	
Total Business-type Activities	391,549	361,338	5,242	-0-		(24,969)	(24,969)	
Total Primary Government	\$ 14,629,870	1,505,734	3,887,920	17,037	(9,194,210)	(24,969)	(9,219,179)	
Component unit:								
Clay County EDD	144,818							(144,818)
Total Component Units	144,818	-0-	-0-	-0-				(144,818)
General revenues:								
Property taxes					\$ 6,878,297		6,878,297	
Road & bridge privilege taxes					252,884		252,884	
Grants and contributions not restricted to specific programs					591,917		591,917	
Ad valorem fee in lieu					570,768		570,768	
Unrestricted interest income					156,110	7,333	163,443	185
Miscellaneous					203,095	864	203,959	13,005
Total General Revenues and Transfers					8,653,071	8,197	8,661,268	13,190
Changes in Net Position					(541,139)	(16,772)	(557,911)	(131,628)
Net Position - Beginning					41,888,905	202,648	42,091,553	11,161,750
Net Position - Ending					\$ 41,347,766	185,876	41,533,642	11,030,122

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

Clay County
Balance Sheet - Governmental Funds
September 30, 2020

Exhibit 3

	Major Funds				Other	Total
	General Fund	TVA Bridge Bond Fund	\$11M Industrial Dev Bond Fund	Cane Creek Emergency Road and Bridge Fund	Governmental Funds	Governmental Funds
ASSETS						
Cash	\$ 1,100,201	99,166	178,601	243,905	3,179,277	4,801,150
Cash with fiscal agent			1,211		43,638	44,849
Property tax receivable	4,685,678				1,311,145	5,996,823
Fines receivable (net of allowance for uncollectibles of \$4,378,838)	818,201					818,201
Capital lease receivable		912,901				912,901
Intergovernmental receivables	158,470				40,964	199,434
Other receivables	10,863				32,024	42,887
Due from other funds	94,625				42,422	137,047
Total Assets	\$ 6,868,038	1,012,067	179,812	243,905	4,649,470	12,953,292
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Claims payable	\$ 259,760			104,221	317,490	681,471
Intergovernmental payables	236,555					236,555
Due to other funds	51,610				90,742	142,352
Advances from other funds	511					511
Unearned revenue					20,563	20,563
Amounts held in custody for others	11,953				102,004	113,957
Total Liabilities	\$ 560,389	-0-	-0-	104,221	530,799	1,195,409
Deferred inflows of resources:						
Unavailable revenue - property taxes	4,685,678				1,311,145	5,996,823
Unavailable revenue - fines	818,201					818,201
Unavailable revenue - principal and interest on capital leases		912,901				912,901
Total Deferred Inflows of Resources	\$ 5,503,879	912,901	-0-	-0-	1,311,145	7,727,925
Fund balances:						
Restricted to:						
General government					230,559	230,559
Public safety					274,261	274,261
Public works				139,684	1,877,910	2,017,594
Culture and recreation					1,145	1,145
Conservation of Natural Resources					76,433	76,433
Economic development and assistance		99,166			180,198	279,364
Debt service			179,812		183,374	363,186
Unemployment compensation					56,480	56,480
Unassigned	803,770				(72,834)	730,936
Total Fund Balances	\$ 803,770	99,166	179,812	139,684	2,807,526	4,029,958
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 6,868,038	1,012,067	179,812	243,905	4,649,470	12,953,292

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, 2020

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 4,029,958
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 \$36,100,672.	48,133,165
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	10,840,971
Fines receivable	818,201
Intergovernmental receivables	380,595
Other receivables	11,269
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(15,633,249)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(9,440,488)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(90,878)
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds.	804,505
Deferred outflows of resources related to refunding are applicable to future periods and, therefore, are not reported in the funds.	830,121
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	717,116
Deferred inflows of resources related to pensions	(53,520)
Total Net Position - Governmental Activities	\$ <u><u>41,347,766</u></u>

