ANNUAL FINANCIAL REPORT

CLAY COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2009

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ANNUAL FINANCIAL REPORT

CLAY COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2009

DEPARTMENT OF AUDIT
JUSTIN P. WILSON
Comptroller of the Treasury

DIVISION OF COUNTY AUDIT
RICHARD V. NORMENT
Assistant to the Comptroller

JAMES R. ARNETTE
Director

CARL LOWE, CGFM
Audit Manager

STEVE REEDER, CPA, CGFM, CFE
Auditor 4

CHRISTY N. TENNANT, CPA, CGFM
KELLEY J. McNEAL, CPA, CGFM
State Auditors

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Audit Highlights

Annual Financial Report
Clay County, Tennessee
For the Year Ended June 30, 2009

Scope

We have audited the basic financial statements of Clay County as of and for the year ended June 30, 2009.

Results

Our report on the aggregate discretely presented component units is qualified because the financial statements do 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 six findings and recommendations, which we have reviewed with Clay County management. Detailed findings and recommendations are included in the Single Audit section of this report.

Findings

The following are summaries of the audit findings:

OFFICES OF COUNTY MAYOR AND ROAD SUPERINTENDENT

- The offices had not established formal purchase order systems.

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 $131,460 and $15,002, respectively.

OFFICE OF CLERK AND MASTER

- The clerk did not post short-term investment accounts of $344,316 to the accounting records.

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, 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, 2009

Officials

Dale Reagan, County Mayor
Ernest Garrison, Road Superintendent
Donnie Cherry, 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, County Mayor, Chairman
Michael Boles
Denzil Cherry
Bryan Coons
Dorothy Forney
Roger Gray
Cecil Langford
Michael Lee
Timmie Scott
Beverly Young
Winton Young

Board of Education

Richard Roberts, Chairman
Elizabeth Boles
Russell Cherry
Connie Dillehay
Bill Donaldson
Heather Hammock
Annette Smith
Anthony Smith
David West
Vacant

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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 37243-1402
PHONE (615) 401-7841

INDEPENDENT AUDITOR'S REPORT

September 25, 2009

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, 2009, 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, 2009, 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, 2009, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 25, 2009, 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 adopted Governmental Accounting Standards Board Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations; and Statement No. 52, Land and Other Real Estate Held as Investments by Endowments.

The management of Clay County did not prepare a 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,

Justin P. Wilson
Comptroller of the Treasury

JPW/sb

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Basic Financial Statements

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Exhibit A

Clay County, Tennessee
Statement of Net Assets
June 30, 2009

	Primary Government Governmental Activities	Component Unit Clay County School Department
ASSETS		
Cash	$ 39,836	$ 1,331
Equity in Pooled Cash and Investments	2,388,257	1,868,716
Accounts Receivable	23,932	0
Allowance for Uncollectibles	(4,110)	0
Due from Other Governments	446,805	267,287
Property Taxes Receivable	2,200,717	1,188,291
Allowance for Uncollectible Property Taxes	(65,781)	(35,689)
Capital Assets:		
Assets Not Depreciated:		
Land	40,000	338,698
Construction in Progress	0	135,690
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	407,531	7,313,984
Other Capital Assets	849,975	768,104
Infrastructure	8,877,798	467,048
Total Assets	$ 15,204,960	$ 12,313,460
LIABILITIES		
Accounts Payable	$ 3,438	$ 2,909
Accrued Interest Payable	1,742	0
Due to Litigants, Heirs, and Others	363	0
Deferred Revenue - Current Property Taxes	2,011,138	1,082,308
Noncurrent Liabilities:		
Due Within One Year	48,186	216,969
Due in More Than One Year	82,299	7,024,125
Total Liabilities	$ 2,147,166	$ 8,326,311
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	$ 10,125,705	$ 1,883,524
Restricted for:		
Courthouse and Jail Maintenance	11,135	0
Public Library	3,300	0
Solid Waste/Sanitation	331,224	0
Drug Control	107,299	0
Highway/Public Works	736,701	0
Debt Service	933,367	0
Capital Projects	0	24,780
School Federal Projects	0	10,250
Central Cafeteria	0	106,776
Other Purposes	42,561	1,057,677
Unrestricted	766,502	904,142
Total Net Assets	$ 13,057,794	$ 3,987,149

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, 2009

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Total Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Component Unit: Clay County School Department
Primary Government:						
Governmental Activities:						
General Government	$ 542,872	$ 52,721	$ 17,112	$ 0	$ (473,039)	$ 0
Finance	305,092	125,899	3,137	0	(176,056)	0
Administration of Justice	351,658	277,886	2,250	0	(71,522)	0
Public Safety	1,204,641	199,261	47,146	0	(958,234)	0
Public Health and Welfare	821,813	75,021	135,447	310,611	(300,734)	0
Social, Cultural, and Recreational Services	137,974	40	15,520	0	(122,414)	0
Agriculture and Natural Resources	143,817	0	13,322	0	(130,495)	0
Other Operations	542,721	0	0	0	(542,721)	0
Highways/Public Works	1,590,677	0	1,268,499	125,570	(196,608)	0
Other Debt Service	1,743	0	0	0	(1,743)	0
Total Governmental Activities	$ 5,643,008	$ 730,828	$ 1,502,433	$ 436,181	$ (2,973,566)	$ 0
Total Primary Government	$ 5,643,008	$ 730,828	$ 1,502,433	$ 436,181	$ (2,973,566)	$ 0
Component Unit:						
Clay County School Department	$ 9,767,997	$ 177,154	$ 1,448,926	$ 0	$ 0	$ (8,141,917)

(Continued)

Exhibit B

Clay County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Total Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Component Unit: Clay County School Department
General Revenues:						
Taxes:						
Property Taxes Levied for General Purposes					$ 2,037,429	$ 1,175,049
Property Taxes Levied for Debt Service					32,350	0
Local Option Sales Taxes					260,532	522,911
Wheel Tax					191,210	0
Litigation Tax - General					41,104	0
Litigation Tax - Special Purpose					5,582	0
Litigation Tax - Jail, Workhouse, or Courthouse					6,886	0
Wholesale Beer Tax					251,714	0
Other Local Taxes					2,239	993
Grants and Contributions Not Restricted to Specific Programs					366,551	6,648,429
Unrestricted Investment Earnings					106,661	1,308
Miscellaneous					35,088	66,858
Total General Revenues					$ 3,337,346	$ 8,415,548
Insurance Recovery					$ 26,053	$ 0
Change in Net Assets					$ 389,833	$ 273,631
Net Assets, July 1, 2008					12,667,961	3,713,518
Net Assets, June 30, 2009					$ 13,057,794	$ 3,987,149

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

Exhibit C-1

Clay County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2009

	Major Funds				Nonmajor Funds	
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern-mental Funds	Total Govern-mental Funds
ASSETS						
Cash	$ 0	$ 0	$ 0	$ 0	$ 39,836	$ 39,836
Equity in Pooled Cash and Investments	665,245	292,531	382,877	925,870	121,734	2,388,257
Accounts Receivable	0	15,540	0	8,129	263	23,932
Allowance for Uncollectibles	0	(4,110)	0	0	0	(4,110)
Due from Other Governments	86,814	3,500	356,491	0	0	446,805
Property Taxes Receivable	1,744,861	422,433	0	33,423	0	2,200,717
Allowance for Uncollectible Property Taxes	(52,155)	(12,627)	0	(999)	0	(65,781)
Total Assets	$ 2,444,765	$ 717,267	$ 739,368	$ 966,423	$ 161,833	$ 5,029,656
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts Payable	$ 0	$ 0	$ 2,667	$ 771	$ 0	$ 3,438
Due to Litigants, Heirs, and Others	0	0	0	0	363	363
Deferred Revenue - Current Property Taxes	1,594,552	386,043	0	30,543	0	2,011,138
Deferred Revenue - Delinquent Property Taxes	93,090	22,537	0	1,784	0	117,411
Other Deferred Revenues	37,521	2,849	113,651	0	0	154,021
Total Liabilities	$ 1,725,163	$ 411,429	$ 116,318	$ 33,098	$ 363	$ 2,286,371
Fund Balances						
Reserved for Alcohol and Drug Treatment	$ 8,462	$ 0	$ 0	$ 0	$ 0	$ 8,462
Reserved for Sexual Offender Registration	2,236	0	0	0	0	2,236
Reserved for Courtroom Security	7,421	0	0	0	0	7,421

(Continued)

Exhibit C-1

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

	Major Funds				Nonmajor Funds	
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern-mental Funds	Total Govern-mental Funds
LIABILITIES AND FUND BALANCES (Cont.)						
Fund Balances (Cont.)						
Reserved for Computer System - Register	$ 9,191	$ 0	$ 0	$ 0	$ 0	$ 9,191
Reserved for Automation Purposes - General Sessions Court	4,201	0	0	0	0	4,201
Reserved for Automation Purposes - Chancery Court	1,138	0	0	0	0	1,138
Reserved for Other General Purposes	9,912	0	0	0	0	9,912
Unreserved, Reported In:						
General Fund	677,041	0	0	0	0	677,041
Special Revenue Funds	0	305,838	623,050	0	161,470	1,090,358
Debt Service Funds	0	0	0	933,325	0	933,325
Total Fund Balances	$ 719,602	$ 305,838	$ 623,050	$ 933,325	$ 161,470	$ 2,743,285
Total Liabilities and Fund Balances	$ 2,444,765	$ 717,267	$ 739,368	$ 966,423	$ 161,833	$ 5,029,656

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, 2009

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)		$ 2,743,285
(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	8,877,798	
Add: buildings and improvements net of accumulated depreciation	407,531	
Add: other capital assets net of accumulated depreciation	849,975	10,175,304
(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	$ (49,599)	
Less: accrued interest on bonds, notes, other loans, and capital leases	(1,742)	
Less: compensated absences payable	(80,886)	(132,227)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		271,432
Net assets of governmental activities (Exhibit A)		$ 13,057,794

