



**STATE OF MISSISSIPPI  
OFFICE OF THE STATE AUDITOR**

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**CLAY COUNTY, MISSISSIPPI**

**Audited Financial Statements and Special Reports  
For the Year Ended September 30, 2003**

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CLAY COUNTY

TABLE OF CONTENTS

FINANCIAL SECTION ..... 1

INDEPENDENT AUDITOR'S REPORT ..... 3

MANAGEMENT'S DISCUSSION AND ANALYSIS ..... 9

FINANCIAL STATEMENTS ..... 21

    Statement of Net Assets ..... 22

    Statement of Activities ..... 23

    Balance Sheet - Governmental Funds ..... 24

    Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets ..... 25

    Statement of Revenues, Expenditures and Changes in Fund Balances -  
        Governmental Funds ..... 26

    Reconciliation of the Statement of Revenues, Expenditures and Changes in  
        Fund Balances of Governmental Funds to the Statement of Activities ..... 27

    Statement of Net Assets - Proprietary Fund ..... 28

    Statement of Revenues, Expenses and Changes in Fund Net Assets -  
        Proprietary Fund ..... 29

    Statement of Cash Flows - Proprietary Fund ..... 30

    Statement of Fiduciary Assets and Liabilities ..... 31

    Notes to Financial Statements ..... 32

REQUIRED SUPPLEMENTARY INFORMATION ..... 49

    Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis)  
        General Fund ..... 50

        TVA Bridge Bond Fund ..... 51

    Notes to the Required Supplementary Information ..... 52

SUPPLEMENTAL INFORMATION ..... 55

    Schedule of Expenditures of Federal Awards ..... 57

SPECIAL REPORTS ..... 59

    Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based  
        on an Audit of the Primary Government Financial Statements Performed in Accordance with  
        *Government Auditing Standards* ..... 61

    Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and  
        Internal Control Over Compliance in Accordance with OMB Circular A-133 ..... 63

    Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk  
        Schedules (Required by Section 31-7-115, Miss. Code Ann. (1972)) ..... 65

    Independent Auditor's Report on Compliance with State Laws and Regulations ..... 71

SCHEDULE OF FINDINGS AND QUESTIONED COSTS ..... 73



CLAY COUNTY

FINANCIAL SECTION

CLAY COUNTY

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# State of Mississippi

OFFICE OF THE STATE AUDITOR  
PHIL BRYANT  
AUDITOR

## INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Members of the Board of Supervisors  
Clay County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Clay County, Mississippi, as of and for the year ended September 30, 2003, which collectively comprise the county's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following four paragraphs, 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Management did not maintain adequate subsidiary records documenting the aging of the accounts receivable for the solid waste accounts receivable included in the Proprietary Fund Type. Due to the nature of the county's records, we were unable to satisfy ourselves as to the fair presentation of the solid waste accounts receivable, net, reported in the business-type activities on the Statement of Net Assets and the Proprietary Fund Statement of Net Assets at \$483,656, as of September 30, 2003. Also, because of the nature of the accounts receivable records, we could not satisfy ourselves as to the accuracy of the amount reported as revenues in the business-type activities of the Statement of Activities and the Proprietary Fund Statement of Revenues, Expenses and Changes in Net Assets.

Management did not maintain adequate subsidiary records documenting the completeness and valuation of the governmental activities capital assets, net, reported on the Statement of Net Assets at \$16,036,201, as of September 30, 2003. Accordingly, we were unable to satisfy ourselves as to the fair presentation of capital assets and related transactions of the governmental activities.

Management did not maintain adequate records documenting fines receivable of the Circuit Court or adopt procedures for reviewing the collectibility of these fines and accordingly has not considered the need to provide an allowance for uncollectible amounts. Accounting principles generally accepted in the United States of America require that fines receivable be recorded and an adequate allowance be provided for uncollectible receivables, which would increase the assets and change the revenues in the governmental activities and the General Fund. The amount by which this departure would affect the assets and revenues of the governmental activities and the General Fund is not reasonably determinable.

Management failed to properly settle tax collections to various county funds. As a result, the property tax revenues for the General Fund reported in the accompanying Statement of Revenues, Expenditures and Changes in Fund Balances are overstated and the liabilities of the General Fund are understated. Accounting principles generally accepted in the United States of America require that revenues and liabilities be properly reported in the financial statements. The amount by which this departure would affect the liabilities and revenues of the General Fund is not reasonably determinable.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence to determine the net realizable value of the solid waste accounts receivable described in the third paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the Solid Waste Fund, an Enterprise Fund of Clay County, Mississippi, as of September 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Also, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine adequate capital assets subsidiary records as described in the fourth paragraph and except for the effects of not recording Circuit Court fines receivable, net of allowance for uncollectibles, as described in the fifth paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of Clay County, Mississippi, as of September 30, 2003, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Also, in our opinion, except for the effects of not recording Circuit Court fines receivable, net of allowance for uncollectibles, as described in the fifth paragraph, and except for the effects of incorrect tax settlements as described in the sixth paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the General Fund of Clay County, Mississippi, as of September 30, 2003, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the TVA Bridge Bond Fund and the aggregate remaining fund information of Clay County, Mississippi, as of September 30, 2003, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, Clay County, Mississippi implemented a new financial reporting model as required by the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments: Omnibus*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*; and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, effective October 1, 2002.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2004, on our consideration of Clay County, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 9 through 19 and the Budgetary Comparison Schedules and corresponding notes on pages 50 through 53 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clay County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



PHIL BRYANT  
State Auditor



WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

October 6, 2004

CLAY COUNTY

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CLAY COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

CLAY COUNTY

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*Clay County  
Management's Discussion and Analysis  
For the Year Ended September 30, 2003*

***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, 2003. 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 a new 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. However, since this is the first year of implementation of the new reporting model contained in GASB Statement No. 34, the Statement permits the omission of prior year data in the year of implementation. The County has elected not to present comparative data.

Clay County is located in the northeastern section of Mississippi. The population, according to the 2000 census, is 21,979. The local economic base is driven 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 grow both economically and in population. This has allowed the County to maintain a steady growth in tax revenues without a significant tax increase. The County government's tax rate has decreased an average of 5.3% over the last 5 years. This percentage does not include School tax increases.

Total net assets decreased by \$ 283,906 which represents a 1.52% decrease from the prior fiscal year. The County's ending cash balance decreased by \$ 533,163, which represents a 9.84% decrease from the prior fiscal year.

The County had \$ 7,579,073 in total revenues. Tax revenues account for \$ 3,693,826 or 49% of total revenues. State revenues in the form of reimbursements, shared revenues, or grants, account for \$1,228,221 or 16% of total revenues.

The County had \$7,862,979 in total expenses, which represents a decrease of \$ 501,618 or 6% decrease from the prior fiscal year. Expenses in the amount of \$ 1,433,703 were offset by grants, outside contributions or debt being issued. General revenues of \$4,575,381 were not adequate to provide for the remainder of the expenses.

Among major funds, the General Fund had \$ 4,621,174 in revenues and \$ 4,232,261 in expenditures. The General Fund's fund balance increased \$ 370,737 over the prior year.

Another major fund, the TVA Bridge Bond Fund had \$ 46,053 in revenues and \$ 79,583 in expenditures. The TVA Bridge Bond's fund balance increased \$ 58,020 over the prior year.

Another major fund, the Solid Waste Fund had \$ 337,849 in revenues and \$ 293,938 in expenditures. The Solid Waste Fund's fund balance increased \$ 43,911 over the prior year.

Capital assets, net of accumulated depreciation, increased by \$ 5,883,101. This significant increase in capital assets is due to the implementation of GASB Statement No. 34 and the change in reporting requirements. Beginning this fiscal year, the county reported infrastructure as capital assets and depreciated all applicable assets.

Long-term debt decreased by \$ 251,419.

