



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



**CLAY COUNTY, MISSISSIPPI**  
**AUDITED FINANCIAL STATEMENTS**  
**AND SPECIAL REPORTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**CLAY COUNTY  
TABLE OF CONTENTS  
SEPTEMBER 30, 2008**

	<u>Page</u>
FINANCIAL SECTION	4
INDEPENDENT AUDITORS' REPORT	5
MANAGEMENT'S DISCUSSION AND ANALYSIS	7
FINANCIAL STATEMENTS	17
Statement of Net Assets	18
Statement of Activities	19
Balance Sheet - Governmental Funds	20
Reconciliation of Governmental Fund Balance Sheet to the Statement of Net Assets	21
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	23
Statement of Net Assets - Proprietary Funds	24
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	25
Statement of Cash Flows - Proprietary Funds	26
Statement of Fiduciary Assets and Liabilities	27
Notes to Financial Statements	28

**CLAY COUNTY  
TABLE OF CONTENTS  
SEPTEMBER 30, 2008**

	<u>Page</u>
REQUIRED SUPPLEMENTARY INFORMATION	50
Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) General Fund	51
Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) TVA Bridge Bond Fund	52
Notes to the Required Supplementary Information	53
SPECIAL REPORTS	55
Independent Auditors' Report on Internal Control over Financial Reporting And on Compliance and Other Matters Based on an Audit of the Basic Financial Statements Performed in Accordance With Government Auditing Standards	56
Independent Auditors' Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules (Required by Section 31-7-115, Miss. Code Ann. (1972))	58
Limited Internal Control and Compliance Review Management Report	63
SCHEDULE OF FINDINGS AND RESPONSES	64

**FINANCIAL SECTION**

# J.E. VANCE & COMPANY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

825 JEFFERSON STREET  
POST OFFICE BOX 1280  
TUPELO, MISSISSIPPI 38802

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

## INDEPENDENT AUDITORS' 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, 2008, 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.

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.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Clay County, Mississippi, as of September 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2009, on our consideration of Clay County, Mississippi's internal control over financial reporting

MEMBER OF PCPS THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS ALLIANCE FOR CPA FIRMS

and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the Budgetary Comparison Schedules and corresponding notes 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.

Tupelo, Mississippi  
June 24, 2009

*J E Vance & Company*

**CLAY COUNTY, MS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**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, 2008. The intent of this discussion and analysis is to look at the County's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the County's financial performance.

This discussion and analysis is an element of required supplementary information specified in the "Governmental Accounting Standards Board's (GASB) Statement No. 34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*" issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented.

Clay County is located in the northern portion of Mississippi. The population, according to the 2000 census, is 21,979. The local economic base is driven primarily by manufacturing and agriculture primarily forest products, soybeans, and cotton.

**FINANCIAL HIGHLIGHTS**

Clay County is financially stable. The County has committed itself to financial excellence for many years by using sound financial planning, budgeting, and strong internal controls. The County is committed to maintaining sound fiscal management to meet the challenges of the future.

Clay County continues to remain firm economically and in population. This stability has allowed the county to maintain a steady increase in tax revenues without any significant tax increase. The county government's millage rate for the year ending 2008 was 51.35. This rate reflects an increase of 3.74% and 8.95% in comparison to the millage rates for years 2006 and 2007, respectively. 80% of the millage rate increase for year 2008 occurred in the debt service category. Additionally, there was a 7% increase in the general county operating fund's millage rate in an effort to increase the cash balance of the general operating fund. However, in prior years 1999 – 2004, the county's millage rate was 50.0 and in 2005 thru 2007 the millage rate dropped below this amount. These figures alone should substantiate to the public the significant tax base growth that has occurred in the county and the conservative effort of the Board of Supervisors to maintain the county's millage rate at a minimum. This percentage does not include School tax increase.

Total net assets increased \$724,664, which represents a 4% increase from the prior fiscal year.

The County had \$8,466,063 in total revenues during the current fiscal year compared to \$7,911,016 during fiscal year 2007. Property tax revenues account for \$4,592,342 and \$4,198,454 or 54% and 53% of total revenues during fiscal years ended 2008 and 2007 respectively. State and federal revenues in the form of reimbursements, shared revenue, or grants accounted for \$1,125,153 and \$1,288,423 or 13% and 16% of total revenues during fiscal years

ended 2008 and 2007 respectively. Total expenses amounted to \$7,741,399 during 2008 and \$7,607,845 during 2007.

Among major funds, the General Fund had \$5,144,377 in revenues and \$4,652,911 in expenditures. The General Fund's fund balance increased \$602,390 over the prior year.

The TVA Bridge Bond Fund had \$63,600 in revenues and \$183,508 in expenditures. The fund balance decreased \$14,516 over the prior year.

Capital assets, net of accumulated depreciation, increased by \$5,517.

Long-term debt increased by \$4,823.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

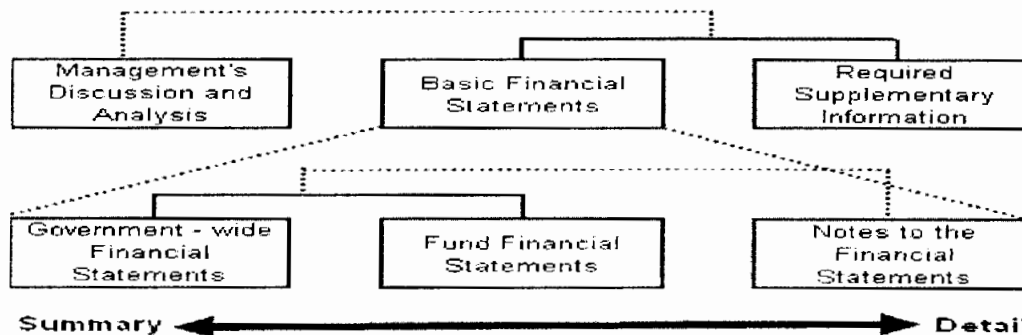


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

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

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

	<b>Government-Wide Financial Statements</b>	<b>Fund Financial Statements</b>		
		<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
<b>Scope</b>	Entire County government (except fiduciary funds) and component units	All activities of the County that are not business-type or fiduciary in nature	Activities of the County that operate similar to private businesses	The County is the trustee or agent for someone else's resources
<b>Required financial statements</b>	<ul style="list-style-type: none"> <li>● Statement of net 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 net assets</li> <li>● Statement of changes in net assets</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; economic development; and interest on long-term debt. The business-type activities of the County include the Solid Waste Department.

**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 21 and 23, respectively.

The County maintains individual governmental funds. 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 20 and 22 of this report.

