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CLAY COUNTY, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
AND SPECIAL REPORTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

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SEPTEMBER 30, 2009**

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FINANCIAL SECTION

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**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, 2009, which collectively comprise the basic financial statements of the county's primary government 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, the business-type activities, each major fund and the aggregate remaining fund information of Clay County, Mississippi, as of September 30, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2011, on our consideration of Clay County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Tupelo, Mississippi
September 30, 2011

A handwritten signature in cursive script that reads "J. E. Vance & Company". The signature is written in black ink and is positioned to the right of the date and location text.

**CLAY COUNTY, MS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

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, 2009. 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 9/30/2009 was 50.70. This millage rate reflects a decrease of 1.28% from the prior year. The general county's operating fund millage rate alone decreased by 2.60% in comparison to the prior year. Additionally, the millage needed for the debt service category decreased by 6.18% in comparison to the prior year. Overall, from 1999 – 2004, the County's millage rate was maintained at 50.00. In 2005 thru 2007, the millage rate dropped below this amount. These figures alone should substantiate to the public both the significant tax base growth 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 \$412,354, which represents a 2% increase from the prior fiscal year.

The County had \$9,493,172 in total revenues during the current fiscal year compared to \$8,466,063 during fiscal year 2008. Property tax revenues account for \$4,649,460 and \$4,592,342 or 49% and 54% of total revenues during fiscal years ended 2009 and 2008 respectively. State and federal revenues in the form of reimbursements, shared revenue, or grants accounted for \$2,259,599 and \$1,125,153 or 24% and 13% of total revenues during fiscal years ended 2009 and 2008 respectively. Total expenses amounted to \$8,994,428 during 2009 and \$7,741,399 during 2008.

Among major funds, the General Fund had \$5,030,615 in revenues and \$4,619,132 in expenditures. The General Fund's fund balance increased \$348,099 over the prior year.

The TVA Bridge Bond Fund had \$45,999 in revenues and \$158,219 in expenditures. The fund balance decreased \$65,822 over the prior year.

Capital assets, net of accumulated depreciation, increased by \$625,625.

Long-term debt increased by \$48,297.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

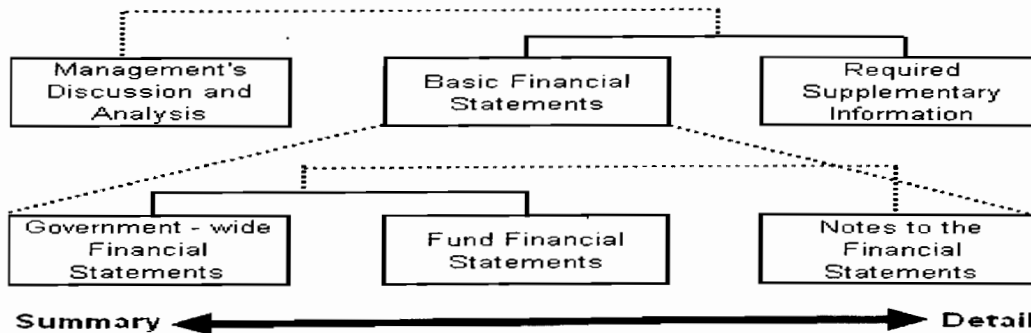


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

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

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

	Government-Wide Financial Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire County government (except fiduciary funds) and component units	All activities of the County that are not business-type or fiduciary in nature	Activities of the County that operate similar to private businesses	The County is the trustee or agent for someone else's resources
Required financial statements	<ul style="list-style-type: none"> ● Statement of net assets ● Statement of activities 	<ul style="list-style-type: none"> ● Balance sheet ● Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> ● Statement of net assets ● Statement of revenues, expenses and changes in net assets ● Statement of cash flows 	<ul style="list-style-type: none"> ● Statement of fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	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
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services are received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	

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

The **Statement of net assets** presents information on all County assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

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

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or part of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government; public safety; public works (roads and bridges); health and welfare; culture and recreation; education, conservation of natural resources, 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 \$18,994,166 as of September 30, 2009.

A large portion of the County's net assets, \$14,053,086 or 73%, 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 at September 30, 2009 and 2008.

	Governmental Activities	
	2009	2008
Current assets	10,506,975	10,968,160
Capital assets, net	16,499,635	15,929,314
Total assets	\$ 27,006,610	\$ 26,897,474
Current liabilities	4,991,189	5,292,960
Long-term debt outstanding	3,021,255	3,022,702
Total liabilities	8,012,444	8,315,662
Net assets:		
Invested in capital assets, net of related debt	14,053,086	13,595,484
Restricted	3,480,432	4,014,027
Unrestricted	1,460,648	972,301
Total net assets	\$ 18,994,166	\$ 18,581,812
	Business-type Activities	
	2009	2008
Current assets	605,616	692,479
Capital assets, net	113,896	58,592
Total assets	\$ 719,512	\$ 751,071
Current liabilities	32,102	37,618
Long-term debt outstanding	4,801	9,506
Total liabilities	36,903	47,124
Net assets:		
Invested in capital assets, net of related debt	105,516	46,779
Restricted	577,093	657,168
Total net assets	\$ 682,609	\$ 703,947

Changes in Net Assets—Clay County’s total revenues for the fiscal year ended September 30, 2009 were \$9,473,172. The total cost for all services provided was \$8,994,428. The increase in net assets was \$391,016. The following table presents a summary of the changes in net assets for the fiscal years ended September 30, 2009 and 2008.

	<u>2009</u>	<u>2008</u>
Revenues:		
Program Revenues		
Charges for services	\$ 1,646,950	\$ 1,516,544
Operating grants and contributions	1,420,546	908,608
Capital grants and contributions	839,053	216,545
General Revenues		
Property taxes	4,649,460	4,592,342
Road and bridge privilege taxes	229,032	228,234
Grants and contributions not restricted	6,241	21,175
Interest income	172,162	218,260
Other	529,728	764,355
Total Revenues	<u>9,493,172</u>	<u>8,466,063</u>
Expenses:		
General government	2,680,431	2,796,796
Public safety	2,317,436	2,093,818
Public works	3,064,403	1,694,520
Health and welfare	161,118	191,751
Culture and recreation	62,324	67,042
Education	5,244	147,607
Conservation of natural resources	156,417	61,368
Economic development	114,410	227,233
Interest on long-term debt	164,653	151,889
Solid waste management	267,992	309,375
Total Expenses	<u>8,994,428</u>	<u>7,741,399</u>
Prior period adjustment	<u>(107,728)</u>	<u>(14,569)</u>
Increase (Decrease) in Net Assets	<u><u>\$ 391,016</u></u>	<u><u>\$ 710,095</u></u>

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.