## ***OVERVIEW OF THE FINANCIAL STATEMENTS***

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

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

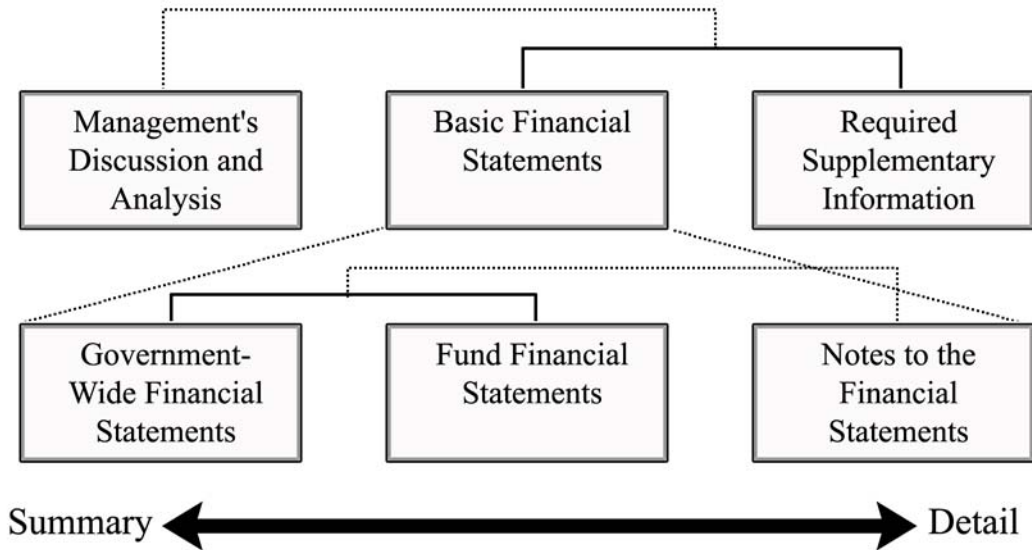


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

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

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

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

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

The **statement of net assets** presents information on all County assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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; economic development; and interest on long-term debt. The business-type activities of the County include the Solid Waste Department

The Government-wide Financial Statements can be found on pages 22 and 23 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 25 and 27, respectively.

The County maintains individual governmental funds in accordance with the *Mississippi County Financial Accounting Manual* issued by the Mississippi Office of the State Auditor. 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 24 and 26 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 enterprise funds to account for the Solid Waste Department.

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 28 - 30 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 31 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 32 - 48 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.

The County adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major fund. This required supplementary information can be found on pages 50 - 53 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be found on page 57 of this report.

### ***GOVERNMENT-WIDE FINANCIAL ANALYSIS***

**Net Assets** – Net assets may serve over time as a useful indicator of government’s financial position. In the case of Clay County, assets exceeded liabilities by \$18,430,612 as of September 30, 2003.

By far, the largest portion of the County’s net assets (84%) reflects its investment in capital assets (e.g. roads, bridges, land, buildings, mobile equipment, furniture & equipment, leased property under capital lease and construction in progress) less related outstanding debt used to acquire such assets. The county uses these capital assets to provide services to its citizens.

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

The following table presents a summary of the County’s net assets for the fiscal year ended September 30, 2003.

	Governmental <u>Activities</u>	Business-type <u>Activities</u>
Current assets	\$ 9,012,054	\$ 787,616
Capital assets, net	<u>16,036,201</u>	<u>163,412</u>
Total assets	<u>25,048,255</u>	<u>951,028</u>
Current liabilities	4,158,867	37,075
Long-term debt outstanding	<u>3,372,729</u>	<u>0</u>
Total liabilities	<u>7,531,596</u>	<u>37,075</u>
Net assets:		
Invested in capital assets, net of related debt	15,279,172	163,412
Restricted	2,996,038	0
Unrestricted	<u>(758,551)</u>	<u>750,541</u>
Total net assets	<u>\$ 17,516,659</u>	<u>\$ 913,953</u>

Note: The business-type activities consist of the collection and disposal of household garbage financed by a monthly fee of \$7.00 charged each home.

The following are significant current year transactions that have had an impact on the Statement of Net Assets.

- Roads and Bridges were added to the County’s inventory, due to accounting changes implemented by the “Governmental Accounting Standards Board”. This change resulted in an additional \$28,752,206 of infrastructure being reported for the first time in the 2003 fiscal year.
- All applicable assets were depreciated for the first time in the 2003 fiscal year due to accounting changes implemented by the “Governmental Accounting Standards Board”. This depreciation resulted in a \$21,799,145 adjustment to capital assets.
- \$ 458,540 of long-term debt principal was retired.

**Changes in Net Assets** – Clay County’s total revenues for the fiscal year ended September 30, 2003 was \$7,579,073. The total cost for all services provided was \$7,862,979. The decrease in net assets was \$283,906. The following table presents a summary of the changes in net assets for the fiscal year ended September 30, 2003.

Revenues:	<u>Amount</u>
Program revenues	
Charges for services	\$ 1,569,989
Operating grants & contributions	930,522
Capital grants & contributions	503,181
General revenues	
Property taxes	3,693,826
Road & Bridge privilege taxes	218,285
Grants & contributions not restricted to specific programs	355,487
Unrestricted interest income	164,833
Other	<u>142,950</u>
<b>Total Revenues</b>	<u><b>7,579,073</b></u>
Expenses:	
General government	2,352,171
Public safety	1,581,431
Public works	2,407,698
Health and welfare	467,070
Culture & recreation	68,493
Education	30,329
Conservation of natural resources	49,915
Economic development and assistance	414,129
Interest on long-term debt	197,805
Solid waste activities	<u>293,938</u>
<b>Total Expenses</b>	<u><b>7,862,979</b></u>
<b>Decrease in Net Assets</b>	<b>\$ (283,906)</b>

**Governmental Activities** – The following table presents the cost of the five major functional activities of the County: General Government, Public Safety, Public Works, Health & Welfare and Economic Development.

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.

	<u>Total</u> <u>Costs</u>	<u>Net</u> <u>Costs</u>
General Government	\$ 2,352,171	\$ 1,621,590
Public Safety	1,581,431	824,138
Public Works	2,407,698	1,596,378
Health & Welfare	467,070	412,109
Economic Development	414,129	140,321

### ***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 \$3,786,557, a decrease of \$495,094. The primary reason for this decrease is highlighted in the analysis of governmental activities. In addition, other factors that affected the ending fund balance are as follows:

- The county’s expenditures exceeded its revenues by \$762,339. Although the county had sufficient beginning cash balances in all funds to cover the expenditures, the net loss incurred due to the expenditures exceeding the revenues decreases the fund balance.
- The county did have other financing sources that offset the net change in fund balance. Some of these other financing sources were as follows: (1) the county issued long-term non-capital debt in the amount of \$160,000 (2) the county sold some capital assets for \$ 15,695 and (3) the county received lease principal payments in the amount of \$91,550.

The General Fund is the principal operating fund of the County. The increase in the fund balance of the General Fund for the fiscal year was \$ 370,737.

**Business-type funds** – Revenues from the County’s Solid Waste Fund increased by more than 84% to \$ 337,849 and expenses increased by 49% to \$293,938. Factors contributing to these results include the Board of Supervisors using an outside collection agency to help collect the delinquent garbage fines. One reason why the expenditures increased is due to the purchase of a new garbage truck.

## ***BUDGETARY HIGHLIGHTS OF MAJOR FUNDS***

Over the course of the year, Clay County amended its annual operating budget at the end of the fiscal year. Significant budget amendments are explained as follows:

- The budgeted revenues and expenditures were amended to agree with the actual revenues and expenditures that existed at the end of the year.

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

## ***CAPITAL ASSETS AND DEBT ADMINISTRATION***

- **Capital Assets** – As of September 30, 2003, Clay County's total capital assets were \$38,850,879. 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 \$28,373,710. As stated above, the reason for this significant increase is due to accounting changes implemented by Clay County to be in compliance with the requirements mandated by the Governmental Accounting Standards Board. One of the accounting changes implemented with GASB Statement No. 34 is the reporting of infrastructure as capital assets.

Total accumulated depreciation as of September 30, 2003 was \$22,651,266, including \$730,108 of depreciation expense for the year. The net capital asset's was \$16,199,613 at year-end.

Additional information on Clay County's capital assets can be found in note 6 on pages 40 and 41 of this report.