**Proprietary funds**—Services for which Clay County charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. The County has only one type of proprietary funds—enterprise funds. The County’s enterprise funds are the same as its business-type activities yet provide more detail and additional information, such as cash flows. The measurement focus of proprietary funds is upon determination of net income, financial position and change in financial position. These funds are maintained on the accrual basis of accounting. The Statement of Net Assets, Statement of Revenues, Expenses and Changes in Fund Net Assets, and Statement of Cash Flows are all required statements.

**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 27 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 28-49 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents Required Supplementary Information concerning the County’s budget process.

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 51-54 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Assets**—Net assets may serve over time as a useful indicator of the government’s financial position. In the case of Clay County, assets exceeded liabilities by \$19,285,759 as of September 30, 2008.

A large portion of the County's net assets, \$13,642,263 or 71%, reflects its investment in capital assets (e.g. roads, bridges, land, buildings, mobile equipment, furniture & equipment, and leased property under capital lease) 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, 2008 and 2007.

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
Current assets	10,968,160	10,288,748
Capital assets, net	15,929,314	15,932,163
Total assets	\$ 26,897,474	\$ 26,220,911
Current liabilities	4,803,013	4,838,063
Long-term debt outstanding	3,512,649	3,528,275
Total liabilities	8,315,662	8,366,338
Net assets:		
Invested in capital assets, net of related debt	13,595,484	13,470,459
Restricted	4,014,027	3,982,411
Unrestricted	972,301	401,703
Total net assets	\$ 18,581,812	\$ 17,854,573

	<u>Business-type Activities</u>	
	<u>2008</u>	<u>2007</u>
Current assets	692,479	705,916
Capital assets, net	58,592	50,226
Total assets	\$ 751,071	\$ 756,142
Current liabilities	34,185	32,915
Long-term debt outstanding	12,939	2,136
Total liabilities	47,124	35,051
Net assets:		
Invested in capital assets, net of related debt	46,779	50,226
Restricted	657,168	670,865
Total net assets	\$ 703,947	\$ 721,091

Changes in Net Assets—Clay County’s total revenues for the fiscal year ended September 30, 2008 were \$8,466,063. The total cost for all services provided was \$7,741,399. The increase in net assets was \$724,664. The following table presents a summary of the changes in net assets for the fiscal years ended September 30, 2008 and 2007.

	<u>2008</u>	<u>2007</u>
<b>Revenues:</b>		
Program Revenues		
Charges for services	\$ 1,516,544	\$ 1,243,048
Operating grants and contributions	908,608	857,654
Capital grants and contributions	216,545	430,769
General Revenues		
Property taxes	4,592,342	4,198,454
Road and bridge privilege taxes	228,234	226,275
Grants and contributions not restricted	21,175	2,447
Interest income	218,260	212,308
Other	764,355	740,061
<b>Total Revenues</b>	<b><u>8,466,063</u></b>	<b><u>7,911,016</u></b>
 <b>Expenses:</b>		
General government	2,796,796	2,757,330
Public safety	2,093,818	2,214,393
Public works	1,694,520	1,427,525
Health and welfare	191,751	218,853
Culture and recreation	67,042	66,614
Education	147,607	67,983
Conservation of natural resources	61,368	51,013
Economic development	227,233	379,774
Interest on long-term debt	151,889	142,881
Solid waste management	309,375	281,479
<b>Total Expenses</b>	<b><u>7,741,399</u></b>	<b><u>7,607,845</u></b>
 Prior period adjustment	 (14,569)	 -0-
 <b>Increase (Decrease) in Net Assets</b>	 <b><u>\$ 710,095</u></b>	 <b><u>\$ 303,171</u></b>

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

The information 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.

	2008 Total Expenses	2008 Net(Expense) Revenue	2007 Total Expenses	2007 Net(Expense) Revenue
General government	\$ 2,796,796	\$ (2,114,128)	\$ 2,757,330	\$ (2,128,364)
Public safety	2,093,818	(1,267,921)	2,214,393	(1,429,129)
Public works	1,694,520	(1,040,518)	1,427,525	(714,717)
Health and welfare	191,751	(144,303)	218,853	(188,841)
Economic development	227,233	(99,737)	379,774	(232,541)

#### **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 \$3,630,103 an increase of \$707,491. The primary reason for this increase is highlighted in the analysis of governmental activities. In addition, other factors that affected ending fund balance increase were as follows:

- Total governmental revenues increased by 8% from the prior year.
- Total governmental expenditures decreased by 20% from the prior year
- The combined effect of increase in revenues and decrease in expenditures resulted in the 24% increase in fund balance.

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

Over the course of the year, Clay County revised its annual operating budget on several occasions. The 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 compare to the County's actual financial activity for the General Fund and other major special revenue funds is provided in this report as required supplementary information.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**—As of September 30, 2008, Clay County's total capital assets were \$40,944,915. This includes land, roads, bridges, other infrastructure, buildings, mobile equipment, furniture and equipment, and leased property under capital lease. This amount represents an increase from the previous year of \$361,116.

Total accumulated depreciation as of September 30, 2008 was \$24,957,009, including \$616,158 of depreciation expense for the year. The balance in total net capital assets was \$15,987,906 at year-end.

Additional information on Clay County's capital assets can be found in note 6 on pages 39 and 40 of this report.

**Debt Administration**—At September 30, 2008, Clay County had \$3,525,588 in long-term debt outstanding. This includes general obligation bonds, capital leases and other loans. Of this debt, \$493,380 is due within one year.

The State of Mississippi limits the amount of debt a county can issue to generally 15% of total assessed value. The County's outstanding debt is significantly below its current limit of 22 million dollars.

Additional information on Clay County's long-term debt can be found in note 9 on pages 44-46 of this report.

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

Clay County has embarked on a major project in road paving in District Four. This was a \$500,000 paving and reconstruction of several roads in District Four, the northern part of Clay County. The total mileage that was paved and reconstructed was ten (10) miles.

The county has made a steady recovery by maintaining 250 new jobs with the Navistar Defense, LLC's emergence as a primary defense contractor. Babcock and Wilcox, a boiler maker for power plants, employs approximately 200 persons.

A new industry, Ultra Life, a battery company, began production in the fall 2008 adding fifteen (15) new jobs to the local economy.

Clay County has had a slight set back in unemployment. The recently released unemployment figure as of April 2009 was 16.7% which represents an increase from July 2008 unemployment rate of 13.8%.

## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the funds it receives. If you have questions about this report or need additional financial information, please contact the Clay County Chancery Clerk's office at P.O. Box 815, or 205 Court Street, West Point MS 39773 or by phone (662) 494-3124.

