

**ANNUAL FINANCIAL REPORT
CLAY COUNTY, TENNESSEE**



FOR THE YEAR ENDED JUNE 30, 2008



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ANNUAL FINANCIAL REPORT
CLAY COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2008

DEPARTMENT OF AUDIT
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State Auditors

This financial report is available at www.comptroller.state.tn.us

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CLAY COUNTY, TENNESSEE TABLE OF CONTENTS

	Exhibit	Page(s)
Audit Highlights		9-10
<u>INTRODUCTORY SECTION</u>		11
Clay County Officials		13
<u>FINANCIAL SECTION</u>		15
Independent Auditor's Report		17-19
BASIC FINANCIAL STATEMENTS:		21
Government-wide Financial Statements:		
Statement of Net Assets	A	23
Statement of Activities	B	24-25
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C-1	26-27
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	C-2	28
Statement of Revenues, Expenditures, and Changes in Fund Balances	C-3	29-30
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	C-4	31
Fiduciary Funds:		
Statement of Fiduciary Assets and Liabilities	D	32
Notes to the Financial Statements		33-60
REQUIRED SUPPLEMENTARY INFORMATION:		61
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
General Fund	E-1	63-64
Solid Waste/Sanitation Fund	E-2	65
Highway/Public Works Fund	E-3	66
Schedule of Funding Progress – Pension Plan	E-4	67
Schedule of Funding Progress – Other Postemployment Benefits Plan	E-5	68
Notes to the Required Supplementary Information		69

	Exhibit	Page(s)
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		71
Nonmajor Governmental Funds:		73
Combining Balance Sheet	F-1	75
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	F-2	76
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
Courthouse and Jail Maintenance Fund	F-3	77
Drug Control Fund	F-4	78
Major Governmental Fund:		79
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:		
General Debt Service Fund	G	81
Fiduciary Funds:		83
Combining Statement of Fiduciary Assets and Liabilities	H-1	85
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	H-2	86
Component Unit:		
Discretely Presented Clay County School Department:		87
Statement of Activities	I-1	89
Balance Sheet – Governmental Funds	I-2	90
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	I-3	91
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	I-4	92
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	I-5	93
Combining Balance Sheet – Nonmajor Governmental Funds	I-6	94
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	I-7	95
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
General Purpose School Fund	I-8	96-97
School Federal Projects Fund	I-9	98
Central Cafeteria Fund	I-10	99
Miscellaneous Schedules:		101
Schedule of Changes in Long-term Capital Leases and Other Loans – Primary Government and Discretely Presented Clay County School Department	J-1	103

	Exhibit	Page(s)
Schedule of Long-term Debt Requirements by Year – Primary Government and Discretely Presented Clay County School Department	J-2	104
Schedule of Transfers – Primary Government and Discretely Presented Clay County School Department	J-3	105
Schedule of Salaries and Official Bonds of Principal Officials – Primary Government and Discretely Presented Clay County School Department	J-4	106
Schedule of Detailed Revenues – All Governmental Fund Types	J-5	107-110
Schedule of Detailed Revenues – All Governmental Fund Types – Discretely Presented Clay County School Department	J-6	111-112
Schedule of Detailed Expenditures – All Governmental Fund Types	J-7	113-126
Schedule of Detailed Expenditures – All Governmental Fund Types – Discretely Presented Clay County School Department	J-8	127-139
Schedule of Detailed Receipts, Disbursements, and Changes in Cash Balance – City Agency Fund	J-9	140
 <u>SINGLE AUDIT SECTION</u>		 141
Auditor’s Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>		143-145
Auditor’s Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With <u>OMB Circular A-133</u>		147-149
Schedule of Expenditures of Federal Awards and State Grants		151-152
Schedule of Audit Findings Not Corrected		153-154
Schedule of Findings and Questioned Costs		155-163
Auditee Reporting Responsibilities		165

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Audit Highlights

Annual Financial Report
Clay County, Tennessee
For the Year Ended June 30, 2008

Scope

We have audited the basic financial statements of Clay County as of and for the year ended June 30, 2008.

Results

Our report on the aggregate discretely presented component units is qualified because the financial statements did not include a component unit whose financial statements were not available from other auditors at the date of this report. Our report on the governmental activities, each major fund, and the aggregate remaining fund information is unqualified.

Our audit resulted in 12 findings and recommendations, which we have reviewed with Clay County management. Detailed findings, recommendations, and management's responses are included in the Single Audit section of this report.

Findings

The following are summaries of the audit findings:

OFFICE OF COUNTY MAYOR

- ◆ The office had not established a formal purchase order system, and several invoices were paid without documentation that goods had been received or services rendered. Also, in some instances, invoices were not on file to support purchases.
- ◆ Certain financial activity of the Clay County Public Library was not audited and was not subject to budgetary control of the County Commission.

OFFICE OF ROAD SUPERINTENDENT

- ◆ The office had not established a formal purchase order system.
 - ◆ The road superintendent did not prepare and submit a list of county roads to the County Commission as required by state statute.
-

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ At June 30, 2008, the School Federal Projects Fund had a cash overdraft of \$4,811.
-

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

- ◆ The clerk did not properly post short-term investment account activity to the general ledger in Circuit Court.
 - ◆ The clerk prepared execution docket trial balances for Circuit and General Sessions Courts; however, these trial balances did not reconcile with the general ledger accounts by \$80,805 and \$10,286, respectively.
 - ◆ The office did not review software audit logs for several months of the year examined.
-

OFFICE OF CLERK AND MASTER

- ◆ The clerk did not post short-term investment accounts of \$28,580 to the accounting records.
-

OFFICE OF REGISTER

- ◆ The office did not review software audit logs for several months of the year examined.
-

OTHER FINDINGS

- ◆ County officials had not adopted a central system of accounting, budgeting, and purchasing.
- ◆ Duties were not segregated adequately in the Offices of County Mayor, Road Superintendent, Director of Schools, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff.

INTRODUCTORY SECTION

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Clay County Officials
June 30, 2008

Officials

Dale Reagan, County Mayor
Ernest Garrison, Road Superintendent
Dr. Doug Young, Director of Schools
Charlie Key, Trustee
Billy Smith, Assessor of Property
Patricia Hix, County Clerk
Susan Birdwell, Circuit and General Sessions Courts Clerk
Corinne McLerran, Clerk and Master
Brenda Browning, Register
James Storie, Sheriff

Board of County Commissioners

Dale Reagan, Chairman	
Jamie Allen	Roger Gray
Michael Boles	Cecil Langford
Denzil Cherry	Timmie Scott
Bryan Coons	Beverly Young
Dorothy Forney	Winton Young

Board of Education

Richard Roberts, Chairman	Connie Dillehay
Elizabeth Boles	Bill Donaldson
Russell Cherry	Terry Meadows
Robert Cox	David Ogletree
Wanda Daniels	David West

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FINANCIAL SECTION

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**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0269
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INDEPENDENT AUDITOR'S REPORT

October 29, 2008

Clay County Mayor and
Board of County Commissioners
Clay County, Tennessee

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Clay County, Tennessee, as of and for the year ended June 30, 2008, which collectively comprise Clay County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Clay 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 auditing 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.

The financial statements of the Clay County Emergency Communications District, a component unit requiring discrete presentation, had not been made available by other auditors as of the date of this report. Accordingly, the aggregate discretely presented

component units' financial statements referred to above do not include amounts for the Clay County Emergency Communications District, which should be included to conform with accounting principles generally accepted in the United States of America. The effects on the financial statements of the aggregate discretely presented component units are not reasonably determinable.

In our opinion, except for the effects of not including the financial statements of the Clay County Emergency Communications District as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units of Clay County, Tennessee, at June 30, 2008, and the results of operations of the aggregate discretely presented component units, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Additionally, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Clay County, Tennessee, as of June 30, 2008, 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 October 29, 2008, on our consideration of Clay County's internal control over financial reporting and 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.

As described in Note V.B., Clay County has implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. For the first time, the financial statements include the government-wide financial statements. Also, as described in Note V.B., Clay County has adopted GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions; Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues; and Statement No. 50, Pension Disclosures.

The management of Clay County did not prepare the management's discussion and analysis. The management's discussion and analysis section is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America.

The budgetary comparison, pension, and other postemployment benefits information on pages 63 through 69 are not required parts of the basic financial statements but they do provide supplementary information required by accounting principles generally accepted in the United States of America. 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's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Clay County School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Clay County School Department (a discretely presented component unit), and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,

A handwritten signature in cursive script that reads "John G. Morgan". The signature is written in black ink and is positioned above the typed name.

John G. Morgan
Comptroller of the Treasury

JGM/sb

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BASIC FINANCIAL STATEMENTS

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Exhibit A

Clay County, Tennessee
Statement of Net Assets
June 30, 2008

	<u>Primary Government Governmental Activities</u>	<u>Component Unit Clay County School Department</u>
<u>ASSETS</u>		
Cash	\$ 34,038	\$ 1,247
Equity in Pooled Cash and Investments	1,965,811	1,594,423
Accounts Receivable	23,153	0
Allowance for Uncollectibles	(7,815)	0
Due from Other Governments	344,259	305,883
Property Taxes Receivable	1,390,970	1,246,310
Allowance for Uncollectible Property Taxes	(42,210)	(37,820)
Capital Assets:		
Assets Not Depreciated:		
Land	40,000	338,698
Construction in Progress	0	60,000
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	422,467	7,492,809
Other Capital Assets	948,763	780,971
Infrastructure	8,975,775	488,851
Total Assets	<u>\$ 14,095,211</u>	<u>\$ 12,271,372</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 810	\$ 15,000
Payroll Deductions Payable	0	12
Cash Overdraft	0	4,811
Accrued Interest Payable	10,916	0
Due to Litigants, Heirs, and Others	100	0
Deferred Revenue - Current Property Taxes	1,281,559	1,148,278
Noncurrent Liabilities:		
Due Within One Year	33,004	208,934
Due in More Than One Year	100,861	7,180,819
Total Liabilities	<u>\$ 1,427,250</u>	<u>\$ 8,557,854</u>
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	\$ 10,253,140	\$ 1,813,329
Restricted for:		
Debt Service	769,997	0
Courthouse and Jail Maintenance	5,177	0
Solid Waste/Sanitation	271,577	0
Drug Control	107,430	0
Highway/Public Works	737,716	0
Capital Projects	0	24,780
School Federal Projects	0	18,973
Central Cafeteria	0	81,242
Other Purposes	100,927	1,194,481
Unrestricted	421,997	580,713
Total Net Assets	<u>\$ 12,667,961</u>	<u>\$ 3,713,518</u>

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

Exhibit B

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

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Component Unit	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Total Governmental Activities		Clay County School Department
Primary Government:							
Governmental Activities:							
General Government	\$ 462,943	\$ 55,887	\$ 33,942	\$ 0	\$ (373,114)	\$ 0	
Finance	312,930	117,725	4,099	0	(191,106)	0	
Administration of Justice	334,695	255,889	6,750	0	(72,056)	0	
Public Safety	1,141,263	153,878	16,959	0	(970,426)	0	
Public Health and Welfare	726,636	108,401	134,848	308,256	(175,131)	0	
Social, Cultural, and Recreational Services	131,630	0	13,608	0	(118,022)	0	
Agriculture and Natural Resources	132,149	0	0	0	(132,149)	0	
Other Operations	458,138	0	0	0	(458,138)	0	
Highways/Public Works	1,564,008	0	1,362,974	147,476	(53,558)	0	
Interest on Long-term Debt	265	0	0	0	(265)	0	
Other Debt Service	2,560	0	0	0	(2,560)	0	
Total Governmental Activities	\$ 5,267,217	\$ 691,780	\$ 1,573,180	\$ 455,732	\$ (2,546,525)	\$ 0	
Total Primary Government	\$ 5,267,217	\$ 691,780	\$ 1,573,180	\$ 455,732	\$ (2,546,525)	\$ 0	
Component Unit:							
Clay County School Department	\$ 10,167,322	\$ 177,261	\$ 1,456,613	\$ 20,000	\$ 0	\$ (8,513,448)	

(Continued)

Exhibit B

Clay County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary	Component
				Governmental Activities	Unit
				Clay	
				County	
				School	
				Department	
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes			\$ 1,278,539	\$	1,175,869
Property Taxes Levied for Debt Service			31,548		0
Local Option Sales Taxes			268,105		555,485
Wheel tax			195,938		0
Wholesale Beer Tax			248,269		0
Other Local Taxes			66,593		926
Grants and Contributions Not Restricted to Specific Programs			341,168		6,728,321
Unrestricted Investment Earnings			105,296		1,621
Miscellaneous			36,325		48,337
Sale of Equipment			3,450		0
Total General Revenues			\$ 2,575,231	\$	8,510,559
Insurance Recovery			\$ 19,306	\$	50
Change in Net Assets			\$ 48,012	\$	(2,839)
Net Assets, July 1, 2007			12,619,949		3,716,357
Net Assets, June 30, 2008			\$ 12,667,961	\$	3,713,518

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

Clay County, Tennessee
 Balance Sheet
 Governmental Funds
 June 30, 2008

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Governmental Funds		
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 34,038	\$ 34,038
Equity in Pooled Cash and Investments	355,373	208,913	508,808	778,822	113,895	1,965,811	1,965,811
Accounts Receivable	122	23,031	0	0	0	23,153	23,153
Allowance for Uncollectibles	0	(7,815)	0	0	0	(7,815)	(7,815)
Due from Other Governments	88,332	27,019	228,908	0	0	344,259	344,259
Due from Other Funds	0	0	0	1,288	0	1,288	1,288
Property Taxes Receivable	934,732	422,855	0	33,383	0	1,390,970	1,390,970
Allowance for Uncollectible Property Taxes	(28,365)	(12,832)	0	(1,013)	0	(42,210)	(42,210)
Total Assets	\$ 1,350,194	\$ 661,171	\$ 737,716	\$ 812,480	\$ 147,933	\$ 3,709,494	\$ 3,709,494

ASSETS

Cash
 Equity in Pooled Cash and Investments
 Accounts Receivable
 Allowance for Uncollectibles
 Due from Other Governments
 Due from Other Funds
 Property Taxes Receivable
 Allowance for Uncollectible Property Taxes

Total Assets

LIABILITIES AND FUND BALANCES

Liabilities
 Accounts Payable
 Due to Other Funds
 Due to Litigants, Heirs, and Others
 Deferred Revenue - Current Property Taxes
 Deferred Revenue - Delinquent Property Taxes
 Other Deferred Revenues
 Total Liabilities

Fund Balances
 Reserved for Alcohol and Drug Treatment
 Reserved for Sexual Offender Registration
 Reserved for Courtroom Security
 Reserved for Computer System - Register

(Continued)

Clay County, Tennessee
Balance Sheet
Governmental Funds (Cont.)

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Governmental Funds		
\$	296	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	296
	2,698	0	0	0	0	0	2,698
	786	0	0	0	0	0	786
	11,041	0	0	0	0	0	11,041
	388,059	0	0	0	0	0	388,059
	0	225,546	623,262	0	146,545	995,353	
	0	0	0	779,514	0	779,514	
\$	419,425	\$ 225,546	\$ 623,262	\$ 779,514	\$ 146,545	\$ 2,194,292	
\$	1,350,194	\$ 661,171	\$ 737,716	\$ 812,480	\$ 147,933	\$ 3,709,494	

LIABILITIES AND FUND BALANCES (Cont.)

Fund Balances (Cont.)
Reserved for Automation Purposes - Circuit Court
Reserved for Automation Purposes - General Sessions Court
Reserved for Automation Purposes - Chancery Court
Reserved for Other General Purposes
Unreserved, Reported In:
General Fund
Special Revenue Funds
Debt Service Funds
Total Fund Balances

Total Liabilities and Fund Balances

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

Exhibit C-2

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

Amounts reported for governmental activities in the statement of net assets (Exhibit A) are different because:

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$	2,194,292
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	40,000	
Add: infrastructure net of accumulated depreciation		8,975,775	
Add: buildings and improvements net of accumulated depreciation		422,467	
Add: other capital assets net of accumulated depreciation		948,763	10,387,005
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: capital leases payable	\$	(56,196)	
Less: accrued interest on bonds, notes, other loans, and capital leases		(77,669)	
Less: compensated absences payable		(10,916)	(144,781)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			
Add: other deferred revenues	\$	173,169	
Add: deferred revenues from delinquent taxes net of allowance		58,276	231,445
Net assets of governmental activities (Exhibit A)			<u>\$ 12,667,961</u>

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

Exhibit C-3

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

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other	Governmental Funds	
<u>Revenues</u>							
Local Taxes	\$ 1,674,554	\$ 404,276	\$ 970	\$ 66,360	\$ 1,844	\$ 2,148,004	
Licenses and Permits	3,944	0	0	0	0	3,944	
Fines, Forfeitures, and Penalties	38,139	0	0	0	58,934	97,073	
Charges for Current Services	5,330	61,581	0	0	167,043	233,954	
Other Local Revenues	56,113	43,564	0	105,296	812	205,785	
Fees Received from County Officials	190,135	0	0	0	0	190,135	
State of Tennessee	535,571	8,282	1,505,548	0	0	2,049,401	
Federal Government	334,570	0	0	0	0	334,570	
Other Governments and Citizens Groups	10,000	0	0	0	0	10,000	
Total Revenues	\$ 2,848,356	\$ 517,703	\$ 1,506,518	\$ 171,656	\$ 228,633	\$ 5,272,866	
<u>Expenditures</u>							
Current:							
General Government	\$ 412,638	\$ 0	\$ 0	\$ 0	\$ 5,296	\$ 417,934	
Finance	131,455	0	0	0	167,411	298,866	
Administration of Justice	294,071	0	0	0	948	295,019	
Public Safety	974,249	0	0	0	21,112	995,361	
Public Health and Welfare	258,110	418,631	0	0	0	676,741	
Social, Cultural, and Recreational Services	118,214	0	0	0	0	118,214	
Agriculture and Natural Resources	116,837	0	0	0	0	116,837	
Other Operations	689,847	8,674	0	0	509	699,030	
Highways	41,448	0	1,412,568	0	0	1,454,016	
Debt Service:							
Principal on Debt	0	0	0	33,408	0	33,408	
Interest on Debt	0	0	0	3,246	0	3,246	
Other Debt Service	0	0	0	2,560	0	2,560	
Total Expenditures	\$ 3,036,869	\$ 427,305	\$ 1,412,568	\$ 39,214	\$ 195,276	\$ 5,111,232	

(Continued)

Exhibit C-3

Clay County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds (Cont.)