**Debt Administration** – At September 30, 2003, Clay County had \$3,372,729 in long-term debt outstanding. This includes general obligation bonds, obligations under capital lease and other loans. Of this debt, \$433,712 is due within one year.

In the past year, the County issued \$160,000 of five year notes to fix a drainage problem that existed at the Department of Human Services building.

Clay County maintains an "A-" bond rating from Standard and Poors. The State of Mississippi limits the amount of debt a county can issue to generally 15% of total assessed value. As of September 30, 2003, the amount of outstanding debt was equal to 2.38% of the latest property assessments.

Additional information on Clay County's long-term debt can be found in note 9 on pages 44 and 45 of this report.

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

Clay County is planning no major capital projects.

There is currently a major expansion by a large employer in the County. This will solidify the future of this industry for years to come. The expansion will increase the number of employees at this industry.

There is currently an industry that plans to locate a new plant in the County. The initial employment will be a small number of employees (approximately 10), but the future is promising for a vast increase in the number of employees in the near future. This new industry will increase the tax rolls with new equipment and inventory.

The budget for the next fiscal year reflected an increase of \$ 5,504 in revenues and a decrease of \$ 419,178 in expenses. This is expected to increase the County's net assets.

Clay County has an unemployment rate of 11.6% versus 10.8% a year ago. This compares unfavorably with the state average rate of 6.3%.

## ***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, Mississippi 39773 or by phone (662) 494-3124.

CLAY COUNTY

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CLAY COUNTY

FINANCIAL STATEMENTS

CLAY COUNTY  
Statement of Net Assets  
September 30, 2003

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>ASSETS</b>			
Cash	\$ 4,569,698	319,156	4,888,854
Accrued interest receivable	142		142
Property tax receivable	2,957,140		2,957,140
Accounts receivable (net of allowance for uncollectibles of \$463,871)		483,656	483,656
Fines receivable (net of allowance for uncollectibles of \$892,343)	148,344		148,344
Capital leases receivable	1,141,800		1,141,800
Intergovernmental receivables	174,194		174,194
Other receivables	5,540		5,540
Internal balances	15,196	(15,196)	
Capital assets, net	16,036,201	163,412	16,199,613
<b>Total Assets</b>	<b>25,048,255</b>	<b>951,028</b>	<b>25,999,283</b>
<b>LIABILITIES</b>			
Claims payable	817,761	24,067	841,828
Amounts held in custody for others	15,861		15,861
Intergovernmental payables	144,591		144,591
Deferred revenue	3,180,654	13,008	3,193,662
Long-term liabilities			
Due within one year:			
Capital related debt	171,012		171,012
Non-capital debt	262,700		262,700
Due in more than one year:			
Capital related debt	586,017		586,017
Non-capital debt	2,353,000		2,353,000
<b>Total Liabilities</b>	<b>7,531,596</b>	<b>37,075</b>	<b>7,568,671</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	15,279,172	163,412	15,442,584
Restricted:			
Expendable:			
General government	37,701		37,701
Debt service	108,910		108,910
Public safety	349,810		349,810
Public works	1,165,152		1,165,152
Culture and recreation	18,802		18,802
Economic development	1,315,663		1,315,663
Unrestricted	(758,551)	750,541	(8,010)
<b>Total Net Assets</b>	<b>\$ 17,516,659</b>	<b>913,953</b>	<b>18,430,612</b>

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

CLAY COUNTY  
Statement of Activities  
For the Year Ended September 30, 2003

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 2,352,171	630,121	50,460	50,000	(1,621,590)		(1,621,590)
Public safety	1,581,431	593,009	135,799	28,485	(824,138)		(824,138)
Public works	2,407,698		643,611	167,709	(1,596,378)		(1,596,378)
Health and welfare	467,070		54,961		(412,109)		(412,109)
Culture and recreation	68,493	41,915			(26,578)		(26,578)
Education	30,329				(30,329)		(30,329)
Conservation of natural resources	49,915		28,870		(21,045)		(21,045)
Economic development and assistance	414,129		16,821	256,987	(140,321)		(140,321)
Interest on long-term debt	197,805				(197,805)		(197,805)
Total governmental activities	<u>7,569,041</u>	<u>1,265,045</u>	<u>930,522</u>	<u>503,181</u>	<u>(4,870,293)</u>	<u>0</u>	<u>(4,870,293)</u>
Business-type activities:							
Solid waste	<u>293,938</u>	<u>304,944</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>11,006</u>	<u>11,006</u>
Total	<u>\$ 7,862,979</u>	<u>1,569,989</u>	<u>930,522</u>	<u>503,181</u>	<u>(4,870,293)</u>	<u>11,006</u>	<u>(4,859,287)</u>
General revenues							
Property taxes					\$ 3,693,826		3,693,826
Road & bridge privilege taxes					218,285		218,285
Grants and contributions not restricted to specific programs					345,161	10,326	355,487
Unrestricted interest income					154,291	10,542	164,833
Miscellaneous					130,913	12,037	142,950
Total General Revenues					<u>4,542,476</u>	<u>32,905</u>	<u>4,575,381</u>
Changes in Net Assets					<u>(327,817)</u>	<u>43,911</u>	<u>(283,906)</u>
Net assets - Beginning as restated					<u>17,844,476</u>	<u>870,042</u>	<u>18,714,518</u>
Net assets - Ending					<u>\$ 17,516,659</u>	<u>913,953</u>	<u>18,430,612</u>

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

CLAY COUNTY  
Balance Sheet - Governmental Funds  
September 30, 2003

Exhibit 3

	<u>Major Funds</u>		Other Governmental Funds	Total Governmental Funds
	<u>General Fund</u>	<u>TVA Bridge Bond Fund</u>		
<b>ASSETS</b>				
Cash	\$ 2,136,129	399,458	2,034,111	4,569,698
Accrued interest receivable	142			142
Property tax receivable	1,911,403		1,045,737	2,957,140
Fines receivable (net of allowance for uncollectibles \$892,343)	148,344			148,344
Capital lease receivable		1,141,800		1,141,800
Intergovernmental receivables	100,793		73,401	174,194
Other receivables	878		4,662	5,540
Due from other funds	9,561		45,281	54,842
Advances to other funds	10,317			10,317
Total Assets	<u>\$ 4,317,567</u>	<u>1,541,258</u>	<u>3,203,192</u>	<u>9,062,017</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Claims payable	\$ 350,157	2,083	465,521	817,761
Amounts held in custody for others	15,861			15,861
Intergovernmental payables	144,591			144,591
Due to other funds	38,406		11,557	49,963
Deferred revenue	2,059,747	1,141,800	1,045,737	4,247,284
Total Liabilities	<u>2,608,762</u>	<u>1,143,883</u>	<u>1,522,815</u>	<u>5,275,460</u>
Fund balances:				
Reserved for:				
Advances	10,317			10,317
Debt service			108,910	108,910
Economic development		397,375		397,375
Unreserved, reported in:				
General Fund	1,698,488			1,698,488
Special Revenue Funds			1,571,467	1,571,467
Total Fund Balances	<u>1,708,805</u>	<u>397,375</u>	<u>1,680,377</u>	<u>3,786,557</u>
Total Liabilities and Fund Balances	<u>\$ 4,317,567</u>	<u>1,541,258</u>	<u>3,203,192</u>	<u>9,062,017</u>

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

CLAY COUNTY

Exhibit 3-1

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets  
September 30, 2003

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 3,786,557
Amounts reported for governmental services in the Statement of Net Assets (Exhibit 1) 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 \$22,479,452.	16,036,201
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	148,344
Capital lease receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds.	918,286
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	<u>(3,372,729)</u>
Total Net Assets - Governmental Activities	<u><u>\$ 17,516,659</u></u>

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

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds  
For the Year Ended September 30, 2003