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

Clay County

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2020

	Major Funds					
	General Fund	TVA Bridge Bond Fund	\$11M Industrial Dev Bond Fund	Cane Creek Emergency Road and Bridge Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	\$ 5,566,312				1,311,985	6,878,297
Road and bridge privilege taxes					252,884	252,884
Licenses, commissions and other revenue	275,798				7,361	283,159
Fines and forfeitures	284,079					284,079
Ad valorem tax-fee in lieu			1,081,763			1,081,763
Intergovernmental revenues	920,327			1,731,185	1,460,850	4,112,362
Charges for services	228,334				267,604	495,938
Interest income	82,658	3,085	7,035		63,332	156,110
Miscellaneous revenues	107,805	26,101			70,025	203,931
Total Revenues	7,465,313	29,186	1,088,798	1,731,185	3,434,041	13,748,523
EXPENDITURES						
Current:						
General government	4,175,479				160,305	4,335,784
Public safety	2,756,568				479,534	3,236,102
Public works				1,723,061	1,640,714	3,363,775
Health and welfare	157,674					157,674
Culture and recreation					83,345	83,345
Education	18,750				69,050	87,800
Conservation of natural resources	34,659					34,659
Economic development and assistance	28,705	40,303	1,484,787		597,394	2,151,189
Debt service:						
Principal	52,756	79,290	780,000		398,927	1,310,973
Interest	7,091	23,572	310,863		202,485	544,011
Total Expenditures	7,231,682	143,165	2,575,650	1,723,061	3,631,754	15,305,312
Excess of Revenues over (under) Expenditures	233,631	(113,979)	(1,486,852)	8,124	(197,713)	(1,556,789)
OTHER FINANCING SOURCES (USES)						
Long-term capital debt issued					500,000	500,000
Transfers in	100,989				588,374	689,363
Transfers out	(408,639)		(306)	(1,213)	(279,205)	(689,363)
Lease principal payments		118,317				118,317
Total Other Financing Sources and Uses	(307,650)	118,317	(306)	(1,213)	809,169	618,317
Net Changes in Fund Balances	(74,019)	4,338	(1,487,158)	6,911	611,456	(938,472)
Fund Balances - Beginning	877,789	94,828	1,666,970	132,773	2,196,070	4,968,430
Fund Balances - Ending	\$ 803,770	99,166	179,812	139,684	2,807,526	4,029,958

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, 2020**

	Amount
Net Changes in Fund Balances - Governmental Funds	\$ (938,472)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that capital outlays of \$1,843,704 exceeded depreciation of \$1,672,363 in the current period.	171,341
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.	81,627
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.	(1,081,763)
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	570,768
Change in long-term receivables:	
Other receivables	(1,243)
Intergovernmental revenues	379,270
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 bonds issued	(500,000)
Principal payments on long-term debt	1,310,973
Amortization of bond discount	(5,264)
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	4,337
Decrease in compensated absences	2,681
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 \$118,317.	(118,317)
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	(904,198)
Recording of contributions made to retirement plan	570,133
Change in Net Position of Governmental Activities	\$ (541,139)

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

Clay County
Statement of Net Position - Proprietary Fund
September 30, 2020

Exhibit 5

	Business-type Activities - Enterprise Fund
	Solid Waste Fund
ASSETS	
Current assets:	
Cash	\$ 244,028
Accounts receivable (net of allowance for uncollectibles of \$1,006,720)	118,446
Intergovernmental receivables	1,052
Other receivables	26,786
Total Current Assets	<u>390,312</u>
Noncurrent assets:	
Advances to other funds	511
Capital assets:	
Other capital assets, net	108,099
Total Noncurrent Assets	<u>108,610</u>
Total Assets	<u>498,922</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	35,446
Total Deferred Outflows of Resources	<u>35,446</u>
LIABILITIES	
Current liabilities:	
Claims payable	27,942
Due to other funds	3,883
Unearned revenue	16,522
Total Current Liabilities	<u>48,347</u>
Non-capital debt:	
Compensated absences payable	2,404
Net pension liability	291,974
Total Noncurrent Liabilities	<u>294,378</u>
Total Liabilities	<u>342,725</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	5,767
Total Deferred Inflows of Resources	<u>5,767</u>
NET POSITION	
Net investment in capital assets	108,099
Restricted for:	
Public works	77,777
Total Net Position	<u>\$ 185,876</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, 2020

Exhibit 6

	<u>Business-type Activities - Enterprise Fund</u>
	<u>Solid Waste Fund</u>
Operating Revenues	
Charges for services	\$ 361,338
Total Operating Revenues	<u>361,338</u>
Operating Expenses	
Personal services	138,630
Pension expense	37,588
Contractual services	144,416
Materials and supplies	49,427
Depreciation expense	17,597
Indirect administrative cost	3,883
Total Operating Expenses	<u>391,541</u>
Operating Income (Loss)	<u>(30,203)</u>
Nonoperating Revenues (Expenses)	
Intergovernmental grants	5,242
Interest income	7,333
Interest expense	(8)
Other income	864
Net Nonoperating Revenue (Expenses)	<u>13,431</u>
Changes in Net Position	<u>(16,772)</u>
Net Position - Beginning	<u>202,648</u>
Net Position - Ending	<u>\$ 185,876</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, 2020