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Governmental Funds	Governmental Funds	
Excess (Deficiency) of Revenues Over Expenditures	\$ (188,513)	\$ 90,398	\$ 93,950	\$ 132,442	\$ 33,357	\$ 161,634	
Other Financing Sources (Uses)							
Insurance Recovery	\$ 2,321	\$ 0	\$ 16,985	\$ 0	\$ 0	\$ 19,306	
Transfers In	0	0	0	1,288	2,576	3,864	
Transfers Out	0	0	0	(2,576)	(1,288)	(3,864)	
Total Other Financing Sources (Uses)	\$ 2,321	\$ 0	\$ 16,985	\$ (1,288)	\$ 1,288	\$ 19,306	
Net Change in Fund Balances	\$ (186,192)	\$ 90,398	\$ 110,935	\$ 131,154	\$ 34,645	\$ 180,940	
Fund Balance, July 1, 2007	735,617	5,148	512,327	648,360	111,900	2,013,352	
Prior Period Adjustment	(130,000)	130,000	0	0	0	0	
Fund Balance, June 30, 2008	\$ 419,425	\$ 225,546	\$ 623,262	\$ 779,514	\$ 146,545	\$ 2,194,292	

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

Exhibit C-4

Clay County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2008

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

Net change in fund balances - total governmental funds (Exhibit C-3)		\$ 180,940
<p>(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:</p>		
Add: capital assets purchased in the current period	\$ 103,089	
Less: current year depreciation expense	<u>(260,544)</u>	(157,455)
<p>(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.</p>		
Less: loss on disposal of capital assets		(2,225)
<p>(3) Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.</p>		
Less: deferred delinquent property taxes and other deferred June 30, 2007	\$ (208,388)	
Add: deferred delinquent property taxes and other deferred June 30, 2008	<u>231,445</u>	23,057
<p>(4) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:</p>		
Add: principal payments on capital leases	\$ 6,275	
Add: principal payments on other loans	<u>27,133</u>	33,408
<p>(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
Add: decrease in accrued interest on other loans	\$ 2,981	
Less: increase in compensated absences	<u>(32,694)</u>	<u>(29,713)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 48,012</u>

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

Exhibit D

Clay County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2008

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 406,867
Due from Other Governments	<u>47,261</u>
Total Assets	<u><u>\$ 454,128</u></u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 47,261
Due to Litigants, Heirs, and Others	<u>406,867</u>
Total Liabilities	<u><u>\$ 454,128</u></u>

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

CLAY COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Clay County's financial statements are presented in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments.

The following are the more significant accounting policies of Clay County:

A. Reporting Entity

Clay County is a public municipal corporation governed by an elected ten-member board. As required by GAAP, these financial statements present Clay County (the primary government) and its component units. The component units discussed below are included in the county's reporting entity because of the significance of their operational or financial relationships with the county.

Blended Component Units – There are no legally separate component units of Clay County that meet the criteria for being reported as part of the primary government by the blending method.

Discretely Presented Component Units – The following entities meet the criteria for discretely presented component units of the county. They are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the county.

The Clay County School Department operates the public school system in the county and the voters of Clay County elect its board. The School Department is fiscally dependent on the county because it may not issue debt without county approval, and its budget and property tax levy are subject to the County Commission's approval. The School Department's taxes are levied under the taxing authority of the county and are included as part of the county's total tax levy.

The Clay County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Clay County, and the Clay County Commission appoints its governing body. The district is funded primarily through a service charge levied on telephone services. Before the issuance of most debt instruments, the district must obtain the County Commission's approval. The financial statements of the Clay County Emergency Communications District were not available from other auditors in time for inclusion in this report.

The Clay County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of the School Department are included in this report as listed in the table of contents. Although required by GAAP, the financial statements of the Clay County Emergency Communications District were not available in time for inclusion, as previously mentioned. Complete financial statements of the Clay County Emergency Communications District can be obtained from its administrative office at the following address:

Administrative Office:

Clay County Emergency Communications District
400 West Lake Avenue
Celina, TN 38551

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. However, when applicable, interfund services provided and used between functions are not eliminated in the process of consolidation in the statement of activities. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities, which rely to a significant extent on fees and charges, are required to be reported separately from governmental activities in government-wide financial statements. However, the primary government of Clay County does not have any business-type activities to report. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The Clay County School Department component unit only reports governmental activities in the government-wide financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds. The fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary funds financial statements, except for agency funds which have no measurement focus. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund financial statements of Clay 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. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental category. Clay County has no proprietary funds to report.

Separate financial statements are provided for governmental funds and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All other governmental funds are aggregated into a single column on the fund financial statements. The fiduciary funds in total are reported in a single column.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the county considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. Clay County considers grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the General Debt Service Fund for payments to be made early in the following year.

Property taxes for the period levied, in-lieu-of tax payments, sales taxes, interest, and miscellaneous taxes are all considered to be susceptible to accrual and have been recognized as revenues of the current period. Applicable business taxes, litigation taxes, state-shared excise taxes, fines, forfeitures, and penalties are not susceptible to accrual since they are not

measurable (reasonably estimable). All other revenue items are considered to be measurable and available only when the county receives cash.

Fiduciary funds financial statements are reported using the economic resources measurement focus (except for agency funds which have no measurement focus) and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Clay County reports the following major governmental funds:

General Fund – This is the county’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Solid Waste/Sanitation Fund – This fund accounts for transactions relating to the disposal of Clay County’s solid waste.

Highway/Public Works Fund – This fund accounts for transactions of the county’s Highway Department.

General Debt Service Fund – This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Additionally, Clay County reports the following fund type:

Agency Funds – These funds account for amounts collected in an agency capacity by the constitutional officers and local sales taxes received by the state to be forwarded to the various cities in Clay County. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They do, however, use the accrual basis of accounting to recognize receivables and payables.

The discretely presented Clay County School Department reports the following major governmental fund:

General Purpose School Fund – This fund is the primary operating fund for the School Department. It is used to account for general operations of the School Department.

Additionally, the Clay County School Department reports the following fund types:

Special Revenue Funds – These funds account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes.

Capital Projects Fund – The Education Capital Projects Fund is used to account for construction projects of the School Department.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted revenues first, then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

State statutes authorize the government to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; the county's own legally issued bonds or notes; the State Treasurer's Investment Pool; and repurchase agreements.

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented Clay County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General Debt Service Fund. In addition, investments are held separately by several of the county's funds. Clay County and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes

require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

2. Receivables and Payables

Activity between funds for unremitted current collections outstanding at the end of the fiscal year is referred to as due to/from other funds.

All solid waste and property taxes receivable are shown with an allowance for uncollectibles. Solid waste receivables allowance for uncollectibles is based on historical collection data. The allowance for uncollectible property taxes is equal to 1.62 percent of total taxes levied.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises. This date is January 1 and is referred to as the lien date. However, revenues from property taxes are recognized in the period for which the taxes are levied, which is the ensuing fiscal year. Since the receivable is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated allowance for uncollectible taxes, is reported as deferred revenue as of June 30.

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported as revenue during the current fiscal year. These property taxes receivable are presented on the balance sheet with offsetting deferred revenue to reflect amounts not available as of June 30. Property taxes collected within 30 days of year-end are considered available and accrued. The allowance for uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court for collection are not included in taxes receivable since they are neither measurable nor available.

Property taxes are levied as of the first Monday in October. Taxes become delinquent and begin accumulating interest and penalty the following March 1. Suit must be filed in Chancery Court between the following February 1 to April 1 for any remaining unpaid taxes. Additional costs attach to delinquent taxes after a court suit has been filed.

3. Capital Assets

Governmental funds do not capitalize the cost of capital outlays; these funds report capital outlays as expenditures upon acquisition.

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$10,000 or more and an estimated useful life of more than five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, equipment, and infrastructure of the primary government and the discretely presented School Department are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and Improvements	25 - 40
Other Capital Assets	5 - 30
Infrastructure:	
Roads	20 - 75
Bridges	75

4. Compensated Absences

It is the county's policy to permit employees to accumulate up to 12 days each of vacation and sick leave beyond year-end. There is no liability for accumulated unpaid sick leave since Clay County does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide financial statements for the county.

A liability for vacation pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

The general policy of the School Department does not allow for the accumulation of vacation days beyond year-end. All professional personnel (teachers) of the School Department are allowed to accumulate unlimited sick leave days. The granting of sick leave has no guaranteed payment attached, and therefore, is not required to be accrued or recorded. Accrued leave included on the government-wide statements is for accumulated compensatory time for central office personnel.

5. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the straight-line method. Debt issuance costs are reported as deferred charges and amortized over the term of the related debt. In refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is netted against the new debt and amortized over the remaining life of the refunded debt or the life of the new debt issued, whichever is shorter.

In the fund financial statements, governmental funds recognize debt premiums and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Only the matured portion (the portion that has come due for payment) of long-term indebtedness, including bonds payable, is recognized as a liability and expenditure in the governmental fund financial statements. Liabilities and expenditures for other long-term obligations, including compensated absences, are recognized to the extent that the liabilities have matured (come due for payment) each period.

6. Net Assets and Fund Equity

In the government-wide financial statements, equity is classified as net assets and displayed in three components:

- a. 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, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

On the government-wide statement of net assets (Exhibit A), the account Restricted for Other Purposes for the discretely presented School Department consists of various restrictions totaling \$1,194,481, with the primary restriction being for the Basic Education Program (\$1,178,034).

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

7. Prior-period Adjustments

In previous years, the Solid Waste/Sanitation Fund borrowed \$130,000 in tax anticipation notes from the General Fund. At June 30, 2007, these notes had not been repaid and were reflected as a receivable in the General Fund and a payable in the Solid Waste/Sanitation Fund. On October 1, 2007, the Clay County Commission voted to forgive these loans; therefore, as shown on Exhibit C-3, the beginning fund balances of these two funds have been restated to reflect this action.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

Primary Government

Exhibit C-2 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide statement of net assets.

Discretely Presented Clay County School Department

Exhibit I-3 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide statement of net assets.

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

Primary Government

Exhibit C-4 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the change in net assets of governmental activities reported in the government-wide statement of activities.

Discretely Presented Clay County School Department

Exhibit I-5 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the change in net assets of governmental activities reported in the government-wide statement of activities.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except the Constitutional Officers - Fees Fund (special revenue fund) which is not budgeted, and the discretely presented Education Capital Projects Fund, which adopts project length budgets. All annual appropriations lapse at fiscal year end.

The county is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, Board of Equalization, County Mayor, County Attorney, etc.). Management may make revisions within major categories, but only the County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

The county's budgetary basis of accounting is consistent with GAAP, except instances in which encumbrances are treated as budgeted expenditures. The difference between the budgetary basis and GAAP basis is presented on the face of each budgetary schedule.

B. Cash Overdraft

The discretely presented School Federal Projects Fund had a cash overdraft of \$4,811 at June 30, 2008. This cash overdraft resulted from the issuance of warrants exceeding cash on deposit with the county trustee. The cash overdraft was liquidated subsequent to June 30, 2008.

C. Expenditures Exceeded Appropriations

Expenditures exceeded appropriations approved by the County Commission in the Other Operations major appropriation category (the legal level of control) of the Solid Waste/Sanitation Fund by \$8,674. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balance.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Clay County and the Clay County School Department participate in an internal cash and investment pool through the Office of Trustee. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Cash reflected on the balance sheets or statements of net assets represents nonpooled amounts held separately by individual funds.

Deposits

Legal Provisions. All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The

amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the county.

Investments

Legal Provisions. Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and the county's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer's Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state director of Local Finance and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the market value of the securities on the day of purchase.

The county had no pooled and nonpooled investments as of June 30, 2008.

B. Capital Assets

Capital assets activity for the year ended June 30, 2008, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-07	Increases	Decreases	Balance 6-30-08
Capital Assets Not Depreciated:				
Land	\$ 40,000	\$ 0	\$ 0	\$ 40,000
Total Capital Assets Not Depreciated	<u>\$ 40,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 40,000</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 869,590	\$ 0	\$ 0	\$ 869,590
Roads and Bridges	10,894,741	13,602	0	10,908,343
Other Capital Assets	1,772,135	89,487	(24,397)	1,837,225
Total Capital Assets Depreciated	<u>\$ 13,536,466</u>	<u>\$ 103,089</u>	<u>\$ (24,397)</u>	<u>\$ 13,615,158</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 432,186	\$ 14,937	\$ 0	\$ 447,123
Roads and Bridges	1,835,834	96,734	0	1,932,568
Other Capital Assets	761,761	148,873	(22,172)	888,462
Total Accumulated Depreciation	<u>\$ 3,029,781</u>	<u>\$ 260,544</u>	<u>\$ (22,172)</u>	<u>\$ 3,268,153</u>
Total Capital Assets Depreciated, Net	<u>\$ 10,506,685</u>	<u>\$ (157,455)</u>	<u>\$ (2,225)</u>	<u>\$ 10,347,005</u>
Governmental Activities Capital Assets, Net	<u>\$ 10,546,685</u>	<u>\$ (157,455)</u>	<u>\$ (2,225)</u>	<u>\$ 10,387,005</u>

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

Public Safety	\$ 3,252
Public Health and Welfare	62,947
Agriculture and Natural Resources	1,673
Highways/Public Works	<u>192,672</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 260,544</u>

Discretely Presented Clay County School Department

Governmental Activities:

	Balance 7-1-07	Increases	Decreases	Balance 6-30-08
Capital Assets Not Depreciated:				
Land	\$ 338,698	\$ 0	\$ 0	\$ 338,698
Construction in Progress	0	60,000	0	60,000
Total Capital Assets Not Depreciated	\$ 338,698	\$ 60,000	\$ 0	\$ 398,698
Capital Assets Depreciated:				
Buildings and Improvements	\$ 10,722,368	\$ 0	\$ 0	\$ 10,722,368
Infrastructure	648,860	0	0	648,860
Other Capital Assets	1,314,168	156,710	(10,977)	1,459,901
Total Capital Assets Depreciated	\$ 12,685,396	\$ 156,710	\$ (10,977)	\$ 12,831,129
Less Accumulated Depreciated For:				
Buildings and Improvements	\$ 2,993,585	\$ 235,975	\$ 0	\$ 3,229,560
Infrastructure	138,206	21,803	0	160,009
Other Capital Assets	605,257	82,069	(8,397)	678,929
Total Accumulated Depreciation	\$ 3,737,048	\$ 339,847	\$ (8,397)	\$ 4,068,498
Total Capital Assets Depreciated, Net	\$ 8,948,348	\$ (183,137)	\$ (2,580)	\$ 8,762,631
Governmental Activities Capital Assets, Net	\$ 9,287,046	\$ (123,137)	\$ (2,580)	\$ 9,161,329

Depreciation expense was charged to functions of the discretely presented Clay County School Department as follows:

Governmental Activities:

Instruction	\$ 232,867
Support Services	98,274
Operation of Non-Instructional Services	<u>8,706</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 339,847</u>

C. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2008, is as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
General Debt Service	Nonmajor governmental	\$ 1,288

This balance resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur and payments between funds are made.

Interfund Transfers:

Interfund transfers for the year ended June 30, 2008, consisted of the following amounts:

Primary Government

<u>Transfers Out</u>	<u>Transfers In</u> Nonmajor Governmental Funds
Nonmajor governmental fund	\$ 2,576
General Debt Service Fund	1,288
Total	<u>\$ 3,864</u>

Discretely Presented Typical County School Department

<u>Transfers Out</u>	<u>Transfers In</u> General Purpose School Fund
Nonmajor governmental funds	\$ 10,549

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

D. Capital Lease

On September 1, 2005, Clay County entered into a ten-year lease-purchase agreement for a geothermal heating system for the administration/senior center building. The terms of the agreement require total lease payments of \$72,727 plus interest of five percent. The General Debt Service Fund is making the lease payments.

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2008, were as follows:

<u>Year Ending June 30</u>	<u>Governmental Funds</u>
2009	\$ 9,257
2010	9,256
2011	9,257
2012	9,257
2013	9,257
2014-2016	20,828
Total Minimum Lease Payments	\$ 67,112
Less: Amount Representing Interest	<u>(10,916)</u>
Present Value of Minimum Lease Payments	<u>\$ 56,196</u>

E. Long-term Debt

Primary Government

Other Loans

The county issues other loans to provide funds for the acquisition and construction of major capital facilities. Other loans are direct obligations and pledge the full faith and credit of the government. Other loans were issued for original terms of up to 27 years. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. The total amount available under a loan agreement with the Montgomery County Public Building Authority was \$2,000,000; however, the county elected to only draw \$227,133 of this amount. The county retired this loan on September 30, 2007.

Capital leases outstanding as of June 30, 2008, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-08
Capital Lease	5 %	\$ 72,727	\$ 56,196

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2008, was as follows:

Governmental Activities:

	Other Loan	Capital Lease	Compensated Absences
Balance, July 1, 2007	\$ 27,133	\$ 62,471	\$ 44,975
Additions	0	0	73,491
Deductions	(27,133)	(6,275)	(40,797)
Balance, June 30, 2008	\$ 0	\$ 56,196	\$ 77,669
Balance Due Within One Year	\$ 0	\$ 6,597	\$ 26,407

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2008	\$ 133,865
Less: Balance Due Within One Year	<u>(33,004)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 100,861</u>

Compensated absences will be paid from the employing funds, primarily the General Fund.

Discretely Presented Clay County School Department

Other Loans

The county issues other loans to provide for the acquisition and construction of major capital facilities.

Other loans are direct obligations and pledge the full faith and credit of the government. Other loans were issued for original terms of up to 29 years. Repayment terms are generally structured with increasing amounts of

principal maturing as interest requirements decrease over the term of the debt. All other loans included in long-term debt as of June 30, 2008, will be retired from the General Purpose School Fund.

Other loans outstanding as of June 30, 2008, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-08
Other Loans	Variable	\$ 8,400,000	\$ 7,348,000

In prior years, Clay County entered into loan agreements with the Montgomery County Public Building Authority. Under these loan agreements, the authority loaned \$6,900,000 and \$1,500,000, respectively, to Clay County for construction of the high school and the high school athletic facilities. These loans are repayable at an interest rate that is a tax-exempt variable rate determined by the remarketing agent daily or weekly, depending on the particular program. In addition, the School Department pays various other fees (trustee, letter of credit, and debt remarketing) in connection with these loans. At June 30, 2008, the variable interest rate was 1.54 percent, and other fees amounted to approximately .25 percent (letter of credit), .08 percent (remarketing), .15 percent (administration), and a trustee fee of \$85 per month.

The annual requirements to amortize all other loans outstanding as of June 30, 2008, including interest payments and other fees, are presented in the following table:

Year Ending June 30	Other Loans			Total
	Principal	Interest	Other Fees	
2009	\$ 208,000	\$ 113,159	\$ 37,310	\$ 358,469
2010	215,000	109,956	36,312	361,268
2011	224,000	106,645	35,280	365,925
2012	232,000	103,195	34,205	369,400
2013	241,000	99,623	33,091	373,714
2014-2018	1,343,000	439,716	147,254	1,929,970
2019-2023	1,611,000	328,343	112,541	2,051,884
2024-2028	1,934,000	194,702	70,886	2,199,588
2029-2031	1,340,000	41,766	19,139	1,400,905
Total	\$ 7,348,000	\$ 1,537,105	\$ 526,018	\$ 9,411,123

Debt per capita totaled \$921, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the discretely presented Clay County School Department for the year ended June 30, 2008, was as follows:

Governmental Activities:

	Other Loans	Compensated Absences	Net Other Postemployment Benefits Obligation
Balance, July 1, 2007	\$ 7,549,000	\$ 2,126	\$ 0
Additions	0	4,525	40,819
Deductions	(201,000)	(5,717)	0
Balance, June 30, 2008	<u>\$ 7,348,000</u>	<u>\$ 934</u>	<u>\$ 40,819</u>
Balance Due Within One Year	<u>\$ 208,000</u>	<u>\$ 934</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2008	\$ 7,389,753
Less: Balance Due Within One Year	<u>(208,934)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 7,180,819</u>

Compensated absences will be paid from the employing funds, primarily the General Purpose School and School Federal Projects funds.