	Major Funds			Total Governmental Funds
	General Fund	TVA Bridge Bond Fund	Other Governmental Funds	
<b>REVENUES</b>				
Property taxes	\$ 2,460,691		1,233,135	3,693,826
Road and bridge privilege taxes			218,285	218,285
Licenses, commissions and other revenue	388,550		167	388,717
Fines and forfeitures	243,908		9,487	253,395
Intergovernmental revenues	903,763		917,016	1,820,779
Charges for services	517,589		49,420	567,009
Interest income	72,290	11,552	70,449	154,291
Miscellaneous revenues	34,383	34,501	62,029	130,913
Total Revenues	<u>4,621,174</u>	<u>46,053</u>	<u>2,559,988</u>	<u>7,227,215</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,125,250		2,347	2,127,597
Public safety	1,582,400		62,006	1,644,406
Public works	153,962		2,377,308	2,531,270
Health and welfare	264,996		202,074	467,070
Culture and recreation			68,493	68,493
Education	30,329			30,329
Conservation of natural resources	49,915			49,915
Economic development and assistance	16,200	79,583	318,346	414,129
Debt service:				
Principal	8,781		449,759	458,540
Interest	428		197,377	197,805
Total Expenditures	<u>4,232,261</u>	<u>79,583</u>	<u>3,677,710</u>	<u>7,989,554</u>
Excess of Revenues over (under) Expenditures	<u>388,913</u>	<u>(33,530)</u>	<u>(1,117,722)</u>	<u>(762,339)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term non-capital debt issued			160,000	160,000
Proceeds from sale of capital assets			15,695	15,695
Lease principal payments		91,550		91,550
Transfers in			102,290	102,290
Transfers out	(18,176)		(84,114)	(102,290)
Total Other Financing Sources and Uses	<u>(18,176)</u>	<u>91,550</u>	<u>193,871</u>	<u>267,245</u>
Net Changes in Fund Balances	<u>370,737</u>	<u>58,020</u>	<u>(923,851)</u>	<u>(495,094)</u>
Fund Balances - Beginning, as restated	<u>1,338,068</u>	<u>339,355</u>	<u>2,604,228</u>	<u>4,281,651</u>
Fund balances - Ending	<u>\$ 1,708,805</u>	<u>397,375</u>	<u>1,680,377</u>	<u>3,786,557</u>

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

CLAY COUNTY  
 Reconciliation of the Statement of Revenues, Expenditures and Changes in  
 Fund Balances of Governmental Funds to the Statement of Activities  
 For the Year Ended September 30, 2003

Exhibit 4-1

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (495,094)
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 assets differs from the change in fund balances by the amount that capital outlays of \$709,391 exceeded depreciation of \$680,307 in the current period.	29,084
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the loss of \$19,990 and the proceeds from the sale of \$15,695 in the current period.	(35,685)
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.	14,009
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 assets differs from change in fund balances by the principal collections on the capital leases.	(91,550)
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments of \$458,540 exceeded debt proceeds of \$160,000.	298,540
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 assets differs from the change in fund balances by the amount of the increase in claims and judgments liability.	<u>(47,121)</u>
Change in Net Assets of Governmental Activities	<u>\$ (327,817)</u>

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

CLAY COUNTY  
Statement of Net Assets - Proprietary Fund  
September 30, 2003

Exhibit 5

	Business-type Activities - Enterprise Fund
	<u>Solid Waste Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash	\$ 319,156
Accounts receivable (net of allowance for uncollectibles of \$463,871)	483,656
Total Current Assets	<u>802,812</u>
Noncurrent assets:	
Capital assets, net	163,412
Total Noncurrent Assets	<u>163,412</u>
Total Assets	<u>966,224</u>
<b>LIABILITIES</b>	
Current liabilities:	
Claims payable	24,067
Due to other funds	4,879
Advances from other funds	10,317
Deferred revenue	13,008
Total Current Liabilities	<u>52,271</u>
<b>NET ASSETS</b>	
Invested in capital assets	163,412
Unrestricted	750,541
Total Net Assets	<u>\$ 913,953</u>

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

Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Fund  
 For the Year Ended September 30, 2003

	Business-type Activities - Enterprise Fund
	Solid Waste Fund
Operating Revenues	
Charges for services	\$ 304,944
Total Operating Revenues	<u>304,944</u>
Operating Expenses	
Personal services	98,292
Contractual services	110,026
Materials and supplies	30,940
Depreciation expense	49,801
Indirect administrative cost	4,879
Total Operating Expenses	<u>293,938</u>
Operating Income (Loss)	<u>11,006</u>
Nonoperating Revenues (Expenses)	
Interest income	10,542
Nonoperating grants	10,326
Gain on sale of capital assets	11,997
Other income	40
Net Nonoperating Revenue (Expenses)	<u>32,905</u>
Changes in Net Assets	<u>43,911</u>
Net Assets - Beginning, as restated	<u>870,042</u>
Net Assets - Ending	<u>\$ 913,953</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, 2003

Exhibit 7

	Business-type Activities - <u>Enterprise Fund</u> Solid Waste <u>Fund</u>
Cash Flows From Operating Activities	
Receipts from customers	\$ 223,670
Payments to suppliers	(133,100)
Payments to employees	(96,602)
Net Cash Provided (Used) by Operating Activities	<u>(6,032)</u>
Cash Flows From Noncapital Financing Activities	
Nonoperating grants received	10,326
Other receipts	40
Net Cash Provided (Used) by Noncapital Financing Activities	<u>10,366</u>
Cash Flows From Capital and Related Financing Activities	
Proceeds from sale of capital assets	16,700
Acquisition of capital assets	(50,800)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(34,100)</u>
Cash Flows From Investing Activities	
Interest on investments	10,542
Net Cash Provided (Used) by Investing Activities	<u>10,542</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(19,224)</u>
Cash and Cash Equivalents at Beginning of Year	<u>338,380</u>
Cash and Cash Equivalents at End of Year	<u>\$ 319,156</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ 11,006
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	49,801
Provision for uncollectible accounts	79,031
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(177,846)
(Increase) decrease in other receivables	16,500
Increase (decrease) in claims payable	9,985
Increase (decrease) in intergovernmental payables	(429)
Increase (decrease) in deferred revenue	1,041
Increase (decrease) in interfund payables	604
Increase (decrease) in advances from other funds	4,275
Total adjustments	<u>(17,038)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (6,032)</u>

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

CLAY COUNTY  
Statement of Fiduciary Assets and Liabilities  
September 30, 2003

Exhibit 8

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	\$ 30,234
Total Assets	<u>\$ 30,234</u>
<b>LIABILITIES</b>	
Other liabilities	\$ 2,066
Amounts held in custody for others	3,961
Intergovernmental payables	<u>24,207</u>
Total Liabilities	<u>\$ 30,234</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, 2003

(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. There are no outside organizations that should be included as component units of the county's reporting entity.

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 audited financial statements.

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

B. Basis of Presentation.

The county's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities and fund financial statements, which provide a detailed level of financial information.

Government-wide Financial Statements:

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

The Statement of Net Assets presents the financial condition of the governmental activities 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 segment or governmental function is self-financing or draws from the general revenues of the county.

## CLAY COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2003

#### Fund Financial Statements:

Fund financial statements of the county are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

#### C. Measurement Focus and Basis of Accounting.

The Government-wide, Proprietary Fund and Fiduciary 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 asset 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.

The county's Proprietary Fund and business-type activities apply all applicable Governmental Accounting Standards Board (GASB) pronouncements and only the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

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 claims and judgements, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The county reports the following major Governmental Funds:

General Fund - This fund is used to account for all activities of the general government for which a separate fund has not been established.

TVA Bridge Bond Fund - Accounts for monies from specific revenue sources that are restricted for economic development.

The county reports the following major Proprietary Fund:

Solid Waste Fund - Accounts for the county's activities of disposal of solid waste within the county.

## CLAY COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2003

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 (other than for major capital projects) that are legally restricted to expenditures for specified purposes. Special Revenue Funds account for, among others, certain federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose.

Debt Service Funds - These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. Such resources are derived principally from proceeds of general obligation bond issues and federal grants.

#### 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.

#### D. 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 2001 by the Government Finance Officers Association and the *Mississippi County Financial Accounting Manual* as revised in 2002 by the Office of the State Auditor.

#### E. 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.

#### F. Receivables.

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

## CLAY COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2003

#### G. 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 fund balance reserve account in applicable Governmental Funds to indicate that they are not available for appropriation and are not expendable available financial resources. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

#### H. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the applicable governmental or business-type activities column in the government-wide financial statement. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Clay County meets this criteria, but has elected to report infrastructure retroactively. Therefore, the major general infrastructure assets acquired prior to October 1, 2002, are reported in the financial statements. General infrastructure assets also include all roads and bridges and other infrastructure assets acquired subsequent to October 1, 2002.