Exhibit 7

	<u>Business-type Activities - Enterprise Fund</u>	<u>Solid Waste Fund</u>
Cash Flows From Operating Activities		
Receipts from customers	\$	361,824
Payments to suppliers		(176,498)
Payments to employees		(163,799)
Payments to General Fund for indirect costs		(5,218)
Net Cash Provided by Operating Activities		<u>16,309</u>
Cash Flows From Capital and Related Financing Activities		
Principal paid on long-term debt		(6,234)
Interest paid on debt		(14)
Net Cash Used by Capital and Related Financing Activities		<u>(6,248)</u>
Cash Flows From Noncapital Financing Activities		
Intergovernmental grants received		4,190
Other cash receipts		864
Net Cash Provided by Noncapital Financing Activities		<u>5,054</u>
Cash Flows From Investing Activities		
Interest on deposits		7,333
Net Cash Provided by Investing Activities		<u>7,333</u>
Net Increase in Cash and Cash Equivalents		22,448
Cash and Cash Equivalents at Beginning of Year		221,580
Cash and Cash Equivalents at End of Year	\$	<u><u>244,028</u></u>
Reconciliation of Operating Loss to Net Cash		
Provided by Operating Activities:		
Operating loss	\$	<u>(30,203)</u>
Adjustments to reconcile operating loss to net cash		
provided by operating activities:		
Depreciation expense		17,597
Pension expense		37,588
Deferred outflows - contributions to retirement plan		(16,759)
Provision for uncollectible accounts		28,879
Changes in assets and liabilities:		
Increase in accounts receivable		(29,452)
Increase in other receivables		(1,416)
Increase in claims payable		11,036
Increase in unearned revenue		2,475
Decrease in compensated absences liability		(2,101)
Decrease in interfund payables		(1,335)
Total Adjustments		<u>46,512</u>
Net Cash Provided by Operating Activities	\$	<u><u>16,309</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, 2020

Exhibit 8

	Agency Funds
ASSETS	
Cash	\$ 222,638
Due from other funds	9,188
Total Assets	\$ <u>231,826</u>
LIABILITIES	
Amounts held in custody for others	\$ 49,716
Other liabilities	166,669
Intergovernmental payables	15,441
Total Liabilities	\$ <u>231,826</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, 2020

(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, 2020**

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, 2020**

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.

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, 2020

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, 2020

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, 2020

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, 2020

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, 2020

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, 2020, was \$5,312,665, including cash with fiscal agents of \$44,849, and the bank balance was \$5,540,293. 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, 2020, was \$144,102 and the bank balance was \$144,102. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of a failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk – Custodial credit risk is the risk that in the event of the failure of a financial institution, the 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, 2020

(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, 2020 is as follows:

<u>Year Ended September 30</u>	<u>Amount</u>
2021	\$ 1,051,587
2022	1,051,588
2023	1,051,587
2024	1,051,588
2025	1,051,587
2026-2030	3,154,762
2031-2035	2,628,969
2036-2040	2,628,968
2041-2045	2,628,969
2046	525,794
Total	\$ 16,825,399
Less: Discount to Present Value	5,984,428
Net Receivable	\$ 10,840,971

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, 2020:

A. Due From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Solid Waste Fund	\$ 3,883
General Fund	Other Governmental Funds	90,742
Other Governmental Funds	General Fund	42,422
Agency Funds	General Fund	9,188
Total		\$ 146,235

The payables from the General Fund represent the tax revenue collected but not settled until October 2020. The payables from Other Governmental Funds primarily represent loans 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, 2020 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, 2020

(4) Interfund Transactions and Balances (Continued)

B. Advances From/To Other Funds

Receivable Fund	Payable Fund	Amount
Solid Waste Fund	General Fund	\$ 511
Total		\$ 511

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

C. Transfers In/Out

Transfers In	Transfers Out	Amount
General Fund	\$11M Industrial Dev Bond Fund	\$ 306
General Fund	Cane Creek ERBR Fund	1,213
General Fund	Other Governmental Funds	99,470
Other Governmental Funds	General Fund	408,639
Other Governmental Funds	Other Governmental Funds	179,735
Total		\$ 689,363

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, 2020 consisted of the following:

Primary Government

Description	Amount
Legislative Tag Credit	\$ 94,625
Motor Vehicle Fuel Tax	40,804
Motor Vehicle Licenses	10,839
Election Support Reimbursement	21,210
4 County Foundation, Inc.	10,000
Welfare - Department of Human Service	5,545
Reimbursement for 16th Circuit Drug Court	7,037
Other	9,374
Total Governmental Funds	199,434
Reimbursement for 16th Circuit Drug Court	6,028
Payments in Lieu of Tax	156,110
CARES Payroll Reimbursement	218,457
Total Long-term Receivables	380,595
Total Governmental Activities	\$ 580,029
Reimbursement for Solid Waste Enforcement Officer	\$ 1,052
Total Enterprise Funds	\$ 1,052

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

(6) Capital Assets

The following is a summary of capital assets activity for the year ended September 30, 2020:

Primary Government:	Balance 10/1/2019	Increases	Decreases	Adjustments	Balance 9/30/2020
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 1,815,116				\$ 1,815,116
Construction-in-progress	150,400	1,760,502			1,910,902
Total non-depreciable capital assets	1,965,516	1,760,502	-0-	-0-	3,726,018
<u>Depreciable capital assets:</u>					
Infrastructure	62,530,668				62,530,668
Buildings	9,167,394				9,167,394
Mobile equipment	6,388,440	83,202		197,900	6,669,542
Furniture and equipment	1,264,296				1,264,296
Leased property under capital leases	1,073,819			(197,900)	875,919
Total depreciable capital assets	80,424,617	83,202	-0-	-0-	80,507,819
<u>Less accumulated depreciation for:</u>					
Infrastructure	24,384,491	1,261,070			25,645,561
Buildings	3,182,222	141,202			3,323,424
Mobile equipment	5,377,873	134,807		78,084	5,590,764
Furniture and equipment	1,128,683	9,200			1,137,883
Leased property under capital leases	355,040	126,084		(78,084)	403,040
Total accumulated depreciation	34,428,309	1,672,363	-0-	-0-	36,100,672
Total depreciable capital assets, net	45,996,308	(1,589,161)	-0-	-0-	44,407,147
Governmental activities capital assets, net	47,961,824	171,341	-0-	-0-	48,133,165
Business-type Activities:					
<u>Depreciable capital assets:</u>					
Mobile equipment	227,210			144,629	371,839
Furniture and equipment	12,540				12,540
Leased property under capital leases	144,629			(144,629)	-0-
Total depreciable capital assets	384,379	-0-	-0-	-0-	384,379
<u>Less accumulated depreciation for:</u>					
Mobile equipment	195,329	17,597		52,068	264,994
Furniture and equipment	11,286				11,286
Leased property under capital leases	52,068			(52,068)	-0-
Total accumulated depreciation	258,683	17,597	-0-	-0-	276,280
Total depreciable capital assets, net	125,696	(17,597)	-0-	-0-	108,099
Business-type activities capital assets, net	125,696	(17,597)	-0-	-0-	108,099
Primary government capital assets, net	\$ 48,087,520	153,744	-0-	-0-	\$ 48,241,264

Adjustments were made to reclassify property no longer under capital lease.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

(6) Capital Assets (Continued)

Discretely Presented Component Unit - Clay County EDD	Balance 10/1/2019	Increases	Decreases	Balance 9/30/2020
Governmental Activities:				
<u>Non-depreciable capital assets:</u>				
Land	\$ 7,484,844			\$ 7,484,844
Total non-depreciable capital assets	<u>7,484,844</u>	<u>-0-</u>	<u>-0-</u>	<u>7,484,844</u>
<u>Depreciable capital assets:</u>				
Infrastructure	4,122,638			4,122,638
Total depreciable capital assets	<u>4,122,638</u>	<u>-0-</u>	<u>-0-</u>	<u>4,122,638</u>
<u>Less accumulated depreciation for:</u>				
Infrastructure	577,169	144,293		721,462
Total accumulated depreciation	<u>577,169</u>	<u>144,293</u>	<u>-0-</u>	<u>721,462</u>
Total depreciable capital assets, net	<u>3,545,469</u>	<u>(144,293)</u>	<u>-0-</u>	<u>3,401,176</u>
Governmental activities capital assets, net	<u>\$ 11,030,313</u>	<u>(144,293)</u>	<u>-0-</u>	<u>\$ 10,886,020</u>

Depreciation expense was charged to the following functions:

	Governmental Activities	Business-type Activities
Primary Government		
General government	\$ 148,442	\$ -0-
Public safety	164,694	-0-
Public works	1,359,227	-0-
Solid Waste	<u>-0-</u>	<u>17,597</u>
Total depreciation expense	<u>\$ 1,672,363</u>	<u>\$ 17,597</u>
Discretely Presented Component Unit - Clay County EDD	Governmental Activities	
Economic Development	<u>\$ 144,293</u>	
Total depreciation expense	<u>\$ 144,293</u>	

Commitments with respect to unfinished capital projects at September 30, 2020, 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	\$ 87,629	Dec-20
ERBR-13(01) - Mhoon Valley Road	<u>1,042,502</u>	Dec-21
Total Governmental Activities	<u>\$ 1,130,131</u>	

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

(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, 2020, to January 1, 2021. 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, 2020:

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

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2020, are as follows:

Year Ending September 30,	Principal	Interest
2021	\$ 111,573	22,446
2022	86,559	19,604
2023	89,191	16,972
2024	91,904	14,259
2025	94,700	11,463
2026-2030	291,604	22,916
2031	38,974	736
Total	\$ 804,505	108,396

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2020:

Classes of Property	Governmental Activities
Mobile equipment	\$ 520,903
Furniture and equipment	355,016
Total	875,919
Less: Accumulated Depreciation	403,040
Leased Property Under Capital Lease	\$ 472,879

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

(8) Capital Leases (Continued)

The following is a schedule by years of the total payments due as of September 30, 2020:

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2021	\$ 161,258	10,743
2022	106,160	6,288
2023	99,949	2,421
2024	12,958	84
Total	<u>\$ 380,325</u>	<u>19,536</u>