F. On-Behalf Payments – Discretely Presented Clay County School Department

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Clay County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2008, were \$60,090 and \$9,550, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

V. OTHER INFORMATION

A. Risk Management

The county is exposed to various risks related to general liability, property, casualty, and workers' compensation losses. The county's risk of loss relating to general liability, property, casualty, and workers' compensation is covered by participation in the Local Government Property and Casualty Fund (LGPCF) and the Local Government Workers' Compensation Fund (LWCF), which are public entity risk pools established by the Tennessee County Services Association, an association of member counties. The county pays annual premiums to these pools for their general liability, property, casualty, and workers' compensation insurance coverage. The creation of these pools provides for them to be self-sustaining through member premiums. The LGPCF and LWCF reinsure through commercial insurance companies for claims exceeding \$100,000 for each insured event.

Clay County does not provide health insurance for its employees.

The School Department participates in the Tennessee Risk Management Trust (TN-RMT), which is a public entity risk pool created under the auspices of the Tennessee Governmental Tort Liability Act to provide governmental insurance coverage. The School Department pays an annual premium to the TN-RMT for its general liability, property, and casualty insurance coverage. The creation of the TN-RMT provides for it to be self-sustaining through member premiums.

The discretely presented Clay County School Department participates in the Local Education Group Insurance Fund (LEGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local education agencies. In accordance with Section 8-27-301, Tennessee Code Annotated (TCA), all local education agencies are eligible to participate. The LEGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk for losses by this fund. Section 8-27-303, TCA, provides for the LEGIF to be self-sustaining through member premiums.

B. Accounting Changes

At the beginning of the year, Clay County implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. In the prior year, Clay County had elected to implement only the provisions of Statement 34 that related to the fund financial statements.

Provisions of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions; Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues; and Statement No. 50, Pension Disclosures became effective for the year ended June 30, 2008.

GASB Statement No. 45 establishes reporting requirements for Other Postemployment Benefits (OPEB). OPEB includes postemployment healthcare, as well as other forms of postemployment benefits (for example, life insurance) when provided separately from a pension plan. This statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the county's financial statements. In previous years, Clay County and the Clay County School Department had only recognized the current year cost (expense) of these benefits. GASB Statement No. 45 was implemented prospectively with a zero net OPEB obligation at transition.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions are sales or collateralized borrowings and provides guidance on how to account for sales or pledges of receivables or future revenues. This statement provides additional guidance for sales of receivables and future revenues within the same reporting entity. This statement also requires governments to disclose in the notes to the financial statements the nature of any receivables or future revenues that have been pledged or sold. Tennessee state statutes do not currently allow counties to sell or pledge receivables or sell future revenue streams. Therefore, those provisions of GASB Statement No. 48 that pertain to the sale or pledge receivables or sale of future revenue will not apply to Clay County. GASB Statement No. 48 had no effect on the financial statements of Clay County for the year ended June 30, 2008, since the county has not pledged any of its future revenues. However, it is reasonably expected that Clay County may pledge a future revenue stream toward the payment of debt in subsequent years.

GASB Statement No. 50 amends previous guidance concerning pension information. This statement closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and enhances the information disclosed in the notes to the financial statements or presented as required supplementary information for pension plans. This statement requires Clay County to provide additional and more detailed pension plan note disclosures than in previous years.

C. Subsequent Events

On July 7, 2008, the County Commission approved a cooperative agreement with the City of Celina for an ARC waterline extension project. Under the terms of the agreement, "the county shall reimburse the city for the county's participation in the project and such participation is restricted solely to funds approved by the Clay County Commission in the amount up to \$26,150".

On August 4, 2008, the County Commission approved a resolution to contract with the City of Celina for emergency ambulance service for one year in the amount of \$300,000.

D. Contingent Liabilities

The county is involved in several pending lawsuits. Attorneys for the county and the School Department estimated that the potential claims against the county not covered by insurance resulting from such litigation would not materially affect the county's financial statements.

E. Joint Venture

In previous years, Clay County was a member of the Tri-County Vocational School Board which operated the Cooperative Vocational School, which was jointly owned by Clay, Jackson, and Macon counties. In November 2007, the Clay County Commission voted to withdraw from the partnership and relinquish all interest, including any property rights, to Jackson and Macon counties. Clay County made no contribution to the operations of the board during the year. Complete financial statements for the Tri-County Vocational School can be obtained from its administrative office at the following address:

Administrative Office:

Tri-County Vocational School
P.O. Box 214, Highway 151
Red Boiling Springs, TN 37150

F. Jointly Governed Organization

The Board of County Commissioners is responsible for appointing five of the nine board members of the Industrial Development Board of Clay County and Celina, Tennessee. The remaining four members are appointed by the City of Celina Board of Aldermen. However, the county's accountability for this organization does not extend beyond making the appointments.

G. Retirement Commitments

Employees

Plan Description

Employees of Clay County are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the

age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Clay County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://treasury.state.tn.us/tcrs/PS/>.

Funding Policy

Clay County requires employees to contribute five percent of their earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2008, was 8.04 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Clay County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ending June 30, 2008, Clay County's annual pension cost of \$220,145 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2005, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected postretirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period.

Clay County's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005 was 19 years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-08	\$220,145	100%	\$0
6-30-07	208,180	100	0
6-30-06	145,763	100	0

Funded Status and Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the plan was 91.26 percent funded. The actuarial accrued liability for benefits was \$4.31 million, and the actuarial value of assets was \$4.31 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$.41 million. The covered payroll (annual payroll of active employees covered by the plan) was \$2.58 million, and the ratio of the UAAL to the covered payroll was 15.98 percent.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the Actuarial Accrued Liability for benefits.

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

School Teachers

Plan Description

The School Department contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members

and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979, are vested after five years of service. Members joining prior to July 1, 1979, are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. A cost of living adjustment (COLA) is provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.treasury.state.tn.us>.

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2008, was 6.24 percent of annual covered payroll. The employer contribution requirement for the School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2008, 2007, and 2006 were \$278,920, \$282,108, and \$247,357, respectively, equal to the required contributions for each year.

H. Other Postemployment Benefits (OPEB)

Plan Description

The School Department participates in the state-administered Local Education Group Insurance Plan for healthcare benefits. For accounting purposes, the plan is an agent multiple-employer defined benefit OPEB plan. Benefits are established and amended by an insurance committee created by Section 8-27-302, Tennessee Code Annotated (TCA), for teachers. Prior to reaching the age of 65, all members have the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance

organization (HMO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered Medicare supplement plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://tennessee.gov/finance/act/cafr.html>.

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plan is self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employer in the plan develops its own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state provides a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare supplement plan. The required contribution rate for retirees ranges from 55 to 75 percent based on the years of service. During the year ended June 30, 2008, the discretely presented Clay County School Department contributed \$25,267 for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan
	<hr/>
ARC	\$ 66,086
Interest on the NPO	0
Adjustment to the ARC	0
Annual OPEB cost	<hr/> \$ 66,086
Amount of contribution	(25,267)
Increase/decrease in NPO	<hr/> \$ 40,819
Net OPEB obligation, 7-1-07	<hr/> 0
Net OPEB obligation, 6-30-08	<hr/> <hr/> \$ 40,819

Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-08	Local Education Group	\$ 66,086	38 %	\$ 40,819

* Data not available for two preceding years.

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2008, was as follows:

	Local Education Group Plan
Actuarial valuation date	6-30-07
Actuarial accrued liability (AAL)	\$ 679,252
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 679,252
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 2,939,661
UAAL as a % of covered payroll	23%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the June 30, 2007, actuarial valuation, the projected unit actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 11 percent initially, reduced by decrements to an ultimate rate of six percent after ten years. Both rates include a three percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with June 30, 2008.

I. Purchasing Laws

Office of County Mayor

Purchasing procedures for the Office of County Mayor are governed by the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, Tennessee Code Annotated (TCA), which provide for all purchases exceeding \$10,000 to be made after public advertisement and solicitation of competitive bids.

Office of Road Superintendent

Chapter 565, Private Acts of 1951, as amended, and Section 54-7-113, TCA (Uniform Road Law), govern purchasing procedures for the Highway Department. Provisions of the Uniform Road Law require all purchases exceeding \$10,000 to be made on the basis of publicly advertised competitive bids.

Office of Director of Schools

Purchasing procedures for the discretely presented Clay County School Department are governed by purchasing laws applicable to schools as set forth in Section 49-2-203, TCA, which provides for the county Board of Education, through its executive committee (director of schools and chairman of the Board of Education), to make all purchases. This statute also requires competitive bids to be solicited through newspaper advertisement on all purchases exceeding \$10,000.

**REQUIRED SUPPLEMENTARY
INFORMATION**

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Exhibit E-1

Clay County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Fund
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,674,554	\$ 1,563,197	\$ 1,563,197	\$ 111,357
Licenses and Permits	3,944	3,600	3,600	344
Fines, Forfeitures, and Penalties	38,139	28,650	28,650	9,489
Charges for Current Services	5,330	5,000	6,266	(936)
Other Local Revenues	56,113	18,000	43,000	13,113
Fees Received from County Officials	190,135	141,800	141,800	48,335
State of Tennessee	535,571	457,025	474,587	60,984
Federal Government	334,570	41,600	326,837	7,733
Other Governments and Citizens Groups	10,000	15,500	15,500	(5,500)
Total Revenues	\$ 2,848,356	\$ 2,274,372	\$ 2,603,437	\$ 244,919
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 52,530	\$ 33,906	\$ 58,906	\$ 6,376
Board of Equalization	1,010	1,300	1,300	290
Beer Board	384	500	500	116
County Mayor/Executive	113,709	120,244	120,244	6,535
County Attorney	3,600	3,600	3,600	0
Election Commission	83,506	90,907	92,680	9,174
Register of Deeds	73,796	77,171	77,171	3,375
County Buildings	84,103	102,500	102,500	18,397
<u>Finance</u>				
Property Assessor's Office	85,694	87,884	87,884	2,190
County Trustee's Office	28,748	30,963	30,963	2,215
County Clerk's Office	17,013	20,000	20,000	2,987
<u>Administration of Justice</u>				
Circuit Court	138,819	144,423	144,423	5,604
General Sessions Court	63,412	63,422	63,422	10
Chancery Court	70,196	70,322	70,322	126
Juvenile Court	11,244	11,075	11,375	131
Judicial Commissioners	10,400	10,612	10,612	212
<u>Public Safety</u>				
Sheriff's Department	740,275	757,504	761,091	20,816
Drug Enforcement	33,550	36,000	36,000	2,450
Jail	131,036	139,250	139,250	8,214
Correctional Incentive Program Improvements	1,600	2,000	2,000	400
Fire Prevention and Control	35,338	38,068	38,068	2,730
Rescue Squad	2,500	2,500	2,500	0
Other Emergency Management	21,828	26,000	28,400	6,572
County Coroner/Medical Examiner	8,122	9,000	9,000	878
<u>Public Health and Welfare</u>				
Local Health Center	52,930	31,067	54,002	1,072
Ambulance/Emergency Medical Services	198,000	198,000	198,000	0

(Continued)

Exhibit E-1

Clay County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Fund (Cont.)

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Public Health and Welfare (Cont.)</u>				
Other Local Health Services	\$ 3,026	\$ 5,500	\$ 5,500	\$ 2,474
Appropriation to State	4,154	11,300	4,154	0
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	43,085	47,907	47,907	4,822
Libraries	66,296	69,076	69,076	2,780
Other Social, Cultural, and Recreational	8,833	13,000	10,200	1,367
<u>Agriculture and Natural Resources</u>				
Agriculture Extension Service	75,505	75,164	75,164	(341)
Forest Service	1,000	1,000	1,000	0
Soil Conservation	40,332	40,460	40,460	128
<u>Other Operations</u>				
Tourism	5,611	6,924	6,924	1,313
Industrial Development	28,727	29,500	29,500	773
Other Economic and Community Development	285,237	0	285,237	0
Other Charges	129,380	145,400	131,400	2,020
Employee Benefits	240,892	229,000	245,500	4,608
<u>Highways</u>				
Litter and Trash Collection	41,448	49,356	49,356	7,908
Total Expenditures	<u>\$ 3,036,869</u>	<u>\$ 2,831,805</u>	<u>\$ 3,165,591</u>	<u>\$ 128,722</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (188,513)	\$ (557,433)	\$ (562,154)	\$ 373,641
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 2,321	\$ 0	\$ 2,321	\$ 0
Total Other Financing Sources (Uses)	<u>\$ 2,321</u>	<u>\$ 0</u>	<u>\$ 2,321</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ (186,192)	\$ (557,433)	\$ (559,833)	\$ 373,641
Fund Balance, July 1, 2007	735,617	732,554	732,554	3,063
Prior Period Adjustment	(130,000)	0	0	(130,000)
Fund Balance, June 30, 2008	<u>\$ 419,425</u>	<u>\$ 175,121</u>	<u>\$ 172,721</u>	<u>\$ 246,704</u>

Exhibit E-2

Clay County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 404,276	\$ 388,161	\$ 388,161	\$ 16,115
Charges for Current Services	61,581	50,000	50,000	11,581
Other Local Revenues	43,564	10,000	10,300	33,264
State of Tennessee	8,282	32,000	32,000	(23,718)
Total Revenues	<u>\$ 517,703</u>	<u>\$ 480,161</u>	<u>\$ 480,461</u>	<u>\$ 37,242</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Waste Pickup	\$ 418,631	\$ 480,053	\$ 480,353	\$ 61,722
<u>Other Operations</u>				
Other Charges	8,674	0	0	(8,674)
Total Expenditures	<u>\$ 427,305</u>	<u>\$ 480,053</u>	<u>\$ 480,353</u>	<u>\$ 53,048</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 90,398</u>	<u>\$ 108</u>	<u>\$ 108</u>	<u>\$ 90,290</u>
Net Change in Fund Balance	\$ 90,398	\$ 108	\$ 108	\$ 90,290
Fund Balance, July 1, 2007	5,148	1,998	1,998	3,150
Prior Period Adjustment	130,000	0	0	130,000
Fund Balance, June 30, 2008	<u>\$ 225,546</u>	<u>\$ 2,106</u>	<u>\$ 2,106</u>	<u>\$ 223,440</u>

Exhibit E-3

Clay County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 970	\$ 0	\$ 0	\$ 970
State of Tennessee	1,505,548	1,492,321	1,492,321	13,227
Total Revenues	<u>\$ 1,506,518</u>	<u>\$ 1,492,321</u>	<u>\$ 1,492,321</u>	<u>\$ 14,197</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 101,692	\$ 109,831	\$ 110,531	\$ 8,839
Highway and Bridge Maintenance	896,389	1,150,500	1,108,950	212,561
Operation and Maintenance of Equipment	180,564	208,600	208,900	28,336
Other Charges	98,988	113,849	114,399	15,411
Employee Benefits	62,990	63,885	63,885	895
Capital Outlay	71,945	155,000	195,000	123,055
Total Expenditures	<u>\$ 1,412,568</u>	<u>\$ 1,801,665</u>	<u>\$ 1,801,665</u>	<u>\$ 389,097</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 93,950</u>	<u>\$ (309,344)</u>	<u>\$ (309,344)</u>	<u>\$ 403,294</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 16,985	\$ 0	\$ 0	\$ 16,985
Total Other Financing Sources (Uses)	<u>\$ 16,985</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 16,985</u>
Net Change in Fund Balance	\$ 110,935	\$ (309,344)	\$ (309,344)	\$ 420,279
Fund Balance, July 1, 2007	<u>512,327</u>	<u>493,057</u>	<u>493,057</u>	<u>19,270</u>
Fund Balance, June 30, 2008	<u>\$ 623,262</u>	<u>\$ 183,713</u>	<u>\$ 183,713</u>	<u>\$ 439,549</u>

Exhibit E-4

Clay County, Tennessee
Schedule of Funding Progress – Pension Plan
June 30, 2008

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-07	\$ 4,315	\$ 4,728	\$ 413	91.26 %	\$ 2,584	15.98 %

The Governmental Accounting Standards Board requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the entry age actuarial cost method was a change made during the year; therefore, only the most current year is presented.

Exhibit E-5

Clay County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plan
Discretely Presented Clay County School Department
June 30, 2008

(Dollar amounts in thousands)

Actuarial Valuation Date*	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Local Education Group Insurance Plan						
6-30-08	\$ 0	\$ 680	680	0 %	\$ 2,940	23 %

* Data not available for two preceding years.

CLAY COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2008

A. BUDGETARY INFORMATION

The county is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, Board of Equalization, County Mayor, County Attorney, etc.). Management may make revisions within major categories, but only the County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

The county's budgetary basis of accounting is consistent with generally accepted accounting principles (GAAP), except instances in which encumbrances are treated as budgeted expenditures. The difference between the budgetary basis and the GAAP basis is presented on the face of each budgetary schedule.

B. EXPENDITURES EXCEEDED APPROPRIATIONS

Expenditures exceeded appropriations approved by the County Commission in the Other Operations major appropriation category (the legal level of control) of the Solid Waste/Sanitation Fund by \$8,674. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balance.

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**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

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Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes.

Courthouse and Jail Maintenance Fund – The Courthouse and Jail Maintenance Fund is used to account for a special tax levied by private act on litigation and the recording of certain instruments. The proceeds of the tax must be used to pay for improvements or maintenance of the courthouse and jail.

Drug Control Fund – The Drug Control Fund is used to account for revenues received from drug-related fines, forfeitures, and seizures.

Constitutional Officers - Fees Fund – The Constitutional Officers - Fees Fund is used to account for operating expenses paid directly from the fee and commission accounts of the trustee, clerks, register, and sheriff.