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, 2003

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.

	<u>Capitalization Thresholds</u>	<u>Estimated Useful Life</u>
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

\* Leased property capitalization policy will correspond with the amounts for the asset classification, as listed above.

I. 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 Funds in the 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 Assets.

J. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt - 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, constructions or improvements of those assets.

Restricted net assets - Consists of net assets 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 assets - All other net assets not meeting the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is classified as reserved or unreserved.

## CLAY COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2003

Unreserved fund balance represents the amount available for budgeting future operations. Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose.

#### K. 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 collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

#### L. 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.

#### (2) Changes in Accounting Principles and Restatement of Fund Balance.

For the fiscal year ended September 30, 2003, the county implemented Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*; and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

GASB Statement No. 34, as amended by Statement No. 37, creates new basic financial statements for reporting on the county's financial activities. The financial statements now include government-wide financial statements prepared on the accrual basis of accounting and fund financial statements prepared on the modified accrual basis of accounting, which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total on the fund financial statements as other Governmental Funds. Fund reclassifications and adjustments to the fund equities reported in the prior year financial statements were required as a result of the conversion to GASB Statement No. 34.

CLAY COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2003

GASB Statement No. 38 requires certain note disclosures with the implementation of GASB Statement No. 34.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

The provisions of these new statements have been incorporated into the financial statements and the accompanying notes. The following table summarizes the reclassifications and adjustments to the fund equity amounts reported in the prior year financial statements:

	Sept. 30, 2002 As Previously Reported	Fund and Account Group Reclassifications	Prior Period Adjustments	Sept. 30, 2002 As Restated
Governmental Funds and Governmental Activities				
Major Funds:				
General	\$ 1,333,066		5,002	1,338,068
TVA Bridge Bond		339,355		339,355
Other Governmental Funds:				
Special Revenue	2,801,701	(307,232)	(25,751)	2,468,718
Debt Service	111,884			111,884
Capital Projects	23,626			23,626
Total Governmental Funds	<u>4,270,277</u>	<u>32,123</u>	<u>(20,749)</u>	<u>4,281,651</u>
Governmental Activities:				
Capital assets, net		10,129,976	5,912,826	16,042,802
Long-term liabilities		(3,624,148)		(3,624,148)
Capital lease receivable			1,009,836	1,009,836
Fines receivable			134,335	134,335
Total Governmental Funds and Governmental Activities	<u>\$ 4,270,277</u>	<u>6,537,951</u>	<u>7,036,248</u>	<u>17,844,476</u>
Proprietary Funds and Business-type Activities				
Solid Waste	\$ 889,462		(19,420)	870,042
Total Proprietary Funds and Business-type Activities	<u>\$ 889,462</u>	<u>0</u>	<u>(19,420)</u>	<u>870,042</u>
Fiduciary Funds				
Expendable Trust	\$ 32,123	(32,123)		
Total Fiduciary Funds	<u>\$ 32,123</u>	<u>(32,123)</u>	<u>0</u>	<u>0</u>
Account Groups				
General Fixed Assets	\$ 10,129,976	(10,129,976)		
General Long-term Debt	(3,624,148)	3,624,148		
Total Account Groups	<u>\$ 6,505,828</u>	<u>(6,505,828)</u>	<u>0</u>	<u>0</u>

CLAY COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2003

(3) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2003, was \$4,919,088, and the bank balance was \$4,959,718. 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 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 Depository Insurance Corporation.

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2003:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Other Governmental Funds	\$ 4,682
General	Solid Waste	4,879
Other Governmental Funds	General	38,406
Other Governmental Funds	Other Governmental Funds	<u>6,875</u>
Total		<u>\$ 54,842</u>

The Solid Waste Fund payable is the indirect administrative costs incurred during the year. The Other Governmental Funds payables represent monies borrowed due to debt service funds not having sufficient funds to pay semi-annual bond and interest payments. All other amounts listed are the tax revenue and court revenue collected but not settled until October, 2003. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances from/to Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Solid Waste	<u>\$ 10,317</u>

The amount payable to the General Fund represents indirect administrative costs.

C. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 18,176
Other Governmental Funds	Other Governmental Funds	<u>84,114</u>
Total		<u>\$ 102,290</u>

CLAY COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2003

The principal purposes of interfund transfers were to transfer proceeds from the County Utilization Fund to other funds and to transfer funds for debt service payments. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2003 consisted of the following:

Governmental Activities:

<u>Description</u>	<u>Amount</u>
Legislative tag credit	\$ 80,013
Home project grant	55,511
Motor vehicle fuel tax	17,580
Reimbursement from the City of West Point	13,047
Reimbursement, welfare	4,178
Reimbursement, officers training	2,965
Miscellaneous	900
Total Governmental Activities	\$ <u><u>174,194</u></u>

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2003:

Governmental activities:

	<u>Balance</u>				<u>Balance</u>
	<u>Oct. 1, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments *</u>	<u>Sept. 30, 2003</u>
<u>Non-depreciable capital assets:</u>					
Land	\$ 206,407	0	0	0	206,407
<u>Depreciable capital assets:</u>					
Infrastructure				28,752,206	28,752,206
Buildings	5,026,327			(325,035)	4,701,292
Improvements other than buildings	4,305			(4,305)	
Mobile equipment	3,996,028	429,984	35,685	(262,543)	4,127,784
Furniture and equipment	561,880	55,846		(385,358)	232,368
Leased property under capital leases	335,029	223,561		(62,994)	495,596
Total depreciable capital assets	<u>9,923,569</u>	<u>709,391</u>	<u>35,685</u>	<u>27,711,971</u>	<u>38,309,246</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure		152,319		17,200,581	17,352,900
Buildings		49,258		2,197,216	2,246,474
Mobile equipment		391,764		2,239,862	2,631,626

CLAY COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2003

	Balance Oct. 1, 2002	Additions	Deletions	Adjustments *	Balance Sept. 30, 2003
Furniture and equipment		18,442		79,137	97,579
Leased property under capital leases		68,524		82,349	150,873
Total accumulated depreciation	0	680,307	0	21,799,145	22,479,452
 Total depreciable capital assets, net	 9,923,569	 29,084	 35,685	 5,912,826	 15,829,794
 Governmental activities capital assets, net	 \$ 10,129,976	 29,084	 35,685	 5,912,826	 16,036,201
 Business-type activities:					
	Balance Oct. 1, 2002	Additions	Deletions	Adjustments *	Balance Sept. 30, 2003
<u>Depreciable capital assets:</u>					
Mobile equipment	\$ 320,497	50,800	46,970	(11,251)	313,076
Furniture and equipment	26,696			(4,546)	22,150
Total depreciable capital assets	347,193	50,800	46,970	(15,797)	335,226
<u>Less accumulated depreciation for:</u>					
Mobile equipment	151,813	46,953	42,267	6,771	163,270
Furniture and equipment	8,844	2,848		(3,148)	8,544
Total accumulated depreciation	160,657	49,801	42,267	3,623	171,814
Business-type activities capital assets, net	\$ 186,536	999	4,703	(19,420)	163,412

\* Adjustments are the effect of implementing GASB 34.

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 205,810
Public safety	154,813
Public works	319,684
Total governmental activities depreciation expense	\$ 680,307
 Business-type activities:	
Solid waste	\$ 49,801

CLAY COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2003

(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 \$500,000 for law enforcement personnel and \$350,000 for all other employees for each accident and completely covers statutory limits set by the 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, 2003, to January 1, 2004. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

The county finances its exposure to risk of loss relating to employee health and accident coverage through the Mississippi Public Entity Employee Benefit Trust, a public entity risk pool. The pool is a claims-servicing organization with the county retaining the risk of loss on all claims to which the county is exposed. Premium payments to the pool are determined on an actuarial basis. The county purchases commercial insurance to cover all claims in excess of premium contributions. Claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). Changes in the balances of claims liabilities during the year are as follows:

Unpaid Claims, Beginning of Fiscal Year	\$ 8,579
Plus: Incurred Claims (Including IBNRs)	601,246
Less: Claims Payments	<u>554,125</u>
Unpaid Claims, End of Fiscal Year	<u>\$ 55,700</u>

(8) Capital Leases.