**FINANCIAL STATEMENTS**

Clay County  
Statement of Net Assets  
September 30, 2008

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash	\$ 4,041,056	159,877	4,200,933
Cash with fiscal agent	2,105		2,105
Property tax receivable	3,887,051		3,887,051
Accounts receivable (net of allowance for uncollectibles of \$435,777)		524,279	524,279
Fines receivable (net of allowance for uncollectibles of \$3,889,291)	910,114		910,114
Capital leases receivable (net of allowance for uncollectibles of \$182,921)	1,881,218		1,881,218
Intergovernmental receivables	220,890		220,890
Other receivables, net	18,559	15,490	34,049
Internal balances	7,167	(7,167)	-0-
Capital assets:			
Land and construction in progress	375,327		375,327
Other capital assets, net	15,553,987	58,592	15,612,579
<b>Total Assets</b>	<b>26,897,474</b>	<b>751,071</b>	<b>27,648,545</b>
<b>LIABILITIES</b>			
Claims payable	480,309	14,392	494,701
Amounts held in custody for others	9,291		9,291
Intergovernmental payables	170,074		170,074
Accrued interest payable	32,644		32,644
Deferred revenue	4,110,695		4,110,695
Unearned revenue		19,793	19,793
Long-term liabilities			
Due within one year:			
Capital related debt	454,909	3,433	458,342
Non-capital debt	35,038		35,038
Due in more than one year:			
Capital related debt	2,829,868	8,380	2,838,248
Non-capital debt	192,834	1,126	193,960
<b>Total Liabilities</b>	<b>8,315,662</b>	<b>47,124</b>	<b>8,362,786</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	13,595,484	46,779	13,642,263
Restricted net assets:			
Expendable:			
General government	10,984		10,984
Debt service	23,344		23,344
Public safety	412,443		412,443
Public works	1,477,380	657,168	2,134,548
Culture and recreation	948		948
Economic development	2,037,812		2,037,812
Unemployment compensation	51,116		51,116
Unrestricted	972,301		972,301
<b>Total Net Assets</b>	<b>\$ 18,581,812</b>	<b>703,947</b>	<b>19,285,759</b>

The accompanying notes and auditors' reports are integral parts of the statements.

Clay County  
Statement of Activities  
For the Year Ended September 30, 2008

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 2,796,796	672,973	9,695	34,339	(2,114,128)		(2,114,128)
Public safety	2,093,818	625,155	166,403	34,339	(1,267,921)		(1,267,921)
Public works	1,694,520		629,914	24,088	(1,040,518)		(1,040,518)
Health and welfare	191,751		35,086	12,362	(144,303)		(144,303)
Culture and recreation	67,042		19,534	36,779	(10,729)		(10,729)
Education	147,607				(147,607)		(147,607)
Conservation of natural resources	61,368		21,264		(40,104)		(40,104)
Economic development and assistance	227,233		18,519	108,977	(99,737)		(99,737)
Interest on long-term debt	151,889				(151,889)		(151,889)
Total Governmental Activities	7,432,024	1,298,128	900,415	216,545	(5,016,936)	-0-	(5,016,936)
Business-type activities:							
Solid Waste	309,375	218,416	8,193			(82,766)	(82,766)
Total Business-type Activities	309,375	218,416	8,193	-0-		(82,766)	(82,766)
Total Primary Government	7,741,399	1,516,544	908,608	216,545	(5,016,936)	(82,766)	(5,099,702)
	\$						
General revenues:							
Taxes:					\$		
Property taxes					4,592,342		4,592,342
Road & bridge privilege taxes					228,234		228,234
Grants and contributions not restricted to specific programs					21,175	7,970	21,175
Unrestricted investment income					210,290		218,260
Miscellaneous					706,703	57,652	764,355
Total General Revenues					5,758,744	65,622	5,824,366
Changes in Net Assets					741,808	(17,144)	724,664
Net Assets - Beginning					17,854,573	721,091	18,575,664
Prior period adjustment					(14,569)		(14,569)
Net Assets - Beginning restated					17,840,004	721,091	18,561,095
Net Assets - Ending					18,581,812	703,947	19,285,759
	\$						

The accompanying notes and auditors' reports are integral parts of the statements.

Clay County  
Balance Sheet - Governmental Funds  
September 30, 2008

Exhibit 3

	Major Funds			
	General Fund	TVA Bridge Bond Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash	\$ 1,504,317	316,303	2,220,436	4,041,056
Cash with fiscal agent	2,105			2,105
Property tax receivable	2,732,799		1,154,252	3,887,051
Fines receivable	910,114			910,114
Capital lease receivable		1,881,218		1,881,218
Intergovernmental receivables	175,859		45,031	220,890
Other receivables	820		17,739	18,559
Due from other funds	7,267	10,659	82,015	99,941
Advances to other funds	249			249
Total Assets	\$ 5,333,530	2,208,180	3,519,473	11,061,183
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Claims payable	\$ 219,384	8,333	252,592	480,309
Amounts held in custody for others	9,291			9,291
Intergovernmental payables	162,758			162,758
Due to other funds	45,016		55,074	100,090
Advances from other funds			249	249
Deferred revenue	3,642,913	1,881,218	1,154,252	6,678,383
Total Liabilities	4,079,362	1,889,551	1,462,167	7,431,080
<b>Fund balances:</b>				
<b>Reserved for:</b>				
Advances	249			249
Debt service			55,987	55,987
Unemployment compensation			51,116	51,116
<b>Unreserved - undesignated, reported in:</b>				
General fund	1,253,919			1,253,919
Special revenue funds		318,629	1,950,203	2,268,832
Total Fund Balances	1,254,168	318,629	2,057,306	3,630,103
Total Liabilities and Fund Balances	\$ 5,333,530	2,208,180	3,519,473	11,061,183

The accompanying notes and auditors' reports are integral parts of these statements.

Clay County  
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets  
 September 30, 2008

Exhibit 3-1

	<u>Amount</u>
Total fund balance - governmental funds (Exhibit 3)	\$ 3,630,103
Amounts reported for governmental services in the statement of net assets (Exhibit 1) are different because:	
Capital assets are used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$24,745,087	15,929,314
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds. (Such as fine receivables)	910,114
Long-term liabilities are not due and payable in the current-period and therefore are not reported in the funds.	(3,512,649)
Accrued interest on bonds is not due and payable in the current year, therefore is not reported in the funds.	(32,644)
Capital leases principal are not available to pay for current period expenditures and therefore, are deferred in the funds.	1,657,574
Total net assets - governmental activities (Exhibit 1)	\$ <u><u>18,581,812</u></u>

The accompanying notes and auditors' reports are integral parts of these statements.