	2009 Total Expenses	2009 Net(Expense) Revenue	2008 Total Expenses	2008 Net(Expense) Revenue
General government	2,680,431	(2,122,774)	\$ 2,796,796	\$ (2,114,128)
Public safety	2,317,436	(1,103,413)	2,093,818	(1,267,921)
Public works	3,064,403	(1,389,659)	1,694,520	(1,040,518)
Health and welfare	161,118	(134,045)	191,751	(144,303)
Economic development	114,410	(108,259)	227,233	(99,737)

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Governmental funds— At the close of the fiscal year, Clay County's governmental funds reported a combined fund balance of \$4,019,348 an increase of \$389,245. 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 13% from the prior year.
- Total governmental expenditures increased by 18% from the prior year
- The combined effect of increase in revenues and decrease in expenditures resulted in the 11% 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, 2009, Clay County's total capital assets were \$42,454,267. 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 \$1,509,352.

Total accumulated depreciation as of September 30, 2009 was \$25,840,736, including \$729,014 of depreciation expense for the year. The balance in total net capital assets was \$16,613,531 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, 2009, Clay County had \$3,573,885 in long-term debt outstanding. This includes general obligation bonds, capital leases and other loans. Of this debt, \$547,829 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

The County has held its own economically by maintaining 250 to 400 jobs with Navistar Defense LLC, a primary defense contractor. Babcock and Wilcox, a boiler maker for power plants, employs approximately 240 persons and has boiler contracts through 2012 and will be adding to that total in jobs.

Ellis Steel is a local steel fabricator that has maintained steady employment in the 150 employee range.

The Clay County Growth Alliance is working to bring down the unemployment figure of 18.2% as of August 2011.

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, 2009

Exhibit I

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 4,275,031	61,533	4,336,564
Property tax receivable	3,573,143		3,573,143
Accounts receivable (net of allowance for uncollectibles of \$438,333)		530,061	530,061
Fines receivable (net of allowance for uncollectibles of \$4,109,115)	992,928		992,928
Capital leases receivable (net of allowance for uncollectibles of \$223,438)	1,378,597		1,378,597
Intergovernmental receivables	237,122	2,970	240,092
Other receivables, net	44,122	17,084	61,206
Internal balances	6,032	(6,032)	-0-
Capital assets:			
Land and construction in progress	399,327		399,327
Other capital assets, net	16,100,308	113,896	16,214,204
Total Assets	27,006,610	719,512	27,726,122
LIABILITIES			
Claims payable	383,373	8,772	392,145
Intergovernmental payables	149,429		149,429
Accrued interest payable	29,225		29,225
Deferred revenue	3,875,095		3,875,095
Unearned revenue		19,411	19,411
Other payables	10,157		10,157
Long-term liabilities			
Due within one year:			
Capital related debt	508,830	3,919	512,749
Non-capital debt	35,080		35,080
Due in more than one year:			
Capital related debt	2,850,373	4,461	2,854,834
Non-capital debt	170,882	340	171,222
Total Liabilities	8,012,444	36,903	8,049,347
NET ASSETS			
Invested in capital assets, net of related debt	14,053,086	105,516	14,158,602
Restricted net assets:			
Expendable:			
General government	42,564		42,564
Debt service	99,868		99,868
Public safety	235,077		235,077
Public works	1,649,795	577,093	2,226,888
Culture and recreation	801		801
Economic development	1,382,044		1,382,044
Unemployment compensation	52,771		52,771
Capital projects	17,512		17,512
Unrestricted	1,460,648		1,460,648
Total Net Assets	\$ 18,994,166	682,609	19,676,775

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

Clay County
Statement of Activities
For the Year Ended September 30, 2009

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	\$ 2,680,431	525,115	21,790	10,752	(2,122,774)		(2,122,774)
Public safety	2,317,436	888,897	188,563	136,563	(1,103,413)		(1,103,413)
Public works	3,064,403	1,054,606	1,054,606	620,138	(1,389,659)		(1,389,659)
Health and welfare	161,118	27,073	27,073		(134,045)		(134,045)
Culture and recreation	62,324	14,292	14,292	71,600	23,568		23,568
Education	5,244				(5,244)		(5,244)
Conservation of natural resources	156,417		100,000		(56,417)		(56,417)
Economic development and assistance	114,410		6,151		(108,259)		(108,259)
Interest on long-term debt	164,653				(164,653)		(164,653)
Total Governmental Activities	<u>8,726,436</u>	<u>1,414,012</u>	<u>1,412,475</u>	<u>839,053</u>	<u>(5,060,896)</u>	<u>-0-</u>	<u>(5,060,896)</u>
Business-type activities:							
Solid Waste	267,992	232,938	8,071			(26,983)	(26,983)
Total Business-type Activities	<u>267,992</u>	<u>232,938</u>	<u>8,071</u>	<u>-0-</u>		<u>(26,983)</u>	<u>(26,983)</u>
Total Primary Government	\$ 8,994,428	1,646,950	1,420,546	839,053	(5,060,896)	(26,983)	(5,087,879)
General revenues:							
Taxes:							
Property taxes					\$ 4,649,460		4,649,460
Road & bridge privilege taxes					229,032		229,032
Grants and contributions not restricted to specific programs					6,241	3,541	6,241
Unrestricted investment income					168,621	2,104	172,162
Miscellaneous					527,624	5,645	529,728
Total General Revenues					<u>5,580,978</u>	<u>(21,338)</u>	<u>5,586,623</u>
Changes in Net Assets					520,082	703,947	498,744
Net Assets - Beginning, as originally reported					18,581,812		19,285,759
Prior period adjustment					(107,728)		(107,728)
Net Assets - Beginning restated					<u>18,474,084</u>	<u>703,947</u>	<u>19,178,031</u>
Net Assets - Ending					<u>18,994,166</u>	<u>682,609</u>	<u>19,676,775</u>