As Lessor:

The county leases the following property with varying terms and options as of September 30, 2003:

<u>Class of Property</u>	<u>Amount</u>
Industrial facilities	<u>\$ 1,919,502</u>

CLAY COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2003

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2003, are as follows:

Year Ended September 30	Principal	Interest
2004	\$ 131,213	50,280
2005	108,137	29,530
2006	105,779	25,137
2007	57,912	21,872
2008	60,271	19,512
2009-2013	275,433	63,709
2014-2017	179,541	13,474
Total	\$ 918,286	223,514

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2003:

Classes of Property	Governmental Activities
Mobile equipment	\$ 244,373
Other furniture and equipment	32,400
Total	276,773
Less: Accumulated depreciation	77,789
Leased Property Under Capital Leases	\$ 198,984

The following is a schedule by years of the total payments due as of September 30, 2003:

Year Ending September 30	Governmental Activities	
	Principal	Interest
2004	\$ 58,012	5,562
2005	40,322	2,785
2006	29,695	667
Total	\$ 128,029	9,014

CLAY COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2003

(9) Long-term Debt.

Debt outstanding as of September 30, 2003, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
District 3 shed	\$ 14,000	4.00	11/03
District 5 road 2000 issue	240,000	5.00/6.50	10/15
District 1 road	440,000	4.70/5.40	12/12
District 4 road	140,000	4.875/5.25	07/08
District 4 road 2000 issue	275,000	5.20/7.00	12/15
District 3 road 2000 issue	455,000	5.50/7.50	08/20
District 2 road - Series 2000	470,000	5.25/5.625	12/20
Courthouse remodeling	380,000	4.60/6.50	06/11
County building	<u>363,000</u>	5.05/5.31	09/14
Total General Obligation Bonds	<u>\$ 2,777,000</u>		
B. Capital Leases:			
AS400 computer	\$ 4,217	5.08	04/04
Kobelco excavator	18,455	6.10	10/04
Mack truck	12,557	5.10	04/06
Caterpillar motor grader	<u>92,800</u>	5.50	06/06
Total Capital Leases	<u>\$ 128,029</u>		
C. Other Loans:			
Volunteer fire truck	\$ 36,000	4.95	05/06
Volunteer fire station and trucks	216,000	4.25	03/07
County building drainage	<u>160,000</u>	4.25	04/08
Total Other Loans	<u>\$ 412,000</u>		

CLAY COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2003

Annual debt service requirements to maturity for the following debt reported in the Statement of Net Assets are as follows:

Governmental Activities:

<u>Year Ending September 30</u>	<u>General Obligation Bonds</u>		<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ 222,000	149,516	98,000	18,187
2005	208,000	136,333	98,000	13,833
2006	228,000	124,088	98,000	9,504
2007	228,000	112,346	86,000	5,175
2008	238,000	100,721	32,000	1,444
2009 - 2013	1,005,000	331,725		
2014 - 2018	453,000	120,681		
2019 - 2021	195,000	17,237		
Total	\$ <u>2,777,000</u>	<u>1,092,647</u>	<u>412,000</u>	<u>48,143</u>

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, 2003, the amount of outstanding debt was equal to 2.38% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2003:

	<u>Balance</u>				<u>Balance</u>	<u>Amount due</u>
	<u>Oct. 1, 2002</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments</u>	<u>Sept. 30, 2003</u>	<u>within one</u>
						<u>year</u>
Governmental Activities						
Claims and judgements	\$ 8,579	601,246	554,125		55,700	55,700
General obligation bonds	3,039,000		262,000		2,777,000	222,000
Equipment notes	67,350		67,350			
Capital leases	191,219		63,190		128,029	58,012
Other loans	318,000	160,000	66,000		412,000	98,000
Total	\$ <u>3,624,148</u>	<u>761,246</u>	<u>1,012,665</u>	<u>0</u>	<u>3,372,729</u>	<u>433,712</u>

CLAY COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2003

(10) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances at September 30, 2003:

Fund	Deficit Amount
District 4 Bridge and Culvert	\$ 1,913
District 4 Road Construction	12,062
County Building I & S	3,732
District 4 Road I & S	1,045
District 3 Road I & S 2000	3,073
District 3 Shed	815

(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 Venture.

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 Regional 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 2003. The user governments will be billed based on the amount of solid waste from each government. Complete financial statements for the Golden Triangle Regional Solid Waste Management Authority can be obtained from Golden Triangle Planning and Development District, Post Office Box 828, Starkville, Mississippi 39760-0828.

(13) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

East Mississippi Community College operates in a district composed of the Counties of Clay, Kemper, Lauderdale, Lowndes, Noxubee and Oktibbeha. The Clay County Board of Supervisors appoints two of the 12 members of the college board of trustees. The county appropriated \$380,349, for maintenance and support of the college in fiscal year 2003.

## CLAY COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2003

Golden Triangle Planning and Development District provides services for the Counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster and Winston. The Clay County Board of Supervisors appoints four of the 28 members of the board of directors. The county appropriated \$16,200 for support of the district in fiscal year 2003.

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 appropriated \$61,204 to the library during fiscal year 2003.

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 2003.

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.

Tri-County Narcotics Task Force operates in a district composed of the Counties of Clay, Neshoba, Oktibbeha and Winston. The Clay County Board of Supervisors appoints one the members of the board of directors. The county appropriated \$20,000 for support of the Task Force in fiscal year 2003.

#### (14) Defined Benefit Pension Plan.

Plan Description. Clay County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members 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, 2003, 2002 and 2001 were \$178,766, \$183,775 and \$173,810, respectively, equal to the required contributions for each year.

#### (15) Other Information.

As a result of revenue shortfalls, the State tax Commission had to withhold 7.84% of the March 2003 homestead exemption reimbursement from local governments. The amount withheld from Clay County during the 2002-2003 fiscal year was \$10,306.

CLAY COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2003

(16) Subsequent Events.

There is an ongoing investigation by the Investigative Division of the Office of the State Auditor in the Circuit Clerk's Office.

Subsequent to September 30, 2003, Clay County issued the following debt obligation:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
11/26/03	1.35/2.60	\$ 125,000	General obligation notes	Ad valorem taxes

CLAY COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

CLAY COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 General Fund  
 For the Year Ended September 30, 2003

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 2,311,346	2,554,398	2,554,398	
Licenses, commissions and other revenue	155,750	376,190	376,190	
Fines and forfeitures	225,000	238,698	238,698	
Intergovernmental revenues	568,832	1,299,898	1,299,898	
Charges for services	1,000	225	225	
Interest income	60,000	71,388	71,388	
Miscellaneous revenues	1,800	72,919	72,919	
Total Revenues	<u>3,323,728</u>	<u>4,613,716</u>	<u>4,613,716</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,970,125	2,207,558	2,207,558	
Public safety	1,418,935	1,535,702	1,535,702	
Public works	60,000	136,633	136,633	
Health and welfare	239,430	261,484	261,484	
Education		30,804	30,804	
Conservation of natural resources	53,383	51,302	51,302	
Economic development and assistance	16,200	16,200	16,200	
Debt service:				
Principal	8,782	8,782	8,782	
Interest	427	427	427	
Total Expenditures	<u>3,767,282</u>	<u>4,248,892</u>	<u>4,248,892</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(443,554)</u>	<u>364,824</u>	<u>364,824</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	450,000	5,295	5,295	
Transfers out		(23,471)	(23,471)	
Other financing uses		(14,359)	(14,359)	
Total Other Financing Sources and Uses	<u>450,000</u>	<u>(32,535)</u>	<u>(32,535)</u>	<u>0</u>
Net Change in Fund Balance	6,446	332,289	332,289	0
Fund Balances - Beginning		<u>1,633,337</u>	<u>1,633,337</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 6,446</u>	<u>1,965,626</u>	<u>1,965,626</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