Clay County  
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended September 30, 2008

Exhibit 4

	Major Funds			Total Governmental Funds
	General Fund	TVA Bridge Bond Fund	Other Governmental Funds	
<b>REVENUES</b>				
Property taxes	\$ 3,219,089		1,373,252	4,592,341
Road and bridge privilege taxes			228,234	228,234
Licenses, commissions and other revenue	286,546		8,571	295,117
Fines and forfeitures	233,941			233,941
Intergovernmental revenues	705,037		800,836	1,505,873
Charges for services	545,889		132,737	678,626
Interest income	86,190	16,094	108,006	210,290
Miscellaneous revenues	67,685	47,506	223,774	338,965
Total Revenues	<u>5,144,377</u>	<u>63,600</u>	<u>2,875,410</u>	<u>8,083,387</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,596,865		193,901	2,790,766
Public safety	1,800,476		385,522	2,185,998
Public works			1,645,720	1,645,720
Health and welfare	168,508			168,508
Culture and recreation			67,042	67,042
Education			147,607	147,607
Conservation of natural resources	60,519		849	61,368
Economic development and assistance		116,956	110,277	227,233
Debt service:				
Principal	23,109	36,824	426,961	486,894
Interest	3,434	29,728	126,811	159,973
Total Expenditures	<u>4,652,911</u>	<u>183,508</u>	<u>3,104,690</u>	<u>7,941,109</u>
Excess of Revenues over (under) Expenditures	<u>491,466</u>	<u>(119,908)</u>	<u>(229,280)</u>	<u>142,278</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term capital debt issued	119,983		173,170	293,153
Long-term noncapital debt issued			170,000	170,000
Proceeds from sale of capital assets	705		13,485	14,190
Transfers in		24,176	15,384	39,560
Transfers out	(3,041)	(10,340)	(26,179)	(39,560)
Lease principal payments		91,556		91,556
Total Other Financing Sources and Uses	<u>117,647</u>	<u>105,392</u>	<u>345,860</u>	<u>568,899</u>
Net Changes in Fund Balances	<u>609,113</u>	<u>(14,516)</u>	<u>116,580</u>	<u>711,177</u>
Fund Balances - Beginning	651,778	333,145	1,937,689	2,922,612
Prior period adjustment	(6,723)		3,037	(3,686)
Fund Balances - Beginning, as restated	<u>645,055</u>	<u>333,145</u>	<u>1,940,726</u>	<u>2,918,926</u>
Fund Balances - Ending	\$ <u>1,254,168</u>	<u>318,629</u>	<u>2,057,306</u>	<u>3,630,103</u>

The accompanying notes and auditors' reports are integral parts of these statements.

**Clay County**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes**  
**in Fund Balances of Governmental Funds to the Statement of Activities**  
**September 30, 2008**

Exhibit 4-1

Net changes in fund balances - total governmental funds (Exhibit 4)	\$ 711,177
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 \$630,704 exceeded depreciation of \$602,751 in the current period.	27,953
In the statement of activities, only gains and losses from the sale or disposal of capital assets are reported, whereas in the governmental funds, proceeds from the sale of capital assets increase financial resources and loss from the sale or disposal of capital assets decrease financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net loss of \$5,730 and the proceeds from the sale of \$14,190 in the current period.	(19,920)
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.	90,444
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 \$486,894 exceeded debt proceeds of \$463,153.	23,741
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 a combination of the following items:	
The amount of increase in compensated absences.	(8,115)
The amount of decrease in accrued interest payable.	8,084
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 the change in fund balance by the principal collections on the capital lease.	(91,556)
Change in net assets of governmental activities (Exhibit 2)	\$ <u><u>741,808</u></u>

The accompanying notes and auditors' reports are integral parts of these statements.

Clay County  
Statement of Net Assets - Proprietary Fund  
September 30, 2008

Exhibit 5

Business-type Activities-Enterprise Fund

	<u>Solid Waste</u>
<b>ASSETS</b>	
Current assets:	
Cash	\$ 159,877
Accounts receivable (net of allowance for uncollectibles of \$435,776)	524,279
Other receivables	15,490
Total Current Assets	<u>699,646</u>
Noncurrent assets:	
Capital assets:	
Other capital assets, net	58,592
Total Noncurrent Assets	<u>58,592</u>
Total Assets	<u>758,238</u>
<b>LIABILITIES</b>	
Current liabilities:	
Claims payable	14,392
Due to other funds	7,167
Unearned revenue	19,793
Capital debt	
Capital leases payable	3,433
Total Current Liabilities	<u>44,785</u>
Noncurrent liabilities:	
Capital debt	
Capital leases payable	8,380
Non-capital debt:	
Compensated absences payable	1,126
Total Noncurrent Liabilities	<u>9,506</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	46,779
Restricted for public works	657,168
Total Net Assets	<u>\$ 703,947</u>

The accompanying notes and auditors' reports are integral parts of these statements.

Clay County  
 Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Fund  
 For the Year Ended September 30, 2008

Exhibit 6

	<u>Business-type Activities-Enterprise Fund</u>
	<u>Solid Waste</u>
Operating Revenues	
Charges for services	\$ 218,416
Total Operating Revenues	<u>218,416</u>
Operating Expenses	
Personal services	112,476
Contractual services	116,909
Materials and supplies	58,762
Depreciation expense	13,407
Indirect administrative cost	7,167
Total Operating Expenses	<u>308,721</u>
Operating Income (Loss)	<u>(90,305)</u>
Nonoperating Revenues (Expenses)	
Interest income	7,970
Operating grants	8,193
Interest expense	(654)
Other income (expense)	57,652
Net Nonoperating Revenue (Expenses)	<u>73,161</u>
Changes in Net Assets	(17,144)
Net Assets - Beginning	<u>721,091</u>
Net Assets Ending	<u>\$ 703,947</u>

The accompanying notes and auditors' reports are integral parts of these statements.

Clay County  
Statement of Cash Flows - Proprietary Funds  
For the Year Ended September 30, 2008

Exhibit 7

	<u>Solid Waste</u>
Cash Flows From Operating Activities	
Receipts from customers	\$ 209,918
Payments to suppliers	(174,630)
Payments to employees	(113,487)
Payments to General Fund for indirect costs	(4,235)
Net Cash Used by Operating Activities	<u>(82,434)</u>
Cash Flows From Noncapital Financing Activities	
Operating grants received	465
Other receipts	7,728
Net Cash Provided by Noncapital Financing Activities	<u>8,193</u>
Cash Flows From Capital Financing Activities	
Principal payment on long-term capital debt	(3,578)
Interest payment on long-term capital debt	(654)
Net Cash Provided by Capital Financing Activities	<u>(4,232)</u>
Cash Flows From Investing Activities	
Interest and dividends on investments	7,970
Purchase of capital assets	(18,194)
Proceeds on disposal of capital assets	69,464
Net Cash Provided by Investing Activities	<u>59,240</u>
Net Decrease in Cash and Cash Equivalents	(19,233)
Cash and Cash Equivalents at Beginning of Year	179,110
Cash and Cash Equivalents at End of Year	<u>\$ 159,877</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:	
Operating loss	\$ (90,305)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	13,407
Provision for uncollectible accounts	6,653
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(13,151)
(Increase) decrease in other receivables	(2,229)
Increase (decrease) in claims payable	1,041
Increase (decrease) in interfund payables	2,932
Increase (decrease) in compensated absences liability	(1,010)
Increase (decrease) in unearned revenue	228
Total Adjustments	<u>7,871</u>
Net Cash Used by Operating Activities	<u>\$ (82,434)</u>

Noncash capital financing activity:

Clay County lease purchased mobile equipment for \$15,391 for 5 years at 4.75% interest.  
Principal payments of \$3,578 were made on the lease during the year.