(9) Long-term Debt

Debt outstanding as of September 30, 2020, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rates	Final Maturity Date
Governmental Activities			
General Obligation Bonds:			
District 2 road 2001 issue	\$ 40,000	5.25/5.65	12/01/20
\$11 million industrial development bond	1,925,000	3.66/4.07	03/01/23
\$7 million special obligation refunding bond	6,885,000	2.76/3.25	03/01/30
District 5 road 2013 issue	227,000	2.40/2.50	05/01/25
District 4 road 2013 issue	269,000	2.90	11/01/25
District 4 road 2008 issue	130,000	4.00	09/01/23
District 3 road 2020 issue	500,000	2.60	08/01/32
UNA Community Center 2017	24,000	2.29	06/30/22
Total General Obligation Bonds	<u>\$ 10,000,000</u>		
Certificates of Participation:			
Justice/ Circuit Court Complex	<u>\$ 4,015,000</u>	3.00/3.80	05/01/38
Capital Leases:			
E-911 CAD System	\$ 95,189	3.55	08/06/23
E-911 Telephone Equipment	21,130	1.95	01/11/21
Caterpillar Backhoe	60,305	3.55	07/23/23
Chip Spreader	44,636	2.16	10/03/21
MSN Win Radio System	159,065	3.87	08/06/23
Total Capital Leases	<u>\$ 380,325</u>		
Other Loans:			
Fisher Marine building renovation	\$ 375,529	3.00	09/01/31
Commercial building	412,229	3.00	06/01/27
Two Volunteer fire trucks #2	162,346	3.00	07/01/25
Volunteer fire truck	224,616	3.00	03/01/29
Total Other Loans	<u>\$ 1,174,720</u>		

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

(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
2021	\$ 962,000	307,774	165,000	140,893	150,807	32,988
2022	959,000	274,712	170,000	135,942	143,296	28,758
2023	989,000	238,743	180,000	130,843	147,655	24,399
2024	972,000	205,840	185,000	125,443	152,146	19,908
2025	1,005,000	101,284	190,000	119,892	150,779	15,288
2026-2030	5,018,000	500,922	1,035,000	503,487	391,064	28,354
2031-2035	95,000	3,770	1,235,000	305,025	38,973	636
2036-2040	-0-	-0-	855,000	65,740	-0-	-0-
Total	\$ 10,000,000	1,633,045	4,015,000	1,527,265	1,174,720	150,331

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, 2020, the amount of outstanding debt was equal to 8.64% of the latest property assessments.

Prior Year Defeasance of Debt - In prior years, the County defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. On September 30, 2020, \$6,795,000 of bonds outstanding were considered defeased.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

(9) Long-term Debt (Continued)

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2020:

	Balance Oct. 1, 2019	Additions	Reductions	Balance Sept. 30, 2020	Amount due within one year
Governmental Activities:					
Compensated absences	\$ 139,654		2,681	136,973	
General obligation bonds	10,495,000	500,000	995,000	10,000,000	962,000
Certificates of participation	4,015,000			4,015,000	165,000
Unamortized discount	(79,033)		(5,264)	(73,769)	(5,263)
Capital leases	563,571		183,246	380,325	161,258
Other loans	1,307,447		132,727	1,174,720	150,807
Totals	\$ 16,441,639	500,000	1,308,390	15,633,249	1,433,802
Business-type Activities:					
Compensated absences	\$ 4,505		2,101	2,404	
Capital leases	6,234		6,234	-0-	
Totals	\$ 10,739	-0-	8,335	2,404	-0-

Compensated absences will be paid from the fund from which the employees' salaries were paid which are generally the General Fund, Road Maintenance Funds, Bridge Funds, and E-911 Fund.

(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, 2020

(10) Defined Benefit Pension Plan (Continued)

Contributions. At September 30, 2020, 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, 2020 was 17.40% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature.

The County's contributions (employer share only) to PERS for the years ending September 30, 2020, 2019 and 2018 were equal to the required contributions for each year, and were as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
2020	\$ 570,133	16,759	586,892
2019	517,665	17,478	535,143
2018	493,834	15,865	509,699

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

At September 30, 2020, the County reported a liability for its proportionate share of the net pension liability of \$9,440,488 for governmental activities and \$291,974 for business-type activities. The net pension liability was measured as of June 30, 2020, 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, 2020, the County's proportion was 0.050274 percent. This was an increase of 0.000087 percent from its proportionate share used to calculate the September 30, 2019 net pension liability, which was based on a measurement date of June 30, 2019.