CLAY COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 TVA Bridge Bond Fund  
 For the Year Ended September 30, 2003

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Interest income	\$ 12,000	11,552	11,552	
Miscellaneous revenues	137,667	126,051	126,051	
Total Revenues	<u>149,667</u>	<u>137,603</u>	<u>137,603</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
Economic development and assistance	30,000	77,500	77,500	
Total Expenditures	<u>30,000</u>	<u>77,500</u>	<u>77,500</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>119,667</u>	<u>60,103</u>	<u>60,103</u>	<u>0</u>
Net Change in Fund Balance	119,667	60,103	60,103	0
Fund Balances - Beginning	<u>          </u>	<u>339,355</u>	<u>339,355</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 119,667</u>	<u>399,458</u>	<u>399,458</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

## CLAY COUNTY

### Notes to the Required Supplementary Information For the Year Ended September 30, 2003

#### 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.

For the year ended September 30, 2003, the county implemented GASB Statement No. 41 - *Budgetary Comparison Schedules - Perspective Differences*, which amends Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The statement clarifies the budgetary presentation requirements. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

#### C. Budget/GAAP Reconciliation.

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

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

CLAY COUNTY

Notes to the Required Supplementary Information  
For the Year Ended September 30, 2003

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

	<u>Governmental Fund Types</u>	
	<u>General Fund</u>	<u>TVA Bridge Bond Fund</u>
Budget (Cash Basis)	\$ 332,289	60,103
Increase (Decrease)		
Net adjustments for revenue accruals	2,134,082	(2,083)
Net adjustments for expenditure accruals	<u>(2,095,634)</u>	<u>                    </u>
GAAP Basis	<u>\$ 370,737</u>	<u>58,020</u>

CLAY COUNTY

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CLAY COUNTY

SUPPLEMENTAL INFORMATION

CLAY COUNTY

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CLAY COUNTY  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2003

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
<b>MAJOR FEDERAL AWARDS</b>			
U. S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority Home investment partnerships program	14.239	M02-SG-28-01-0181	\$ <u>256,987</u>
Total Expenditures of Major Federal Awards			<u>256,987</u>
<b>OTHER FEDERAL AWARDS</b>			
U. S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority Community development block grants/state's program	14.228	99-013-PF-01	<u>2,500</u>
U. S. Department of Justice - Office of Justice Programs/ Passed-through the Mississippi Department of Public Safety Juvenile accountability incentive block grants	16.523	2000-JB-VX-0028	5,202
Byrne formula grant program	16.579	1999-DB-BX-0028	25,185
Local law enforcement block grants program	16.592	2002-LB-BX-2452	2,800
Organized Crime Drug Enforcement Task Force Asset forfeiture program	16.UN	N/A	<u>8,261</u>
Total U.S. Department of Justice			<u>41,448</u>
U. S. Department of Transportation - Federal Highway Administration/Passed-through the Mississippi Department of Transportation Highway planning and construction	20.205	N/A	<u>18,933</u>
Appalachian Regional Commission/Passed-through the Mississippi Development Authority Appalachian area development	23.002	5-056-AR-01	<u>48,359</u>
Total Expenditures of Other Federal Awards			<u>111,240</u>
Total Expenditures of Federal Awards			<u>\$ <u>368,227</u></u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.

CLAY COUNTY

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CLAY COUNTY

SPECIAL REPORTS

CLAY COUNTY

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# State of Mississippi

OFFICE OF THE STATE AUDITOR  
PHIL BRYANT  
AUDITOR

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING 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 the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Clay County, Mississippi, as of and for the year ended September 30, 2003, and have issued our report thereon dated October 6, 2004. The auditor's report on the business-type activities and Solid Waste Fund is qualified because management did not maintain adequate subsidiary records documenting the aging of the accounts receivable for the solid waste accounts receivable included in the Proprietary Fund Type. The auditor's report is also qualified on the governmental activities because management did not maintain adequate subsidiary records documenting the completeness and valuation of capital assets and because management did not maintain records documenting the Circuit Court fines receivable and the allowance for uncollectible amounts as required by accounting standards generally accepted in the United States of America. The report is also qualified on the General Fund because of the effects of incorrect tax settlements and because management did not maintain records documenting the Circuit Court fines receivable and the allowance for uncollectible amounts as required by accounting standards generally accepted in the United States of America. Except for the limitations related to the qualified opinions, 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.

### Compliance

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 grants, 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 03-2. We also noted certain instances of noncompliance that we have reported to the management of Clay County, Mississippi, in our Independent Auditor's Report on Compliance with State Laws and Regulations and the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules dated October 6, 2004, included within this document.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Clay County, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Clay County, Mississippi's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 03-1, 03-2, 03-3, 03-4 and 03-5.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 03-1, 03-2, 03-3 and 03-4 to be material weaknesses.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



PHIL BRYANT  
State Auditor



WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

October 6, 2004



# State of Mississippi

OFFICE OF THE STATE AUDITOR  
PHIL BRYANT  
AUDITOR

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Members of the Board of Supervisors  
Clay County, Mississippi

### Compliance

We have audited the compliance of Clay County, Mississippi, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended September 30, 2003. Clay County, Mississippi's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Clay County, Mississippi's management. Our responsibility is to express an opinion on Clay County, Mississippi's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Clay County, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Clay County, Mississippi's compliance with those requirements.

In our opinion, Clay County, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2003.

### Internal Control Over Compliance

The management of Clay County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Clay County, Mississippi's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



PHIL BRYANT  
State Auditor



WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

October 6, 2004



# State of Mississippi

OFFICE OF THE STATE AUDITOR  
PHIL BRYANT  
AUDITOR

## INDEPENDENT AUDITOR'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 made a study and evaluation of the central purchasing system and inventory control system of Clay County, Mississippi, as of and for the year ended September 30, 2003. Our study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures as we considered necessary in the circumstances.

The Board of Supervisors of Clay County, Mississippi, is responsible for 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). In addition, the Board of Supervisors is responsible for purchasing in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972). 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.

The county did not maintain adequate subsidiary records documenting the completeness and valuation of capital assets.

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 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 certain instances of noncompliance with the aforementioned code sections. These instances of noncompliance were considered in forming our opinion on compliance. Our findings and recommendations and your responses are disclosed below:

Board of Supervisors.

1. Finding

Section 31-7-57(2), Miss. Code Ann. (1972), states that the Board of Supervisors may not ratify any purchase or pay for the same out of county funds unless said purchase was made in the manner provided by law. Section 31-7-113, Miss. Code Ann. (1972), gives the Office of the State Auditor the authority to prescribe the forms and procedures for implementing the central purchasing system. During the year the Board of Supervisors approved payment of invoices without required purchasing documents. The Board of Supervisors has not established corrective policy and procedures to make sure that all purchases are made in accordance with state purchasing system laws.

Recommendation

The Board of Supervisors should establish corrective policy and procedures to ensure that all purchases are made in accordance with the central purchasing system laws. The Board of Supervisors should carefully review all claims presented to them for approval and should not approve payment for any purchases which are not made in the manner provided by law.

Board of Supervisors' Response

The Board of Supervisors will establish corrective measures and educate all employees in the road districts as to proper procedure. We will hold a session with the Purchase Clerk, Chancery Clerk and Receiving Clerk conducting the educational components of the session. This will be done with the Sheriff's Department also.

Purchase Clerk.

2. Finding

Sections 31-7-103 and 31-7-109, Miss. Code Ann. (1972), require purchase requisitions, purchase orders and receiving reports to accompany all claims for payment. A purchase transaction document appears to have been prepared after the fact because the estimated cost of repairs on the purchase order equals the exact cost of the repair on the invoice.

Recommendation

The Purchase Clerk should ensure that the required purchase documents are issued in their proper time sequence.

Purchase Clerk's Response

I will try harder to correct this.

Inventory Control Clerk.

3. Finding

Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to establish and maintain an inventory system. Inadequate controls exist in the accounting for capital assets. The Inventory Control Clerk did not maintain adequate subsidiary records documenting the completeness and valuation of capital assets. Therefore, the Independent Auditor's Report on the Governmental Activities financial statements is qualified because we could not satisfy ourselves as to the fair presentation of the capital assets.