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

Clay County
Balance Sheet - Governmental Funds
September 30, 2009

Exhibit 3

	Major Funds			Total Governmental Funds
	General Fund	TVA Bridge Bond Fund	Other Governmental Funds	
ASSETS				
Cash	\$ 1,831,925	252,807	2,190,299	4,275,031
Property tax receivable	2,649,316		923,827	3,573,143
Fines receivable	992,928			992,928
Capital lease receivable		1,378,597		1,378,597
Intergovernmental receivables	133,132		103,990	237,122
Other receivables	19,980		23,978	43,958
Due from other funds	93,677		42,245	135,922
Advances to other funds	149			149
Total Assets	\$ 5,721,107	1,631,404	3,284,339	10,636,850
LIABILITIES AND FUND BALANCES				
Liabilities:				
Claims payable	\$ 281,974		101,399	383,373
Intergovernmental payables	142,649			142,649
Due to other funds	41,817		94,689	136,506
Advances from other funds			149	149
Deferred revenue	3,642,244	1,378,597	923,827	5,944,668
Other payables	10,157			10,157
Total Liabilities	4,118,841	1,378,597	1,120,064	6,617,502
Fund balances:				
Reserved for:				
Advances	149			149
Debt service			129,094	129,094
Unemployment compensation			52,771	52,771
Unreserved - undesignated, reported in:				
General fund	1,602,117			1,602,117
Special revenue funds		252,807	1,964,898	2,217,705
Capital project funds			17,512	17,512
Total Fund Balances	1,602,266	252,807	2,164,275	4,019,348
Total Liabilities and Fund Balances	\$ 5,721,107	1,631,404	3,284,339	10,636,850

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, 2009

Exhibit 3-1

	<u>Amount</u>
Total fund balance - governmental funds (Exhibit 3)	\$ 4,019,348
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 \$25,607,528	16,499,635
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds. (Such as fine receivables)	992,928
Long-term liabilities are not due and payable in the current-period and therefore are not reported in the funds.	(3,565,165)
Accrued interest on bonds is not due and payable in the current year, therefore is not reported in the funds.	(29,225)
Capital leases principal are not available to pay for current period expenditures and therefore, are deferred in the funds.	1,076,645
Total net assets - governmental activities (Exhibit 1)	\$ <u><u>18,994,166</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, 2009

Exhibit 4

	Major Funds			Total Governmental Funds
	General Fund	TVA Bridge Bond Fund	Other Governmental Funds	
REVENUES				
Property taxes	\$ 3,190,007		1,459,453	4,649,460
Road and bridge privilege taxes			229,032	229,032
Licenses, commissions and other revenue	270,010		7,258	277,268
Fines and forfeitures	196,992			196,992
Intergovernmental revenues	597,847		2,009,738	2,607,585
Charges for services	662,484		194,454	856,938
Interest income	80,731	9,754	78,136	168,621
Miscellaneous revenues	32,543	36,245	109,020	177,808
Total Revenues	<u>5,030,614</u>	<u>45,999</u>	<u>4,087,091</u>	<u>9,163,704</u>
EXPENDITURES				
Current:				
General government	2,633,789		23,709	2,657,498
Public safety	1,752,601		574,329	2,326,930
Public works			3,159,836	3,159,836
Health and welfare	137,874			137,874
Culture and recreation			62,324	62,324
Education			92,625	92,625
Conservation of natural resources	56,417		100,000	156,417
Economic development and assistance		91,667	7,300	98,967
Debt service:				
Principal	34,632	38,293	446,537	519,462
Interest	3,819	28,259	135,994	168,072
Total Expenditures	<u>4,619,132</u>	<u>158,219</u>	<u>4,602,654</u>	<u>9,380,005</u>
Excess of Revenues over (under) Expenditures	<u>411,482</u>	<u>(112,220)</u>	<u>(515,563)</u>	<u>(216,301)</u>
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued			558,850	558,850
Proceeds from sale of capital assets			8,383	8,383
Transfers in			76,967	76,967
Transfers out	(40,931)	(14,368)	(21,668)	(76,967)
Lease principal payments		60,766		60,766
Total Other Financing Sources and Uses	<u>(40,931)</u>	<u>46,398</u>	<u>622,532</u>	<u>627,999</u>
Net Changes in Fund Balances	<u>370,551</u>	<u>(65,822)</u>	<u>106,969</u>	<u>411,698</u>
Fund Balances - Beginning, as originally reported	1,254,168	318,629	2,057,306	3,630,103
Prior period adjustment	(22,453)			(22,453)
Fund Balances - Beginning, as restated	<u>1,231,715</u>	<u>318,629</u>	<u>2,057,306</u>	<u>3,607,650</u>
Fund Balances - Ending	<u>\$ 1,602,266</u>	<u>252,807</u>	<u>2,164,275</u>	<u>4,019,348</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, 2009

Exhibit 4-1

Net changes in fund balances - total governmental funds (Exhibit 4)	\$ 411,698
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 \$856,403 exceeded depreciation of \$707,728 in the current period.	148,675
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 \$4,859 and the proceeds from the sale of \$8,383 in the current period.	(13,242)
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.	82,814
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 proceeds of \$558,850 exceeded debt repayments of \$519,462.	(39,388)
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.	(13,128)
The amount of decrease in accrued interest payable.	3,419
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.	(60,766)
Change in net assets of governmental activities (Exhibit 2)	\$ <u><u>520,082</u></u>

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

Clay County
Statement of Net Assets - Proprietary Fund
September 30, 2009

Exhibit 5

Business-type Activities-Enterprise Fund

	<u>Solid Waste</u>
ASSETS	
Current assets:	
Cash	\$ 61,533
Accounts receivable (net of allowance for uncollectibles of \$438,333)	530,061
Intergovernmental receivables	2,970
Other receivables	17,084
Total Current Assets	<u>611,648</u>
Noncurrent assets:	
Capital assets:	
Other capital assets, net	113,896
Total Noncurrent Assets	<u>113,896</u>
Total Assets	<u>725,544</u>
 LIABILITIES	
Current liabilities:	
Claims payable	8,772
Due to other funds	6,032
Unearned revenue	19,411
Capital debt	
Capital leases payable	3,919
Total Current Liabilities	<u>38,134</u>
Noncurrent liabilities:	
Capital debt	
Capital leases payable	4,461
Non-capital debt:	
Compensated absences payable	340
Total Noncurrent Liabilities	<u>4,801</u>
 NET ASSETS	
Invested in capital assets, net of related debt	105,516
Restricted for public works	577,093
Total Net Assets	<u>\$ 682,609</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, 2009