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Exhibit F-1

Clay County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008

	<u>Special Revenue Funds</u>			Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Drug Control	Constitu- tional Officers - Fees	
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 34,038	\$ 34,038
Equity in Pooled Cash and Investments	6,465	107,430	0	113,895
Total Assets	<u>\$ 6,465</u>	<u>\$ 107,430</u>	<u>\$ 34,038</u>	<u>\$ 147,933</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Due to Other Funds	\$ 1,288	\$ 0	\$ 0	\$ 1,288
Due to Litigants, Heirs, and Others	0	0	100	100
Total Liabilities	<u>\$ 1,288</u>	<u>\$ 0</u>	<u>\$ 100</u>	<u>\$ 1,388</u>
<u>Fund Balances</u>				
Unreserved	\$ 5,177	\$ 107,430	\$ 33,938	\$ 146,545
Total Fund Balances	<u>\$ 5,177</u>	<u>\$ 107,430</u>	<u>\$ 33,938</u>	<u>\$ 146,545</u>
Total Liabilities and Fund Balances	<u>\$ 6,465</u>	<u>\$ 107,430</u>	<u>\$ 34,038</u>	<u>\$ 147,933</u>

Exhibit F-2

Clay County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2008

	<u>Special Revenue Funds</u>			Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Drug Control	Constitu- tional Officers - Fees	
<u>Revenues</u>				
Local Taxes	\$ 1,844	\$ 0	\$ 0	\$ 1,844
Fines, Forfeitures, and Penalties	0	58,934	0	58,934
Charges for Current Services	0	0	167,043	167,043
Other Local Revenues	0	812	0	812
Total Revenues	<u>\$ 1,844</u>	<u>\$ 59,746</u>	<u>\$ 167,043</u>	<u>\$ 228,633</u>
<u>Expenditures</u>				
Current:				
General Government	\$ 5,296	\$ 0	\$ 0	\$ 5,296
Finance	0	0	167,411	167,411
Administration of Justice	0	0	948	948
Public Safety	0	21,112	0	21,112
Other Operations	19	490	0	509
Total Expenditures	<u>\$ 5,315</u>	<u>\$ 21,602</u>	<u>\$ 168,359</u>	<u>\$ 195,276</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (3,471)</u>	<u>\$ 38,144</u>	<u>\$ (1,316)</u>	<u>\$ 33,357</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 2,576	\$ 0	\$ 0	\$ 2,576
Transfers Out	(1,288)	0	0	(1,288)
Total Other Financing Sources (Uses)	<u>\$ 1,288</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,288</u>
Net Change in Fund Balances	\$ (2,183)	\$ 38,144	\$ (1,316)	\$ 34,645
Fund Balance, July 1, 2007	<u>7,360</u>	<u>69,286</u>	<u>35,254</u>	<u>111,900</u>
Fund Balance, June 30, 2008	<u><u>\$ 5,177</u></u>	<u><u>\$ 107,430</u></u>	<u><u>\$ 33,938</u></u>	<u><u>\$ 146,545</u></u>

Exhibit F-3

Clay County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Courthouse and Jail Maintenance Fund
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,844	\$ 1,100	\$ 1,100	\$ 744
Total Revenues	\$ 1,844	\$ 1,100	\$ 1,100	\$ 744
<u>Expenditures</u>				
<u>General Government</u>				
County Buildings	\$ 5,296	\$ 4,000	\$ 5,288	\$ (8)
<u>Other Operations</u>				
Other Charges	19	0	0	(19)
Total Expenditures	\$ 5,315	\$ 4,000	\$ 5,288	\$ (27)
Excess (Deficiency) of Revenues Over Expenditures	\$ (3,471)	\$ (2,900)	\$ (4,188)	\$ 717
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 2,576	\$ 0	\$ 0	\$ 2,576
Transfers Out	(1,288)	0	0	(1,288)
Total Other Financing Sources (Uses)	\$ 1,288	\$ 0	\$ 0	\$ 1,288
Net Change in Fund Balance	\$ (2,183)	\$ (2,900)	\$ (4,188)	\$ 2,005
Fund Balance, July 1, 2007	7,360	7,360	7,360	0
Fund Balance, June 30, 2008	\$ 5,177	\$ 4,460	\$ 3,172	\$ 2,005

Exhibit F-4

Clay County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Drug Control Fund
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 58,934	\$ 17,100	\$ 20,375	\$ 38,559
Other Local Revenues	812	100	100	712
Total Revenues	<u>\$ 59,746</u>	<u>\$ 17,200</u>	<u>\$ 20,475</u>	<u>\$ 39,271</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 21,112	\$ 25,100	\$ 29,288	\$ 8,176
<u>Other Operations</u>				
Other Charges	490	0	0	(490)
Total Expenditures	<u>\$ 21,602</u>	<u>\$ 25,100</u>	<u>\$ 29,288</u>	<u>\$ 7,686</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 38,144</u>	<u>\$ (7,900)</u>	<u>\$ (8,813)</u>	<u>\$ 46,957</u>
Net Change in Fund Balance	\$ 38,144	\$ (7,900)	\$ (8,813)	\$ 46,957
Fund Balance, July 1, 2007	<u>69,286</u>	<u>69,199</u>	<u>69,199</u>	<u>87</u>
Fund Balance, June 30, 2008	<u>\$ 107,430</u>	<u>\$ 61,299</u>	<u>\$ 60,386</u>	<u>\$ 47,044</u>

Major Governmental Fund

General Debt Service Fund

The General Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

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Exhibit G

Clay County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Debt Service Fund
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 66,360	\$ 56,178	\$ 56,178	\$ 10,182
Other Local Revenues	105,296	80,000	80,000	25,296
Total Revenues	<u>\$ 171,656</u>	<u>\$ 136,178</u>	<u>\$ 136,178</u>	<u>\$ 35,478</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 33,408	\$ 60,000	\$ 60,000	\$ 26,592
<u>Interest on Debt</u>				
General Government	3,246	0	0	(3,246)
<u>Other Debt Service</u>				
General Government	2,560	2,100	2,100	(460)
Total Expenditures	<u>\$ 39,214</u>	<u>\$ 62,100</u>	<u>\$ 62,100</u>	<u>\$ 22,886</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 132,442</u>	<u>\$ 74,078</u>	<u>\$ 74,078</u>	<u>\$ 58,364</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 1,288	0	0	1,288
Transfers Out	(2,576)	0	(1,288)	(1,288)
Total Other Financing Sources (Uses)	<u>\$ (1,288)</u>	<u>\$ 0</u>	<u>\$ (1,288)</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 131,154	\$ 74,078	\$ 72,790	\$ 58,364
Fund Balance, July 1, 2007	<u>648,360</u>	<u>648,443</u>	<u>648,443</u>	<u>(83)</u>
Fund Balance, June 30, 2008	<u>\$ 779,514</u>	<u>\$ 722,521</u>	<u>\$ 721,233</u>	<u>\$ 58,281</u>

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Fiduciary Funds

Agency Funds are used to account for assets held by the county in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Cities - Sales Tax Fund – The Cities - Sales Tax Fund is used to account for the second half of the sales tax revenues collected inside incorporated cities of the county. These revenues are received by the county from the State of Tennessee and forwarded to the various cities on a monthly basis.

Constitutional Officers - Agency Fund – The Constitutional Officers - Agency Fund is used to account for amounts collected in an agency capacity by the county clerk, circuit and general sessions courts clerk, clerk and master, register, and sheriff. Such collections include amounts due the state, cities, other county funds, litigants, heirs, and others.

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Exhibit H-1

Clay County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
For the Year Ended June 30, 2008

	<u>Agency Funds</u>		
	Cities- Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 406,867	\$ 406,867
Due from Other Governments	47,261	0	47,261
Total Assets	<u>\$ 47,261</u>	<u>\$ 406,867</u>	<u>\$ 454,128</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 47,261	\$ 0	\$ 47,261
Due to Litigants, Heirs, and Others	0	406,867	406,867
	<u>\$ 47,261</u>	<u>\$ 406,867</u>	<u>\$ 454,128</u>

Exhibit H-2

Clay County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2008

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 276,045	\$ 276,045	\$ 0
Due from Other Governments	46,178	47,261	46,178	47,261
Total Assets	\$ 46,178	\$ 323,306	\$ 322,223	\$ 47,261
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 46,178	\$ 323,306	\$ 322,223	\$ 47,261
Total Liabilities	\$ 46,178	\$ 323,306	\$ 322,223	\$ 47,261
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 175,866	\$ 4,795,881	\$ 4,564,880	\$ 406,867
Total Assets	\$ 175,866	\$ 4,795,881	\$ 4,564,880	\$ 406,867
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 175,866	\$ 4,795,881	\$ 4,564,880	\$ 406,867
Total Liabilities	\$ 175,866	\$ 4,795,881	\$ 4,564,880	\$ 406,867
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 276,045	\$ 276,045	\$ 0
Cash	175,866	4,795,881	4,564,880	406,867
Due from Other Governments	46,178	47,261	46,178	47,261
Total Assets	\$ 222,044	\$ 5,119,187	\$ 4,887,103	\$ 454,128
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 46,178	\$ 323,306	\$ 322,223	\$ 47,261
Due to Litigants, Heirs, and Others	175,866	4,795,881	4,564,880	406,867
Total Liabilities	\$ 222,044	\$ 5,119,187	\$ 4,887,103	\$ 454,128

Clay County School Department

This section presents combining and individual fund financial statements for the Clay County School Department, a discretely presented component unit. The Clay County School Department uses a General Fund, two Special Revenue Funds, and a Capital Projects Fund.

General Purpose School Fund – The General Purpose School Fund is used to account for general operations of the School Department.

School Federal Projects Fund – The School Federal Projects Fund is used to account for restricted federal revenues, which must be expended on specific education programs.

Central Cafeteria Fund – The Central Cafeteria Fund is used to account for the cafeteria operations in each of the schools.

Education Capital Projects Fund – The Education Capital Projects Fund is used to account for expenditures related to the construction of school buildings.

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Exhibit I-1

Clay County, Tennessee
 Statement of Activities
 Discretely Presented Clay County School Department
 For the Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Total Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Component Unit:					
Governmental Activities:					
Instruction	\$ 5,376,740	\$ 16,743	\$ 1,036,342	\$ 20,000	\$ (4,303,655)
Support Services	3,530,892	159,366	388,136	0	(2,983,390)
Operation of Non-Instructional Services	1,002,043	1,152	32,135	0	(968,756)
Other Debt Service	257,647	0	0	0	(257,647)
Total Governmental Activities	\$ 10,167,322	\$ 177,261	\$ 1,456,613	\$ 20,000	\$ (8,513,448)
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes				\$	1,175,869
Local Option Sales Taxes					555,485
Other Local Taxes					926
Grants and Contributions Not Restricted to Specific Programs					6,728,321
Unrestricted Investment Earnings					1,621
Miscellaneous					48,337
Total General Revenues				\$	8,510,559
Insurance Recovery				\$	50
Change in Net Assets				\$	(2,839)
Net Assets, July 1, 2007					3,716,357
Net Assets, June 30, 2008				\$	3,713,518

Exhibit I-2

Clay County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Clay County School Department
June 30, 2008

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
	General Purpose School	Other Govern- mental Funds	Govern- mental Funds
<u>ASSETS</u>			
Cash	\$ 0	\$ 1,247	\$ 1,247
Equity in Pooled Cash and Investments	1,523,141	71,282	1,594,423
Due from Other Governments	248,606	57,277	305,883
Property Taxes Receivable	1,246,310	0	1,246,310
Allowance for Uncollectible Property Taxes	(37,820)	0	(37,820)
Total Assets	<u>\$ 2,980,237</u>	<u>\$ 129,806</u>	<u>\$ 3,110,043</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 15,000	\$ 0	\$ 15,000
Payroll Deductions Payable	12	0	12
Cash Overdraft	0	4,811	4,811
Deferred Revenue - Current Property Taxes	1,148,278	0	1,148,278
Deferred Revenue - Delinquent Property Taxes	52,215	0	52,215
Other Deferred Revenues	55,991	0	55,991
Total Liabilities	<u>\$ 1,271,496</u>	<u>\$ 4,811</u>	<u>\$ 1,276,307</u>
<u>Fund Balances</u>			
Reserved for Career Ladder - Extended Contract	\$ 4,373	\$ 0	\$ 4,373
Reserved for Career Ladder Program	12,074	0	12,074
Reserved for Basic Education Program	1,178,034	0	1,178,034
Reserved for Title I Grants to Local Education Agencies	0	201	201
Reserved for Innovative Education Program Strategies	0	10,179	10,179
Reserved for Special Education - Grants to States	0	3,716	3,716
Other Federal Reserves	0	4,877	4,877
Unreserved, Reported In:			
General Fund	514,260	0	514,260
Special Revenue Funds	0	81,242	81,242
Capital Projects Funds	0	24,780	24,780
Total Fund Balances	<u>\$ 1,708,741</u>	<u>\$ 124,995</u>	<u>\$ 1,833,736</u>
Total Liabilities and Fund Balances	<u>\$ 2,980,237</u>	<u>\$ 129,806</u>	<u>\$ 3,110,043</u>

Exhibit I-3

Clay County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
Discretely Presented Clay County School Department
June 30, 2008

Amounts reported for governmental activities in the statement of net assets (Exhibit A) are different because:

Total fund balances - balance sheet - governmental funds (Exhibit I-2)		\$ 1,833,736
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 338,698	
Add: construction in progress	60,000	
Add: buildings and improvements net of accumulated depreciation	7,492,809	
Add: infrastructure net of accumulated depreciation	488,851	
Add: other capital assets net of accumulated depreciation	<u>780,971</u>	9,161,329
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: other loans payable	\$ (7,348,000)	
Less: other postemployment benefits obligations	(40,819)	
Less: compensated absences payable	<u>(934)</u>	(7,389,753)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		
Add: other deferred revenues	\$ 55,991	
Add: deferred revenues from delinquent taxes net of allowance	<u>52,215</u>	<u>108,206</u>
Net assets of governmental activities (Exhibit A)		<u>\$ 3,713,518</u>

Exhibit I-4

Clay County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Discretely Presented Clay County School Department
For the Year Ended June 30, 2008

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 1,740,280	\$ 0	\$ 1,740,280
Licenses and Permits	1,063	0	1,063
Charges for Current Services	16,562	159,366	175,928
Other Local Revenues	68,654	3,422	72,076
State of Tennessee	6,772,366	0	6,772,366
Federal Government	151,107	1,218,130	1,369,237
Total Revenues	<u>\$ 8,750,032</u>	<u>\$ 1,380,918</u>	<u>\$ 10,130,950</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 4,473,620	\$ 556,405	\$ 5,030,025
Support Services	3,241,262	313,320	3,554,582
Operation of Non-Instructional Services	419,525	523,895	943,420
Capital Outlay	185,527	0	185,527
Debt Service:			
Principal on Debt	201,000	0	201,000
Interest on Debt	214,174	0	214,174
Other Debt Service	43,473	0	43,473
Total Expenditures	<u>\$ 8,778,581</u>	<u>\$ 1,393,620</u>	<u>\$ 10,172,201</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (28,549)</u>	<u>\$ (12,702)</u>	<u>\$ (41,251)</u>
<u>Other Financing Sources (Uses)</u>			
Insurance Recovery	\$ 50	\$ 0	\$ 50
Transfers In	10,549	0	10,549
Transfers Out	0	(10,549)	(10,549)
Total Other Financing Sources (Uses)	<u>\$ 10,599</u>	<u>\$ (10,549)</u>	<u>\$ 50</u>
Net Change in Fund Balances	\$ (17,950)	\$ (23,251)	\$ (41,201)
Fund Balance, July 1, 2007	<u>1,726,691</u>	<u>148,246</u>	<u>1,874,937</u>
Fund Balance, June 30, 2008	<u>\$ 1,708,741</u>	<u>\$ 124,995</u>	<u>\$ 1,833,736</u>

Exhibit I-5

Clay County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Discretely Presented Clay County School Department
For the Year Ended June 30, 2008

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

Net change in fund balances - total governmental funds (Exhibit I-4)		\$ (41,201)
<p>(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:</p>		
Add: capital assets purchased in the current period	\$ 216,710	
Less: current year depreciation expense	<u>(339,847)</u>	(123,137)
<p>(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.</p>		
Less: loss on disposal of capital assets		(2,580)
<p>(3) Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.</p>		
Less: deferred delinquent property taxes and other deferred July 1, 2007	\$ (105,500)	
Add: deferred delinquent property taxes and other deferred June 30, 2008	<u>108,206</u>	2,706
<p>(4) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:</p>		
Add: other loan principal payments		201,000
<p>(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
Less: increase in other postemployment benefits obligations from prior year	\$ (40,819)	
Add: decrease in compensated absences from prior year	<u>1,192</u>	<u>(39,627)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ (2,839)</u>

Clay County, Tennessee
 Combining Balance Sheet - Nonmajor Governmental Funds
 Discretely Presented Clay County School Department
 June 30, 2008

	Special Revenue Funds			Total	Capital Projects Fund		Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	Education Capital Projects		Capital Projects Fund		
\$	0 \$	1,247 \$	1,247 \$	0 \$	0 \$	1,247	
	0	46,502	46,502	24,780		71,282	
	23,784	33,493	57,277	0		57,277	
\$	23,784 \$	81,242 \$	105,026 \$	24,780 \$		129,806	

ASSETS

Cash	
Equity in Pooled Cash and Investments	
Due from Other Governments	
Total Assets	

LIABILITIES AND FUND BALANCES

<u>Liabilities</u>					
Cash Overdraft	4,811 \$	0 \$	4,811 \$	0 \$	4,811
Total Liabilities	4,811 \$	0 \$	4,811 \$	0 \$	4,811
<u>Fund Balances</u>					
Reserved for Title I Grants to Local Education Agencies	201 \$	0 \$	201 \$	0 \$	201
Reserved for Innovative Education Program Strategies	10,179	0	10,179	0	10,179
Reserved for Special Education - Grants to States	3,716	0	3,716	0	3,716
Other Federal Reserves	4,877	0	4,877	0	4,877
Unreserved	0	81,242	81,242	24,780	106,022
Total Fund Balances	18,973 \$	81,242 \$	100,215 \$	24,780 \$	124,995
Total Liabilities and Fund Balances	23,784 \$	81,242 \$	105,026 \$	24,780 \$	129,806

Exhibit I-7

Clay County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Nonmajor Governmental Funds
Discretely Presented Clay County School Department
For the Year Ended June 30, 2008

	<u>Special Revenue Funds</u>			<u>Capital</u>	<u>Total</u>
	<u>School</u>	<u>Central</u>	<u>Total</u>	<u>Projects</u>	
	<u>Federal</u>	<u>Cafeteria</u>		<u>Education</u>	<u>Nonmajor</u>
	<u>Projects</u>			<u>Capital</u>	<u>Governmental</u>
				<u>Projects</u>	<u>Funds</u>
<u>Revenues</u>					
Charges for Current Services	\$ 0	\$ 159,366	\$ 159,366	\$ 0	\$ 159,366
Other Local Revenues	1,781	1,641	3,422	0	3,422
Federal Government	851,352	366,778	1,218,130	0	1,218,130
Total Revenues	<u>\$ 853,133</u>	<u>\$ 527,785</u>	<u>\$ 1,380,918</u>	<u>\$ 0</u>	<u>\$ 1,380,918</u>
<u>Expenditures</u>					
Current:					
Instruction	\$ 556,405	\$ 0	\$ 556,405	\$ 0	\$ 556,405
Support Services	313,320	0	313,320	0	313,320
Operation of Non-Instructional Services	0	523,895	523,895	0	523,895
Total Expenditures	<u>\$ 869,725</u>	<u>\$ 523,895</u>	<u>\$ 1,393,620</u>	<u>\$ 0</u>	<u>\$ 1,393,620</u>
Excess (Deficiency) of Revenues					
Over Expenditures	\$ (16,592)	\$ 3,890	\$ (12,702)	\$ 0	\$ (12,702)
<u>Other Financing Sources (Uses)</u>					
Transfers Out	\$ (10,549)	\$ 0	\$ (10,549)	\$ 0	\$ (10,549)
Total Other Financing Sources (Uses)	<u>\$ (10,549)</u>	<u>\$ 0</u>	<u>\$ (10,549)</u>	<u>\$ 0</u>	<u>\$ (10,549)</u>
Net Change in Fund Balances	\$ (27,141)	\$ 3,890	\$ (23,251)	\$ 0	\$ (23,251)
Fund Balance, July 1, 2007	46,114	77,352	123,466	24,780	148,246
Fund Balance, June 30, 2008	<u>\$ 18,973</u>	<u>\$ 81,242</u>	<u>\$ 100,215</u>	<u>\$ 24,780</u>	<u>\$ 124,995</u>