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, 2009

	Major Funds				Nonmajor Funds	
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern-mental Funds	Total Governmental Funds
Revenues						
Local Taxes	$ 2,408,094	$ 402,256	$ 454	$ 58,188	$ 8,332	$ 2,877,324
Licenses and Permits	475	0	0	0	0	475
Fines, Forfeitures, and Penalties	43,613	0	0	0	20,279	63,892
Charges for Current Services	6,612	61,176	0	0	190,892	258,680
Other Local Revenues	52,789	16,317	1,226	106,661	549	177,542
Fees Received from County Officials	191,491	0	0	0	0	191,491
State of Tennessee	570,887	26,519	1,401,872	0	0	1,999,278
Federal Government	395,676	0	0	0	0	395,676
Other Governments and Citizens Groups	0	0	0	0	2,443	2,443
Total Revenues	$ 3,669,637	$ 506,268	$ 1,403,552	$ 164,849	$ 222,495	$ 5,966,801
Expenditures						
Current:						
General Government	$ 496,073	$ 0	$ 0	$ 0	$ 2,339	$ 498,412
Finance	117,208	0	0	0	175,296	292,504
Administration of Justice	304,903	0	0	0	8,581	313,484
Public Safety	1,068,405	0	0	0	20,474	1,088,879
Public Health and Welfare	341,888	417,567	0	0	0	759,455
Social, Cultural, and Recreational Services	78,934	0	0	0	45,988	124,922
Agriculture and Natural Resources	130,244	0	0	0	0	130,244
Other Operations	767,721	8,603	0	0	168	776,492
Highways	31,012	0	1,417,419	0	0	1,448,431
Debt Service:						
Principal on Debt	0	0	0	6,597	0	6,597
Interest on Debt	0	0	0	2,698	0	2,698
Other Debt Service	0	0	0	1,743	0	1,743
Total Expenditures	$ 3,336,388	$ 426,170	$ 1,417,419	$ 11,038	$ 252,846	$ 5,443,861

(Continued)

Exhibit C-3

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

	Major Funds				Nonmajor Funds	
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern-mental Funds	Total Governmental Funds
Excess (Deficiency) of Revenues Over Expenditures	$ 333,249	$ 80,098	$ (13,867)	$ 153,811	$ (30,351)	$ 522,940
Other Financing Sources (Uses)						
Insurance Recovery	$ 12,204	$ 194	$ 13,655	$ 0	$ 0	$ 26,053
Transfers In	0	0	0	0	45,276	45,276
Transfers Out	(45,276)	0	0	0	0	(45,276)
Total Other Financing Sources (Uses)	$ (33,072)	$ 194	$ 13,655	$ 0	$ 45,276	$ 26,053
Net Change in Fund Balances	$ 300,177	$ 80,292	$ (212)	$ 153,811	$ 14,925	$ 548,993
Fund Balance, July 1, 2008	419,425	225,546	623,262	779,514	146,545	2,194,292
Fund Balance, June 30, 2009	$ 719,602	$ 305,838	$ 623,050	$ 933,325	$ 161,470	$ 2,743,285

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, 2009

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)		$ 548,993
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	$ 52,785	
Less: current year depreciation expense	(264,486)	(211,701)
(2) Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.		
Less: deferred delinquent property taxes and other deferred June 30, 2008	$ (231,445)	
Add: deferred delinquent property taxes and other deferred June 30, 2009	271,432	39,987
(3) 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:		
Add: principal payments on capital leases		6,597
(4) 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 the governmental funds.		
Change in accrued interest payable	$ 9,174	
Change in compensated absences payable	(3,217)	5,957
Change in net assets of governmental activities (Exhibit B)		$ 389,833

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, 2009

	Agency Funds
ASSETS	
Cash	$ 840,544
Due from Other Governments	47,285
Total Assets	$ 887,829
LIABILITIES	
Due to Other Taxing Units	$ 47,285
Due to Litigants, Heirs, and Others	840,544
Total Liabilities	$ 887,829

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

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.

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.

Clay County issues all debt for the discretely presented Clay County School Department.

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; deposit accounts at state and federal chartered banks and savings and loan associations; repurchase agreements; the State Treasurer's Investment Pool; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county's own legally issued bonds or notes.

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. 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 and other postemployment benefits, 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 $1,057,677, with the primary restriction being for the Basic Education Program ($1,036,396).

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.

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. Expenditures Exceeded Appropriations

Expenditures exceeded appropriations approved by the County Commission in the Other Economic and Community Development major appropriation category (the legal level of control) of the General Fund by $63,987. 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; deposits at state

and federal chartered banks and savings and loan associations; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; 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, 2009.

B. Capital Assets

Capital assets activity for the year ended June 30, 2009, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-08	Increases	Balance 6-30-09
Capital Assets Not Depreciated:			
Land	$ 40,000	$ 0	$ 40,000
Total Capital Assets Not Depreciated	$ 40,000	$ 0	$ 40,000
Capital Assets Depreciated:			
Buildings and Improvements	$ 869,590	$ 0	$ 869,590
Roads and Bridges	10,908,343	0	10,908,343
Other Capital Assets	1,837,225	52,785	1,890,010
Total Capital Assets Depreciated	$ 13,615,158	$ 52,785	$ 13,667,943
Less Accumulated Depreciation For:			
Buildings and Improvements	$ 447,123	$ 14,936	$ 462,059
Roads and Bridges	1,932,568	97,977	2,030,545
Other Capital Assets	888,462	151,573	1,040,035
Total Accumulated Depreciation	$ 3,268,153	$ 264,486	$ 3,532,639
Total Capital Assets Depreciatied, Net	$ 10,347,005	$ (211,701)	$ 10,135,304
Governmental Activities Capital Assets, Net	$ 10,387,005	$ (211,701)	$ 10,175,304

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

Governmental Activities:

General Government	$ 7,775
Public Safety	3,252
Public Health and Welfare	56,755
Agriculture and Natural Resources	1,673
Highways/Public Works	195,031
Total Depreciation Expense - Governmental Activities	$ 264,486

Discretely Presented Clay County School Department

Governmental Activities:

	Balance 7-1-08	Increases	Decreases	Balance 6-30-09
Capital Assets Not Depreciated:				
Land	$ 338,698	$ 0	$ 0	$ 338,698
Construction in Progress	60,000	135,690	(60,000)	135,690
Total Capital Assets Not Depreciated	$ 398,698	$ 135,690	$ (60,000)	$ 474,388
Capital Assets Depreciated:				
Buildings and Improvements	$ 10,722,368	$ 60,000	$ 0	$ 10,782,368
Infrastructure	648,860	0	0	648,860
Other Capital Assets	1,459,901	70,557	0	1,530,458
Total Capital Assets Depreciated	$ 12,831,129	$ 130,557	$ 0	$ 12,961,686
Less Accumulated Depreciated For:				
Buildings and Improvements	$ 3,229,560	$ 238,824	$ 0	$ 3,468,384
Infrastructure	160,009	21,803	0	181,812
Other Capital Assets	678,929	83,425	0	762,354
Total Accumulated Depreciation	$ 4,068,498	$ 344,052	$ 0	$ 4,412,550
Total Capital Assets Depreciated, Net	$ 8,762,631	$ (213,495)	$ 0	$ 8,549,136
Governmental Activities Capital Assets, Net	$ 9,161,329	$ (77,805)	$ (60,000)	$ 9,023,524

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

Governmental Activities:

Instruction	$ 232,770
Support Services	102,576
Operation of Non-Instructional Services	8,706
Total Depreciation Expense - Governmental Activities	$ 344,052

C. Interfund Transfers

Interfund transfers for the year ended June 30, 2009, consisted of the following amounts:

Primary Government

Transfer Out	Transfer In Nonmajor Governmental Funds
General Fund	$ 45,276

Discretely Presented Clay County School Department

Transfer Out	Transfer In General Purpose School Fund
Nonmajor governmental funds	$ 9,305

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, 2009, were as follows:

Year Ending June 30		Governmental Funds
2010	$	9,256
2011		9,257
2012		9,257
2013		9,257
2014		9,257
2015-2016		11,571
Total Minimum Lease Payments	$	57,855
Less: Amount Representing Interest		(8,256)
Present Value of Minimun Lease Payments	$	49,599

E. Long-term Debt

Primary Government

Capital leases outstanding as of June 30, 2009, are as follows:

Type	Interest Rate		Original Amount of Issue		Balance 6-30-09
Capital Lease	5	%	$ 72,727	$	49,599

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2009, was as follows:

Governmental Activities:

		Capital Lease		Compensated Absences
Balance, July 1, 2008	$	56,196	$	77,669
Additions		0		86,227
Deductions		(6,597)		(83,010)
Balance, June 30, 2009	$	49,599	$	80,886
Balance Due Within One Year	$	6,934	$	41,252

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2009	$ 130,485
Less: Balance Due Within One Year	(48,186)
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	$ 82,299

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, 2009, will be retired from the General Purpose School Fund.

Other loans outstanding as of June 30, 2009, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-09
Other Loans	Variable	$ 8,400,000	$ 7,140,000

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, 2009, the variable interest rate was .39 percent, and other fees totaled approximately .5 percent (letter of credit), .08 percent (remarketing), and a trustee fee of $85 per month.