For the year ended September 30, 2020, the County recognized pension expense of \$904,198 for governmental activities and \$37,588 for business-type activities.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

(10) Defined Benefit Pension Plan (Continued)

At September 30, 2020, 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	\$ 81,945	2,534	84,479
Net difference between projected and actual earnings on pension plan investments	387,779	11,993	399,772
Changes of assumptions	52,810	1,633	54,443
Changes in the proportion and differences between the County's contributions and proportionate share of contributions	44,188	1,367	45,555
Changes in internal allocation	4,533	13,631	18,164
Contributions subsequent to the measurement date	145,861	4,288	150,149
Total Deferred Outflows of Resources	\$ 717,116	35,446	752,562
Deferred Inflows of Resources			
Changes in the proportion and differences between the County's contributions and proportionate share of contributions	\$ 39,889	1,234	41,123
Changes in internal allocation	13,631	4,533	18,164
Total Deferred Inflows of Resources	\$ 53,520	5,767	59,287

\$150,149 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, 2021.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

(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
2021	\$ 37,346	12,552	49,898
2022	168,995	3,209	172,204
2023	186,439	5,766	192,205
2024	124,955	3,864	128,819
	<u>\$ 517,735</u>	<u>25,391</u>	<u>543,126</u>

Actuarial Assumptions. The total pension liability in the June 30, 2020 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, 2020, 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	0.50
Real Estate	10.00	4.00
Private Equity	8.00	6.25
Cash	1.00	0.00
Total	<u>100.00 %</u>	

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

(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	\$ 12,597,476	9,732,462	7,367,674

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 2020. 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, 2020**

(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 \$550,171 for the maintenance and support of the college in fiscal year 2020.

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 \$34,271 to the district during fiscal year 2020. Additionally, the county and the city of West Point have an inter-local agreement to share in the appropriation to the district. The city of West Point reimbursed the county in the amount of \$18,808 towards this purpose during fiscal year 2020.

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 \$390,303 for support of the organization in fiscal year 2020. Additionally, the county and the city of West Point have an inter-local agreement to share in the appropriation to the LINK. The city of West Point reimbursed the county in the amount of \$175,963 towards this purpose during fiscal year 2020.

The Tombigbee Regional Library System operates in a district composed of the counties of Choctaw, Clay, Monroe and Webster. The Clay County Board of Supervisors appoints one of the five members of the board of directors. The county levied \$83,345 for the library during fiscal year 2020.

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 2020.

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, 2020

(14) Effect of Deferred Amounts on Net Position

Governmental Activities

The unrestricted net position amount of \$3,884,854 includes the effect of deferring the recognition of the net difference between expected and actual experience relating to the defined benefit pension plan. The \$81,945 balance of the deferred outflow of resources at September 30, 2020 will be recognized as expense and decrease unrestricted net position over the next 3 years.

Unrestricted net position also includes the effect of deferring the recognition of the net difference between projected and actual earnings on defined benefit pension plan investments. The \$387,779 balance of the net deferred outflow of resources at September 30, 2020 will be recognized as expense and decrease unrestricted net position over the next 4 years.

Unrestricted net position also includes the effect of deferring the recognition of the changes in actuarial assumptions utilized in developing the net pension liability. The \$52,810 balance of the deferred outflow of resources at September 30, 2020 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 \$4,299 balance of the net deferred outflow of resources at September 30, 2020 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 \$9,098 balance of the net deferred inflow of resources at September 30, 2020 will be recognized as revenue and increase unrestricted net position over the next 2 years.

Business-type Activities

The restricted net position amount of \$77,777 includes the effect of deferring the recognition of the net difference between expected and actual experience relating to the defined benefit pension plan. The \$2,534 balance of the deferred outflow of resources at September 30, 2020 will be recognized as expense and decrease restricted net position over the next 3 years.

Restricted net position also includes the effect of deferring the recognition of the net difference between projected and actual earnings on defined benefit pension plan investments. The \$11,993 balance of the net deferred outflow of resources at September 30, 2020 will be recognized as expense and decrease restricted net position over the next 4 years.

Restricted net position also includes the effect of deferring the recognition of the changes in actuarial assumptions utilized in developing the net pension liability. The \$1,633 balance of the deferred outflow of resources at September 30, 2020 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 \$133 balance of the net deferred outflow of resources at September 30, 2020 will be recognized as expense and decrease restricted 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 \$9,098 balance of the net deferred outflow of resources at September 30, 2020 will be recognized as expense and decrease restricted net position over the next 2 years.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

(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, 2020

(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	\$ 11,513	N/A
Plum Creek Environmental, LLC	Real & Personal Exemption / Free-Port Warehouse	\$ 5,584	N/A
Yokohama Tire Corporation	Tax-Fee in Lieu Agreement / Free-Port Warehouse*	\$ 1,877,282	\$ 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 funds reported deficit fund balances at September 30, 2020.