Exhibit I-8

Clay County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Clay County School Department
General Purpose School Fund
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,740,280	\$ 1,713,905	\$ 1,713,905	\$ 26,375
Licenses and Permits	1,063	1,070	1,070	(7)
Charges for Current Services	16,562	17,895	17,895	(1,333)
Other Local Revenues	68,654	17,313	26,975	41,679
State of Tennessee	6,772,366	6,630,904	6,724,859	47,507
Federal Government	151,107	163,651	178,051	(26,944)
Total Revenues	<u>\$ 8,750,032</u>	<u>\$ 8,544,738</u>	<u>\$ 8,662,755</u>	<u>\$ 87,277</u>
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 3,491,555	\$ 3,641,107	\$ 3,641,107	\$ 149,552
Alternative Instruction Program	52,159	54,005	54,005	1,846
Special Education Program	584,229	598,646	598,646	14,417
Vocational Education Program	268,933	330,110	330,110	61,177
Adult Education Program	76,744	62,601	84,695	7,951
<u>Support Services</u>				
Attendance	77,138	76,010	79,510	2,372
Health Services	176,690	178,078	200,648	23,958
Other Student Support	159,914	179,761	179,761	19,847
Regular Instruction Program	420,384	419,872	429,872	9,488
Special Education Program	75,129	85,938	85,938	10,809
Other Programs	69,640	0	69,640	0
Board of Education	170,935	160,860	193,745	22,810
Director of Schools	117,897	124,990	124,990	7,093
Office of the Principal	292,135	303,182	303,182	11,047
Fiscal Services	109,007	127,075	127,075	18,068
Operation of Plant	796,388	797,935	842,935	46,547
Maintenance of Plant	154,998	159,130	163,043	8,045
Transportation	621,007	651,750	667,050	46,043
<u>Operation of Non-Instructional Services</u>				
Food Service	76,476	68,635	76,685	209
Community Services	63,859	67,160	67,160	3,301
Early Childhood Education	279,190	286,491	286,491	7,301
<u>Capital Outlay</u>				
Regular Capital Outlay	185,527	350,000	350,000	164,473
<u>Principal on Debt</u>				
Education	201,000	203,500	203,500	2,500
<u>Interest on Debt</u>				
Education	214,174	371,827	265,142	50,968
<u>Other Debt Service</u>				
Education	43,473	50,000	50,000	6,527
Total Expenditures	<u>\$ 8,778,581</u>	<u>\$ 9,348,663</u>	<u>\$ 9,474,930</u>	<u>\$ 696,349</u>

(Continued)

Exhibit I-8

Clay County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Clay County School Department
General Purpose School Fund (Cont.)

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Excess (Deficiency) of Revenues Over Expenditures	\$ (28,549)	\$ (803,925)	\$ (812,175)	\$ 783,626
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 50	\$ 0	\$ 200	\$ (150)
Transfers In	10,549	38,776	46,826	(36,277)
Total Other Financing Sources (Uses)	\$ 10,599	\$ 38,776	\$ 47,026	\$ (36,427)
Net Change in Fund Balance	\$ (17,950)	\$ (765,149)	\$ (765,149)	\$ 747,199
Fund Balance, July 1, 2007	1,726,691	1,727,727	1,727,727	(1,036)
Fund Balance, June 30, 2008	\$ 1,708,741	\$ 962,578	\$ 962,578	\$ 746,163

Exhibit I-9

Clay County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Clay County School Department
School Federal Projects Fund
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 1,781	\$ 0	\$ 0	\$ 1,781
Federal Government	851,352	982,990	982,990	(131,638)
Total Revenues	<u>\$ 853,133</u>	<u>\$ 982,990</u>	<u>\$ 982,990</u>	<u>\$ (129,857)</u>
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 338,292	\$ 378,670	\$ 378,670	\$ 40,378
Special Education Program	174,448	205,976	205,976	31,528
Vocational Education Program	43,665	44,330	43,666	1
<u>Support Services</u>				
Other Student Support	1,810	1,500	1,810	0
Regular Instruction Program	160,290	180,220	180,220	19,930
Special Education Program	77,548	88,434	88,434	10,886
Vocational Education Program	66,021	65,663	66,017	(4)
Transportation	7,651	8,266	8,266	615
Total Expenditures	<u>\$ 869,725</u>	<u>\$ 973,059</u>	<u>\$ 973,059</u>	<u>\$ 103,334</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (16,592)</u>	<u>\$ 9,931</u>	<u>\$ 9,931</u>	<u>\$ (26,523)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 13,750	\$ 0	\$ 0
Transfers Out	(10,549)	(24,338)	(10,428)	(121)
Total Other Financing Sources (Uses)	<u>\$ (10,549)</u>	<u>\$ (10,588)</u>	<u>\$ (10,428)</u>	<u>\$ (121)</u>
Net Change in Fund Balance	\$ (27,141)	\$ (657)	\$ (497)	\$ (26,644)
Fund Balance, July 1, 2007	46,114	657	497	45,617
Fund Balance, June 30, 2008	<u>\$ 18,973</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 18,973</u>

Exhibit I-10

Clay County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Clay County School Department
Central Cafeteria Fund
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 159,366	\$ 147,500	\$ 147,500	\$ 11,866
Other Local Revenues	1,641	1,800	1,800	(159)
Federal Government	366,778	413,000	413,000	(46,222)
Total Revenues	<u>\$ 527,785</u>	<u>\$ 562,300</u>	<u>\$ 562,300</u>	<u>\$ (34,515)</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 523,895	\$ 552,070	\$ 552,070	\$ 28,175
Total Expenditures	<u>\$ 523,895</u>	<u>\$ 552,070</u>	<u>\$ 552,070</u>	<u>\$ 28,175</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 3,890</u>	<u>\$ 10,230</u>	<u>\$ 10,230</u>	<u>\$ (6,340)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ 0	\$ (30,870)	\$ (30,870)	\$ 30,870
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ (30,870)</u>	<u>\$ (30,870)</u>	<u>\$ 30,870</u>
Net Change in Fund Balance	\$ 3,890	\$ (20,640)	\$ (20,640)	\$ 24,530
Fund Balance, July 1, 2007	<u>77,352</u>	<u>60,695</u>	<u>60,695</u>	<u>16,657</u>
Fund Balance, June 30, 2008	<u>\$ 81,242</u>	<u>\$ 40,055</u>	<u>\$ 40,055</u>	<u>\$ 41,187</u>

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MISCELLANEOUS SCHEDULES

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Exhibit J-1

Clay County, Tennessee
Schedule of Changes in Long-term Capital Leases and Other Loans
Primary Government and Discretely Presented Clay County School Department
For the Year Ended June 30, 2008

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-07	Paid and/or Matured During Period	Outstanding 6-30-08
<u>PRIMARY GOVERNMENT</u>							
<u>CAPITAL LEASES PAYABLE</u>							
Payable through General Debt Service Fund	\$ 72,727	5 %	9-1-05	9-15-15	\$ 62,471	\$ 6,275	\$ 56,196
Geothermal Heating System							
<u>OTHER LOANS PAYABLE</u>							
<u>Public Building Authority Loan Agreement:</u>							
Payable through General Debt Service Fund	(1) 227,133	Variable	4-27-06	9-30-07	\$ 27,133	\$ 27,133	\$ 0
Construction Projects/Solid Waste Equipment							
<u>DISCRETELY PRESENTED CLAY COUNTY SCHOOL DEPARTMENT</u>							
<u>OTHER LOANS PAYABLE</u>							
<u>Public Building Authority Loan Agreement:</u>							
Payable through General Purpose School Fund	6,900,000	Variable	6-28-02	5-25-31	\$ 6,187,000	\$ 163,000	\$ 6,024,000
School Construction	1,500,000	Variable	9-29-03	5-25-31	1,362,000	38,000	1,324,000
Athletic Facility							
Total Other Loans Payable					\$ 7,549,000	\$ 201,000	\$ 7,348,000

(1) The total amount available under a loan agreement with the Montgomery County Public Building Authority was \$2,000,000; however, the county elected to draw only \$227,133 of this amount.

Exhibit J-2

Clay County, Tennessee
Schedule of Long-term Debt Requirements by Year
Primary Government and Discretely Presented Clay County School Department

Year Ending June 30	PRIMARY GOVERNMENT			DISCRETELY PRESENTED CLAY COUNTY SCHOOL DEPARTMENT			Total
	Capital Lease Principal	Capital Lease Interest	Capital Lease Requirements	Other Loan Principal	Other Loan Interest	Other Loan Fees	
2009	\$ 6,597	\$ 2,660	\$ 9,257	\$ 208,000	\$ 113,159	\$ 37,310	\$ 358,469
2010	6,934	2,322	9,256	215,000	109,956	36,312	361,268
2011	7,289	1,968	9,257	224,000	106,645	35,280	365,925
2012	7,662	1,595	9,257	232,000	103,195	34,205	369,400
2013	8,054	1,203	9,257	241,000	99,623	33,091	373,714
2014	8,466	791	9,257	249,000	95,911	31,934	376,845
2015	8,899	358	9,257	259,000	92,077	30,739	381,816
2016	2,295	19	2,314	268,000	88,088	29,496	385,584
2017	0	0	0	278,000	83,961	28,210	390,171
2018	0	0	0	289,000	79,680	26,875	395,555
2019	0	0	0	299,000	75,229	25,488	399,717
2020	0	0	0	310,000	70,624	24,053	404,677
2021	0	0	0	322,000	65,850	22,565	410,415
2022	0	0	0	334,000	60,892	21,019	415,911
2023	0	0	0	346,000	55,748	19,416	421,164
2024	0	0	0	359,000	50,420	17,755	427,175
2025	0	0	0	372,000	44,891	16,032	432,923
2026	0	0	0	387,000	39,162	14,246	440,408
2027	0	0	0	401,000	33,202	12,389	446,591
2028	0	0	0	415,000	27,027	10,464	452,491
2029	0	0	0	431,000	20,636	8,472	460,108
2030	0	0	0	446,000	13,999	6,403	466,402
2031	0	0	0	463,000	7,130	4,264	474,394
Total	\$ 56,196	\$ 10,916	\$ 67,112	\$ 7,348,000	\$ 1,537,105	\$ 526,018	\$ 9,411,123

Exhibit J-3

Clay County, Tennessee
Schedule of Transfers
Primary Government and Discretely Presented Clay County School Department
For the Year Ended June 30, 2008

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>PRIMARY GOVERNMENT</u>			
Courthouse and Jail Maintenance	General Debt Service	Grant matching payment	\$ 1,288
General Debt Service	Courthouse and Jail Maintenance	Grant matching payment	2,576
Total Transfers Primary Government			<u>\$ 3,864</u>
<u>DISCRETELY PRESENTED CLAY</u>			
<u>COUNTY SCHOOL DEPARTMENT</u>			
School Federal Projects	General Purpose School	Indirect costs	\$ 10,549
Total Transfers Discretely Presented Clay County School Department			<u>\$ 10,549</u>

Exhibit J-4

Clay County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Primary Government and Discretely Presented Clay County School Department
For the Year Ended June 30, 2008

Official	Authorization for Salary	\$	Salary Paid During Period	\$	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>		57,025		25,000	RLI Insurance Company
Road Superintendent	Section 8-24-102, <u>TCA</u>		54,310		100,000	"
Director of Schools	State Board of Education and Clay County Board of Education					
Trustee	Section 8-24-102, <u>TCA</u>		80,335 (1)		50,000	"
Assessor of Property	Section 8-24-102, <u>TCA</u>		49,372		367,000	"
County Clerk	Section 8-24-102, <u>TCA</u>		49,372		10,000	"
Circuit and General Sessions Courts Clerk	Section 8-24-102, <u>TCA</u> and Circuit Court Judge		49,372 (2)		50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u> and Chancery Court Judge		49,372 (3)		40,000	State Farm Fire and Casualty Company
Register	Section 8-24-102, <u>TCA</u>		49,372		15,000	RLI Insurance Company
Sheriff	Section 8-24-102, <u>TCA</u>		54,310 (4)		25,000	"
Employee Blanket Bonds						
Public Employee Dishonesty - County Departments					150,000	Local Government Insurance Pool
Public Employee Dishonesty - School Department					150,000	Tennessee Risk Management Trust

- (1) Includes chief executive officer training supplement of \$1,000.
- (2) Does not include traffic school compensation of \$300.
- (3) Does not include special commissioner fees of \$948.
- (4) Does not include a law enforcement training supplement of \$600.

Exhibit J-5

Clay County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2008

	Special Revenue Funds							Debt Service Fund
	General	Courthouse and Jail Maintenance	Solid Waste/ Sanitation	Drug Control	Constitu- tional Officers - Fees	Highway/ Public Works	General Debt Service	
<u>Local Taxes</u>								
County Property Taxes								
Current Property Tax	\$ 821,977	\$ 0	\$ 371,792	\$ 0	\$ 0	\$ 0	\$ 29,455	\$ 1,223,224
Trustee's Collections - Prior Year	43,120	0	19,504	0	0	0	1,545	64,169
Circuit/Clerk & Master Collections - Prior Years	12,366	0	5,593	0	0	0	443	18,402
Interest and Penalty	8,303	0	3,756	0	0	0	298	12,357
Payments in-Lieu-of Taxes - T.V.A.	38,946	0	0	0	0	0	0	38,946
<u>County Local Option Taxes</u>								
Local Option Sales Tax	268,160	0	0	0	0	0	0	268,160
Wheel Tax	195,938	0	0	0	0	0	0	195,938
Litigation Tax - General	52,197	0	0	0	0	0	0	52,197
Litigation Tax - Special Purpose	1,226	1,844	0	0	0	0	9,506	12,576
Mineral Severance Tax	0	0	0	0	0	970	0	970
Other County Local Option Taxes	850	0	0	0	0	0	0	850
<u>Statutory Local Taxes</u>								
Bank Excise Tax	8,029	0	3,631	0	0	0	286	11,946
Wholesale Beer Tax	223,442	0	0	0	0	0	24,827	248,269
Total Local Taxes	\$ 1,674,554	\$ 1,844	\$ 404,276	\$ 0	\$ 0	\$ 970	\$ 66,360	\$ 2,148,004
<u>Licenses and Permits</u>								
Licenses								
Cable TV Franchise	\$ 1,806	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,806
<u>Permits</u>								
Beer Permits	2,138	0	0	0	0	0	0	2,138
Total Licenses and Permits	\$ 3,944	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,944
<u>Fines, Forfeitures, and Penalties</u>								
<u>Circuit Court</u>								
Fines	\$ 6,425	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,425
Officers Costs	1,543	0	0	0	0	0	0	1,543
Drug Control Fines	0	0	0	3,451	0	0	0	3,451
Jail Fees	28	0	0	0	0	0	0	28
DUI Treatment Fines	262	0	0	0	0	0	0	262
Data Entry Fee - Circuit Court	140	0	0	0	0	0	0	140

(Continued)

Exhibit J-5

Clay County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types (Cont.)

	Special Revenue Funds							Debt Service Fund
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>								
<u>Circuit Court (Cont.)</u>								
Courtroom Security Fee	\$ 30	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 30
<u>General Sessions Court</u>								
Fines	11,027	0	0	0	0	0	0	11,027
Officers Costs	12,470	0	0	0	0	0	0	12,470
Drug Control Fines	0	0	0	5,727	0	0	0	5,727
Drug Court Fees	469	0	0	0	0	0	0	469
Jail Fees	408	0	0	0	0	0	0	408
DUI Treatment Fines	3,175	0	0	0	0	0	0	3,175
Data Entry Fee - General Sessions Court	1,592	0	0	0	0	0	0	1,592
Courtroom Security Fee	186	0	0	0	0	0	0	186
<u>Chancery Court</u>								
Data Entry Fee - Chancery Court	384	0	0	0	0	0	0	384
<u>Judicial District Drug Program</u>								
Drug Task Force Forfeitures and Seizures	0	0	0	1,390	0	0	0	1,390
<u>Other Fines, Forfeitures, and Penalties</u>								
Proceeds from Confiscated Property	0	0	0	47,675	0	0	0	47,675
Other Fines, Forfeitures, and Penalties	0	0	0	691	0	0	0	691
Total Fines, Forfeitures, and Penalties	\$ 38,139	\$ 0	\$ 0	\$ 58,934	\$ 0	\$ 0	\$ 0	\$ 97,073
<u>Charges for Current Services</u>								
<u>General Service Charges</u>								
Tippling Fees	\$ 0	\$ 0	\$ 61,581	\$ 0	\$ 0	\$ 0	\$ 0	\$ 61,581
Work Release Charges for Board	120	0	0	0	0	0	0	120
Other General Service Charges	1,686	0	0	0	0	0	0	1,686
<u>Fees</u>								
Constitutional Officers' Fees and Commissions	0	0	0	0	166,095	0	0	166,095
Special Commissioner Fees/Special Master Fees	0	0	0	0	948	0	0	948
Data Processing Fee - Register	2,924	0	0	0	0	0	0	2,924
Sexual Offender Registration Fees - Sheriff	600	0	0	0	0	0	0	600
Total Charges for Current Services	\$ 5,330	\$ 0	\$ 61,581	\$ 0	\$ 167,043	\$ 0	\$ 0	\$ 233,954

(Continued)

Exhibit J-5

Clay County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types (Cont.)

	Special Revenue Funds							Debt Service Fund
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Other Local Revenues</u>								
<u>Recurring Items</u>								
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 105,296	\$ 105,296
Lease/Rentals	16,500	0	0	0	0	0	0	16,500
Sale of Recycled Materials	0	0	43,564	0	0	0	0	43,564
Miscellaneous Refunds	122	0	0	162	0	0	0	284
<u>Nonrecurring Items</u>								
Sale of Equipment	3,450	0	0	0	0	0	0	3,450
Contributions and Gifts	0	0	0	650	0	0	0	650
<u>Other Local Revenues</u>								
Other Local Revenues	36,041	0	0	0	0	0	0	36,041
Total Other Local Revenues	\$ 56,113	\$ 0	\$ 43,564	\$ 812	\$ 0	\$ 0	\$ 105,296	\$ 205,785
<u>Fees Received from County Officials</u>								
<u>Excess Fees</u>								
County Clerk	\$ 9,896	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,896
Trustee	32,943	0	0	0	0	0	0	32,943
<u>Fees In-Lieu-of Salary</u>								
Circuit Court Clerk	22,287	0	0	0	0	0	0	22,287
General Sessions Court Clerk	64,449	0	0	0	0	0	0	64,449
Clerk and Master	28,289	0	0	0	0	0	0	28,289
Register	30,833	0	0	0	0	0	0	30,833
Sheriff	1,438	0	0	0	0	0	0	1,438
Total Fees Received from County Officials	\$ 190,135	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 190,135
<u>State of Tennessee</u>								
<u>General Government Grants</u>								
Juvenile Services Program	\$ 6,750	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,750
Aging Programs	13,608	0	0	0	0	0	0	13,608
State Reappraisal Grant	4,099	0	0	0	0	0	0	4,099
<u>Public Safety Grants</u>								
Law Enforcement Training Programs	8,400	0	0	0	0	0	0	8,400
Health and Welfare Grants	3,735	0	0	0	0	0	0	3,735

(Continued)

Exhibit J-5

Clay County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types (Cont.)