The annual requirements to amortize all other loans outstanding as of June 30, 2009, including interest payments and other fees, are presented in the following table:

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2010	$ 215,000	$ 27,846	$ 43,452	$ 286,298
2011	224,000	27,008	42,205	293,213
2012	232,000	26,134	40,906	299,040
2013	241,000	25,229	39,560	305,789
2014	249,000	24,289	38,162	311,451
2015-2019	1,393,000	106,119	168,018	1,667,137
2020-2024	1,671,000	76,869	124,518	1,872,387
2025-2029	2,006,000	41,765	72,312	2,120,077
2030-2031	909,000	5,351	12,038	926,389
Total	$ 7,140,000	$ 360,610	$ 581,171	$ 8,081,781

Debt per capita totaled $895, 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, 2009, was as follows:

Governmental Activities:

	Other Loans	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2008	$ 7,348,000	$ 934	$ 40,819
Additions	0	3,667	79,626
Deductions	(208,000)	(1,995)	(21,957)
Balance, June 30, 2009	$ 7,140,000	$ 2,606	$ 98,488
Balance Due Within One Year	$ 215,000	$ 1,969	$ 0

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2009	$ 7,241,094
Less: Balance Due Within One Year	(216,969)
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	$ 7,024,125

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, 2009, were $62,744 and $11,096, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

G. Short-term Debt

Clay County issued tax anticipation notes in advance of property tax collections and deposited the proceeds in the General Fund. These notes were necessary because funds were not available to meet debt service payments coming due before current tax collections. Short-term debt activity for the year ended June 30, 2009, was as follows:

	Balance 7-1-08	Issued	Paid	Balance 6-30-09
Tax Anticipation Notes	$ 0	$ 600,000	$ (600,000)	$ 0

V. OTHER INFORMATION

A. Risk Management

Primary Government

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 (LGWCF), 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 LGWCF reinsure through commercial insurance companies for claims exceeding $100,000 for each insured event.

Clay County does not provide health insurance for its employees.

Discretely Presented Clay County School Department

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 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

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations; and Statement No. 52, Land and Other Real Estate Held as Investments by Endowments became effective for the year ended June 30, 2009.

GASB Statement No. 49 requires county governments to measure and report their pollution remediation liabilities. A county has a pollution remediation problem if one of five obligating events occurs. The statement requires governments to restate beginning net assets in government-wide and proprietary fund financial statements for pollution remediation liabilities that existed as of July 1, 2008. Previous to Statement No. 49, counties were not required to measure and record pollution remediation liabilities. GASB Statement No. 49 had no effect on the financial statements of Clay County for the year ended June 30, 2009, since the county had none of the obligating events. However, it is reasonably expected that Clay County could have pollution remediation liabilities in subsequent years.

GASB Statement No. 52 requires endowments to report land and other real estate investments at fair value. Previous to Statement No. 52, land and other real estate held by endowments were reported at historical cost. Changes in fair value between years will be reported as investment income (loss). GASB Statement No. 52 had no effect on the financial statements of Clay County for the year ended June 30, 2009, since the county had no endowment investments. However, it is reasonably expected that Clay County could have endowment investments in subsequent years.

C. Contingent Liabilities

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

D. 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.

E. 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 www.tn.gov/treasury/tcrs.

Funding Policy

Clay County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2009, was 6.41 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 ended June 30, 2009, Clay County's annual pension cost of $185,584 to TCRS was equal to Clay County's required and actual contributions. The required contribution was determined as part of the

July 1, 2007, 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 post retirement 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, 2007, was 17 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
6-30-09	$185,584	100%	$0
6-30-08	220,145	100	0
6-30-07	208,180	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 $4.72 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 $3 million, and the ratio of the UAAL to the covered payroll was 15.98 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents 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 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 www.tn.gov/treasury/tcrs.

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, 2009, was 6.42 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, 2009, 2008, and 2007 were $290,925, $278,920, and $282,108, respectively, equal to the required contributions for each year.

F. 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://tn.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, 2009, the discretely presented Clay County School Department contributed $21,957 for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

		Local Education Group Plan
ARC	$	79,577
Interest on the NPO		1,837
Adjustment to the ARC		(1,788)
Annual OPEB cost	$	79,626
Amount of contribution		(21,957)
Increase/decrease in NPO	$	57,669
Net OPEB obligation, 7-1-08		40,819
Net OPEB obligation, 6-30-09	$	98,488

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
6-30-09	"		79,626	28		98,488

* Data only available for two years.

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2009, was as follows:

		Local Education Group Plan
Actuarial valuation date		7-1-07
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)	$	4,063,876
UAAL as a % of covered payroll		17%

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 required supplementary information 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 July 1, 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.

G. 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, 2009

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Local Taxes	$ 2,408,094	$ 2,337,711	$ 2,337,711	$ 70,383
Licenses and Permits	475	3,800	3,800	(3,325)
Fines, Forfeitures, and Penalties	43,613	30,610	31,610	12,003
Charges for Current Services	6,612	10,400	10,700	(4,088)
Other Local Revenues	52,789	51,093	51,093	1,696
Fees Received from County Officials	191,491	152,000	152,000	39,491
State of Tennessee	570,887	434,637	437,637	133,250
Federal Government	395,676	63,294	332,937	62,739
Other Governments and Citizens Groups	0	25,500	25,500	(25,500)
Total Revenues	$ 3,669,637	$ 3,109,045	$ 3,382,988	$ 286,649
Expenditures				
General Government				
County Commission	$ 96,379	$ 46,226	$ 104,226	$ 7,847
Board of Equalization	1,050	1,300	1,300	250
Beer Board	162	500	500	338
County Mayor/Executive	116,903	122,108	122,108	5,205
County Attorney	3,600	3,600	3,600	0
Election Commission	101,773	115,143	115,143	13,370
Register of Deeds	72,793	76,909	76,909	4,116
County Buildings	103,413	120,500	120,500	17,087
Finance				
Property Assessor's Office	88,907	91,757	91,757	2,850
County Trustee's Office	12,205	15,082	15,082	2,877
County Clerk's Office	16,096	18,000	18,000	1,904
Administration of Justice				
Circuit Court	146,542	152,834	159,156	12,614
General Sessions Court	65,198	65,198	65,198	0
Chancery Court	72,654	74,519	74,519	1,865
Juvenile Court	9,798	11,875	11,875	2,077
Judicial Commissioners	10,711	10,819	10,819	108
Public Safety				
Sheriff's Department	788,327	843,975	844,623	56,296
Drug Enforcement	39,700	36,000	42,107	2,407
Jail	134,796	153,400	153,400	18,604
Correctional Incentive Program Improvements	1,600	2,000	2,000	400
Fire Prevention and Control	62,896	63,263	63,263	367
Rescue Squad	2,500	2,500	2,500	0
Other Emergency Management	25,107	30,100	30,100	4,993
County Coroner/Medical Examiner	12,884	11,000	17,800	4,916
Other Public Safety	595	0	1,000	405
Public Health and Welfare				
Local Health Center	29,169	29,554	29,554	385

(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 Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Expenditures (Cont.)				
Public Health and Welfare (Cont.)				
Ambulance/Emergency Medical Services	$ 300,000	$ 300,000	$ 300,000	$ 0
Other Local Health Services	1,419	5,500	5,500	4,081
Appropriation to State	11,300	11,300	11,300	0
Social, Cultural, and Recreational Services				
Senior Citizens Assistance	47,018	49,306	49,306	2,288
Libraries	30,721	75,998	30,722	1
Other Social, Cultural, and Recreational	1,195	13,000	7,400	6,205
Agriculture and Natural Resources				
Agriculture Extension Service	80,926	78,048	88,048	7,122
Forest Service	1,000	1,000	1,000	0
Soil Conservation	48,318	51,076	51,076	2,758
Other Operations				
Tourism	7,813	10,704	10,704	2,891
Industrial Development	26,996	35,350	35,350	8,354
Other Economic and Community Development	367,842	33,093	303,855	(63,987)
Other Charges	131,299	138,400	140,400	9,101
Employee Benefits	233,771	257,000	257,000	23,229
Highways				
Litter and Trash Collection	31,012	42,976	42,976	11,964
Total Expenditures	$ 3,336,388	$ 3,200,913	$ 3,511,676	$ 175,288
Excess (Deficiency) of Revenues Over Expenditures	$ 333,249	$ (91,868)	$ (128,688)	$ 461,937
Other Financing Sources (Uses)				
Insurance Recovery	$ 12,204	$ 0	$ 6,454	$ 5,750
Transfers Out	(45,276)	0	(45,276)	0
Total Other Financing Sources (Uses)	$ (33,072)	$ 0	$ (38,822)	$ 5,750
Net Change in Fund Balance	$ 300,177	$ (91,868)	$ (167,510)	$ 467,687
Fund Balance, July 1, 2008	419,425	384,791	384,791	34,634
Fund Balance, June 30, 2009	$ 719,602	$ 292,923	$ 217,281	$ 502,321

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, 2009

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Local Taxes	$ 402,256	$ 397,274	$ 397,274	$ 4,982
Charges for Current Services	61,176	45,000	45,000	16,176
Other Local Revenues	16,317	27,000	27,000	(10,683)
State of Tennessee	26,519	25,000	25,000	1,519
Total Revenues	$ 506,268	$ 494,274	$ 494,274	$ 11,994
Expenditures				
Public Health and Welfare				
Waste Pickup	$ 417,567	$ 476,743	$ 476,743	$ 59,176
Other Operations				
Other Charges	8,603	0	8,600	(3)
Total Expenditures	$ 426,170	$ 476,743	$ 485,343	$ 59,173
Excess (Deficiency) of Revenues Over Expenditures	$ 80,098	$ 17,531	$ 8,931	$ 71,167
Other Financing Sources (Uses)				
Insurance Recovery	$ 194	$ 0	$ 0	$ 194
Total Other Financing Sources (Uses)	$ 194	$ 0	$ 0	$ 194
Net Change in Fund Balance	$ 80,292	$ 17,531	$ 8,931	$ 71,361
Fund Balance, July 1, 2008	225,546	91,894	91,894	133,652
Fund Balance, June 30, 2009	$ 305,838	$ 109,425	$ 100,825	$ 205,013

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, 2009

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Local Taxes	$ 454	$ 970	$ 970	$ (516)
Other Local Revenues	1,226	0	0	1,226
State of Tennessee	1,401,872	1,488,950	1,495,950	(94,078)
Federal Government	0	232	232	(232)
Total Revenues	$ 1,403,552	$ 1,490,152	$ 1,497,152	$ (93,600)
Expenditures				
Highways				
Administration	$ 107,710	$ 113,108	$ 113,558	$ 5,848
Highway and Bridge Maintenance	966,943	1,145,143	1,183,343	216,400
Operation and Maintenance of Equipment	140,647	206,512	207,612	66,965
Other Charges	91,291	94,788	95,288	3,997
Employee Benefits	62,743	73,660	74,660	11,917
Capital Outlay	48,085	171,945	137,695	89,610
Total Expenditures	$ 1,417,419	$ 1,805,156	$ 1,812,156	$ 394,737
Excess (Deficiency) of Revenues Over Expenditures	$ (13,867)	$ (315,004)	$ (315,004)	$ 301,137
Other Financing Sources (Uses)				
Insurance Recovery	$ 13,655	$ 0	$ 0	$ 13,655
Total Other Financing Sources (Uses)	$ 13,655	$ 0	$ 0	$ 13,655
Net Change in Fund Balance	$ (212)	$ (315,004)	$ (315,004)	$ 314,792
Fund Balance, July 1, 2008	623,262	618,104	618,104	5,158
Fund Balance, June 30, 2009	$ 623,050	$ 303,100	$ 303,100	$ 319,950

Exhibit E-4

Clay County, Tennessee
Schedule of Funding Progress – Pension Plan
Primary Government and Discretely Presented Clay County School Department
June 30, 2009

(Dollar amounts in thousands)

Fiscal Year Ended	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)
6-30-08	6-30-07	$ 4,315	$ 4,728	$ 413	91.26 %	$ 2,584	15.98 %
6-30-09	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 2007-08 year; therefore, only two years of data are presented.