Exhibit 6

	<u>Business-type Activities-Enterprise Fund</u>
	<u>Solid Waste</u>
Operating Revenues	
Charges for services	\$ 232,938
Total Operating Revenues	<u>232,938</u>
Operating Expenses	
Personal services	114,157
Contractual services	100,954
Materials and supplies	25,116
Depreciation expense	21,286
Indirect administrative cost	<u>6,032</u>
Total Operating Expenses	<u>267,545</u>
Operating Income (Loss)	<u>(34,607)</u>
Nonoperating Revenues (Expenses)	
Interest income	3,541
Operating grants	8,071
Interest expense	(447)
Other income (expense)	<u>2,104</u>
Net Nonoperating Revenue (Expenses)	<u>13,269</u>
Changes in Net Assets	(21,338)
Net Assets - Beginning	<u>703,947</u>
Net Assets Ending	<u>\$ 682,609</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, 2009

Exhibit 7

	<u>Solid Waste</u>
Cash Flows From Operating Activities	
Receipts from customers	\$ 225,180
Payments to suppliers	(131,690)
Payments to employees	(114,943)
Payments to General Fund for indirect costs	(7,167)
Net Cash Used by Operating Activities	<u>(28,620)</u>
Cash Flows From Noncapital Financing Activities	
Operating grants received	5,101
Other receipts	2,104
Net Cash Provided by Noncapital Financing Activities	<u>7,205</u>
Cash Flows From Capital Financing Activities	
Principal payment on long-term capital debt	(3,433)
Interest payment on long-term capital debt	(447)
Net Cash Provided by Capital Financing Activities	<u>(3,880)</u>
Cash Flows From Investing Activities	
Interest and dividends on investments	3,541
Purchase of capital assets	(76,590)
Net Cash Provided by Investing Activities	<u>(73,049)</u>
Net Decrease in Cash and Cash Equivalents	(98,344)
Cash and Cash Equivalents at Beginning of Year	159,877
Cash and Cash Equivalents at End of Year	<u>\$ 61,533</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:	
Operating loss	\$ (34,607)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	21,286
Provision for uncollectible accounts	2,557
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(8,339)
(Increase) decrease in other receivables	(1,594)
Increase (decrease) in claims payable	(5,620)
Increase (decrease) in interfund payables	(1,135)
Increase (decrease) in compensated absences liability	(786)
Increase (decrease) in unearned revenue	(382)
Total Adjustments	<u>5,987</u>
Net Cash Used by Operating Activities	<u>\$ (28,620)</u>

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

Clay County
Statement of Fiduciary Assets and Liabilities
September 30, 2009

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	105,609
Due from other funds	6,780
Total Assets	\$ <u><u>112,389</u></u>
LIABILITIES	
Amounts held in custody for others	95,512
Due to other funds	164
Intergovernmental payables	16,713
Total Liabilities	\$ <u><u>112,389</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, 2009**

(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, 2009

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 activities 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, 2009

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, 2009**

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, 2009

E. Deposits and Investments

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

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

F. Receivables

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

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 resources. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

H. Capital Assets

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the (applicable) governmental 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 costs have been estimated and the

**CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

H. Capital Assets (Continued)

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 government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 1, 2002.

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

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, 2009

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, 2009

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, 2009**

(2) Prior Period Adjustment

A summary of significant fund equity adjustments is as follows:

<u>Statement of Activities</u>	<u>Amount</u>
<u>Explanation</u>	
To correct erroneous tax sale	(22,453)
To correct prior year bad debt expense	<u>(85,275)</u>
Total	\$ <u><u>(107,728)</u></u>

<u>Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds</u>	<u>Amount</u>
<u>Explanation</u>	
To correct erroneous tax sale	<u>(22,453)</u>
Total	\$ <u><u>(22,453)</u></u>

(3) Deposits

The carrying amount of the county's total deposits with financial institutions at September 30, 2009, was \$4,442,173 and the bank balance was \$4,687,403. 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, 2009**

(4) Interfund Transactions and Balances

The following is a summary of interfund balances at September 30, 2009:

A. Due From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Solid Waste Fund	\$ 6,032
General Fund	Other Governmental Funds	87,481
General Fund	Agency Funds	164
Other Governmental Funds	General Fund	35,037
Other Governmental Funds	Other Governmental Funds	7,208
Agency Funds	General Fund	<u>6,780</u>
Total		<u>\$ 142,702</u>

The payables from General Fund represent the tax revenue collected but not settled until October 2009. 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 and a loan for construction. The amount due from/to Other Governmental Funds represents a loan for a debt service payment. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances from/to Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ <u>149</u>
Total		<u>\$ 149</u>

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 2010.

**CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

(4) Interfund Transactions and Balances (Continued)

C. Transfers In/Out

Transfer In	Transfer Out	Amount
Other Governmental Funds	TVA Bridge Bond Fund	14,368
Other Governmental Funds	General Fund	40,931
Other Governmental Funds	Other Governmental Funds	21,668
Total		<u>\$ 76,967</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, 2009 consisted of the following:

Governmental Activities:

Description	Amount
Legislative tag credit	\$ 55,589
Reimbursement for housing prisoners	61,604
Pheba Agricultural School grant	71,600
State aid reimbursement	12,684
Motor vehicle fuel tax	17,421
Motor vehicle licenses	6,931
Other	11,293
Total Governmental Activities	<u>\$ 237,122</u>

Business-type Activities:

Description	Amount
MS Department of Environmental Quality funds	\$ 2,970
Total Business-type Activities	<u>\$ 2,970</u>

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

(6) Capital Assets

The following is a summary of capital assets activity for the year ended September 30, 2009:

Governmental activities:

	Balance Oct. 1, 2008	Additions	Deletions	Adjustments	Balance Sept. 30, 2009
<u>Non-depreciable capital assets</u>					
Land	\$ 375,327			24,000	399,327
Total non-depreciable capital assets	<u>375,327</u>	-	-0-	<u>24,000</u>	<u>399,327</u>
<u>Depreciable capital assets</u>					
Infrastructure	29,748,569	206,550			29,955,119
Buildings	4,917,278	134,013		684,813	5,736,104
Mobile equipment	4,839,058	337,188	(132,454)	96,697	5,140,489
Furniture and equipment	278,504	119,802			398,306
Leased property under capital leases	515,665	58,850		(96,697)	477,818
Total depreciable assets	<u>40,299,074</u>	<u>856,403</u>	<u>(132,454)</u>	<u>684,813</u>	<u>41,707,836</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	18,187,252	190,822			18,378,074
Buildings	2,468,599	80,976		273,925	2,823,500
Mobile equipment	3,721,877	347,105	(119,212)	57,016	4,006,786
Furniture and equipment	232,864	26,974			259,838
Leased property under capital leases	134,495	61,851		(57,016)	139,330
Total accumulated depreciation	<u>24,745,087</u>	<u>707,728</u>	<u>(119,212)</u>	<u>273,925</u>	<u>25,607,528</u>
Total depreciable capital assets, net	<u>15,553,987</u>	<u>148,675</u>	<u>(13,242)</u>	<u>410,888</u>	<u>16,100,308</u>
Governmental activities capital assets, net	<u>\$ 15,929,314</u>	<u>148,675</u>	<u>(13,242)</u>	<u>434,888</u>	<u>16,499,635</u>