The accompanying notes and auditors' reports are integral parts of these statements.

Clay County  
Statement of Fiduciary Assets and Liabilities  
September 30, 2008

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	48,388
Other receivables	8,004
Due from other funds	<u>7,316</u>
Total Assets	\$ <u><u>63,708</u></u>
LIABILITIES	
Amounts held in custody for others	55,102
Intergovernmental payables	<u>8,606</u>
Total Liabilities	\$ <u><u>63,708</u></u>

The accompanying notes and auditors' reports are integral parts of these statements.

**CLAY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**(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 primary government 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 primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support.

**CLAY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**B. Basis of Presentation (Continued)**

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-type activity or governmental function is self-financing or draws from the general revenues of the county.

**Fund Financial Statements**

Fund financial statements of the county are organized into funds, each of which is considered to be a separate accounting entity. 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 Funds and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic 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. Agency funds have no measurement focus, but use the accrual basis of accounting.

**CLAY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

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

The county's Proprietary Funds 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 compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

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

The county reports the following major Proprietary Fund:

Solid Waste Fund - This fund is used to account 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, 2008**

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

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 2005 by the Government Finance Officers Association.

**CLAY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**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 government securities during the fiscal year.

**F. Receivables**

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

**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 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,

**CLAY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**H. Capital Assets (Continued)**

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 and has not so elected. Therefore, the major general infrastructure assets acquired prior to October 1, 2002 are reported in the financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets.

Capital assets acquired or constructed for Proprietary Fund operations are capitalized at cost in the respective funds in which they are utilized. No interest is capitalized on self-constructed assets because noncapitalization of interest does not have a material effect on the county's financial statements. Donated capital assets are recorded at their fair value at the time of donation.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements and Proprietary Funds. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives.

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

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

**CLAY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**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 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, construction or improvement 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 with unreserved classified as designated and undesignated.

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.

**CLAY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**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.

**M. Compensated Absences**

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

**CLAY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**(2) Prior Period Adjustment**

A summary of significant fund equity adjustments is as follows:

<u>Statement of Activities</u>	<u>Amount</u>
Explanation	
To correct erroneous tax sale	(512)
To write-off interfund advances	(3,174)
To correct capital assets beginning balances	<u>(10,883)</u>
Total	<u>\$ (14,569)</u>

<u>Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds</u>	<u>Amount</u>
Explanation	
To correct erroneous tax sale	(512)
To write-off interfund advances	(6,211)
To write-off interfund advances	<u>3,037</u>
Total	<u>\$ (3,686)</u>

**(3) Deposits**

The carrying amount of the county's total deposits with financial institutions at September 30, 2008, was \$4,249,321 and the bank balance was \$4,582,971. 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.

**Custodial Credit Risk – Deposits.** Custodial credit risk is the risk that in the event of the failure of a financial institution, the county will not be able to recover deposits or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the county. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the county.

**CLAY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**(4) Interfund Transactions and Balances**

The following is a summary of interfund balances at September 30, 2008:

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Solid Waste Fund	\$ 7,167
General Fund	Other Governmental Funds	100
TVA Bridge Bond Fund	Other Governmental Funds	10,659
Other Governmental Funds	General Fund	37,700
Other Governmental Funds	Other Governmental Funds	44,315
Agency Funds	General Fund	7,316
Total		\$ 107,257

The payables from General Fund represent the tax revenue collected but not settled until October 2008. The payable from the Solid Waste Fund represents the amount owed for indirect costs paid by the General Fund. The other amount due to the General Fund was loaned to establish an opening balance. The amount due to the TVA Bond Fund was loaned to cover construction costs. The amount due from/to Other Governmental Funds represents a grant received to fund the activities of a second fund. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances from/to Other Funds:

Receivable Fund	Payable Fund	Amount
General Fund	Other Governmental Funds	\$ 249
Total		\$ 249

The payables to the General Fund represent loans to establish opening balances in other funds. The county expects to repay these advances in fiscal year 2009.

**CLAY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

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

C. Transfers In/Out

Transfer In	Transfer Out	Amount
TVA Bridge Bond Fund	Other Governmental Funds	24,176
Other Governmental Funds	General Fund	3,041
Other Governmental Funds	TVA Bridge Bond Fund	10,340
Other Governmental Funds	Other Governmental Funds	2,003
Total		<u>\$ 39,560</u>

The principal purpose of interfund transfers was to provide funds for grant matches or to provide funds to pay for capital outlay. All interfund transfers were routine and consistent with the activities of the fund making the transfer. All were approved by the Board of Supervisors.

**(5) Intergovernmental Receivables**

Intergovernmental receivables at September 30, 2008 consisted of the following:

Governmental Activities:

Description	Amount
Legislative tag credit	\$ 86,885
Reimbursement for housing prisoners	65,400
Other	68,605
Total Governmental Activities	<u>\$ 220,890</u>

**CLAY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**(6) Capital Assets**

The following is a summary of capital assets activity for the year ended September 30, 2008:

Governmental activities:

	Balance Oct. 1, 2007	Additions	Deletions	Adjustments	Balance Sept. 30, 2008
<b>Non-depreciable capital assets</b>					
Land	\$ 392,407	8,000		(25,080)	375,327
Total non-depreciable capital assets	<u>392,407</u>	<u>8,000</u>	<u>-0-</u>	<u>(25,080)</u>	<u>375,327</u>
<b>Depreciable capital assets</b>					
Infrastructure	29,581,248	167,321			29,748,569
Buildings	4,724,053	153,936		39,289	4,917,278
Mobile equipment	5,028,024		(199,241)	10,275	4,839,058
Furniture and equipment	268,261	10,243			278,504
Leased property under capital leases	234,736	291,204		(10,275)	515,665
Total depreciable assets	<u>39,836,322</u>	<u>622,704</u>	<u>(199,241)</u>	<u>39,289</u>	<u>40,299,074</u>
<b>Less accumulated depreciation for:</b>					
Infrastructure	17,989,542	185,193		12,517	18,187,252
Buildings	2,405,122	50,903		12,574	2,468,599
Mobile equipment	3,618,870	281,405	(179,321)	923	3,721,877
Furniture and equipment	213,586	19,278			232,864
Leased property under capital leases	69,446	65,972		(923)	134,495
Total accumulated depreciation	<u>24,296,566</u>	<u>602,751</u>	<u>(179,321)</u>	<u>25,091</u>	<u>24,745,087</u>
Total depreciable capital assets, net	<u>15,539,756</u>	<u>19,953</u>	<u>(19,920)</u>	<u>14,198</u>	<u>15,553,987</u>
Governmental activities capital assets, net	<u>\$ 15,932,163</u>	<u>27,953</u>	<u>(19,920)</u>	<u>(10,882)</u>	<u>15,929,314</u>

The adjustments are due to the reclassification of assets from leased property to mobile equipment; to correct beginning accumulated depreciation; to remove land on capital lease; and to record building not previously recorded.