Exhibit E-5

Clay County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plan
Discretely Presented Clay County School Department
June 30, 2009

Local Education Group Plan

(Dollar amounts in thousands)

Fiscal Year Ended	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)
6-30-08	7-1-07	$ 0	$ 680	$ 680	0 %	$ 2,940	23 %
6-30-09	7-1-07	0	680	680	0	2,940	23

* Data only available for two years.

CLAY COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2009

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 Economic and Community Development major appropriation category (the legal level of control) of the General Fund by $63,987. 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.

Public Library Fund – The Public Library Fund is used to account for the transactions of the county library.

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, 2009

	Special Revenue Funds				
	Courthouse and Jail Maintenance	Public Library	Drug Control	Constitutional Officers - Fees	Total Nonmajor Governmental Funds
ASSETS					
Cash	$ 0	$ 0	$ 0	$ 39,836	$ 39,836
Equity in Pooled Cash and Investments	11,135	3,300	107,299	0	121,734
Accounts Receivable	0	0	0	263	263
Total Assets	$ 11,135	$ 3,300	$ 107,299	$ 40,099	$ 161,833
LIABILITIES AND FUND BALANCES					
Liabilities					
Due to Litigants, Heirs, and Others	$ 0	$ 0	$ 0	$ 363	$ 363
Total Liabilities	$ 0	$ 0	$ 0	$ 363	$ 363
Fund Balances					
Unreserved	$ 11,135	$ 3,300	$ 107,299	$ 39,736	$ 161,470
Total Fund Balances	$ 11,135	$ 3,300	$ 107,299	$ 39,736	$ 161,470
Total Liabilities and Fund Balances	$ 11,135	$ 3,300	$ 107,299	$ 40,099	$ 161,833

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, 2009

	Special Revenue Funds				
	Courthouse and Jail Maintenance	Public Library	Drug Control	Constitutional Officers - Fees	Total Nonmajor Governmental Funds
Revenues					
Local Taxes	$ 8,332	$ 0	$ 0	$ 0	$ 8,332
Fines, Forfeitures, and Penalties	0	352	19,927	0	20,279
Charges for Current Services	0	1,217	0	189,675	190,892
Other Local Revenues	0	0	549	0	549
Other Governments and Citizens Groups	0	2,443	0	0	2,443
Total Revenues	$ 8,332	$ 4,012	$ 20,476	$ 189,675	$ 222,495
Expenditures					
Current:					
General Government	$ 2,339	$ 0	$ 0	$ 0	$ 2,339
Finance	0	0	0	175,296	175,296
Administration of Justice	0	0	0	8,581	8,581
Public Safety	0	0	20,474	0	20,474
Social, Cultural, and Recreational Services	0	45,988	0	0	45,988
Other Operations	35	0	133	0	168
Total Expenditures	$ 2,374	$ 45,988	$ 20,607	$ 183,877	$ 252,846
Excess (Deficiency) of Revenues Over Expenditures	$ 5,958	$ (41,976)	$ (131)	$ 5,798	$ (30,351)

(Continued)

Exhibit F-2

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

	Special Revenue Funds				
	Courthouse and Jail Maintenance	Public Library	Drug Control	Constitutional Officers - Fees	Total Nonmajor Governmental Funds
Other Financing Sources (Uses)					
Transfers In	$ 0	$ 45,276	$ 0	$ 0	$ 45,276
Total Other Financing Sources (Uses)	$ 0	$ 45,276	$ 0	$ 0	$ 45,276
Net Change in Fund Balances	$ 5,958	$ 3,300	$ (131)	$ 5,798	$ 14,925
Fund Balance, July 1, 2008	5,177	0	107,430	33,938	146,545
Fund Balance, June 30, 2009	$ 11,135	$ 3,300	$ 107,299	$ 39,736	$ 161,470

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, 2009

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Local Taxes	$ 8,332	$ 1,100	$ 1,100	$ 7,232
Total Revenues	$ 8,332	$ 1,100	$ 1,100	$ 7,232
Expenditures				
General Government				
County Buildings	$ 2,339	$ 3,200	$ 3,200	$ 861
Other Operations				
Other Charges	35	0	25	(10)
Total Expenditures	$ 2,374	$ 3,200	$ 3,225	$ 851
Excess (Deficiency) of Revenues Over Expenditures	$ 5,958	$ (2,100)	$ (2,125)	$ 8,083
Net Change in Fund Balance	$ 5,958	$ (2,100)	$ (2,125)	$ 8,083
Fund Balance, July 1, 2008	5,177	6,177	6,177	(1,000)
Fund Balance, June 30, 2009	$ 11,135	$ 4,077	$ 4,052	$ 7,083

Exhibit F-4

Clay County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Public Library Fund
For the Year Ended June 30, 2009

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Fines, Forfeitures, and Penalties	$ 352	$ 0	$ 0	$ 352
Charges for Current Services	1,217	0	0	1,217
Other Governments and Citizens Groups	2,443	0	1,000	1,443
Total Revenues	$ 4,012	$ 0	$ 1,000	$ 3,012
Expenditures				
Social, Cultural, and Recreational Services				
Libraries	$ 45,988	$ 0	$ 46,276	$ 288
Total Expenditures	$ 45,988	$ 0	$ 46,276	$ 288
Excess (Deficiency) of Revenues Over Expenditures	$ (41,976)	$ 0	$ (45,276)	$ 3,300
Other Financing Sources (Uses)				
Transfers In	$ 45,276	$ 0	$ 45,276	$ 0
Total Other Financing Sources (Uses)	$ 45,276	$ 0	$ 45,276	$ 0
Net Change in Fund Balance	$ 3,300	$ 0	$ 0	$ 3,300
Fund Balance, July 1, 2008	0	0	0	0
Fund Balance, June 30, 2009	$ 3,300	$ 0	$ 0	$ 3,300

Exhibit F-5

Clay County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Drug Control Fund
For the Year Ended June 30, 2009

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Fines, Forfeitures, and Penalties	$ 19,927	$ 11,500	$ 11,500	$ 8,427
Other Local Revenues	549	0	0	549
Total Revenues	$ 20,476	$ 11,500	$ 11,500	$ 8,976
Expenditures				
Public Safety				
Drug Enforcement	$ 20,474	$ 28,500	$ 28,500	$ 8,026
Other Operations				
Other Charges	133	0	500	367
Total Expenditures	$ 20,607	$ 28,500	$ 29,000	$ 8,393
Excess (Deficiency) of Revenues Over Expenditures	$ (131)	$ (17,000)	$ (17,500)	$ 17,369
Net Change in Fund Balance	$ (131)	$ (17,000)	$ (17,500)	$ 17,369
Fund Balance, July 1, 2008	107,430	103,871	103,871	3,559
Fund Balance, June 30, 2009	$ 107,299	$ 86,871	$ 86,371	$ 20,928

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, 2009

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Local Taxes	$ 58,188	$ 57,219	$ 50,734	$ 7,454
Other Local Revenues	106,661	50,000	50,000	56,661
Total Revenues	$ 164,849	$ 107,219	$ 100,734	$ 64,115
Expenditures				
Principal on Debt				
General Government	$ 6,597	$ 9,600	$ 6,940	$ 343
Interest on Debt				
General Government	2,698	0	2,660	(38)
Other Debt Service				
General Government	1,743	1,500	2,320	577
Total Expenditures	$ 11,038	$ 11,100	$ 11,920	$ 882
Excess (Deficiency) of Revenues Over Expenditures	$ 153,811	$ 96,119	$ 88,814	$ 64,997
Net Change in Fund Balance	$ 153,811	$ 96,119	$ 88,814	$ 64,997
Fund Balance, July 1, 2008	779,514	764,645	764,645	14,869
Fund Balance, June 30, 2009	$ 933,325	$ 860,764	$ 853,459	$ 79,866

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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, 2009

	Agency Funds		
	Cities-Sales Tax	Constitutional Officers - Agency	Total
ASSETS			
Cash	$ 0	$ 840,544	$ 840,544
Due from Other Governments	47,285	0	47,285
Total Assets	$ 47,285	$ 840,544	$ 887,829
LIABILITIES			
Due to Other Taxing Units	$ 47,285	$ 0	$ 47,285
Due to Litigants, Heirs, and Others	0	840,544	840,544
	$ 47,285	$ 840,544	$ 887,829