Recommendation

The Inventory Control Clerk should establish adequate control procedures to properly depreciate capital assets and maintain capital asset records.

Inventory Control Clerk's Response

This being the first year to comply with GASB and depreciation being implemented, we have not worked out a few of the bugs in the software installed to comply with depreciation. We will have this worked out before the next audit.

In our opinion, because of the noncompliance referred to in the preceding paragraph, Clay County, Mississippi, did not comply, in all material respects, with state laws governing central purchasing, inventory and bid requirements.

Clay County's purchasing system was not in compliance with state laws governing central purchasing for fiscal year 2003. The system was retested and as of February 15, 2005, Clay County was in compliance with the central purchasing system.

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 study and evaluation of the purchasing system and, in our opinion, is fairly presented when considered in relation to that study and evaluation.

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.



PHIL BRYANT  
State Auditor



WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

October 6, 2004

CLAY COUNTY  
Schedule of Purchases Not Made From the Lowest Bidder  
For the Year Ended September 30, 2003

Schedule 1

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

CLAY COUNTY  
Schedule of Emergency Purchases  
For the Year Ended September 30, 2003

Schedule 2

Our test results did not identify any emergency purchases.

CLAY COUNTY  
Schedule of Purchases Made Noncompetitively From a Sole Source  
For the Year Ended September 30, 2003

Schedule 3

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



# State of Mississippi

OFFICE OF THE STATE AUDITOR  
PHIL BRYANT  
AUDITOR

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Members of the Board of Supervisors  
Clay County, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Clay County, Mississippi, as of and for the year ended September 30, 2003, and have issued our report thereon dated October 6, 2004. The auditor's report on the business-type activities and Solid Waste Fund is qualified because management did not maintain adequate subsidiary records documenting the aging of the accounts receivable for the solid waste accounts receivable included in the Proprietary Fund Type. The auditor's report is also qualified on the governmental activities because management did not maintain adequate subsidiary records documenting the completeness and valuation of capital assets and because management did not maintain records documenting the Circuit Court fines receivable and the allowance for uncollectible amounts as required by accounting standards generally accepted in the United States of America. The report is also qualified on the General Fund because of the effects of incorrect tax settlements and because management did not maintain records documenting the Circuit Court fines receivable and the allowance for uncollectible amounts as required by accounting standards generally accepted in the United States of America. Except for the limitations related to the qualified opinions, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the procedures prescribed by the Office of the State Auditor, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. 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.

The results of our procedures and our audit of the financial statements disclosed an instance of noncompliance with state laws and regulations. Our finding and recommendation and your response are disclosed below:

Board of Supervisors.

### Finding

Section 65-15-7, Miss. Code Ann. (1972), authorizes the Board of Supervisors to levy taxes for bridge and culvert purposes. The Board of Supervisors improperly purchased a truck used for road maintenance work out of the bridge and culvert funds.

Recommendation

The Board of Supervisors should pay only proper expenditures from the avails of the bridge and culvert tax levy and transfer from the road maintenance fund the amount improperly paid to the bridge and culvert fund.


Board of Supervisors' Response

We acknowledge this and will have District 1 Road Fund reimburse District 1 Bridge Fund for 75% of the cost of said truck.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



PHIL BRYANT  
State Auditor



WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

October 6, 2004

CLAY COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CLAY COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2003

Section 1: Summary of Auditor's Results

***Financial Statements:***

- |    |   |           |
|----|---|-----------|
| 1. | Type of auditor's report issued on the financial statements:                      | Qualified |
| 2. | Material noncompliance relating to the financial statements?                      | Yes       |
| 3. | Internal control over financial reporting:  |           |
| a. | Material weaknesses identified?   | Yes       |
| b. | Reportable condition identified that is not considered to be a material weakness? | Yes       |

***Federal Awards:***

- |     |  |             |
|-----|--|-------------|
| 4.  | Type of auditor's report issued on compliance for major federal programs:  | Unqualified |
| 5.  | Internal control over major programs:  |             |
| a.  | Material weakness identified?  | No          |
| b.  | Reportable condition identified that is not considered to be a material weakness?  | No          |
| 6.  | Any audit finding reported as required by Section __.510(a) of Circular A-133?   | No          |
| 7.  | Federal program identified as major program:   |             |
|     | Home investment partnerships program, CFDA #14.239   |             |
| 8.  | The dollar threshold used to distinguish between type A and type B programs:   | \$300,000   |
| 9.  | Auditee qualified as a low-risk auditee?   | No          |
| 10. | Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? | No          |

CLAY COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2003

Section 2: Financial Statement Findings

Board of Supervisors.

03-1. Finding

As reported in the last three years' audit reports, control procedures were not in place to allow for the preparation of a detailed aged accounts receivable schedule for the solid waste fees. Therefore, the Independent Auditor's Report on the financial statements of the business-type activities and the Solid Waste Fund is qualified because we were unable to properly evaluate the reasonableness of the allowance for doubtful accounts.

Recommendation

The Board of Supervisors should ensure that control procedures are in place to allow for the preparation of a detailed aged accounts receivable schedule for solid waste fees to properly report the accounts receivable due to the county at net realizable value in the financial statements.

Board of Supervisors' Response

We have attempted to correct this situation, and have made some progress. This fiscal year solid waste billing has submitted monthly reports that do balance to the previous month, i.e. the beginning balance does reconcile with the ending balance from the previous month. We will continue to push for more corrective measures.

Tax Assessor-Collector.

03-2. Finding

Section 27-33-77, Miss. Code Ann. (1972), specifies that the county's portion of the homestead reimbursement shall be distributed to the General Fund. As reported in the prior year's audit report, the county's 50 percent share of the homestead tax loss was improperly allocated to all county levies. Failure to implement adequate controls over the collection and settlement process for tax collections could result in a material misstatement of the county's financial statements and cause a diversion of tax revenues.

Recommendation

The Tax Assessor-Collector should change the tax collection system to ensure that the county's 50 percent share of the homestead tax loss is applied to the General Fund levy only and all tax collections are properly settled.

Tax Assessor-Collector's Response

This was corrected for the 2003-2004 tax year.

CLAY COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2003

Circuit Clerk.

03-3. Finding

Account receivable records were not maintained on Circuit Court fines. The Independent Auditor's Report is qualified on the financial statements of the governmental activities and the General Fund because neither an accounts receivable or an allowance for uncollectible accounts amount for Circuit Court fines is presented in the financial statements as required by accounting principles generally accepted in the United States of America.

Recommendation

The Circuit Clerk should establish control procedures to maintain adequate subsidiary fines receivable records as well as the aging of these individual fines to aid in establishing an allowance for uncollectible accounts.

Circuit Clerk's Response

Since I took office in January, 2004, the accounts receivable records are now maintained. The Board of Supervisors is currently working on a policy for establishing uncollectible accounts.

Inventory Control Clerk.

03-4. Finding

Capital assets control procedures were inadequate for maintaining adequate subsidiary records documenting the completeness and valuation of capital assets. Therefore, the Independent Auditor's Report on the financial statements of the governmental activities is qualified because we could not satisfy ourselves as to the fair presentation of the capital assets.

Recommendation

The Inventory Control Clerk should establish adequate control procedures to maintain accurate inventory records documenting the completeness and valuation of capital assets.

Inventory Control Clerk's Response

This being the first year to comply with GASB and depreciation being implemented, we have not worked out a few of the bugs in the software installed to comply with depreciation. We will have this worked out before the next audit.

Purchase Clerk.

03-5. Finding

Weak controls exist over the issuance of purchase orders. During the day, purchase orders are hand written and a purchase order number is manually assigned. At a later time, the purchase order is entered into the computer system and the purchase order number is manually entered by the Purchase Clerk. Purchase orders are then printed but not closed out in the computer system; therefore, information on the purchase order may be altered later and then reprinted.

CLAY COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2003

Recommendation

We recommend internal controls be implemented to correct these errors. Purchase order numbers should be assigned in numerical sequence by the computer system and the purchase order should be closed out when the purchase order is issued.

Purchase Clerk's Response

I will ensure purchase orders are printed as soon as issued.

Section 3: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to federal awards.