**CLAY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

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

Business-type activities:

	Balance Oct. 1, 2007	Additions	Deletions	Balance Sept. 30, 2008
<u>Depreciable capital assets</u>				
Mobile equipment	\$ 342,530	17,844	(118,141)	242,233
Furniture and equipment	12,540			12,540
Leased property under capital leases		15,741		15,741
Total depreciable assets	<u>355,070</u>	<u>33,585</u>	<u>(118,141)</u>	<u>270,514</u>
<u>Less accumulated depreciation for:</u>				
Mobile equipment	293,558	10,574	(106,329)	197,803
Furniture and equipment	11,286			11,286
Leased property under capital leases		2,833		2,833
Total accumulated depreciation	<u>304,844</u>	<u>13,407</u>	<u>(106,329)</u>	<u>211,922</u>
Total depreciable capital assets, net	<u>50,226</u>	<u>20,178</u>	<u>(11,812)</u>	<u>58,592</u>
Business-type activities capital assets, net	<u>\$ 50,226</u>	<u>20,178</u>	<u>(11,812)</u>	<u>58,592</u>

Capital lease additions included a lease purchase of \$15,391 and an additional \$350 accessory purchase for the asset.

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 21,764
Public safety	165,325
Public works	392,418
Health and welfare	23,244
Total governmental activities depreciation expense	<u>\$ 602,751</u>
Business-type activities:	
Public works	\$ 13,407
Total business-type activities depreciation expense	<u>\$ 13,407</u>

**CLAY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**(7) Claims and Judgments**

**Risk Financing**

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2008, to January 1, 2009. 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 dental 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. 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. The county had no year end liability because cash on deposit in the risk pool exceeded the pool's accrued unpaid claims in the amount of \$2,105, reported on the balance sheet.

**CLAY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**(8) Capital Leases**

**As Lessor:**

The county leases the following property with varying terms and options as of September 30, 2008:

<u>Class of Property</u>	<u>Amount</u>
Industrial facilities	\$ <u>2,283,013</u>

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2008, are as follows:

	<u>Principal</u>	<u>Interest</u>
Year Ending September 30,		
2009	\$ 153,312	57,173
2010	109,736	46,804
2011	113,593	42,946
2012	117,608	38,971
2013	122,605	34,096
2014-2018	533,380	117,136
2019-2023	276,535	56,224
2024-2028	<u>230,805</u>	<u>13,215</u>
Total	<u>\$ 1,657,574</u>	<u>406,565</u>

**As Lessee:**

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2008:

<u>Classes of Property</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Mobile equipment	\$ 480,489	15,741
Furniture and equipment	<u>35,176</u>	
Total	515,665	15,741
Less: Accumulated Depreciation	<u>134,495</u>	<u>2,833</u>
Leased Property Under Capital Lease	<u>\$ 381,170</u>	<u>12,908</u>

**CLAY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

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

The following is a schedule by years of the total payments due as of September 30, 2008:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Year Ending September 30,				
2009	\$ 126,383	10,952	3,433	436
2010	151,676	5,600	3,919	313
2011	52,033	1,658	4,109	123
2012	13,881	258	352	1
2013	2,591	26		
Total	\$ <u>346,564</u>	<u>18,494</u>	<u>11,813</u>	<u>873</u>

**CLAY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**(9) Long-term Debt**

Debt outstanding as of September 30, 2008, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rates	Final Maturity Date
<b>Governmental Activities</b>			
<b>A. General Obligation Bonds:</b>			
District 5 road 2000 issue	\$ 140,000	5/6.0	10/01/2015
District 1 road	245,000	4.8/5.4	12/1/2012
Re-Appraisal update	170,000	4.03	11/21/2013
District 4 road 2000 issue	160,000	5.2/7.0	12/01/2015
District 3 road 2000 issue	365,000	5.5/7.5	08/01/2020
District 2 road 2001 issue	385,000	5.25/5.65	12/01/2020
Courthouse remodeling	160,000	4.6/6.25	06/01/2011
County building	198,000	5.05/5.25	09/01/2014
Total General Obligation Bonds	<u>\$ 1,823,000</u>		
<b>B. Capital Leases</b>			
Copier	\$ 4,617	3.94	01/12/2011
Canon Model IR	5,364	4.35	06/12/2011
4 2008 Ford Crown Vic	83,240	4.01	01/17/2012
IBM Computer	14,328	4.07	01/11/2011
Canon Copier	2,956	3.99	06/03/2011
2004 Sierra pickup	1,688	3.09	04/20/2009
Caterpillar backhoe	9,104	3.09	07/10/2009
Ford F-250 pickup	3,566	3.12	07/20/2009
2006 International truck	16,830	3.39	05/11/2010
2006 Silverado pickup	11,837	4.39	07/17/2011
2008 International dump truck	40,876	4.25	07/17/2011
Bush Hog	8,075	3.39	05/12/2010
Palmer Dump Trailor	22,154	3.45	03/25/2013
2008 Mack Truck	85,982	3.39	04/25/2010
International Truck	35,947	3.35	03/03/2010
Total Capital Leases	<u>\$ 346,564</u>		
<b>C. Other Loans:</b>			
Volunteer fire truck	\$ 25,000	1.35/2.6	11/26/2007
Two Volunteer fire trucks	140,222	2.00	04/01/2017
Volunteer fire building	68,000	3.89	11/22/2011
Ellis Clinic/Jail renovation	104,000	3.89	11/22/2011
Commercial building	950,947	3.00	06/01/2027
Total Other Loans	<u>\$ 1,288,169</u>		

**CLAY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**(9) Long-term Debt (Continued)**

Description and Purpose	Amount Outstanding	Interest Rates	Final Maturity Date
<b>Business-type Activities</b>			
B. Capital Leases			
Ford F-250 pickup	\$ 11,813	4.75	10/10/2011
Total Capital Leases	\$ 11,813		

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

Governmental Activities:

Year Ending September 30,	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2009	\$ 242,000	95,590	121,564	38,080
2010	252,000	83,513	98,039	34,282
2011	262,000	70,514	99,555	31,093
2012	207,000	58,798	101,115	27,861
2013	212,000	45,972	59,718	24,585
2014-2018	453,000	120,680	299,125	97,241
2019-2023	195,000	17,238	275,845	56,914
2024-2028			233,208	16,360
Total	\$ 1,823,000	492,305	1,288,169	326,416

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, 2008, the amount of outstanding debt was equal to 1.27% of the latest property assessments.