Exhibit H-2

Clay County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2009

	Beginning Balance	Additions	Deductions	Ending Balance
Cities - Sales Tax Fund				
Assets				
Equity in Pooled Cash and Investments	$ 0	$ 273,108	$ 273,108	$ 0
Due from Other Governments	47,261	47,285	47,261	47,285
Total Assets	$ 47,261	$ 320,393	$ 320,369	$ 47,285
Liabilities				
Due to Other Taxing Units	$ 47,261	$ 320,393	$ 320,369	$ 47,285
Total Liabilities	$ 47,261	$ 320,393	$ 320,369	$ 47,285
Constitutional Officers - Agency Fund				
Assets				
Cash	$ 406,867	$ 5,448,192	$ 5,014,515	$ 840,544
Total Assets	$ 406,867	$ 5,448,192	$ 5,014,515	$ 840,544
Liabilities				
Due to Litigants, Heirs, and Others	$ 406,867	$ 5,448,192	$ 5,014,515	$ 840,544
Total Liabilities	$ 406,867	$ 5,448,192	$ 5,014,515	$ 840,544
Totals - All Agency Funds				
Assets				
Equity in Pooled Cash and Investments	$ 0	$ 273,108	$ 273,108	$ 0
Cash	406,867	5,448,192	5,014,515	840,544
Due from Other Governments	47,261	47,285	47,261	47,285
Total Assets	$ 454,128	$ 5,768,585	$ 5,334,884	$ 887,829
Liabilities				
Due to Other Taxing Units	$ 47,261	$ 320,393	$ 320,369	$ 47,285
Due to Litigants, Heirs, and Others	406,867	5,448,192	5,014,515	840,544
Total Liabilities	$ 454,128	$ 5,768,585	$ 5,334,884	$ 887,829

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, 2009

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Total Governmental Activities
Governmental Activities:				
Instruction	$ 5,047,608	$ 17,253	$ 864,048	$ (4,166,307)
Support Services	3,608,038	0	161,278	(3,446,760)
Operation of Non-Instructional Services	975,648	159,901	423,600	(392,147)
Other Debt Service	136,703	0	0	(136,703)
Total Governmental Activities	$ 9,767,997	$ 177,154	$ 1,448,926	$ (8,141,917)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				$ 1,175,049
Local Option Sales Taxes				522,911
Other Local Taxes				993
Grants and Contributions Not Restricted to Specific Programs				6,648,429
Unrestricted Investment Earnings				1,308
Miscellaneous				66,858
Total General Revenues				$ 8,415,548
Change in Net Assets				$ 273,631
Net Assets, July 1, 2008				3,713,518
Net Assets, June 30, 2009				$ 3,987,149

Exhibit I-2

Clay County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Clay County School Department
June 30, 2009

	Major Fund	Nonmajor Funds	
	General Purpose School	Other Govern-mental Funds	Total Govern-mental Funds
ASSETS			
Cash	$ 0	$ 1,331	$ 1,331
Equity in Pooled Cash and Investments	1,757,513	111,203	1,868,716
Due from Other Governments	235,846	31,441	267,287
Property Taxes Receivable	1,188,291	0	1,188,291
Allowance for Uncollectible Property Taxes	(35,689)	0	(35,689)
Total Assets	$ 3,145,961	$ 143,975	$ 3,289,936
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts Payable	$ 740	$ 2,169	$ 2,909
Deferred Revenue - Current Property Taxes	1,082,308	0	1,082,308
Deferred Revenue - Delinquent Property Taxes	62,927	0	62,927
Other Deferred Revenues	44,531	0	44,531
Total Liabilities	$ 1,190,506	$ 2,169	$ 1,192,675
Fund Balances			
Reserved for Encumbrances	$ 204,307	$ 5,110	$ 209,417
Reserved for Career Ladder - Extended Contract	16,460	0	16,460
Reserved for Career Ladder Program	4,821	0	4,821
Reserved for Basic Education Program	1,036,396	0	1,036,396
Reserved for Title I Grants to Local Education Agencies	0	3,702	3,702
Reserved for Innovative Education Program Strategies	0	1,082	1,082
Other Federal Reserves	0	356	356
Unreserved, Reported In:			
General Fund	693,471	0	693,471
Special Revenue Funds	0	106,776	106,776
Capital Projects Funds	0	24,780	24,780
Total Fund Balances	$ 1,955,455	$ 141,806	$ 2,097,261
Total Liabilities and Fund Balances	$ 3,145,961	$ 143,975	$ 3,289,936

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, 2009

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)		$ 2,097,261
(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	135,690	
Add: buildings and improvements net of accumulated depreciation	7,313,984	
Add: infrastructure net of accumulated depreciation	467,048	
Add: other capital assets net of accumulated depreciation	768,104	9,023,524
(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	$ (7,140,000)	
Less: other postemployment benefits liability	(98,488)	
Less: compensated absences payable	(2,606)	(7,241,094)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		107,458
Net assets of governmental activities (Exhibit A)		$ 3,987,149

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, 2009

	Major Fund	Nonmajor Funds	
	General Purpose School	Other Govern-mental Funds	Total Governmental Funds
Revenues			
Local Taxes	$ 1,708,736	$ 0	$ 1,708,736
Licenses and Permits	843	0	843
Charges for Current Services	17,147	159,901	177,048
Other Local Revenues	65,711	2,561	68,272
State of Tennessee	6,761,652	0	6,761,652
Federal Government	134,778	1,150,506	1,285,284
Total Revenues	$ 8,688,867	$ 1,312,968	$ 10,001,835
Expenditures			
Current:			
Instruction	$ 4,250,131	$ 514,510	$ 4,764,641
Support Services	3,314,473	259,874	3,574,347
Operation of Non-Instructional Services	413,933	512,468	926,401
Capital Outlay	128,218	0	128,218
Debt Service:			
Principal on Debt	208,000	0	208,000
Interest on Debt	91,635	0	91,635
Other Debt Service	45,068	0	45,068
Total Expenditures	$ 8,451,458	$ 1,286,852	$ 9,738,310
Excess (Deficiency) of Revenues Over Expenditures	$ 237,409	$ 26,116	$ 263,525
Other Financing Sources (Uses)			
Transfers In	$ 9,305	$ 0	$ 9,305
Transfers Out	0	(9,305)	(9,305)
Total Other Financing Sources (Uses)	$ 9,305	$ (9,305)	$ 0
Net Change in Fund Balances	$ 246,714	$ 16,811	$ 263,525
Fund Balance, July 1, 2008	1,708,741	124,995	1,833,736
Fund Balance, June 30, 2009	$ 1,955,455	$ 141,806	$ 2,097,261

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, 2009

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)		$ 263,525
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	$ 206,247	
Less: current year depreciation expense	(344,052)	(137,805)
(2) Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2009	$ 107,458	
Less: deferred delinquent property taxes and other deferred June 30, 2008	(108,206)	(748)
(3) 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:		
Add: other loan principal payments		208,000
(4) 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 the governmental funds.		
Change in other postemployment benefits liability	$ (57,669)	
Change in compensated absences payable	(1,672)	(59,341)
Change in net assets of governmental activities (Exhibit B)		$ 273,631

Exhibit I-6

Clay County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Clay County School Department
June 30, 2009

	Special Revenue Funds			Capital Projects Fund	Total
	School Federal Projects	Central Cafeteria	Total	Education Capital Projects	Nonmajor Governmental Funds
ASSETS					
Cash	$ 0	$ 1,331	$ 1,331	$ 0	$ 1,331
Equity in Pooled Cash and Investments	10,971	75,452	86,423	24,780	111,203
Due from Other Governments	1,425	30,016	31,441	0	31,441
Total Assets	$ 12,396	$ 106,799	$ 119,195	$ 24,780	$ 143,975
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	$ 2,146	$ 23	$ 2,169	$ 0	$ 2,169
Total Liabilities	$ 2,146	$ 23	$ 2,169	$ 0	$ 2,169
Fund Balances					
Reserved for Encumbrances	$ 5,110	$ 0	$ 5,110	$ 0	$ 5,110
Reserved for Title I Grants to Local Education Agencies	3,702	0	3,702	0	3,702
Reserved for Innovative Education Program Strategies	1,082	0	1,082	0	1,082
Other Federal Reserves	356	0	356	0	356
Unreserved	0	106,776	106,776	24,780	131,556
Total Fund Balances	$ 10,250	$ 106,776	$ 117,026	$ 24,780	$ 141,806
Total Liabilities and Fund Balances	$ 12,396	$ 106,799	$ 119,195	$ 24,780	$ 143,975

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, 2009

	Special Revenue Funds			Capital Projects Fund	Total
	School Federal Projects	Central Cafeteria	Total	Education Capital Projects	Nonmajor Governmental Funds
Revenues					
Charges for Current Services	$ 0	$ 159,901	$ 159,901	$ 0	$ 159,901
Other Local Revenues	1,211	1,350	2,561	0	2,561
Federal Government	773,755	376,751	1,150,506	0	1,150,506
Total Revenues	$ 774,966	$ 538,002	$ 1,312,968	$ 0	$ 1,312,968
Expenditures					
Current:					
Instruction	$ 514,510	$ 0	$ 514,510	$ 0	$ 514,510
Support Services	259,874	0	259,874	0	259,874
Operation of Non-Instructional Services	0	512,468	512,468	0	512,468
Total Expenditures	$ 774,384	$ 512,468	$ 1,286,852	$ 0	$ 1,286,852
Excess (Deficiency) of Revenues Over Expenditures	$ 582	$ 25,534	$ 26,116	$ 0	$ 26,116
Other Financing Sources (Uses)					
Transfers Out	$ (9,305)	$ 0	$ (9,305)	$ 0	$ (9,305)
Total Other Financing Sources (Uses)	$ (9,305)	$ 0	$ (9,305)	$ 0	$ (9,305)
Net Change in Fund Balances	$ (8,723)	$ 25,534	$ 16,811	$ 0	$ 16,811
Fund Balance, July 1, 2008	18,973	81,242	100,215	24,780	124,995
Fund Balance, June 30, 2009	$ 10,250	$ 106,776	$ 117,026	$ 24,780	$ 141,806

Exhibit I-8

Clay County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Clay County School Department
General Purpose School Fund
For the Year Ended June 30, 2009