Governmental Funds:

E911 Assessment Fund	\$ 70,986
Law Library Fund	1,019
Volunteer Fire Department Fund	829
	<u>\$ 72,834</u>

(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 31, 2021, (the date the financial statements were available to be issued) and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statements:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
05/01/21	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, 2020

UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 5,405,152	5,531,673	5,555,623	23,950
Licenses, commissions and other revenue	269,650	276,443	279,768	3,325
Fines and forfeitures	273,184	281,935	281,935	-0-
Intergovernmental revenues	789,273	895,930	916,067	20,137
Charges for services	303,000	274,791	258,648	(16,143)
Interest income	46,800	84,967	83,150	(1,817)
Miscellaneous revenues	61,040	135,536	108,699	(26,837)
Total Revenues	<u>7,148,099</u>	<u>7,481,275</u>	<u>7,483,890</u>	<u>2,615</u>
EXPENDITURES				
Current:				
General government	3,882,985	4,236,366	4,230,139	6,227
Public safety	2,472,896	2,738,497	2,742,097	(3,600)
Health and welfare	158,280	157,833	157,833	-0-
Education	-0-	-0-	18,750	(18,750)
Conservation of natural resources	42,913	35,633	35,633	-0-
Economic Development	27,304	29,222	29,222	-0-
Debt service:				
Principal	53,000	52,676	52,756	(80)
Interest	7,000	9,160	7,091	2,069
Total Expenditures	<u>6,644,378</u>	<u>7,259,387</u>	<u>7,273,521</u>	<u>(14,134)</u>
Excess of Revenues over (under) Expenditures	<u>503,721</u>	<u>221,888</u>	<u>210,369</u>	<u>(11,519)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	159,635	414,312	100,989	(313,323)
Transfers out	(480,800)	(734,312)	(408,639)	325,673
Total Other Financing Sources and Uses	<u>(321,165)</u>	<u>(320,000)</u>	<u>(307,650)</u>	<u>12,350</u>
Net Change in Fund Balance	<u>182,556</u>	<u>(98,112)</u>	<u>(97,281)</u>	<u>831</u>
Fund Balances - Beginning	<u>987,568</u>	<u>987,568</u>	<u>987,568</u>	<u>-0-</u>
Fund Balances - Ending	<u>\$ 1,170,124</u>	<u>889,456</u>	<u>890,287</u>	<u>831</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, 2020

UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Interest income	\$ 1,300	4,047	3,085	(962)
Miscellaneous revenues	33,000	25,139	26,101	962
Total Revenues	34,300	29,186	29,186	-0-
EXPENDITURES				
Current:				
Economic development	-0-	40,303	40,303	-0-
Debt service:				
Principal	-0-	79,290	79,290	-0-
Interest	-0-	23,572	23,572	-0-
Total Expenditures	-0-	143,165	143,165	-0-
Excess of Revenues over (under) Expenditures	34,300	(113,979)	(113,979)	-0-
OTHER FINANCING SOURCES (USES)				
Lease principal payments	120,000	118,317	118,317	-0-
Total Other Financing Sources and Uses	120,000	118,317	118,317	-0-
Net Change in Fund Balance	154,300	4,338	4,338	-0-
Fund Balances - Beginning	88,065	88,065	88,065	-0-
Fund Balances - Ending	\$ 242,365	92,403	92,403	-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, 2020

UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Ad valorem tax-fee in lieu	\$ 1,043,865	1,081,763	1,081,763	-0-
Interest income	-0-	-0-	7,035	7,035
Total Revenues	<u>1,043,865</u>	<u>1,081,763</u>	<u>1,088,798</u>	<u>7,035</u>
EXPENDITURES				
Current:				
Economic development	-0-	1,484,787	1,484,787	-0-
Debt service:				
Principal	780,000	580,773	780,000	(199,227)
Interest	263,865	503,236	310,863	192,373
Total Expenditures	<u>1,043,865</u>	<u>2,568,796</u>	<u>2,575,650</u>	<u>(6,854)</u>
Excess of Revenues over (under) Expenditures	<u>-0-</u>	<u>(1,487,033)</u>	<u>(1,486,852)</u>	<u>181</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-0-	(306)	(306)	-0-
Total Other Financing Sources and Uses	<u>-0-</u>	<u>(306)</u>	<u>(306)</u>	<u>-0-</u>
Net Change in Fund Balance	<u>-0-</u>	<u>(1,487,339)</u>	<u>(1,487,158)</u>	<u>181</u>
Fund Balances - Beginning	<u>1,666,970</u>	<u>1,666,970</u>	<u>1,666,970</u>	<u>-0-</u>
Fund Balances - Ending	<u>\$ 1,666,970</u>	<u>179,631</u>	<u>179,812</u>	<u>181</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, 2020

UNAUDITED

		Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES					
Intergovernmental revenues	\$	-0-	-0-	615,736	615,736
Miscellaneous revenues		-0-	615,736	-0-	(615,736)
Total Revenues		-0-	615,736	615,736	-0-
EXPENDITURES					
Current:					
Public works		-0-	1,618,840	1,618,840	-0-
Total Expenditures		-0-	1,618,840	1,618,840	-0-
Excess of Revenues over (under) Expenditures		-0-	(1,003,104)	(1,003,104)	-0-
OTHER FINANCING SOURCES (USES)					
Transfers out		-0-	(1,213)	(1,213)	-0-
Total Other Financing Sources and Uses		-0-	(1,213)	(1,213)	-0-
Net Change in Fund Balance		-0-	(1,004,317)	(1,004,317)	-0-
Fund Balances - Beginning		1,219,059	1,219,059	1,219,059	-0-
Fund Balances - Ending	\$	1,219,059	214,742	214,742	-0-