**CLAY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**(9) Long-term Debt (Continued)**

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2008:

	Balance Oct. 1, 2007	Additions	Reductions	Balance Sept. 30, 2008	Amount due within one year
<b>Governmental Activities:</b>					
Compensated absences	\$ 46,801	8,115		54,916	
General obligation bonds	1,891,000	170,000	238,000	1,823,000	242,000
Capital leases	152,238	293,153	98,827	346,564	126,383
Other loans	1,438,236		150,067	1,288,169	121,564
Totals	<u>3,528,275</u>	<u>471,268</u>	<u>486,894</u>	<u>3,512,649</u>	<u>489,947</u>
<b>Business-type Activities:</b>					
Compensated absences	2,136		1,010	1,126	
Capital leases		15,391	3,578	11,813	3,433
Totals	<u>\$ 2,136</u>	<u>15,391</u>	<u>4,588</u>	<u>12,939</u>	<u>3,433</u>

**(10) Deficit Fund Balances of Individual Funds**

The following funds reported deficits in fund balances at September 30, 2008:

Fund	Deficit Amount
911 Building Grant	\$ 26,943
EMCC/TVA Building	10,041
Pheba Agricultural School	149

**(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.

**CLAY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**(11) Contingencies (Continued)**

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 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 2008. 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 twelve members of the college board of trustees. The county appropriated \$431,509 for the maintenance and support of the college in fiscal year 2008.

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 \$27,304 for support of the district in fiscal year 2008.

The Tombigbee Regional Library System operates in a district composed of the counties of Choctaw, Clay, Monroe and Webster. The Clay County Board of Supervisors appoints one of the five members of the board of directors. The county levied \$67,042 for the library during fiscal year 2008.

**CLAY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**(13) Jointly Governed Organizations (Continued)**

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 2008.

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.

**(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 rate at September 30, 2008 was 11.85% 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, 2008, 2007, and 2006, were \$278,430, \$271,707, and \$226,010, respectively, equal to the required contributions for each year.

**CLAY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**(15) Subsequent Events**

Subsequent to September 30, 2008, Clay County issued the following debt obligations:

Issue Date	Interest Rate	Issue Amount	Type of Financing	Source of Financing
11/25/08	4.00	500,000	Negotiable notes	Ad valorem taxes

Subsequent to September 30, 2008, Artex International (Best Textile, lessee) vacated the property leased to them by Clay County (lessor) under the provisions of a capital lease, returned possession of the property to Clay County, and ceased making monthly lease payments. Artex had previously filed for bankruptcy protection under Chapter 11 on February 7, 2007. Artex subsequently filed for bankruptcy under Chapter 7. Legal counsel has advised Clay County that the County may not lease the property to another party until the bankruptcy clears the courts.

Subsequent to September 30, 2008, upon due process, Clay County (lessor) seized the machinery leased under the provision of a capital lease to We-Gel (lessee), as the lessee was in default of the lease. We-Gel has filed for bankruptcy protection under Chapter 7. The County has determined that the machinery is highly specialized and that there is no market for the machinery. Consequently, the County considers the value of the machinery to be its salvage value only.

**REQUIRED SUPPLEMENTARY INFORMATION**

**Clay County**  
**Budgetary Comparison Schedule -**  
**Budget and Actual (Non-GAAP Basis)**  
**General Fund**  
**For the Year Ended September 30, 2008**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 3,372,017	3,211,159	3,211,159	-0-
Licenses, commissions and other revenue	261,000	285,321	285,321	-0-
Fines and forfeitures	215,000	235,124	235,124	-0-
Intergovernmental revenues	515,100	1,092,456	1,092,456	-0-
Charges for services	208,798	193,193	193,193	-0-
Interest income	45,500	85,980	85,980	-0-
Miscellaneous revenues	29,850	96,179	96,179	-0-
Total Revenues	<u>4,647,265</u>	<u>5,199,412</u>	<u>5,199,412</u>	<u>-0-</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,573,896	2,612,240	2,612,240	-0-
Public safety	1,757,384	1,751,897	1,751,897	-0-
Health and welfare	172,805	163,761	163,761	-0-
Conservation of natural resources	61,382	60,202	60,202	-0-
Debt service:				
Principal	8,774	23,109	23,109	-0-
Interest	498	3,434	3,434	-0-
Total Expenditures	<u>4,574,739</u>	<u>4,614,643</u>	<u>4,614,643</u>	<u>-0-</u>
Excess of Revenues over (under) Expenditures	<u>72,526</u>	<u>584,769</u>	<u>584,769</u>	<u>-0-</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term capital debt issued		119,983	119,983	-0-
Long-term non-capital debt issued	190,700			
Proceeds from the sale of cap assets		2,275	2,275	
Transfers in		179,935	179,935	-0-
Transfers out	(4,500)	(177,987)	(177,987)	-0-
Other financing (uses)		(5,481)	(5,481)	
Total Other Financing Sources and Uses	<u>186,200</u>	<u>118,725</u>	<u>118,725</u>	<u>-0-</u>
Net Change in Fund Balance	258,726	703,494	703,494	-0-
Fund Balances - Beginning	651,778	651,778	651,778	-0-
Fund Balances - Ending	<u>\$ 910,504</u>	<u>1,355,272</u>	<u>1,355,272</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, 2008

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Interest income	\$ 15,000	16,094	16,094	-0-
Interest on leases	210,823	139,062	139,062	-0-
Total Revenues	<u>225,823</u>	<u>155,156</u>	<u>155,156</u>	<u>-0-</u>
<b>EXPENDITURES</b>				
Current:				
Economic development and assistance	100,000	108,623	108,623	-0-
Debt service:				
Principal	37,431	37,431	37,431	-0-
Interest	<u>29,121</u>	<u>29,121</u>	<u>29,121</u>	<u>-0-</u>
Total Expenditures	<u>166,552</u>	<u>175,175</u>	<u>175,175</u>	<u>-0-</u>
Excess of Revenues over (under) Expenditures	<u>59,271</u>	<u>(20,019)</u>	<u>(20,019)</u>	<u>-0-</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in		24,176	24,176	-0-
Transfers out	<u>(37,900)</u>	<u>(10,340)</u>	<u>(10,340)</u>	<u>-0-</u>
Total Other Financing Sources and Uses	<u>(37,900)</u>	<u>13,836</u>	<u>13,836</u>	<u>-0-</u>
Net Change in Fund Balance	21,371	(6,183)	(6,183)	-0-
Fund Balances - Beginning	333,145	333,145	333,145	-0-
Fund Balances - Ending	<u>\$ 354,516</u>	<u>326,962</u>	<u>326,962</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, 2008**