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues						
Local Taxes	$ 1,708,736	$ 0	$ 1,708,736	$ 1,745,201	$ 1,745,201	$ (36,465)
Licenses and Permits	843	0	843	1,075	1,075	(232)
Charges for Current Services	17,147	0	17,147	15,400	15,400	1,747
Other Local Revenues	65,711	0	65,711	22,621	51,621	14,090
State of Tennessee	6,761,652	0	6,761,652	6,636,587	6,718,427	43,225
Federal Government	134,778	0	134,778	160,176	153,998	(19,220)
Total Revenues	$ 8,688,867	$ 0	$ 8,688,867	$ 8,581,060	$ 8,685,722	$ 3,145
Expenditures						
Instruction						
Regular Instruction Program	$ 3,303,891	$ 0	$ 3,303,891	$ 3,503,832	$ 3,483,172	$ 179,281
Alternative Instruction Program	58,452	0	58,452	60,043	60,043	1,591
Special Education Program	540,747	0	540,747	555,966	555,966	15,219
Vocational Education Program	307,417	0	307,417	264,946	314,606	7,189
Adult Education Program	39,624	0	39,624	43,192	45,014	5,390
Support Services						
Attendance	75,832	0	75,832	78,990	78,990	3,158
Health Services	193,779	0	193,779	191,177	196,177	2,398
Other Student Support	166,903	0	166,903	196,633	196,633	29,730
Regular Instruction Program	406,261	0	406,261	425,913	425,913	19,652
Special Education Program	85,175	0	85,175	81,607	93,323	8,148
Vocational Education Program	32,315	0	32,315	33,467	33,467	1,152
Adult Programs	12,191	0	12,191	12,328	12,328	137
Other Programs	73,840	0	73,840	0	73,840	0

(Continued)

Exhibit I-8

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Expenditures (Cont.)						
Support Services (Cont.)						
Board of Education	$ 150,936	$ 0	$ 150,936	$ 163,298	$ 165,298	$ 14,362
Director of Schools	114,775	0	114,775	120,401	120,401	5,626
Office of the Principal	432,136	0	432,136	445,184	453,404	21,268
Fiscal Services	125,437	0	125,437	129,685	129,685	4,248
Operation of Plant	829,809	0	829,809	839,528	893,528	63,719
Maintenance of Plant	150,472	0	150,472	180,757	180,757	30,285
Transportation	464,612	70,557	535,169	656,025	656,025	120,856
Operation of Non-Instructional Services						
Food Service	69,248	0	69,248	70,695	70,695	1,447
Community Services	47,232	0	47,232	54,535	54,535	7,303
Early Childhood Education	297,453	0	297,453	297,971	297,971	518
Capital Outlay						
Regular Capital Outlay	128,218	133,750	261,968	350,000	363,726	101,758
Principal on Debt						
Education	208,000	0	208,000	215,000	215,000	7,000
Interest on Debt						
Education	91,635	0	91,635	366,693	294,433	202,798
Other Debt Service						
Education	45,068	0	45,068	55,000	55,000	9,932
Total Expenditures	$ 8,451,458	$ 204,307	$ 8,655,765	$ 9,392,866	$ 9,519,930	$ 864,165
Excess (Deficiency) of Revenues Over Expenditures	$ 237,409	$ (204,307)	$ 33,102	$ (811,806)	$ (834,208)	$ 867,310

(Continued)

Exhibit I-8

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Other Financing Sources (Uses)						
Insurance Recovery	$ 0	$ 0	$ 0	$ 50	$ 13,776	$ (13,776)
Transfers In	9,305	0	9,305	18,600	27,276	(17,971)
Total Other Financing Sources (Uses)	$ 9,305	$ 0	$ 9,305	$ 18,650	$ 41,052	$ (31,747)
Net Change in Fund Balance	$ 246,714	$ (204,307)	$ 42,407	$ (793,156)	$ (793,156)	$ 835,563
Fund Balance, July 1, 2008	1,708,741	0	1,708,741	1,702,412	1,702,412	6,329
Fund Balance, June 30, 2009	$ 1,955,455	$ (204,307)	$ 1,751,148	$ 909,256	$ 909,256	$ 841,892

Exhibit I-9

Clay County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Clay County School Department
School Federal Projects Fund
For the Year Ended June 30, 2009

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues						
Other Local Revenues	$ 1,211	$ 0	$ 1,211	$ 0	$ 0	$ 1,211
Federal Government	773,755	0	773,755	855,232	856,311	(82,556)
Total Revenues	$ 774,966	$ 0	$ 774,966	$ 855,232	$ 856,311	$ (81,345)
Expenditures						
Instruction						
Regular Instruction Program	$ 311,174	$ 0	$ 311,174	$ 335,658	$ 335,658	$ 24,484
Special Education Program	189,165	3,150	192,315	201,619	205,819	13,504
Vocational Education Program	14,171	1,960	16,131	15,617	16,696	565
Support Services						
Other Student Support	10,066	0	10,066	9,500	9,500	(566)
Regular Instruction Program	156,775	0	156,775	167,964	167,964	11,189
Special Education Program	86,228	0	86,228	92,229	88,029	1,801
Vocational Education Program	1,322	0	1,322	1,322	1,322	0
Transportation	5,483	0	5,483	8,471	8,471	2,988
Total Expenditures	$ 774,384	$ 5,110	$ 779,494	$ 832,380	$ 833,459	$ 53,965
Excess (Deficiency) of Revenues Over Expenditures	$ 582	$ (5,110)	$ (4,528)	$ 22,852	$ 22,852	$ (27,380)

(Continued)

Exhibit I-9

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Other Financing Sources (Uses)						
Transfers In	$ 0	$ 0	$ 0	$ 36,883	$ 0	$ 0
Transfers Out	(9,305)	0	(9,305)	(59,735)	(6,805)	(2,500)
Total Other Financing Sources (Uses)	$ (9,305)	$ 0	$ (9,305)	$ (22,852)	$ (6,805)	$ (2,500)
Net Change in Fund Balance	$ (8,723)	$ (5,110)	$ (13,833)	$ 0	$ 16,047	$ (29,880)
Fund Balance, July 1, 2008	18,973	0	18,973	0	0	18,973
Fund Balance, June 30, 2009	$ 10,250	$ (5,110)	$ 5,140	$ 0	$ 16,047	$ (10,907)

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, 2009

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Charges for Current Services	$ 159,901	$ 160,000	$ 160,000	$ (99)
Other Local Revenues	1,350	1,800	1,800	(450)
Federal Government	376,751	374,362	374,362	2,389
Total Revenues	$ 538,002	$ 536,162	$ 536,162	$ 1,840
Expenditures				
Operation of Non-Instructional Services				
Food Service	$ 512,468	$ 566,152	$ 566,152	$ 53,684
Total Expenditures	$ 512,468	$ 566,152	$ 566,152	$ 53,684
Excess (Deficiency) of Revenues Over Expenditures	$ 25,534	$ (29,990)	$ (29,990)	$ 55,524
Net Change in Fund Balance	$ 25,534	$ (29,990)	$ (29,990)	$ 55,524
Fund Balance, July 1, 2008	81,242	62,417	62,417	18,825
Fund Balance, June 30, 2009	$ 106,776	$ 32,427	$ 32,427	$ 74,349

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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, 2009

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-08	Paid and/or Matured During Period	Outstanding 6-30-09
PRIMARY GOVERNMENT							
CAPITAL LEASES PAYABLE							
Payable through General Debt Service Fund							
Geothermal Heating System	$ 72,727	5 %	9-1-05	9-15-15	$ 56,196	$ 6,597	$ 49,599
DISCRETELY PRESENTED CLAY COUNTY SCHOOL DEPARTMENT							
OTHER LOANS PAYABLE							
Public Building Authority Loan Agreement:							
Payable through General Purpose School Fund							
School Construction	6,900,000	Variable	6-28-02	5-25-31	$ 6,024,000	$ 169,000	$ 5,855,000
Athletic Facility	1,500,000	Variable	9-29-03	5-25-31	1,324,000	39,000	1,285,000
Total Other Loans Payable					$ 7,348,000	$ 208,000	$ 7,140,000

Exhibit J-2

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

PRIMARY GOVERNMENT

Year Ending June 30	Capital Lease Principal	Capital Lease Interest	Total Capital Lease Requirements
2010	$ 6,934	$ 2,322	$ 9,256
2011	7,289	1,968	9,257
2012	7,662	1,595	9,257
2013	8,054	1,203	9,257
2014	8,466	791	9,257
2015	8,899	358	9,257
2016	2,295	19	2,314
Total	$ 49,599	$ 8,256	$ 57,855

DISCRETELY PRESENTED CLAY COUNTY SCHOOL DEPARTMENT

Year Ending June 30	Other Loan Principal	Other Loan Interest	Other Loan Fees	Total Other Loan Requirements
2010	$ 215,000	$ 27,846	$ 43,452	$ 286,298
2011	224,000	27,007	42,205	293,212
2012	232,000	26,134	40,906	299,040
2013	241,000	25,229	39,560	305,789
2014	249,000	24,289	38,162	311,451
2015	259,000	23,318	36,718	319,036
2016	268,000	22,308	35,216	325,524
2017	278,000	21,263	33,662	332,925
2018	289,000	20,179	32,049	341,228
2019	299,000	19,051	30,373	348,424
2020	310,000	17,885	28,639	356,524
2021	322,000	16,676	26,841	365,517
2022	334,000	15,421	24,973	374,394
2023	346,000	14,118	23,036	383,154
2024	359,000	12,769	21,029	392,798
2025	372,000	11,369	18,947	402,316
2026	387,000	9,918	16,789	413,707
2027	401,000	8,408	14,545	423,953
2028	415,000	6,845	12,219	434,064
2029	431,000	5,226	9,812	446,038
2030	446,000	3,545	7,312	456,857
2031	463,000	1,806	4,726	469,532
Total	$ 7,140,000	$ 360,610	$ 581,171	$ 8,081,781

Exhibit J-3

Clay County, Tennessee
Schedule of Transfers
Primary Government and Discretely Presented Clay County School Department
For the Year Ended June 30, 2009