	Special Revenue Funds							Debt Service Fund
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>State of Tennessee (Cont.)</u>								
Public Works Grants	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 147,476	\$ 0	\$ 147,476
State Aid Program	29,237	0	0	0	0	0	0	29,237
Litter Program								
Other State Revenues								
Income Tax	27,371	0	0	0	0	0	0	27,371
Beer Tax	19,312	0	0	0	0	0	0	19,312
Alcoholic Beverage Tax	17,628	0	0	0	0	0	0	17,628
State Revenue Sharing - T.V.A.	215,315	0	0	0	0	0	0	215,315
Contracted Prisoner Boarding	81,235	0	0	0	0	0	0	81,235
Gasoline and Motor Fuel Tax	0	0	0	0	0	1,344,516	0	1,344,516
Petroleum Special Tax	0	0	0	0	0	6,406	0	6,406
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	16,380
Other State Grants	15,789	0	8,282	0	0	0	0	24,071
Other State Revenues	76,712	0	0	0	0	7,150	0	83,862
Total State of Tennessee	\$ 535,571	\$ 0	\$ 8,282	\$ 0	\$ 0	\$ 1,505,548	\$ 0	\$ 2,049,401
<u>Federal Government</u>								
Federal Through State								
Community Development	\$ 285,237	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 285,237
Other Federal through State	27,214	0	0	0	0	0	0	27,214
Direct Federal Revenue								
Police Service (Lake Area)	22,119	0	0	0	0	0	0	22,119
Total Federal Government	\$ 334,570	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 334,570
<u>Other Governments and Citizens Groups</u>								
Other Governments								
Contributions	\$ 10,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,000
Total Other Governments and Citizens Groups	\$ 10,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,000
Total	\$ 2,848,356	\$ 1,844	\$ 517,703	\$ 59,746	\$ 167,043	\$ 1,506,518	\$ 171,656	\$ 5,272,866

Exhibit J-6

Clay County, Tennessee
 Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented Clay County School Department
 For the Year Ended June 30, 2008

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 1,096,123	\$ 0	\$ 0	\$ 1,096,123
Trustee's Collections - Prior Year	58,158	0	0	58,158
Circuit/Clerk & Master Collections - Prior Years	18,400	0	0	18,400
Interest and Penalty	11,072	0	0	11,072
<u>County Local Option Taxes</u>				
Local Option Sales Tax	544,793	0	0	544,793
<u>Statutory Local Taxes</u>				
Bank Excise Tax	10,706	0	0	10,706
Interstate Telecommunications Tax	1,028	0	0	1,028
Total Local Taxes	\$ 1,740,280	\$ 0	\$ 0	\$ 1,740,280
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 722	\$ 0	\$ 0	\$ 722
<u>Permits</u>				
Other Permits	341	0	0	341
Total Licenses and Permits	\$ 1,063	\$ 0	\$ 0	\$ 1,063
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Lunch Payments - Children	\$ 0	\$ 0	\$ 86,364	\$ 86,364
Lunch Payments - Adults	0	0	29,725	29,725
Income from Breakfast	0	0	14,197	14,197
A la carte Sales	0	0	29,080	29,080
Receipts from Individual Schools	15,361	0	0	15,361
TBI Criminal Background Fees	1,152	0	0	1,152
<u>Other Charges for Services</u>				
Other Charges for Services	49	0	0	49
Total Charges for Current Services	\$ 16,562	\$ 0	\$ 159,366	\$ 175,928
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 0	\$ 0	\$ 1,621	\$ 1,621
Sale of Materials and Supplies	1,333	0	0	1,333
Miscellaneous Refunds	34,440	1,781	20	36,241
<u>Nonrecurring Items</u>				
Sale of Equipment	4,578	0	0	4,578
Sale of Property	7,100	0	0	7,100
Damages Recovered from Individuals	193	0	0	193
Contributions and Gifts	20,785	0	0	20,785
<u>Other Local Revenues</u>				
Other Local Revenues	225	0	0	225
Total Other Local Revenues	\$ 68,654	\$ 1,781	\$ 1,641	\$ 72,076

(Continued)

Exhibit J-6

Clay County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented Clay County School Department (Cont.)

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-Behalf Contributions for OPEB	\$ 69,640	\$ 0	\$ 0	\$ 69,640
<u>State Education Funds</u>				
Basic Education Program	5,976,816	0	0	5,976,816
Early Childhood Education	278,071	0	0	278,071
School Food Service	7,093	0	0	7,093
Other State Education Funds	167,438	0	0	167,438
Career Ladder Program	67,928	0	0	67,928
Career Ladder - Extended Contract	50,968	0	0	50,968
<u>Other State Revenues</u>				
Flood Control	153,812	0	0	153,812
Other State Revenues	600	0	0	600
Total State of Tennessee	\$ 6,772,366	\$ 0	\$ 0	\$ 6,772,366
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 261,318	\$ 261,318
Breakfast	0	0	105,460	105,460
Adult Education State Grant Program	52,537	0	0	52,537
Vocational Education - Basic Grants to States	0	86,760	0	86,760
Other Vocational	0	9,204	0	9,204
Title I Grants to Local Education Agencies	0	359,346	0	359,346
Innovative Education Program Strategies	0	26,360	0	26,360
Special Education - Grants to States	1,740	241,240	0	242,980
Special Education Preschool Grants	0	2,314	0	2,314
Safe and Drug-Free Schools - State Grants	0	5,855	0	5,855
Rural Education	0	12,874	0	12,874
Eisenhower Professional Development State Grants	0	91,073	0	91,073
Job Training Partnership Act	21,656	15,796	0	37,452
Other Federal through State	0	530	0	530
<u>Direct Federal Revenue</u>				
Public Law 874 - Maintenance and Operation	75,174	0	0	75,174
Total Federal Government	\$ 151,107	\$ 851,352	\$ 366,778	\$ 1,369,237
Total	\$ 8,750,032	\$ 853,133	\$ 527,785	\$ 10,130,950

Exhibit J-7

Clay County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2008

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	20,207	
Other Per Diem and Fees		1,900	
Audit Services		2,127	
Consultants		1,702	
Dues and Memberships		1,050	
Legal Services		489	
Travel		55	
Other Charges		<u>25,000</u>	
Total County Commission			\$ 52,530

Board of Equalization

Board and Committee Members Fees	\$	<u>1,010</u>	
Total Board of Equalization			1,010

Beer Board

Legal Notices, Recording, and Court Costs	\$	<u>384</u>	
Total Beer Board			384

County Mayor/Executive

County Official/Administrative Officer	\$	57,025	
Accountants/Bookkeepers		23,494	
Clerical Personnel		16,407	
Communication		2,207	
Data Processing Services		3,807	
Dues and Memberships		2,945	
Legal Notices, Recording, and Court Costs		488	
Maintenance Agreements		1,288	
Postal Charges		1,471	
Printing, Stationery, and Forms		201	
Travel		559	
Office Supplies		3,627	
Premiums on Corporate Surety Bonds		75	
Office Equipment		<u>115</u>	
Total County Mayor/Executive			113,709

County Attorney

County Official/Administrative Officer	\$	<u>3,600</u>	
Total County Attorney			3,600

(Continued)

Exhibit J-7

Clay County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

General Fund (Cont.)

General Government (Cont.)

Election Commission

County Official/Administrative Officer	\$	39,498	
Other Salaries and Wages		15,812	
Election Commission		2,405	
Election Workers		5,764	
In-Service Training		755	
Communication		1,076	
Legal Notices, Recording, and Court Costs		814	
Maintenance and Repair Services - Buildings		444	
Maintenance and Repair Services - Equipment		7,939	
Postal Charges		2,500	
Printing, Stationery, and Forms		1,642	
Travel		1,975	
Office Supplies		1,100	
Office Equipment		1,782	
Total Election Commission			\$ 83,506

Register of Deeds

County Official/Administrative Officer	\$	49,372	
Deputy(ies)		14,976	
Communication		1,202	
Data Processing Services		2,620	
Dues and Memberships		407	
Maintenance Agreements		1,841	
Postal Charges		400	
Printing, Stationery, and Forms		646	
Duplicating Supplies		242	
Office Supplies		515	
Premiums on Corporate Surety Bonds		75	
Office Equipment		1,500	
Total Register of Deeds			73,796

County Buildings

Custodial Personnel	\$	42,336	
Maintenance and Repair Services - Buildings		6,832	
Maintenance and Repair Services - Vehicles		470	
Custodial Supplies		4,428	
Electricity		20,291	
Gasoline		3,034	
Natural Gas		4,416	
Water and Sewer		2,296	
Total County Buildings			84,103

(Continued)

Exhibit J-7

Clay County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

General Fund (Cont.)

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	49,372	
Deputy(ies)		19,240	
Part-time Personnel		5,302	
Communication		958	
Contracts with Private Agencies		875	
Data Processing Services		5,738	
Dues and Memberships		300	
Legal Notices, Recording, and Court Costs		180	
Postal Charges		678	
Travel		1,028	
Office Supplies		1,548	
Office Equipment		475	
Total Property Assessor's Office			\$ 85,694

County Trustee's Office

Data Processing Services	\$	1,654	
Dues and Memberships		327	
Legal Notices, Recording, and Court Costs		48	
Maintenance and Repair Services - Equipment		3,577	
Postal Charges		2,399	
Printing, Stationery, and Forms		1,123	
Office Supplies		2,337	
Premiums on Corporate Surety Bonds		1,582	
Office Equipment		15,701	
Total County Trustee's Office			28,748

County Clerk's Office

Communication	\$	1,662	
Dues and Memberships		327	
Postal Charges		2,600	
Rentals		7,150	
Electricity		1,968	
Office Supplies		2,168	
Premiums on Corporate Surety Bonds		150	
Office Equipment		988	
Total County Clerk's Office			17,013

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	49,372	
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(Continued)

Exhibit J-7

Clay County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court (Cont.)

Deputy(ies)	\$	23,754	
Clerical Personnel		35,663	
Other Salaries and Wages		2,725	
Jury and Witness Fees		6,391	
In-Service Training		450	
Communication		2,171	
Data Processing Services		798	
Dues and Memberships		327	
Evaluation and Testing		274	
Legal Notices, Recording, and Court Costs		528	
Maintenance Agreements		6,920	
Maintenance and Repair Services - Equipment		1,034	
Postal Charges		1,050	
Printing, Stationery, and Forms		1,477	
Travel		104	
Office Supplies		2,931	
Premiums on Corporate Surety Bonds		150	
Office Equipment		2,700	
Total Circuit Court			\$ 138,819

General Sessions Court

Judge(s)	\$	63,412	
Total General Sessions Court			63,412

Chancery Court

County Official/Administrative Officer	\$	49,372	
Deputy(ies)		15,808	
Communication		974	
Dues and Memberships		327	
Postal Charges		540	
Office Supplies		2,349	
Premiums on Corporate Surety Bonds		826	
Total Chancery Court			70,196

Juvenile Court

Supervisor/Director	\$	9,000	
Social Security		604	
Unemployment Compensation		140	
Other Contracted Services		1,500	
Total Juvenile Court			11,244

(Continued)

Exhibit J-7

Clay County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

General Fund (Cont.)

Administration of Justice (Cont.)

Judicial Commissioners

County Official/Administrative Officer	\$	10,037	
Other Salaries and Wages		300	
Office Supplies		63	
Total Judicial Commissioners			\$ 10,400

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	54,310	
Assistant(s)		31,106	
Deputy(ies)		292,937	
Accountants/Bookkeepers		21,507	
Salary Supplements		6,600	
Dispatchers/Radio Operators		146,521	
Cafeteria Personnel		28,345	
Other Salaries and Wages		20,160	
In-Service Training		6,315	
Communication		7,851	
Dues and Memberships		1,150	
Evaluation and Testing		1,602	
Licenses		198	
Maintenance and Repair Services - Buildings		15	
Maintenance and Repair Services - Equipment		6,049	
Maintenance and Repair Services - Vehicles		22,221	
Postal Charges		755	
Printing, Stationery, and Forms		1,038	
Travel		7,603	
Remittance of Revenue Collected		1,664	
Custodial Supplies		253	
Food Preparation Supplies		26	
Gasoline		59,981	
Law Enforcement Supplies		4,935	
Office Supplies		4,197	
Tires and Tubes		7,421	
Uniforms		3,761	
Other Supplies and Materials		1,231	
Premiums on Corporate Surety Bonds		523	
Total Sheriff's Department			740,275

Drug Enforcement

Motor Vehicles	\$	33,550	
Total Drug Enforcement			33,550

(Continued)

Exhibit J-7

Clay County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

General Fund (Cont.)

Public Safety (Cont.)

Jail

Contracts with Government Agencies	\$	28,655	
Maintenance and Repair Services - Buildings		18,709	
Travel		40	
Custodial Supplies		3,413	
Drugs and Medical Supplies		17,494	
Electricity		12,078	
Food Preparation Supplies		1,891	
Food Supplies		31,442	
Gasoline		13,776	
Water and Sewer		798	
Other Supplies and Materials		2,230	
Other Charges		510	
Total Jail			\$ 131,036

Correctional Incentive Program Improvements

Other Equipment	\$	1,600	
Total Correctional Incentive Program Improvements			1,600

Fire Prevention and Control

Disability Insurance	\$	15,268	
Contributions		17,500	
Other Charges		2,000	
Other Equipment		570	
Total Fire Prevention and Control			35,338

Rescue Squad

Contributions	\$	2,500	
Total Rescue Squad			2,500

Other Emergency Management

Maintenance and Repair Services - Equipment	\$	18,755	
Road Signs		3,073	
Total Other Emergency Management			21,828

County Coroner/Medical Examiner

Other Per Diem and Fees	\$	8,122	
Total County Coroner/Medical Examiner			8,122

(Continued)

Exhibit J-7

Clay County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

General Fund (Cont.)

Public Health and Welfare

Local Health Center

Other Salaries and Wages	\$	3,600	
Communication		2,631	
Maintenance and Repair Services - Buildings		11,139	
Custodial Supplies		457	
Drugs and Medical Supplies		580	
Office Supplies		1,298	
Utilities		14,423	
Other Charges		18,802	
Total Local Health Center			\$ 52,930

Ambulance/Emergency Medical Services

Other Contracted Services	\$	198,000	
Total Ambulance/Emergency Medical Services			198,000

Other Local Health Services

Other Salaries and Wages	\$	2,278	
Unemployment Compensation		46	
Travel		702	
Total Other Local Health Services			3,026

Appropriation to State

Other Contracted Services	\$	4,154	
Total Appropriation to State			4,154

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Supervisor/Director	\$	16,690	
Social Security		1,277	
Unemployment Compensation		140	
Communication		1,184	
Postal Charges		41	
Travel		139	
Utilities		22,769	
Other Supplies and Materials		845	
Total Senior Citizens Assistance			43,085

Libraries

Supervisor/Director	\$	19,240	
Other Salaries and Wages		14,664	
Communication		1,483	

(Continued)

Exhibit J-7

Clay County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Libraries (Cont.)

Dues and Memberships	\$	420	
Postal Charges		1,585	
Travel		617	
Custodial Supplies		1,313	
Electricity		6,209	
Library Books/Media		9,060	
Office Supplies		4,708	
Water and Sewer		491	
Other Charges		861	
Office Equipment		5,645	
Total Libraries			\$ 66,296

Other Social, Cultural, and Recreational

Contributions	\$	8,833	
Total Other Social, Cultural, and Recreational			8,833

Agriculture and Natural Resources

Agriculture Extension Service

Salary Supplements	\$	53,925	
Social Security		5,724	
Extension Service Medicare		205	
Communication		1,812	
Contributions		7,511	
Travel		4,129	
Data Processing Equipment		2,199	
Total Agriculture Extension Service			75,505

Forest Service

Contributions	\$	1,000	
Total Forest Service			1,000

Soil Conservation

Secretary(ies)	\$	17,160	
Other Salaries and Wages		19,995	
Communication		1,567	
Utilities		1,610	
Total Soil Conservation			40,332

(Continued)

Exhibit J-7

Clay County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

General Fund (Cont.)

Other Operations

Tourism

Clerical Personnel	\$	4,224	
Communication		1,376	
Postal Charges		11	
Total Tourism			\$ 5,611

Industrial Development

Consultants	\$	24,000	
Legal Services		350	
Travel		1,494	
Other Charges		2,883	
Total Industrial Development			28,727

Other Economic and Community Development

Other Construction	\$	285,237	
Total Other Economic and Community Development			285,237

Other Charges

Liability Insurance	\$	48,705	
Trustee's Commission		28,365	
Workers' Compensation Insurance		51,281	
Other Debt Issuance Charges		1,029	
Total Other Charges			129,380

Employee Benefits

Social Security	\$	132,946	
State Retirement		100,140	
Unemployment Compensation		7,806	
Total Employee Benefits			240,892

Highways

Litter and Trash Collection

Supervisor/Director	\$	25,664	
Laborers		14,739	
Other Charges		1,045	
Total Litter and Trash Collection			41,448

Total General Fund \$ 3,036,869

(Continued)

Exhibit J-7

Clay County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

Courthouse and Jail Maintenance Fund

General Government

County Buildings

Maintenance and Repair Services - Buildings	\$ 5,296	
Total County Buildings		\$ 5,296

Other Operations

Other Charges

Trustee's Commission	\$ 19	
Total Other Charges		19

Total Courthouse and Jail Maintenance Fund		\$ 5,315
--	--	----------

Solid Waste/Sanitation Fund

Public Health and Welfare

Waste Pickup

Truck Drivers	\$ 24,885	
Laborers	59,469	
Clerical Personnel	7,280	
In-Service Training	70	
Social Security	7,010	
Unemployment Compensation	1,487	
Communication	1,469	
Contracts with Private Agencies	182,394	
Evaluation and Testing	548	
Maintenance and Repair Services - Buildings	3,738	
Maintenance and Repair Services - Equipment	1,800	
Maintenance and Repair Services - Vehicles	29,675	
Postal Charges	41	
Rentals	2,158	
Travel	66	
Custodial Supplies	1,236	
Electricity	5,347	
Gasoline	41,384	
Natural Gas	990	
Office Supplies	722	
Tires and Tubes	7,960	
Water and Sewer	566	
Other Charges	579	
Site Development	6,199	
Solid Waste Equipment	31,558	
Total Waste Pickup		\$ 418,631

(Continued)

Exhibit J-7

Clay County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

Solid Waste/Sanitation Fund (Cont.)