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, 2020

	<u>2020</u>	<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	0.050274%	0.050187%	0.050705%	0.049758%	0.049500%	0.049500%	0.049500%
County's proportionate share of the net pension liability	\$ 9,732,462	8,828,884	8,433,749	8,271,468	8,841,936	7,651,724	6,008,394
County's covered payroll	\$ 3,347,616	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	290.73%	270.11%	260.46%	259.13%	281.51%	247.70%	201.30%
Plan fiduciary net position as a percentage of the total pension liability	58.97%	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, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 586,892	535,143	509,699	502,487	495,837	490,822
Contributions in relation to the contractually required contribution	586,892	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>	<u>-0-</u>
County's covered payroll	3,372,944	3,309,989	3,236,182	3,190,390	3,148,171	3,116,330
Contributions as a percentage of covered payroll	17.40%	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 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, 2020
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)	\$ (97,281)	\$ 4,338	\$ (1,487,158)	\$ (1,004,317)
Increase (Decrease)				
Net adjustments for revenue accruals	(18,577)	-0-	-0-	1,115,449
Net adjustments for expenditure accruals	41,839	-0-	-0-	(104,221)
GAAP Basis	\$ <u>(74,019)</u>	\$ <u>4,338</u>	\$ <u>(1,487,158)</u>	\$ <u>6,911</u>

CLAY COUNTY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2020
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, 2020
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, 2018 valuation for the June 30, 2020 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	30.9 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, 2020
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
Atiana Tubbs	Asst. Purchase Clerk	Western Surety	50,000
LaFrance Boyd	Receiving Clerk	Western Surety	75,000
James Eddie Decker	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 Fields	Asst. Receiving Clerk	Western Surety	50,000
Rose Johnson	Asst. Receiving Clerk	Western Surety	50,000
Michael Weaver	Asst. Receiving Clerk	Western Surety	50,000
Billy Doss	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
Kimberly Hood	Circuit Clerk	Western Surety	100,000
Gloria Minor	Deputy Circuit Clerk	Western Surety	50,000
Tonya Young	Deputy Circuit Clerk	Western Surety	50,000
Audrey Higginbotham	Deputy Circuit Clerk	Western Surety	50,000
Brent Briggs	Deputy Circuit Clerk	Western Surety	50,000
Lela Jack	Deputy Circuit Clerk	Western Surety	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
Porsha Lee	Tax Assessor/Collector	Western Surety	100,000
Jim Lang	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
Miranda Johnson	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, 2020, 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 31, 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 a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as 2020-001 that we consider to be a significant deficiency.

Compliance and Other Matters

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

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 31, 2021, included within this document.

Clay County's Responses to Findings

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

Purpose of the Report

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

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

Tupelo, Mississippi
October 31, 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, 2020. 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 31, nor filed with State Department of Audit by October 15. It was submitted on January 29, 2021.

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, 2020.

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 31, 2021

Clay County
Schedule of Purchases from Other Than the Lowest Bidder
For the Year Ended September 30, 2020

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>
6/11/2020	Unleaded Fuel Hwy Diesel	\$ 1.713 / gallon 1.538 / gallon	White Oil	\$ 1.555 / gallon 1.525 / gallon	District 4 ran out of fuel and White Oil was able to deliver right away for immediate needs.

Clay County
Schedule of Emergency Purchases
For the Year Ended September 30, 2020

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
6/11/2020	Repair Services	\$ 35,525.00	Burns Dirt Construction	Due to heavy storms there was flooding on Mac Pate Rd. and Hugh Mosley Rd.; work needed to begin immediately to get culverts put in to relieve flooding. Also, ashpalt was needed to repair washed out portions.

Clay County
Schedule of Purchases Made Noncompetitively from a Sole Source
For the Year Ended September 30, 2020

Schedule 3

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

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Limited Internal Control and Compliance Review Management Report

Members of the Board of Supervisors
Clay County, Mississippi

In planning and performing our audit of the financial statements of Clay County, Mississippi for the year ended September 30, 2020, 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 31, 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 – Three funds had a deficit fund balance at year end.

Repeat Finding – Yes.

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, law library fund, and volunteer fire department fund had deficit fund balances 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.

Board of Supervisors, Payroll Clerk

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

Repeat Finding – Yes.

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

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

Repeat Finding – Yes.

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 \$28,396 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 year 2020.

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 31, 2021

SCHEDULE OF FINDINGS AND RESPONSES

Clay County
Schedule of Findings and Responses
For the Year Ended September 30, 2020

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

Justice Court Clerk

Significant Deficiency

2020-001. Internal Controls in the Justice Court Clerk's Office should be strengthened.

Repeat Finding – Yes

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 as of September 30, 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.