From Fund	To Fund	Purpose	Amount
PRIMARY GOVERNMENT			
General	Public Library	Operations	$ 45,276
Total Transfers Primary Government			$ 45,276
DISCRETELY PRESENTED CLAY COUNTY SCHOOL DEPARTMENT			
School Federal Projects	General Purpose School	Indirect costs	$ 9,305
Total Transfers Discretely Presented Clay County School Department			$ 9,305

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, 2009

Official	Authorization for Salary	Salary Paid During Period		Bond	Surety
County Mayor	Section 8-24-102, TCA	$ 60,350		$ 25,000	RLI Insurance Company
Road Superintendent	Section 8-24-102, TCA	57,477		100,000	"
Director of Schools:					
Dr. Doug Young (7-1-08 through 1-8-09)	State Board of Education and Clay County Board of Education	49,563	(1)	50,000	"
Donnie Cherry (1-9-09 through 6-30-09)	State Board of Education and Clay County Board of Education	29,542	(2)	50,000	"
Trustee	Section 8-24-102, TCA	52,251		367,000	"
Assessor of Property	Section 8-24-102, TCA	52,251		10,000	"
County Clerk	Section 8-24-102, TCA	52,251		35,000	"
Circuit and General Sessions Courts Clerk	Section 8-24-102, TCA and Circuit Court Judge	52,251	(3)	50,000	"
Clerk and Master	Section 8-24-102, TCA and Chancery Court Judge	52,251	(4)	40,000	State Farm Fire and Casualty Company
Register	Section 8-24-102, TCA	52,251		15,000	RLI Insurance Company
Sheriff	Section 8-24-102, TCA	57,477	(5)	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 $100.
(2) Includes chief executive officer training supplement of $1,000.
(3) Does not include traffic school compensation of $300.
(4) Does not include special commissioner fees of $8,581.
(5) 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, 2009

		Special Revenue Funds						Debt Service Fund	
	General	Courthouse and Jail Maintenance	Public Library	Solid Waste / Sanitation	Drug Control	Constitu-tional Officers - Fees	Highway / Public Works	General Debt Service	Total
Local Taxes									
County Property Taxes									
Current Property Tax	$ 1,518,823	$ 0	$ 0	$ 364,995	$ 0	$ 0	$ 0	$ 29,642	$ 1,913,460
Trustee's Collections - Prior Year	38,268	0	0	20,022	0	0	0	1,586	59,876
Circuit/Clerk & Master Collections - Prior Years	14,484	0	0	5,812	0	0	0	472	20,768
Interest and Penalty	7,914	0	0	8,361	0	0	0	265	16,540
Payments in-Lieu-of Taxes - T.V.A.	87,693	0	0	0	0	0	0	0	87,693
County Local Option Taxes									
Local Option Sales Tax	264,279	0	0	0	0	0	0	0	264,279
Wheel Tax	191,210	0	0	0	0	0	0	0	191,210
Litigation Tax - General	41,104	0	0	0	0	0	0	0	41,104
Litigation Tax - Special Purpose	3,328	1,446	0	0	0	0	0	808	5,582
Litigation Tax - Jail, Workhouse, or Courthouse	0	6,886	0	0	0	0	0	0	6,886
Mineral Severance Tax	0	0	0	0	0	0	454	0	454
Other County Local Option Taxes	1,785	0	0	0	0	0	0	0	1,785
Statutory Local Taxes									
Bank Excise Tax	12,663	0	0	3,066	0	0	0	244	15,973
Wholesale Beer Tax	226,543	0	0	0	0	0	0	25,171	251,714
Total Local Taxes	$ 2,408,094	$ 8,332	$ 0	$ 402,256	$ 0	$ 0	$ 454	$ 58,188	$ 2,877,324
Licenses and Permits									
Permits									
Beer Permits	$ 475	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 475
Total Licenses and Permits	$ 475	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 475
Fines, Forfeitures, and Penalties									
Circuit Court									
Fines	$ 2,567	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 2,567
Officers Costs	1,783	0	0	0	0	0	0	0	1,783
Drug Control Fines	0	0	0	0	902	0	0	0	902
Drug Court Fees	108	0	0	0	0	0	0	0	108
Jail Fees	104	0	0	0	0	0	0	0	104

(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	Public Library	Solid Waste / Sanitation	Drug Control	Constitu-tional Officers - Fees	Highway / Public Works	General Debt Service	Total
Fines, Forfeitures, and Penalties (Cont.)									
Circuit Court (Cont.)									
DUI Treatment Fines	$ 55	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 55
Data Entry Fee - Circuit Court	221	0	0	0	0	0	0	0	221
Courtroom Security Fee	468	0	0	0	0	0	0	0	468
General Sessions Court									
Fines	7,304	0	0	0	0	0	0	0	7,304
Officers Costs	15,598	0	0	0	0	0	0	0	15,598
Drug Control Fines	0	0	0	0	4,577	0	0	0	4,577
Drug Court Fees	1,903	0	0	0	0	0	0	0	1,903
Jail Fees	1,434	0	0	0	0	0	0	0	1,434
DUI Treatment Fines	1,820	0	0	0	0	0	0	0	1,820
Data Entry Fee - General Sessions Court	1,706	0	0	0	0	0	0	0	1,706
Courtroom Security Fee	7,236	0	0	0	0	0	0	0	7,236
Chancery Court									
Data Entry Fee - Chancery Court	356	0	0	0	0	0	0	0	356
Other Courts - In-county									
Fines	950	0	0	0	0	0	0	0	950
Judicial District Drug Program									
Drug Task Force Forfeitures and Seizures	0	0	0	0	6,181	0	0	0	6,181
Other Fines, Forfeitures, and Penalties									
Proceeds from Confiscated Property	0	0	0	0	7,003	0	0	0	7,003
Other Fines, Forfeitures, and Penalties	0	0	352	0	1,264	0	0	0	1,616
Total Fines, Forfeitures, and Penalties	$ 43,613	$ 0	$ 352	$ 0	$ 19,927	$ 0	$ 0	$ 0	$ 63,892
Charges for Current Services									
General Service Charges									
Tipping Fees	$ 0	$ 0	$ 0	$ 61,176	$ 0	$ 0	$ 0	$ 0	$ 61,176
Other General Service Charges	1,900	0	0	0	0	0	0	0	1,900
Fees									
Copy Fees	640	0	911	0	0	0	0	0	1,551
Library Fees	0	0	40	0	0	0	0	0	40

(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	Public Library	Solid Waste / Sanitation	Drug Control	Constitu-tional Officers - Fees	Highway / Public Works	General Debt Service	Total
Charges for Current Services (Cont.)									
Fees (Cont.)									
Telephone Commissions	$ 0	$ 0	$ 266	$ 0	$ 0	$ 0	$ 0	$ 0	$ 266
Constitutional Officers' Fees and Commissions	0	0	0	0	0	181,094	0	0	181,094
Special Commissioner Fees/Special Master Fees	0	0	0	0	0	8,581	0	0	8,581
Data Processing Fee - Register	2,722	0	0	0	0	0	0	0	2,722
Sexual Offender Registration Fees - Sheriff	1,350	0	0	0	0	0	0	0	1,350
Total Charges for Current Services	$ 6,612	$ 0	$ 1,217	$ 61,176	$ 0	$ 189,675	$ 0	$ 0	$ 258,680
Other Local Revenues									
Recurring Items									
Investment Income	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 106,661	$ 106,661
Lease/Rentals	19,501	0	0	0	0	0	0	0	19,501
Sale of Recycled Materials	0	0	0	16,292	0	0	0	0	16,292
Miscellaneous Refunds	205	0	0	25	549	0	1,226	0	2,005
Other Local Revenues									
Other Local Revenues	33,083	0	0	0	0	0	0	0	33,083
Total Other Local Revenues	$ 52,789	$ 0	$ 0	$ 16,317	$ 549	$ 0	$ 1,226	$ 106,661	$ 177,542
Fees Received from County Officials									
Excess Fees									
County Clerk	$ 3,827	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 3,827
Trustee	36,701	0	0	0	0	0	0	0	36,701
Fees in-Lieu-of Salary									
County Clerk	718	0	0	0	0	0	0	0	718
Circuit Court Clerk	26,267	0	0	0	0	0	0	0	26,267
General Sessions Court Clerk	59,788	0	0	0	0	0	0	0	59,788
Clerk and Master	31,536	0	0	0	0	0	0	0	31,536
Register	26,572	0	0	0	0	0	0	0	26,572
Sheriff	6,082	0	0	0	0	0	0	0	6,082
Total Fees Received from County Officials	$ 191,491	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 191,491

(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	Public Library	Solid Waste / Sanitation	Drug Control	Constitu-tional Officers - Fees	Highway / Public Works	General Debt Service	Total
State of Tennessee									
General Government Grants									
Juvenile Services Program	$ 2,250	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 2,250
Aging Programs	13,077	0	0	0	0	0	0	0	13,077
State Reappraisal Grant	3,137	0	0	0	0	0	0	0	3,137
Public Safety Grants									
Law Enforcement Training Programs	8,876	0	0	0	0	0	0	0	8,876
Health and Welfare Grants									
Other Health and Welfare Grants	10,000	0	0	0	0	0	0	0	10,000
Public Works Grants									
State Aid Program	0	0	0	0	0	0	125,570	0	125,570
Litter Program	26,028	0	0	0	0	0	0	0	26,028
Other State Revenues									
Income Tax	63	0	0	0	0	0	0	0	63
Beer Tax	18,701	0	0	0	0	0	0	0	18,701
Alcoholic Beverage Tax	18,269	0	0	0	0	0	0	0	18,269
State Revenue Sharing - T.V.A.	218,852	0	0	0	0	0	7,000	0	225,852
Contracted Prisoner Boarding	150,500	0	0	0	0	0	0	0	150,500
Gasoline and Motor Fuel Tax	0	0	0	0	0	0	1,262,896	0	1,262,896
Petroleum Special Tax	0	0	0	0	0	0	6,406	0	6,406
Registrar's Salary Supplement	14,912	0	0	0	0	0	0	0	14,912
Other State Grants	0	0	0	26,519	0	0	0	0	26,519
Other State Revenues	86,222	0	0	0	0	0	0	0	86,222
Total State of Tennessee	$ 570,887	$ 0	$ 0	$ 26,519	$ 0	$ 0	$ 1,401,872	$ 0	$ 1,999,278
Federal Government									
Federal Through State									
Community Development	$ 333,630	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 333,630
Other Federal through State	40,470	0	0	0	0	0	0	0	40,470
Direct Federal Revenue									
Police Service (Lake Area)	21,576	0	0	0	0	0	0	0	21,576
Total Federal Government	$ 395,676	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 395,676