The adjustments are due to the reclassification of assets from leased property to mobile equipment and to record cancellation of capital lease of land and building by industry.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

(6) Capital Assets (Continued)

Business-type activities:

	Balance Oct. 1, 2008	Additions	Deletions	Balance Sept. 30, 2009
<u>Depreciable capital assets</u>				
Mobile equipment	\$ 242,233	76,590		318,823
Furniture and equipment	12,540			12,540
Leased property under capital leases	15,741			15,741
Total depreciable assets	<u>270,514</u>	<u>76,590</u>	<u>-0-</u>	<u>347,104</u>
Less accumulated depreciation for:				
Mobile equipment	197,803	18,452		216,255
Furniture and equipment	11,286			11,286
Leased property under capital leases	2,833	2,834		5,667
Total accumulated depreciation	<u>211,922</u>	<u>21,286</u>	<u>-0-</u>	<u>233,208</u>
Total depreciable capital assets, net	<u>58,592</u>	<u>55,304</u>	<u>-0-</u>	<u>113,896</u>
Business-type activities capital assets, net	<u>\$ 58,592</u>	<u>55,304</u>	<u>-0-</u>	<u>113,896</u>

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 21,764
Public safety	195,454
Public works	451,823
Health and welfare	23,243
Economic development	15,444
Total governmental activities depreciation expense	<u>\$ 707,728</u>
Business-type activities:	
Public works	<u>\$ 21,286</u>
Total business-type activities depreciation expense	<u>\$ 21,286</u>

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

(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, 2009, to January 1, 2010. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

(8) Capital Leases

As Lessor:

The county leases the following property with varying terms and options as of September 30, 2009:

Class of Property	Amount
Industrial facilities	\$ <u><u>1,376,270</u></u>

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2009, are as follows:

	Principal	Interest
Year Ending September 30,		
2010	\$ 101,419	47,851
2011	70,555	35,241
2012	72,817	33,018
2013	75,112	30,666
2014	77,501	28,295
2015-2019	381,520	103,961
2020-2024	316,775	49,834
2025-2029	<u>170,352</u>	<u>7,118</u>
Total	<u>\$ 1,266,051</u>	<u>335,984</u>

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2009:

Classes of Property	Governmental Activities	Business-type Activities
Mobile equipment	\$ 442,643	15,741
Furniture and equipment	<u>35,176</u>	
Total	477,819	15,741
Less: Accumulated Depreciation	<u>139,330</u>	<u>5,667</u>
Leased Property Under Capital Lease	<u>\$ 338,489</u>	<u>10,074</u>

**CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

(8) Capital Leases (Continued)

The following is a schedule by years of the total payments due as of September 30, 2009:

	<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,				
2010	\$ 168,772	6,598	3,919	314
2011	71,733	2,534	4,109	123
2012	30,772	505	352	1
2013	<u>3,024</u>	<u>26</u>	<u> </u>	<u> </u>
Total	<u>\$ 274,301</u>	<u>9,663</u>	<u>8,380</u>	<u>438</u>

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

(9) **Long-term Debt**

Debt outstanding as of September 30, 2009, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rates	Final Maturity Date
Governmental Activities			
A. General Obligation Bonds:			
District 5 road 2000 issue	\$ 120,000	5/6.0	10/01/2015
District 1 road	200,000	4.8/5.4	12/1/2012
Re-Appraisal update	136,000	4.03	11/21/2013
District 4 road 2000 issue	140,000	5.2/7.0	12/01/2015
District 3 road 2000 issue	345,000	5.5/7.5	08/01/2020
District 2 road 2001 issue	365,000	5.25/5.65	12/01/2020
Courthouse remodeling	110,000	4.6/6.25	06/01/2011
County building	165,000	5.05/5.25	09/01/2014
District 4 road 2008 issue	475,000	4.0	09/01/2023
Total General Obligation Bonds	<u>\$ 2,056,000</u>		
B. Capital Leases			
Copier	\$ 2,690	3.94	01/12/2011
Canon Model IR	3,487	4.35	06/12/2011
4 2008 Ford Crown Vic	59,423	4.01	01/17/2012
IBM Computer	8,353	4.07	01/11/2011
Canon Copier	1,918	3.99	06/03/2011
2006 International truck	6,847	3.39	05/11/2010
2006 Silverado pickup	7,826	4.39	07/17/2011
2008 International dump truck	27,007	4.25	07/17/2011
Palmer Dump Trailor	17,614	3.45	03/25/2013
2008 Mack Truck	71,188	3.39	04/25/2010
International Truck	12,183	3.35	03/03/2010
Tractor	24,991	3.20	07/09/2012
2009 New Holland Tractor	30,774	3.15	07/21/2012
Total Capital Leases	<u>\$ 274,301</u>		
C. Other Loans:			
Two Volunteer fire trucks	125,166	2.00	04/01/2017
Volunteer fire building	51,000	3.89	11/22/2011
Ellis Clinic/Jail renovation	78,000	3.89	11/22/2011
Commercial building	912,654	3.00	06/01/2027
Total Other Loans	<u>\$ 1,166,820</u>		

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

(9) Long-term Debt (Continued)

Description and Purpose	Amount Outstanding	Interest Rates	Final Maturity Date
Business-type Activities			
A. Capital Leases			
Ford F-250 pickup	\$ 8,380	4.75	10/10/2011
Total Capital Leases	\$ 8,380		

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
2010	277,000	102,513	98,138	34,183
2011	287,000	88,514	99,657	30,991
2012	232,000	75,798	101,220	27,756
2013	242,000	61,972	59,827	24,476
2014	218,000	54,585	61,479	22,824
2015-2019	510,000	146,608	290,318	89,407
2020-2024	290,000	24,325	284,945	47,813
2025-2028			171,236	7,118
Total	\$ 2,056,000	554,315	1,166,820	284,568

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, 2009, the amount of outstanding debt was equal to 1.39% of the latest property assessments.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

(9) Long-term Debt (Continued)

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2009:

	Balance Oct. 1, 2008	Additions	Reductions	Balance Sept. 30, 2009	Amount due within one year
Governmental Activities:					
Compensated absences	\$ 54,916	13,128		68,044	
General obligation bonds	1,823,000	500,000	267,000	2,056,000	277,000
Capital leases	346,564	58,850	131,113	274,301	168,772
Other loans	1,288,169		121,349	1,166,820	98,138
Totals	<u>3,512,649</u>	<u>571,978</u>	<u>519,462</u>	<u>3,565,165</u>	<u>543,910</u>
Business-type Activities:					
Compensated absences	1,126		786	340	
Capital leases	11,813		3,433	8,380	3,919
Totals	<u>\$ 12,939</u>	<u>-0-</u>	<u>4,219</u>	<u>8,720</u>	<u>3,919</u>

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

(10) Deficit Fund Balances of Individual Funds

The following funds reported deficits in fund balances at September 30, 2009:

Fund	Deficit Amount
Law Library Fund	\$ 140
Pheba Agricultural School	15,930
District 4 Bond & Interest Issue 2008	6,799

(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

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

(11) Contingencies (Continued)

financial statements.

Litigation - The county is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the county with respect to the various proceedings. However, the county's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the county.

(12) Joint Venture

The county participates in the following joint venture:

Clay County is a participant with the counties of Choctaw, Lowndes, Noxubee, Oktibbeha, Webster and Winston and also the cities of Columbus, Louisville, Starkville, Macon, Eupora, West Point, and Ackerman in a joint venture, authorized by Section 17-17-307, Miss. Code Ann. (1972), to operate the Golden Triangle 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 2009. 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 \$478,621 for the maintenance and support of the college in fiscal year 2009.

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 2009.

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 \$62,324 for the library

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

(13) Jointly Governed Organizations (Continued)

during fiscal year 2009.

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 2009.

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, 2009 was 12% 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, 2009, 2008, and 2007, were \$296,006, \$278,430, and \$271,707, respectively, equal to the required contributions for each year.

**CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

(15) Subsequent Events

Events that occur after the Statement of Net Assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes. Management of Clay County evaluated the activity of the County through September 30, 2011, (the date the financial statements were available to be issued), and determined that the following subsequent event(s) have occurred that require disclosure in the notes to the financial statements.

Subsequent to September 30, 2009, Clay County issued the following debt obligations:

Issue Date	Interest Rate	Issue Amount	Type of Financing	Source of Financing
02/25/10	3.17	234,572	Lease purchase	Ad valorem taxes
05/06/10	2.99	80,000	Other loan	Ad valorem taxes
05/27/10	3.17	99,822	Lease purchase	Ad valorem taxes
06/30/10	3.52	105,000	Other loan	State insurance rebate
09/17/10	3.65	3,594	Lease purchase	Ad valorem taxes
11/04/10	3.65	4,599	Lease purchase	Ad valorem taxes
04/11/11	3.06	41,250	Lease purchase	Ad valorem taxes
09/30/11	1.96	225,000	Other loan	Ad valorem taxes

REQUIRED SUPPLEMENTARY INFORMATION

Clay County
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
General Fund
For the Year Ended September 30, 2009

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 3,359,806	3,193,693	3,193,693	-0-
Licenses, commissions and other revenue	250,300	267,552	267,552	-0-
Fines and forfeitures	215,000	190,301	190,301	-0-
Intergovernmental revenues	719,699	960,285	960,285	-0-
Charges for services	301,000	311,277	311,277	-0-
Interest income	60,000	76,912	76,912	-0-
Miscellaneous revenues	10,878	32,154	32,154	-0-
Total Revenues	<u>4,916,683</u>	<u>5,032,174</u>	<u>5,032,174</u>	<u>-0-</u>
EXPENDITURES				
Current:				
General government	2,547,799	2,634,383	2,634,383	-0-
Public safety	2,058,658	1,761,561	1,761,561	-0-
Health and welfare	145,810	145,791	145,791	-0-
Conservation of natural resources	62,053	56,639	56,639	-0-
Debt service:				
Principal	37,979	34,632	34,632	-0-
Interest	473	3,819	3,819	-0-
Total Expenditures	<u>4,852,772</u>	<u>4,636,825</u>	<u>4,636,825</u>	<u>-0-</u>
Excess of Revenues over (under) Expenditures	<u>63,911</u>	<u>395,349</u>	<u>395,349</u>	<u>-0-</u>
OTHER FINANCING SOURCES (USES)				
Transfers in		3,630	3,630	-0-
Transfers out	(138,066)	(45,527)	(45,527)	-0-
Total Other Financing Sources and Uses	<u>(138,066)</u>	<u>(41,897)</u>	<u>(41,897)</u>	<u>-0-</u>
Net Change in Fund Balance	(74,155)	353,452	353,452	-0-
Fund Balances - Beginning, as originally reported	1,355,272	1,355,272	1,355,272	-0-
Prior period adjustments		(22,453)	(22,453)	-0-
Fund Balances - Beginning	<u>1,355,272</u>	<u>1,332,819</u>	<u>1,332,819</u>	<u>-0-</u>
Fund Balances - Ending	<u>\$ 1,281,117</u>	<u>1,686,271</u>	<u>1,686,271</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, 2009

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Interest income	\$ 12,000	9,752	9,752	-0-
Interest on leases	51,296	33,951	33,951	-0-
Total Revenues	<u>63,296</u>	<u>43,703</u>	<u>43,703</u>	<u>-0-</u>
EXPENDITURES				
Current:				
Economic development and assistance	100,000	100,000	100,000	-0-
Debt service:				
Principal	38,473	37,679	37,679	-0-
Interest	28,079	23,327	23,327	-0-
Total Expenditures	<u>166,552</u>	<u>161,006</u>	<u>161,006</u>	<u>-0-</u>
Excess of Revenues over (under) Expenditures	<u>(103,256)</u>	<u>(117,303)</u>	<u>(117,303)</u>	<u>-0-</u>
OTHER FINANCING SOURCES (USES)				
Transfers in				-0-
Transfers out	(37,900)	(14,369)	(14,369)	-0-
Lease principal payments	133,960	57,516	57,516	-0-
Total Other Financing Sources and Uses	<u>96,060</u>	<u>43,147</u>	<u>43,147</u>	<u>-0-</u>
Net Change in Fund Balance	(7,196)	(74,156)	(74,156)	-0-
Fund Balances - Beginning	326,962	326,962	326,962	-0-
Fund Balances - Ending	<u>\$ 319,766</u>	<u>252,806</u>	<u>252,806</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, 2009