Other Operations

Other Charges

Trustee's Commission	\$ 8,674	
Total Other Charges		\$ 8,674

Total Solid Waste/Sanitation Fund \$ 427,305

Drug Control Fund

Public Safety

Drug Enforcement

Contributions	\$ 1,162	
Confidential Drug Enforcement Payments	3,500	
Other Supplies and Materials	4,845	
Other Charges	5,494	
Law Enforcement Equipment	431	
Motor Vehicles	3,800	
Other Equipment	1,880	
Total Drug Enforcement		\$ 21,112

Other Operations

Other Charges

Trustee's Commission	\$ 490	
Total Other Charges		490

Total Drug Control Fund 21,602

Constitutional Officers - Fees Fund

Finance

County Trustee's Office

County Official/Administrative Officer	\$ 49,372	
Deputy(ies)	27,025	
Constitutional Officers' Operating Expenses	561	
Total County Trustee's Office		\$ 76,958

County Clerk's Office

County Official/Administrative Officer	\$ 49,372	
Deputy(ies)	40,624	
Constitutional Officers' Operating Expenses	457	
Total County Clerk's Office		90,453

(Continued)

Exhibit J-7

Clay County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

Constitutional Officers - Fees Fund (Cont.)

Administration of Justice

Chancery Court

Special Commissioner Fees/Special Master Fees	\$	948	
Total Chancery Court			\$ 948

Total Constitutional Officers - Fees Fund \$ 168,359

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	54,310	
Accountants/Bookkeepers		28,989	
Advertising		192	
Communication		1,400	
Consultants		269	
Data Processing Services		4,403	
Dues and Memberships		2,032	
Postal Charges		306	
Other Contracted Services		7,084	
Other Charges		2,084	
Data Processing Equipment		623	
Total Administration			\$ 101,692

Highway and Bridge Maintenance

Equipment Operators	\$	86,625	
Truck Drivers		115,246	
Laborers		114,642	
Evaluation and Testing		3,415	
Rentals		1,408	
Asphalt - Hot Mix		233,964	
Asphalt - Liquid		215,233	
Crushed Stone		96,596	
Pipe		18,013	
Road Signs		818	
Salt		4,807	
Structural Steel		418	
Wood Products		2,520	
Other Supplies and Materials		833	
Other Charges		392	
Highway Construction		1,280	
Other Construction		179	
Total Highway and Bridge Maintenance			896,389

(Continued)

Exhibit J-7

Clay County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment

Mechanic(s)	\$	45,101	
Maintenance and Repair Services - Equipment		1,177	
Diesel Fuel		72,960	
Equipment and Machinery Parts		19,467	
Gasoline		16,396	
Lubricants		3,757	
Natural Gas		1,782	
Small Tools		470	
Tires and Tubes		16,745	
Other Supplies and Materials		1,243	
Other Charges		1,466	
Total Operation and Maintenance of Equipment			\$ 180,564

Other Charges

Electricity	\$	2,961	
Water and Sewer		544	
Premiums on Corporate Surety Bonds		289	
Trustee's Commission		13,460	
Vehicle and Equipment Insurance		16,724	
Workers' Compensation Insurance		64,840	
Other Charges		170	
Total Other Charges			98,988

Employee Benefits

Social Security	\$	28,801	
State Retirement		22,446	
Unemployment Compensation		5,288	
Employer Medicare		6,455	
Total Employee Benefits			62,990

Capital Outlay

Highway Equipment	\$	71,945	
Total Capital Outlay			71,945

Total Highway/Public Works Fund \$ 1,412,568

General Debt Service Fund

Principal on Debt

General Government

Principal on Capital Leases	\$	6,275	
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(Continued)

Exhibit J-7

Clay County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

<u>General Debt Service Fund (Cont.)</u>		
<u>Principal on Debt (Cont.)</u>		
<u>General Government (Cont.)</u>		
Principal on Other Loans	\$ 27,133	
Total General Government		\$ 33,408
<u>Interest on Debt</u>		
<u>General Government</u>		
Interest on Capital Leases	\$ 2,981	
Interest on Other Loans	265	
Total General Government		3,246
<u>Other Debt Service</u>		
<u>General Government</u>		
Bank Charges	\$ 39	
Trustee's Commission	1,678	
Other Debt Issuance Charges	843	
Total General Government		2,560
Total General Debt Service Fund		<u>\$ 39,214</u>
Total Governmental Funds - Primary Government		<u><u>\$ 5,111,232</u></u>

Exhibit J-8

Clay County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Clay County School Department
For the Year Ended June 30, 2008

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 2,381,688	
Career Ladder Program	34,918	
Career Ladder Extended Contracts	55,250	
Educational Assistants	84,783	
Longevity Pay	4,075	
Certified Substitute Teachers	59,988	
Non-certified Substitute Teachers	26,324	
Social Security	151,305	
State Retirement	160,136	
Medical Insurance	190,804	
Unemployment Compensation	3,820	
Employer Medicare	35,670	
Other Contracted Services	25,080	
Instructional Supplies and Materials	78,964	
Textbooks	118,242	
Fee Waivers	6,483	
Other Charges	2,207	
Regular Instruction Equipment	71,818	
Total Regular Instruction Program		\$ 3,491,555

Alternative Instruction Program

Teachers	\$ 43,231	
Non-certified Substitute Teachers	350	
Social Security	2,455	
State Retirement	2,716	
Medical Insurance	2,494	
Unemployment Compensation	40	
Employer Medicare	574	
Instructional Supplies and Materials	299	
Total Alternative Instruction Program		52,159

Special Education Program

Teachers	\$ 378,751
Career Ladder Program	6,150
Homebound Teachers	19,330
Educational Assistants	21,086
Longevity Pay	1,250
Certified Substitute Teachers	1,790
Non-certified Substitute Teachers	4,005

(Continued)

Exhibit J-8

Clay County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Clay County School Department (Cont.)

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Social Security	\$	24,415	
State Retirement		26,949	
Medical Insurance		41,102	
Unemployment Compensation		557	
Employer Medicare		5,724	
Contracts with Private Agencies		1,325	
Other Contracted Services		50,588	
Instructional Supplies and Materials		924	
Other Charges		283	
Total Special Education Program			\$ 584,229

Vocational Education Program

Teachers	\$	149,030	
Career Ladder Program		2,500	
Clerical Personnel		3,302	
Certified Substitute Teachers		25	
Non-certified Substitute Teachers		1,025	
Social Security		8,622	
State Retirement		9,424	
Medical Insurance		18,965	
Unemployment Compensation		170	
Employer Medicare		2,064	
Other Contracted Services		58,622	
Instructional Supplies and Materials		9,870	
Vocational Instruction Equipment		5,314	
Total Vocational Education Program			268,933

Adult Education Program

Teachers	\$	41,571	
Longevity Pay		1,000	
Other Salaries and Wages		19,418	
Social Security		3,206	
State Retirement		1,642	
Unemployment Compensation		133	
Employer Medicare		899	
Instructional Supplies and Materials		7,849	
In Service/Staff Development		1,026	
Total Adult Education Program			76,744

(Continued)

Exhibit J-8

Clay County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Clay County School Department (Cont.)

General Purpose School Fund (Cont.)

Support Services

Attendance

Supervisor/Director	\$	59,394	
Career Ladder Program		1,000	
Social Security		3,582	
State Retirement		3,769	
Medical Insurance		2,528	
Unemployment Compensation		42	
Employer Medicare		838	
Travel		2,464	
Other Supplies and Materials		399	
Other Charges		3,122	
Total Attendance			\$ 77,138

Health Services

Medical Personnel	\$	69,170	
Other Salaries and Wages		50,691	
Social Security		7,262	
State Retirement		5,133	
Medical Insurance		4,548	
Unemployment Compensation		238	
Employer Medicare		1,698	
Contributions		100	
Travel		6,448	
Drugs and Medical Supplies		501	
Other Supplies and Materials		27,322	
Health Equipment		3,579	
Total Health Services			176,690

Other Student Support

Career Ladder Program	\$	1,000	
Guidance Personnel		123,525	
Social Security		6,915	
State Retirement		7,770	
Medical Insurance		12,741	
Unemployment Compensation		166	
Employer Medicare		1,617	
Evaluation and Testing		3,966	
Travel		143	
Remittance of Revenue Collected		600	
Other Charges		1,471	
Total Other Student Support			159,914

(Continued)

Exhibit J-8

Clay County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Clay County School Department (Cont.)

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program

Supervisor/Director	\$	117,730	
Career Ladder Program		6,500	
Librarians		134,265	
Education Media Personnel		20,947	
Instructional Computer Personnel		38,747	
Social Security		18,178	
State Retirement		19,572	
Medical Insurance		17,852	
Unemployment Compensation		333	
Employer Medicare		4,361	
Travel		16,338	
Library Books/Media		8,365	
Other Supplies and Materials		2,711	
In Service/Staff Development		14,167	
Other Charges		318	
Total Regular Instruction Program			\$ 420,384

Special Education Program

Supervisor/Director	\$	27,127	
Career Ladder Program		1,000	
Assessment Personnel		21,618	
Clerical Personnel		6,531	
Other Salaries and Wages		6,608	
Social Security		3,885	
State Retirement		4,160	
Unemployment Compensation		124	
Employer Medicare		909	
Postal Charges		400	
Travel		103	
Other Contracted Services		2,464	
Other Supplies and Materials		200	
Total Special Education Program			75,129

Other Programs

On-Behalf Payments to OPEB	\$	69,640	
Total Other Programs			69,640

Board of Education

Other Salaries and Wages	\$	1,900	
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(Continued)

Exhibit J-8

Clay County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Clay County School Department (Cont.)

General Purpose School Fund (Cont.)

Support Services (Cont.)

Board of Education (Cont.)

Board and Committee Members Fees	\$	13,700	
In-Service Training		125	
Social Security		966	
State Retirement		138	
Medical Insurance		16	
Unemployment Compensation		85	
Employer Medicare		226	
Advertising		2,596	
Audit Services		2,310	
Dues and Memberships		7,251	
Legal Services		28,613	
Travel		225	
Food Supplies		605	
Trustee's Commission		52,369	
Workers' Compensation Insurance		50,184	
Criminal Investigation of Applicants - TBI		1,452	
Refund to Applicant for Criminal Investigation		1,688	
Other Charges		6,486	
Total Board of Education			\$ 170,935

Director of Schools

County Official/Administrative Officer	\$	79,335	
Career Ladder Program		1,000	
Social Security		4,594	
State Retirement		5,013	
Medical Insurance		6,308	
Unemployment Compensation		42	
Employer Medicare		1,075	
Communication		13,779	
Dues and Memberships		70	
Postal Charges		3,637	
Travel		2,371	
Office Supplies		181	
Other Charges		492	
Total Director of Schools			117,897

Office of the Principal

Principals	\$	165,360	
Career Ladder Program		2,000	

(Continued)

Exhibit J-8

Clay County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Clay County School Department (Cont.)

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal (Cont.)

Secretary(ies)	\$	52,492	
Clerical Personnel		17,551	
Longevity Pay		1,925	
Social Security		14,011	
State Retirement		14,672	
Medical Insurance		15,202	
Unemployment Compensation		391	
Employer Medicare		3,277	
Communication		5,254	
Total Office of the Principal			\$ 292,135

Fiscal Services

Accountants/Bookkeepers	\$	44,754	
Secretary(ies)		32,037	
Longevity Pay		1,925	
Social Security		4,743	
State Retirement		5,436	
Medical Insurance		1,754	
Unemployment Compensation		178	
Employer Medicare		1,284	
Travel		1,209	
Other Contracted Services		8,289	
Data Processing Supplies		1,288	
Office Supplies		3,281	
Other Charges		897	
Administration Equipment		1,932	
Total Fiscal Services			109,007

Operation of Plant

Custodial Personnel	\$	151,733	
Longevity Pay		900	
Other Salaries and Wages		8,750	
Social Security		9,601	
State Retirement		10,981	
Medical Insurance		7,649	
Unemployment Compensation		466	
Employer Medicare		2,329	
Maintenance and Repair Services - Equipment		2,104	
Other Contracted Services		86,419	

(Continued)

Exhibit J-8

Clay County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Clay County School Department (Cont.)

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

Custodial Supplies	\$	34,942	
Electricity		374,739	
Fuel Oil		23,440	
Water and Sewer		21,982	
Other Supplies and Materials		548	
Building and Contents Insurance		37,971	
Other Charges		1,157	
Plant Operation Equipment		20,677	
Total Operation of Plant			\$ 796,388

Maintenance of Plant

Supervisor/Director	\$	20,952	
Longevity Pay		1,250	
Other Salaries and Wages		71,650	
Social Security		5,326	
State Retirement		5,607	
Medical Insurance		398	
Unemployment Compensation		187	
Employer Medicare		1,361	
Maintenance and Repair Services - Buildings		5,999	
Maintenance and Repair Services - Equipment		10,003	
Rentals		250	
Food Supplies		112	
General Construction Materials		1,000	
Other Supplies and Materials		29,682	
Other Charges		542	
Maintenance Equipment		679	
Total Maintenance of Plant			154,998

Transportation

Bus Drivers	\$	186,642	
Longevity Pay		3,300	
Other Salaries and Wages		44	
Social Security		11,455	
State Retirement		12,965	
Medical Insurance		7,718	
Unemployment Compensation		815	
Employer Medicare		2,755	
Communication		6,710	

(Continued)

Exhibit J-8

Clay County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Clay County School Department (Cont.)

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Maintenance and Repair Services - Vehicles	\$	2,657	
Medical and Dental Services		3,365	
Travel		153	
Other Contracted Services		43,500	
Diesel Fuel		80,394	
Gasoline		43,569	
Lubricants		4,449	
Tires and Tubes		20,217	
Vehicle Parts		33,374	
Other Supplies and Materials		131	
Vehicle and Equipment Insurance		15,000	
Other Charges		4,076	
Transportation Equipment		137,718	
Total Transportation			\$ 621,007

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	57,024	
Career Ladder Program		1,000	
Social Security		3,597	
State Retirement		3,621	
Medical Insurance		6,364	
Unemployment Compensation		42	
Employer Medicare		841	
Communication		995	
Travel		2,992	
Total Food Service			76,476

Community Services

Supervisor/Director	\$	43,850	
Other Salaries and Wages		5,775	
Social Security		2,673	
State Retirement		3,097	
Medical Insurance		6,292	
Unemployment Compensation		48	
Employer Medicare		625	
Travel		372	
Other Supplies and Materials		877	
Other Charges		250	
Total Community Services			63,859

(Continued)

Exhibit J-8

Clay County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Clay County School Department (Cont.)

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Early Childhood Education

Teachers	\$	98,502	
Educational Assistants		40,134	
Longevity Pay		200	
Social Security		8,375	
State Retirement		9,178	
Medical Insurance		1,541	
Unemployment Compensation		253	
Employer Medicare		1,961	
Travel		2,162	
Instructional Supplies and Materials		22,896	
Regular Instruction Equipment		<u>93,988</u>	
Total Early Childhood Education			\$ 279,190

Capital Outlay

Regular Capital Outlay

Architects	\$	4,000	
Building Construction		60,000	
Building Improvements		75,254	
Heating and Air Conditioning Equipment		9,500	
Site Development		942	
Other Capital Outlay		<u>35,831</u>	
Total Regular Capital Outlay			185,527

Principal on Debt

Education

Principal on Other Loans	\$	<u>201,000</u>	
Total Education			201,000

Interest on Debt

Education

Interest on Other Loans	\$	<u>214,174</u>	
Total Education			214,174

Other Debt Service

Education

Other Debt Service	\$	<u>43,473</u>	
Total Education			<u>43,473</u>

Total General Purpose School Fund \$ 8,778,581

(Continued)

Exhibit J-8

Clay County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Clay County School Department (Cont.)

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	184,186	
Educational Assistants		50,679	
Longevity Pay		2,000	
Other Salaries and Wages		10,000	
Certified Substitute Teachers		4,636	
Non-certified Substitute Teachers		300	
Social Security		14,930	
State Retirement		15,859	
Medical Insurance		9,788	
Unemployment Compensation		567	
Employer Medicare		3,492	
Travel		22	
Other Contracted Services		1,385	
Instructional Supplies and Materials		16,473	
Other Charges		4,534	
Regular Instruction Equipment		19,441	
Total Regular Instruction Program			\$ 338,292

Special Education Program

Teachers	\$	29,760	
Educational Assistants		75,125	
Social Security		6,425	
State Retirement		8,219	
Unemployment Compensation		385	
Employer Medicare		1,503	
Contracts with Private Agencies		10,030	
Other Contracted Services		13,337	
Instructional Supplies and Materials		14,201	
Other Supplies and Materials		9,943	
Other Charges		5,520	
Total Special Education Program			174,448

Vocational Education Program

Travel	\$	6,067	
Instructional Supplies and Materials		3,306	
Vocational Instruction Equipment		34,292	
Total Vocational Education Program			43,665

(Continued)

Exhibit J-8

Clay County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Clay County School Department (Cont.)

School Federal Projects Fund (Cont.)

Support Services

Other Student Support

In Service/Staff Development	\$	1,810	
Total Other Student Support			\$ 1,810

Regular Instruction Program

Supervisor/Director	\$	26,925	
Secretary(ies)		7,791	
Longevity Pay		175	
Other Salaries and Wages		28,668	
Social Security		3,673	
State Retirement		4,109	
Medical Insurance		4,387	
Unemployment Compensation		178	
Employer Medicare		859	
Maintenance and Repair Services - Equipment		3,253	
Postal Charges		500	
Travel		14,381	
Other Contracted Services		7,888	
Library Books/Media		1,790	
Other Supplies and Materials		3,231	
In Service/Staff Development		40,858	
Other Charges		9,592	
Other Equipment		2,032	
Total Regular Instruction Program			160,290

Special Education Program

Assessment Personnel	\$	21,618	
Clerical Personnel		6,919	
Other Salaries and Wages		7,087	
Social Security		1,641	
State Retirement		1,727	
Unemployment Compensation		146	
Employer Medicare		479	
Maintenance and Repair Services - Equipment		270	
Postal Charges		800	
Travel		5,245	
Other Contracted Services		24,770	
Other Supplies and Materials		4,661	
In Service/Staff Development		2,185	
Total Special Education Program			77,548

(Continued)

Exhibit J-8

Clay County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Clay County School Department (Cont.)

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Vocational Education Program

Supervisor/Director	\$	42,000	
Other Salaries and Wages		1,000	
Social Security		2,218	
State Retirement		2,621	
Medical Insurance		524	
Unemployment Compensation		35	
Employer Medicare		519	
Travel		2,854	
Other Supplies and Materials		2,181	
In Service/Staff Development		7,000	
Vocational Instruction Equipment		5,069	
Total Vocational Education Program			\$ 66,021

Transportation

Bus Drivers	\$	6,580	
Social Security		408	
State Retirement		529	
Unemployment Compensation		39	
Employer Medicare		95	
Total Transportation			<u>7,651</u>

Total School Federal Projects Fund \$ 869,725

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Cafeteria Personnel	\$	187,221
In-Service Training		175
Social Security		14,323
State Retirement		13,902
Medical Insurance		8,760
Unemployment Compensation		765
Communication		1,057
Maintenance and Repair Services - Equipment		7,345
Postal Charges		180
Transportation - Other than Students		2,022
Other Contracted Services		1,950
Food Preparation Supplies		4,933
Food Supplies		244,777

(Continued)

Exhibit J-8

Clay County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Clay County School Department (Cont.)