**A. Budgetary Information**

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

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

**B. Basis of Presentation**

The Budgetary Comparison Schedule – Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (non GAAP) basis and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedule – Budget and Actual (Non-GAAP Basis) is a part of required 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, 2008**

**C. Budget/GAAP Reconciliation (Continued)**

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

	Governmental Fund Types	
	General Fund	TVA Bridge Bond Fund
Budget (Cash Basis)	703,494	(6,183)
Increase (Decrease)		
Net adjustments for revenue accruals	(56,111)	
Net adjustments for expenditure accruals	(38,270)	(8,333)
GAAP Basis	<u>609,113</u>	<u>(14,516)</u>

**SPECIAL REPORTS**

# J.E. VANCE & COMPANY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

825 JEFFERSON STREET  
POST OFFICE BOX 1280  
TUPELO, MISSISSIPPI 38802

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

## INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE BASIC 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, 2008, which collectively comprise the county's basic financial statements and have issued our report thereon dated June 24, 2009. 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.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Clay County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of

control deficiencies, that adversely affects the county's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the county's financial statements that is more than inconsequential will not be prevented or detected by the county's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 08-1, 08-2, 08-3, 08-4, 08-5, 08-6, and 08-7 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the county's internal control.

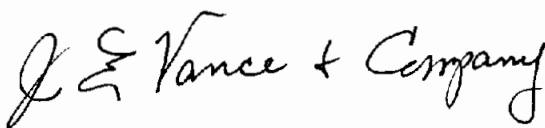
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 08-4 and 08-7 to be material weaknesses.

Compliance and Other Matters

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

Clay County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit Clay County's responses and, accordingly, we express no opinion on them.

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



Tupelo, Mississippi  
June 24, 2009

# **J.E. VANCE & COMPANY, P.A.**

**CERTIFIED PUBLIC ACCOUNTANTS**

**825 JEFFERSON STREET  
POST OFFICE BOX 1280  
TUPELO, MISSISSIPPI 38802**

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

## **INDEPENDENT AUDITORS' 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, 2008. 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.

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.

In our opinion, Clay County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements.

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.

Tupelo, Mississippi  
June 24, 2009

*J. S. Vance & Company*

**Clay County**  
**Schedule of Purchases Not Made From the Lowest Bidder**  
**For the Year Ended September 30, 2008**

**Schedule 1**

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

**Clay County  
Schedule of Emergency Purchases  
For the Year Ended September 30, 2008**

**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, 2008**

**Schedule 3**

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

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

825 JEFFERSON STREET  
POST OFFICE BOX 1280  
TUPELO, MISSISSIPPI 38802

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

**Limited Internal Control and Compliance Review Management Report**

Members of the Board of Supervisors  
Clay County, Mississippi

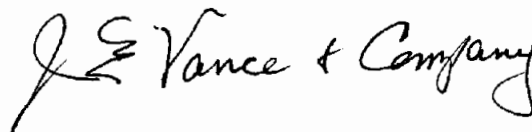
In planning and performing our audit of the financial statements of Clay County, Mississippi for the year ended September 30, 2008, we considered Clay County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Clay County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated June 24, 2009, on the financial statements of Clay County, Mississippi.

Although no findings came to our attention as a result of these review procedures and compliance test, these procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of the internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

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

Tupelo, Mississippi  
June 24, 2009



**SCHEDULE OF FINDINGS AND RESPONSES**

**CLAY COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**Section 1: Summary of Auditors' Results**

**Financial Statements:**

- |  |             |
|--|-------------|
| 1. Type of auditors' report issued on the financial statements:                              | Unqualified |
| 2. Internal control over financial reporting:  |             |
| a. Material weakness(es) identified?   | Yes         |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses? | Yes         |
| 3. Noncompliance material to the financial statements?                                       | No          |

**Section 2: Financial Statement Findings**

**Board of Supervisors**

**Significant Deficiency**

**08-1 Finding:**

A building on capital lease from the county (as lessor) was not recorded on the county inventory.

Recommendation:

The Board of Supervisors should establish control procedures to ensure that all assets are properly recorded.

Board of Supervisors' Response:

The building in question is the Rempel Rotocast building located on West Churchill Road. The land is on the county inventory, but the building was not picked up after being finished. We are perplexed as to why previous auditors did not pick this up or why the Inventory Clerk has not recognized this omission (the building is on our insurance policy). In the future, the Board has asked the Inventory Clerk to coordinate construction projects with the Comptroller.

**CLAY COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**08-2 Finding:**

Motor fuel was dispensed at county shed locations without maintaining adequate records indicating the vehicle fueled, the amount of fuel, or other information which would protect from the theft or misuse of motor fuel.

Recommendation:

The Board of Supervisors should establish control procedures to ensure that motor fuel logs are maintained and reconciled periodically.

Board of Supervisors' Response:

The Comptroller and Chancery Clerk have established a test for a control procedure to ensure that Clay County complies with this very important issue.

**08-3 Finding:**

County assets were identified that did not have proper inventory identification to ensure the safeguarding of county property.

Recommendation:

The Board of Supervisors should establish control procedures to ensure that all county property is identified and tagged.

Board of Supervisors' Response:

The Board of Supervisors will be more diligent in helping the Inventory Clerk to mark items that are at the County sheds.

**Material Weakness**

**08-4 Finding:**

Two capital assets were reported as sold and listed on the disposal register, however the assets had not been sold and were still in the possession of the county.

Recommendation:

The Board of Supervisors should establish control procedures to ensure that capital assets are not listed on the disposal register unless and until they are properly disposed of.

Board of Supervisors' Response:

The Supervisor was authorized by Board order to sell the assets but did not follow through. He did not reflect this change on the following inventory check, as well.

**CLAY COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**Tax Assessor/Collector**

**Significant Deficiency**

**08-5 Finding:**

The Tax Collector did not maintain adequate separation of duties in that the person who was responsible for entering disbursements into the cash journal was also responsible for reconciling the bank statement to the cash journal.

Recommendation:

The Tax Collector should establish procedures ensuring adequate separation of duties among responsible employees.

Tax Assessor/Collector's Response:

Upon the recommendations from the auditors, separation of duties has been corrected.

**08-6 Finding:**

The bank statements were not properly reconciled to the cash journal monthly.

Recommendation:

The Tax Collector should ensure that the bank statement is reconciled to the cash journal monthly.

Tax Assessor/Collector's Response:

This matter has been corrected.

**Material Weakness**

**08-7 Finding:**

The Tax Collector was not using the cash journal properly. Individual account balances were incorrect and could not be relied upon.

Recommendation:

The Tax Collector should ensure that the cash journal is used properly and that the entries posted to the journal are correct.

Tax Assessor/Collector's Response:

This matter is being corrected.