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, 2009

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
	<u> </u>	<u> </u>
Budget (Cash Basis)	353,452	(74,156)
Increase (Decrease)		
Net adjustments for revenue accruals	(593)	5,546
Net adjustments for expenditure accruals	<u>17,693</u>	<u>2,788</u>
GAAP Basis	<u><u>370,552</u></u>	<u><u>(65,822)</u></u>

SUPPLEMENTAL INFORMATION

Clay County
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2009

<u>Federal Grantor/ Pass-through Grantor/ Program Title or Cluster</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Defense, Office of the Army Corps of Engineers Passed through the Mississippi Office of the State Treasurer Flood plain management services	12.104		\$ <u>5,475</u>
Total U.S. Department of Defense			<u>5,475</u>
U.S. Department of Housing and Urban Development Passed through the Mississippi Department of Economic and Community Development Community development block grant/State's program*	14.228	1124-07-013-PF-01	411,000
Community development block grant/State's program*	14.228	1118-01-013-EM-01	<u>100,000</u>
Total U.S. Department of Housing and Urban Development			<u>511,000</u> *
U.S. Department of Justice Passed-through the State of Mississippi Department of Public Safety Bulletproof vest partnership program	16.607		<u>1,200</u>
Total U.S. Department of Justice			<u>1,200</u>
U.S. Department of Transportation Passed-through the Mississippi Department of Transportation Highway planning and construction	20.205		<u>1,600</u>
Total U.S. Department of Transportation			<u>1,600</u>
Total Expenditures of Federal Awards			\$ <u><u>519,275</u></u>

Notes to Schedule of Expenditures of Federal Awards

Note A: Significant Accounting Policies

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

* - Denotes major federal program

SPECIAL REPORTS

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

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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, 2009, which collectively comprise the county's basic financial statements and have issued our report thereon dated September 30, 2011. 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 09-1, 09-2, 09-3, and 09-4 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 09-3 and 09-4 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*.

We also noted certain immaterial instances of noncompliance which we have reported to the management of Clay County, Mississippi, in the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated September 30, 2011, included with this document.

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
September 30, 2011



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

Members of the Board of Supervisors
Clay County, Mississippi

Compliance

We have audited the compliance of Clay County, Mississippi, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended September 30, 2009. Clay County, Mississippi's major federal program is identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Clay County, Mississippi's management. Our responsibility is to express an opinion on Clay County, Mississippi's compliance based on our audit.

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

In our opinion, Clay County, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2009.

Internal Control Over Compliance

The management of Clay County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Clay County, Mississippi's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

A control deficiency in a county's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the county's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purposes described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Tupelo, Mississippi
September 30, 2011



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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 examined Clay County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2009. The Board of Supervisors of Clay County, Mississippi, is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

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

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

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

Purchase Clerk

1. Finding

Per State of Mississippi Purchasing Law, all purchases of the county should follow applicable purchasing procedures prior to purchase and approval for payment by the Board of Supervisors. All purchases should be obligations of the County and follow all statutory requirements. Tennessee Valley Authority (TVA) contracted with Falcon Contracting to perform certain road repairs for damage caused by TVA when constructing a new power line. TVA handled the transaction and agreed to pay for the damage. When the work was completed, the County approved payment to the vendor in the amount of \$78,517.64. We know of no authority for the County to pay a third party liability. Approval of payments for third parties could result in violations of State of Mississippi Purchasing Law and excess costs to the County.

Recommendation

The Board of Supervisors has no statutory authority to pay for liabilities of a third party. The Board was not involved in the contract with TVA and Falcon Contracting, and did not bid this project out or issue a purchase order for this repair. TVA had the sole responsibility and liability for the payment to Falcon Contracting. Although the County received reimbursed from TVA for the payment, this does not negate the fact that the County assumed the liability of a third party. We know of no statutory authority for the Board of Supervisors to pay this third party liability. The County should insure that only valid obligations of the County which have met statutory requirements are approved for payment.

Purchase Clerk's Response

This incident occurred when TVA agreed verbally with the Board of Supervisors to repair the road in question and TVA would select a contractor and have the work performed. After the work was completed TVA informed the Supervisors they could not pay the contractor directly, but had to channel payment through the County. This entire process prevented legal action on the part of the County to have TVA repair the road they damaged.

Purchase Clerk

2. Finding

All purchases of the County should be in compliance with State of Mississippi Purchasing Laws. This requires that specified items over \$50,000.00 be advertised for bids and that the purchase is made from the "lowest and best" bid. The County received bids for a fire truck, with the lowest bid being \$160,000.00. The county reviewed the bids and voted to take the matter under advisement. The County subsequently purchased the fire truck from the low bidder, paying \$162,200.00 instead of the bid price of \$160,000.00. Further, we can find no documentation that this purchase was approved by the Board of Supervisors after it was taken under advisement.

Recommendation

The Board of Supervisors should insure that all purchases of the County are made in accordance with applicable State of Mississippi Purchasing Laws. Items which are required to be bid should be purchased from the "lowest and best" bid, in accordance with State Law. Bids should not be changed after acceptance, unless there is an irregularity which falls within the provisions of the statutory guidelines. Further, all bid acceptances should be approved by the Board of Supervisors.

Purchase Clerk's Response

The fault of not having the final purchase on the minutes was the fault of the Chancery Clerk who in error left this action off the minutes. The lowest bid of \$160,000 was accepted and the added \$2,200 was for the purchase of a fire hose from this vendor who supplied the truck.

Purchase Clerk

3. Finding

All purchases of the County should be in compliance with State of Mississippi Purchasing Laws. This requires that specified items over \$50,000.00 be advertised for bids and that the purchase is made from the "lowest and best" bid. The County received bids for a garbage truck, which included bid specifications for a rear loader and a truck chassis. At the Board of Supervisors meeting subsequent to bid receipts, the Board agreed to take the bids under advisement for further study. Two (2) months after this Board meeting, a purchase order was issued in the amount of \$65,640.00 for a chassis only. There was no documentation that this was re-bid for only the chassis, nor that the Board of Supervisors approved this purchase.

Recommendation

The Board of Supervisors should insure that all purchases of the County are made in accordance with applicable State of Mississippi Purchasing Laws. Items which are required to be bid should be purchased from the "lowest and best" bid, in accordance with State Law. Bids should not be changed after acceptance, unless there is an irregularity which falls within the provisions of the statutory guidelines. Further, all bid acceptances should be approved by the Board of Supervisors.