Central Cafeteria Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Office Supplies	\$	3,408	
Other Supplies and Materials		11,836	
Trustee's Commission		15	
Workers' Compensation Insurance		6,000	
In Service/Staff Development		637	
Food Service Equipment		<u>14,589</u>	
Total Food Service			<u>\$ 523,895</u>

Total Central Cafeteria Fund \$ 523,895

Total Governmental Funds - Clay County School Department \$ 10,172,201

Exhibit J-9

Clay County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balance - City Agency Fund
For the Year Ended June 30, 2008

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 276,046
Total Cash Receipts	<u>\$ 276,046</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 273,285
Trustee's Commission	<u>2,761</u>
Total Cash Disbursements	<u>\$ 276,046</u>
 Excess of Cash Receipts Over (Under) Cash Disbursements	 \$ 0
Cash Balance, July 1, 2007	<u>0</u>
 Cash Balance, June 30, 2008	 <u><u>\$ 0</u></u>

SINGLE AUDIT SECTION

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STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0269
PHONE (615) 401-7841

REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

October 29, 2008

Clay County Mayor and
Board of County Commissioners
Clay County, Tennessee

To the County Mayor and Board of County Commissioners:

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Clay County, Tennessee, as of and for the year ended June 30, 2008, which collectively comprise Clay County's basic financial statements and have issued our report thereon dated October 29, 2008. Our report on the aggregate discretely presented component units' financial statements was qualified due to not including the financial statements of the Clay County Emergency Communications District, a discretely presented component unit, which were not available from other auditors as of the date of this report. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing 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'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 Clay County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Clay 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 entity'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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting: 08.01, 08.03, 08.05, 08.06, 08.08, 08.09, 08.10, and 08.12.

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 Clay 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 the 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 item 08.01 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clay County'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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying Schedule of Findings and Questioned Costs as items 08.02, 08.04, and 08.07.

We consider item 08.11 described in the accompanying Schedule of Findings and Questioned Costs to be a noteworthy control deficiency over financial operations. We also noted certain matters that we reported to management of Clay County in separate communications.

Clay County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. 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 county mayor, director of schools, road superintendent, County Commission, Board of Education, others within Clay County, 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.

Very truly yours,

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John G. Morgan
Comptroller of the Treasury

JGM/sb

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STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0269
PHONE (615) 401-7841

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

October 29, 2008

Clay County Mayor and
Board of County Commissioners
Clay County, Tennessee

To the County Mayor and Board of County Commissioners:

Compliance

We have audited the compliance of Clay County 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 each of its major federal programs for the year ended June 30, 2008. Clay County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Clay County's management. Our responsibility is to express an opinion on Clay County'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'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 of Clay County's compliance with those requirements.

In our opinion, Clay County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Clay County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Clay County'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 Clay County's internal control over compliance.

A control deficiency in an entity'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 entity'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 entity'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 internal control over compliance 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 or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Clay County as of and for the year ended June 30, 2008, and have issued our report thereon dated October 29, 2008. Our report on the aggregate discretely presented component units' financial statements was qualified due to not including the financial statements of the Clay County Emergency Communications District, a discretely presented component unit, which were not available from other auditors as of the date of this report.

Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Clay County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 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.

Clay County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. 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 county mayor, director of schools, road superintendent, County Commission, Board of Education, 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.

Yours very truly,

A handwritten signature in black ink that reads "John G. Morgan" with a long horizontal flourish extending to the right.

John G. Morgan
Comptroller of the Treasury

JGM/sb

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Clay County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2008

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Passed-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	\$ 30,777 (5)
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	105,460
National School Lunch Program	10.555	N/A	261,318 (5)
Total U.S. Department of Agriculture			<u>\$ 397,555</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grant/State's Program	14.228	GG-06-12768-00	\$ 285,237
U.S. Department of Justice:			
Passed-through Appalachia HIDTA:			
Appalachia High Intensity Drug Trafficking Area	16.13PAPP501	N/A	\$ 8,559
U.S. Department of Labor:			
Passed-through Upper Cumberland Human Resource Agency:			
Workforce Investment Act	17.250	N/A	\$ 21,656
National Highway Traffic Safety Administration:			
Passed-through State Department of Transportation:			
State and Community Highway Safety	20.600	Z-08-023712-00	\$ 4,935
U.S. Department of Education:			
Direct Programs:			
Impact Aid	84.041	N/A	\$ 75,174
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Programs	84.002	(3)	52,537
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	359,256
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	260,338
Special Education - Preschool Grants	84.173	N/A	3,547
Vocational Education - Basic Grants to States	84.048	N/A	111,655
Safe and Drug Free Schools and Communities - State Grants	84.186	(2)	4,638
State Grants for Innovative Programs	84.298	N/A	13,231
Education Technology State Grants	84.318	(2)	3,426
Rural Education	84.358	N/A	40,048
Improving Teacher Quality State Grants	84.367	N/A	85,792
Total U.S. Department of Education			<u>\$ 1,009,642</u>
Elections Assistance Commission:			
Passed-through Tennessee Secretary of State's Office:			
Help America Vote Act Requirements Payments	90.401	Z-08201054-00	\$ 1,773
U.S. Department of Homeland Security:			
Passed-through Macon County:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	Z-08-212837-00	\$ 1,910
Passed-through State Department of Military:			
Hazard Mitigation Grant	97.039	GG-04-10669-01	10,037
Total U.S. Department of Homeland Security			<u>\$ 11,947</u>
Total Expenditures of Federal Awards			<u>\$ 1,741,304</u>

(Continued)

Clay County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1) (Cont.)

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Contract Number	Expenditures
State Grants			
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	\$ 4,099
Aging Program - State Commission on Aging	N/A	(2)	13,608
Juvenile Justice - State Commission on Children and Youth	N/A	(2)	6,750
Adult Education - State Department of Labor and Workforce Development	N/A	(4)	20,710
Safe Schools Act - State Department of Education	N/A	(2)	8,200
Litter Program - State Department of Transportation	N/A	(2)	29,237
Local Health Services - State Department of Health	N/A	(2)	3,735
Tobacco Cessation - State Department of Health	N/A	GG-0823378	15,789
Lottery for Education/PreK - State Department of Education	N/A	(2)	278,071
Coordinated School Health Improvement - State Department of Education	N/A	(2)	97,229
Family Preservation and Support Services - State Department of Education	N/A	(2)	33,299
High Schools That Work - State Department of Education	N/A	(2)	8,000
Waste Tire Grant - State Department of Environment and Conservation	N/A	Z-08-020205-00	8,282
Total State Grants			\$ 527,009

CFDA = Catalog of Federal Domestic Assistance
N/A = Not Applicable

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Information not available.
- (3) Z-08-020770-00: \$44,704; Z-08-2005870-00: \$7,833.
- (4) Z-08-201198-00: \$3,062; Z-08-020770-00: \$17,648.
- (5) Total for CFDA No. 10.555 is \$292,095.

Clay County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2008

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report of Clay County, Tennessee, for the year ended June 30, 2007, which have not been corrected.

OFFICE OF COUNTY MAYOR

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
07.03(A)	15	A formal purchase order system had not been established
07.03(B)	15	Several invoices were paid without documentation that goods had been received or services rendered
07.04	16	Certain financial activity of the Clay County Public Library was not audited, and the library was not subject to the budgetary control of the County Commission

OFFICE OF ROAD SUPERINTENDENT

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
07.07	18	A formal purchase order system had not been established
07.08	18	A county road list was not submitted to the County Commission for approval

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
07.11(B)	20	The clerk did not post short-term account activity to the accounting records
07.11(C)	20	The execution docket trial balances did not reconcile with general ledger accounts

OFFICE OF CLERK AND MASTER

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
07.12	21	The clerk did not post short-term account activity to the accounting records

OTHER FINDINGS

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
07.14	22	A central system of accounting, budgeting, and purchasing had not been adopted
07.15	23	Duties were not segregated adequately in the Offices of County Mayor, Road Superintendent, Director of Schools, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff

CLAY COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2008

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the aggregate discretely presented component units is qualified. Our report on the governmental activities, each major fund, and the aggregate remaining fund information is unqualified.
2. The audit of the financial statements of Clay County disclosed significant deficiencies in internal control. One of these conditions was considered to be a material weakness.
3. The audit did not disclose any instances of noncompliance that are material to the financial statements of Clay County.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: the School Breakfast Program and the National School Lunch Program (CFDA Nos. 10.553 and 10.555), Community Development Block Grant/State's Program (CFDA No. 14.228), and the Title I Grants to Local Educational Agencies (CFDA No. 84.010) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Clay County did not qualify as a low-risk auditee.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. The written responses of the director of schools are paraphrased in this report. Other officials offered oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

OFFICE OF COUNTY MAYOR

FINDING 08.01 **THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES**
(Internal Control – Material Weakness Under Government Auditing Standards)

Our examination revealed the following deficiencies in purchasing procedures. These deficiencies can be attributed in part to the failure of management to correct audit findings noted in prior reports.

- A. The office had not established a formal purchase order system. Purchase orders are necessary to control who has purchasing authority for the county and to document purchasing commitments. The absence of a formal purchase order system increases the risks of unauthorized purchases.
- B. In several instances, invoices were paid without documentation that goods had been received or services rendered. The practice of paying invoices without documentation that goods had been received or services rendered increases the risks of paying for goods or services that were never received.
- C. In some instances, invoices were not on file to support purchases. Sound business practice dictates that invoices should be on file to support all purchases. The absence of invoices increases the risks of fraud and unauthorized purchases. We extended our audit procedures and determined that these disbursements were for the benefit of the county.

RECOMMENDATION

The office should establish a formal purchase order system to improve internal controls over the purchasing process and to document purchasing commitments. Documentation should be obtained that goods have been received or services rendered before invoices are paid. Also, invoices should be on file for all purchases before payment is made.

FINDING 08.02 CERTAIN FINANCIAL ACTIVITY OF THE CLAY COUNTY PUBLIC LIBRARY WAS NOT AUDITED AND WAS NOT SUBJECT TO THE BUDGETARY CONTROL OF THE COUNTY COMMISSION
(Noncompliance Under Government Auditing Standards)

The Clay County Public Library operates as a department within the county's General Fund. A significant portion of the library's expenditures for the year was paid through the county's General Fund (\$66,296), which is included in the financial statements of this report. However, the Library Board maintained four checking accounts outside of the county's control to deposit various revenues and to pay certain operating expenses. Section 5-9-401, Tennessee Code Annotated (TCA), states that "All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies." Also, Section 10-3-106, TCA, states that "all library accounts of every character shall be audited annually by or under the county legislative body and/or city governing body." This deficiency remains uncorrected from prior years as a result of management's failure to take corrective action. Therefore, the funds channeled through these four checking accounts did not flow through the county's budgetary process, have not been audited, and are not included in the financial statements of this report. We do not consider the exclusion of these amounts to be material to the financial statements of this report.

RECOMMENDATION

The Clay County Public Library should remit all collections to the county's General Fund. All revenues and expenditures related to the library's operation should be audited and subject to the budgetary control of the County Commission as required by state statutes.

OFFICE OF ROAD SUPERINTENDENT

The deficiencies noted below for this office have been presented in previous audit reports, and management has not taken corrective action.

FINDING 08.03 THE OFFICE HAD NOT ESTABLISHED A FORMAL PURCHASE ORDER SYSTEM
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The office had not established a formal purchase order system. Purchase orders are necessary to control who has purchasing authority for the county and to document purchasing commitments. The absence of a formal purchase order system increases the risks of unauthorized purchases.

RECOMMENDATION

The office should establish a formal purchase order system to improve internal controls over the purchasing process and to document purchasing commitments.

FINDING 08.04 **A COUNTY ROAD LIST WAS NOT SUBMITTED TO THE COUNTY COMMISSION FOR APPROVAL**
(Noncompliance Under Government Auditing Standards)

The road superintendent did not prepare and submit a list of county roads to the County Commission as required by state statute. Section 54-10-103, Tennessee Code Annotated, requires the road superintendent to submit a list of county roads to the County Commission for its approval at the January session each year. This list must include the classification, width and distance of each county-maintained road, and a summary of changes from the prior year that provides the road name, date the change was approved by the County Commission, and the reason for the change. Highway Department officials need a current approved list of county roads to determine which roads the department is authorized to work.

RECOMMENDATION

The road superintendent should submit to the County Commission a list of county roads that includes the classification, width and distance of each road, and a summary of changes as required by state statute.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 08.05 **THE SCHOOL FEDERAL PROJECTS FUND HAD A CASH OVERDRAFT**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

At June 30, 2008, the School Federal Projects Fund had a cash overdraft of \$4,811. Sound business practice dictates that expenditures be held within available funds. This overdraft resulted from the issuance of warrants exceeding cash on deposit with the county trustee. This cash overdraft was liquidated in July 2008.

RECOMMENDATION

The School Department should not issue warrants exceeding cash on deposit with the county trustee.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

We are taking steps to correct this deficiency by closely monitoring expenditures and revenues.

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

FINDING 08.06 **THE CLERK DID NOT POST SHORT-TERM INVESTMENT ACCOUNT ACTIVITY TO THE ACCOUNTING RECORDS**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

During the year examined, the clerk did not properly post short-term investment account activity to the general ledger in Circuit Court. Also, the clerk did not attempt to reconcile the bank statement balances of these short-term investment accounts with general ledger totals. Sound business practices dictate that accounting records accurately reflect account activity. This deficiency was reported in previous audit reports and has not been corrected by management. As a result of not properly posting the activity of these accounts, the general ledger short-term investment account reflected on the clerk's accounting records was understated by \$118,942 at June 30, 2008. We confirmed the balances of the short-term investment accounts and have presented adjustments to the clerk. The clerk has approved and posted these adjustments; therefore, the short-term investment accounts have been properly presented in the financial statements of this report.

RECOMMENDATION

Short-term investment account activity should be properly posted to the accounting records. Also, bank statements for these short-term investment accounts should be reconciled with the general ledger monthly.

FINDING 08.07 **EXECUTION DOCKET TRIAL BALANCES DID NOT RECONCILE WITH GENERAL LEDGER ACCOUNTS**
(Noncompliance Under Government Auditing Standards)

At June 30, 2008, the circuit and general sessions courts clerk prepared execution docket trial balances as required by Section 18-2-103, Tennessee Code Annotated (TCA). However, these trial balances did not reconcile with the general ledger accounts by substantial amounts. The clerk had unidentified balances of \$80,805 and \$10,286 in Circuit and General Sessions Courts, respectively, some of which were carried forward from the former clerk who left office August 31, 2006. Therefore, we were unable to determine if the clerk had complied with provisions of the Unclaimed Property Act, Section 66-29-110, TCA, as it relates to the execution docket balances. This statute provides that any funds held by the courts for one year and unclaimed by the owner are considered abandoned. Section 66-29-113, TCA, further requires these funds to be reported and paid to the state Treasurer's Office.

RECOMMENDATION

The execution docket trial balances should be reconciled with the general ledger accounts. Any funds held by the courts for one year and unclaimed by the owner are considered abandoned and should be reported and paid to the state Treasurer's Office in accordance with state statutes.

FINDING 08.08 **THE OFFICE DID NOT REVIEW SOFTWARE AUDIT LOGS** (Internal Control – Significant Deficiency Under Government Auditing Standards)

The software application used by the office generated a daily log that displayed changes made by users. Since this log provided the only audit trail of these changes, it should be reviewed daily for inappropriate activity. Because they did not understand the importance of the log, management did not begin reviewing this log until after the interim exit conference on January 28, 2008. Procedures for reviewing this log are currently in place.

OFFICE OF CLERK AND MASTER

FINDING 08.09 **THE CLERK DID NOT POST SHORT-TERM INVESTMENT ACCOUNT ACTIVITY TO THE ACCOUNTING RECORDS** (Internal Control – Significant Deficiency Under Government Auditing Standards)

Short-term investment accounts held on behalf of litigants totaling \$28,580 at June 30, 2008, were not reflected in the office's accounting records. The cash journal is the official cash control record of the office and should reflect all financial activity. Also, the clerk did not maintain subsidiary records to reflect the detailed activity for each of the short-term investment accounts. This deficiency was noted in a prior audit report, and the clerk has not taken corrective action. The clerk continues to use only the statements received from the depositories to document short-term investment activity; however, this practice creates financial records that are incomplete. We verified the balances and activity of the short-term investment accounts held by the clerk at June 30, 2008, and the short-term investment accounts have been properly reflected in the financial statements of this report.

RECOMMENDATION

The clerk should include short-term investment accounts held on behalf of litigants in the office's accounting records. This includes posting the accounts to the cash journal and maintaining a subsidiary ledger of short-term investment accounts that is reconciled with the cash journal monthly.

OFFICE OF REGISTER

FINDING 08.10 **THE OFFICE DID NOT REVIEW SOFTWARE AUDIT LOGS**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The software application used by the office generated a daily log that displayed changes made by users. Since this log provided the only audit trail of these changes, it should be reviewed daily for inappropriate activity. Because they did not understand the importance of the log, management did not begin reviewing this log until after the interim exit conference on January 28, 2008. Procedures for reviewing this log are currently in place.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 08.11 **A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED**
(Internal Control – Control Deficiency Under Government Auditing Standards)

County officials had not adopted a central system of accounting, budgeting, and purchasing. Sound business practice would indicate that establishing a central system would significantly improve internal controls over the accounting, budgeting, and purchasing processes. The absence of a central system of accounting, budgeting, and purchasing has been a management decision by the County Commission resulting in decentralization and some duplication of effort.

RECOMMENDATION

County officials should consider adopting the County Financial Management System of 1981 or a private act which, would provide for a central system of accounting, budgeting, and purchasing covering all county departments.

FINDING 08.12 **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF COUNTY MAYOR, ROAD SUPERINTENDENT, DIRECTOR OF SCHOOLS, TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, AND SHERIFF**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

Duties were not segregated adequately among the officials and employees in the Offices of County Mayor, Road Superintendent, Director of Schools, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff. Officials and employees responsible for maintaining accounting records were also involved in receipting,

depositing, and/or disbursing funds. Accounting standards provide that internal controls be designed to give reasonable assurance of the reliability of financial reporting and of the effectiveness and efficiency of operations. This lack of segregation of duties is the result of managements' decisions based on the availability of financial resources and is a significant deficiency in internal controls that increases the risk of unauthorized transactions.

RECOMMENDATION

Officials should segregate duties to the extent possible using available resources.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

The Clay County School System is continuing its efforts to segregate duties among employees.

**PART III, FINDINGS AND QUESTIONED
COSTS FOR FEDERAL AWARDS**

There were no findings and questioned costs for federal awards.

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CLAY COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2008

There were no audit findings relative to federal awards presented in the prior- or current-years' Schedules of Findings and Questioned Costs.