Purchase Clerk's Response

When bids were taken, it was for a complete garbage truck, chassis, and compactor. These items were priced separately in the bids received from the bidders. The Board of Supervisors selected the lowest priced chassis and rejected the garbage compactor because the garbage truck being replaced had a damaged compactor that could be repaired by county personnel. This saved the county money as the damaged compactor was repaired and placed on the new chassis and is still being used in our Sanitation

department.

Inventory Control System

4. Finding

Section 31-7-107, Miss. Code Ann. (1972), requires the county to establish and maintain an inventory control system. As reported in the prior year's audit report, controls over fixed assets should be strengthened to insure that assets are properly accounted for and safeguarded. The following items were noted during our review of capital assets:

- Several assets were not identifiable by an inventory control tag;
- One item which had no inventory control tag had been scheduled for disposal, but was still on the property; and
- Several computer keyboards were either erroneously tagged with an incorrect tag number or did not have a "Property of Clay County" tag.

Failure to properly account for capital assets could result in misappropriation of assets, and misstatements on the financial statements.

Recommendation

The County should strengthen internal controls over the recording and safeguarding of capital assets. Capital assets should be properly accounted for and properly tagged.

Inventory Control Clerk's Response

We have already addressed this issued and will comply; however, with over a thousand items on the inventory and being used everyday control tags sometimes wear off or are removed through the daily wear and tear.

In our opinion, except for the noncompliance referred to in the preceding paragraph, Clay County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements.

The accompanying schedules of (1) purchases not made from the lowest bidder, (2) emergency purchases, and (3) purchases made noncompetitively from a sole source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

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

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
September 30, 2011

J. E. Vance & Company

Clay County
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2009

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, 2009**

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, 2009

Schedule 3

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

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Limited Internal Control and Compliance Review Management Report

Members of the Board of Supervisors
Clay County, Mississippi

In planning and performing our audit of the financial statements of Clay County, Mississippi for the year ended September 30, 2009, 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 September 30, 2011, on the financial statements of Clay County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of 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.

The results of our review procedures and compliance tests identified an immaterial instance of noncompliance with state laws and regulations that are opportunities for strengthening internal controls and operating efficiency. Our finding, recommendation, and your response are disclosed below:

Finding

According to Public Employees Retirement System (PERS) regulations, to lawfully employ a PERS service retiree, the employer must notify the Retirement System in writing of the terms of the eligible employment within five (5) days of employment and also from the date of termination on a from prescribed by the Board. Failure by the employer to timely notify the Retirement System may result in the assessment of a \$300.00 penalty per occurrence payable by the employer.

In our testwork regarding compliance with this ordinance, only one employee had properly completed their PERS form according to PERS regulations.

This lack of internal controls over rehired retirees could result in employing retirees who are ineligible for re-employment and assessment of fines by PERS.

Recommendation

The Board of Supervisors should strengthen internal controls over the payroll function to insure that all PERS regulations are followed when employing retirees participating in PERS.

Response

This form (12) must be renewed annually every July 1st. The payroll administrator places the forms prescribed in each qualified employees check on July 1st with the instructions to return to her office. We sometimes have had to follow up with the employees to remind them to return the form timely to the payroll administrator. We will do a better job of getting the qualified employees to complete this paperwork timely.

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

This report is intended 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
September 30, 2011

A handwritten signature in cursive script that reads "J. E. Vance + Company". The signature is written in black ink and is positioned to the right of the date and location text.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**CLAY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

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 |

Federal Awards:

- | | |
|--|---------------|
| 4. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiencies identified that are not considered to be material weaknesses? | None Reported |
| 5. Type of auditors' report issued on compliance for major federal programs: | Unqualified |
| 6. Any audit findings disclosed that are required to be reported in accordance with Section __.510(a) of OMB Circular A-133? | No |
| 7. Federal programs identified as major programs: | |
| Community development block grants/State's programs, CFDA #14.228 | |
| 8. The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. Auditee qualified as low-risk auditee? | No |

CLAY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

10. Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____315(b) of OMB Circular A-133? No

Section 2: Financial Statement Findings

Board of Supervisors

Significant Deficiency

09.1 Finding:

Per Travel Policy approved by the Board of Supervisors, "all travel that has been authorized by this Board and that is to be reimbursed with county funds shall be documented for reimbursement with receipts that reflect actual expenses incurred by the employee or official". This Board approved policy agrees with the State of Mississippi Travel policy, as well.

During our review of expenses, it was noted that some travel reimbursements included payments to employees who did not provide receipts, nor did they itemize meal expenses. This is a violation of both Board of Supervisors policy, as well as State of Mississippi Travel Policy. Failure to follow this policy could result in overpayment of travel expenses and misappropriation of funds.

Recommendation

The Board of Supervisors should strength internal controls regarding travel reimbursement to insure that only those expenses properly documented and in accordance with Board policy as well as State of Mississippi policy, are reimbursed. Requests for travel expense reimbursement which are not in compliance with these policies should not be approved for reimbursement. It is also recommended that employees are made aware of the policies prior to traveling on behalf of the county.

Board of Supervisors' Response

The travel policy is adhered to by all county personnel except the Board members who choose to take the maximum daily allowance for meals when they travel.

**CLAY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

Inventory Control Clerk

Significant Deficiency

09.2 Finding:

Section 31-7-107, Miss. Code Ann. (1972), requires the county to establish and maintain an inventory control system. As reported in the prior year's audit report, controls over fixed assets should be strengthened to insure that assets are properly accounted for and safeguarded. The following items were noted during our review of capital assets:

- Several assets were not identifiable by an inventory control tag;
- One item which had no inventory control tag had been scheduled for disposal, but was still on the property; and
- Several computer keyboards were either erroneously tagged with an incorrect tag number or did not have a "Property of Clay County" tag.

Failure to properly account for capital assets could result in misappropriation of assets, and misstatements on the financial statements.

Recommendation:

The County should strengthen internal controls over the recording and safeguarding of capital assets. Capital assets should be properly accounted for and properly tagged.

Inventory Control Clerk's Response

We have already addressed this issued and will comply; however, with over a thousand items on the inventory and being used everyday control tags sometimes wear off or are removed through the daily wear and tear.

**CLAY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

Tax Assessor/Collector

Material Weakness

09.3 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

These problems have been addressed.

Material Weakness

09.4 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

These problems have been addressed.

Section 3: Federal Awards Findings and Questioned Costs

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