(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	Public Library	Solid Waste / Sanitation	Drug Control	Constitu-tional Officers - Fees	Highway / Public Works	General Debt Service	Total
Other Governments and Citizens Groups									
Citizens Groups									
Donations	$ 0	$ 0	$ 1,867	$ 0	$ 0	$ 0	$ 0	$ 0	$ 1,867
Other									
Other	0	0	576	0	0	0	0	0	576
Total Other Governments and Citizens Groups	$ 0	$ 0	$ 2,443	$ 0	$ 0	$ 0	$ 0	$ 0	$ 2,443
Total	$ 3,669,637	$ 8,332	$ 4,012	$ 506,268	$ 20,476	$ 189,675	$ 1,403,552	$ 164,849	$ 5,966,801

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, 2009

	General Purpose School	School Federal Projects	Central Cafeteria	Total
Local Taxes				
County Property Taxes				
Current Property Tax	$ 1,080,018	$ 0	$ 0	$ 1,080,018
Trustee's Collections - Prior Year	58,400	0	0	58,400
Circuit/Clerk & Master Collections - Prior Years	16,069	0	0	16,069
Interest and Penalty	9,850	0	0	9,850
County Local Option Taxes				
Local Option Sales Tax	534,371	0	0	534,371
Statutory Local Taxes				
Bank Excise Tax	9,035	0	0	9,035
Interstate Telecommunications Tax	993	0	0	993
Total Local Taxes	$ 1,708,736	$ 0	$ 0	$ 1,708,736
Licenses and Permits				
Licenses				
Marriage Licenses	$ 559	$ 0	$ 0	$ 559
Permits				
Other Permits	284	0	0	284
Total Licenses and Permits	$ 843	$ 0	$ 0	$ 843
Charges for Current Services				
Education Charges				
Lunch Payments - Children	$ 0	$ 0	$ 86,363	$ 86,363
Lunch Payments - Adults	0	0	29,078	29,078
Income from Breakfast	0	0	14,369	14,369
A la carte Sales	0	0	29,519	29,519
Receipts from Individual Schools	17,027	0	0	17,027
Community Service Fees - Adults	0	0	572	572
Other Charges for Services				
Other Charges for Services	120	0	0	120
Total Charges for Current Services	$ 17,147	$ 0	$ 159,901	$ 177,048
Other Local Revenues				
Recurring Items				
Investment Income	$ 0	$ 0	$ 1,308	$ 1,308
Sale of Materials and Supplies	106	0	0	106
Refund of Telecommunication and Internet Fees (E-Rate)	15,936	0	0	15,936
Miscellaneous Refunds	48,512	1,211	42	49,765
Nonrecurring Items				
Damages Recovered from Individuals	693	0	0	693
Other Local Revenues				
Other Local Revenues	464	0	0	464
Total Other Local Revenues	$ 65,711	$ 1,211	$ 1,350	$ 68,272
State of Tennessee				
General Government Grants				
On-Behalf Contributions for OPEB	$ 73,840	$ 0	$ 0	$ 73,840
State Education Funds				
Basic Education Program	5,937,362	0	0	5,937,362
Early Childhood Education	294,991	0	0	294,991

(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
State of Tennessee (Cont.)				
State Education Funds (Cont.)				
School Food Service	$ 6,308	$ 0	$ 0	$ 6,308
Other State Education Funds	144,167	0	0	144,167
Career Ladder Program	56,170	0	0	56,170
Career Ladder - Extended Contract	44,300	0	0	44,300
Other State Revenues				
Flood Control	155,071	0	0	155,071
Other State Grants	33,300	0	0	33,300
Other State Revenues	16,143	0	0	16,143
Total State of Tennessee	$ 6,761,652	$ 0	$ 0	$ 6,761,652
Federal Government				
Federal Through State				
USDA School Lunch Program	$ 0	$ 0	$ 269,634	$ 269,634
Breakfast	0	0	107,117	107,117
Adult Education State Grant Program	47,827	0	0	47,827
Vocational Education - Basic Grants to States	0	26,439	0	26,439
Title I Grants to Local Education Agencies	0	341,207	0	341,207
Special Education - Grants to States	2,460	264,906	0	267,366
Special Education Preschool Grants	0	14,764	0	14,764
Safe and Drug-Free Schools - State Grants	0	6,204	0	6,204
Rural Education	0	23,502	0	23,502
Eisenhower Professional Development State Grants	0	93,370	0	93,370
Job Training Partnership Act	19,500	0	0	19,500
Other Federal through State	0	3,363	0	3,363
Direct Federal Revenue				
Public Law 874 - Maintenance and Operation	64,991	0	0	64,991
Total Federal Government	$ 134,778	$ 773,755	$ 376,751	$ 1,285,284
Total	$ 8,688,867	$ 774,966	$ 538,002	$ 10,001,835

Exhibit J-7

Clay County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2009

General Fund		
General Government		
County Commission		
Board and Committee Members Fees	$ 20,107	
Other Per Diem and Fees	1,900	
Audit Services	2,393	
Consultants	567	
Dues and Memberships	1,050	
Legal Services	11,003	
Travel	1,199	
Other Contracted Services	1,160	
Other Charges	57,000	
Total County Commission		$ 96,379
Board of Equalization		
Board and Committee Members Fees	$ 1,050	
Total Board of Equalization		1,050
Beer Board		
Legal Notices, Recording, and Court Costs	$ 162	
Total Beer Board		162
County Mayor/Executive		
County Official/Administrative Officer	$ 60,350	
Accountants/Bookkeepers	23,868	
Clerical Personnel	16,795	
Communication	2,260	
Data Processing Services	4,015	
Dues and Memberships	3,141	
Legal Notices, Recording, and Court Costs	1,104	
Maintenance Agreements	252	
Postal Charges	1,217	
Printing, Stationery, and Forms	572	
Travel	1,595	
Office Supplies	1,439	
Premiums on Corporate Surety Bonds	75	
Office Equipment	220	
Total County Mayor/Executive		116,903
County Attorney		
County Official/Administrative Officer	$ 3,600	
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	$ 41,801	
Other Salaries and Wages	15,319	
Election Commission	3,807	
Election Workers	11,850	
In-Service Training	1,824	
Communication	1,186	
Legal Notices, Recording, and Court Costs	1,536	
Maintenance and Repair Services - Buildings	439	
Maintenance and Repair Services - Equipment	18,370	
Postal Charges	54	
Printing, Stationery, and Forms	338	
Travel	1,990	
Office Supplies	1,059	
Office Equipment	2,200	
Total Election Commission		$ 101,773
Register of Deeds		
County Official/Administrative Officer	$ 52,251	
Deputy(ies)	15,350	
Communication	1,055	
Data Processing Services	2,154	
Dues and Memberships	327	
Postal Charges	300	
Printing, Stationery, and Forms	278	
Duplicating Supplies	884	
Office Supplies	119	
Premiums on Corporate Surety Bonds	75	
Total Register of Deeds		72,793
County Buildings		
Custodial Personnel	$ 44,035	
Maintenance and Repair Services - Buildings	14,157	
Maintenance and Repair Services - Vehicles	2,755	
Custodial Supplies	6,592	
Electricity	21,040	
Gasoline	3,964	
Natural Gas	5,024	
Water and Sewer	1,846	
Motor Vehicles	4,000	
Total County Buildings		103,413

(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	$ 52,251	
Deputy(ies)	19,656	
Part-time Personnel	3,256	
In-Service Training	120	
Communication	989	
Contracts with Private Agencies	4,305	
Data Processing Services	3,542	
Dues and Memberships	300	
Legal Notices, Recording, and Court Costs	180	
Postal Charges	688	
Travel	1,338	
Office Supplies	1,924	
Premiums on Corporate Surety Bonds	283	
Office Equipment	75	
Total Property Assessor's Office		$ 88,907
County Trustee's Office		
Data Processing Services	$ 1,645	
Dues and Memberships	327	
Legal Notices, Recording, and Court Costs	72	
Maintenance and Repair Services - Equipment	4,783	
Postal Charges	2,598	
Printing, Stationery, and Forms	298	
Office Supplies	900	
Premiums on Corporate Surety Bonds	1,582	
Total County Trustee's Office		12,205
County Clerk's Office		
Communication	$ 1,615	
Dues and Memberships	327	
Postal Charges	1,800	
Rentals	7,800	
Electricity	2,182	
Office Supplies	2,222	
Premiums on Corporate Surety Bonds	150	
Total County Clerk's Office		16,096
Administration of Justice		
Circuit Court		
County Official/Administrative Officer	$ 52,251	

(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)	$ 24,170	
Clerical Personnel	37,923	
Other Salaries and Wages	2,950	
Jury and Witness Fees	4,297	
In-Service Training	754	
Communication	2,184	
Data Processing Services	701	
Dues and Memberships	327	
Legal Notices, Recording, and Court Costs	6,706	
Maintenance Agreements	7,793	
Maintenance and Repair Services - Equipment	272	
Postal Charges	1,044	
Printing, Stationery, and Forms	1,360	
Remittance of Revenue Collected	1,830	
Office Supplies	1,503	
Premiums on Corporate Surety Bonds	162	
Office Equipment	315	
Total Circuit Court		$ 146,542
General Sessions Court		
Judge(s)	$ 65,198	
Total General Sessions Court		65,198
Chancery Court		
County Official/Administrative Officer	$ 52,251	
Deputy(ies)	16,141	
Communication	962	
Dues and Memberships	327	
Postal Charges	298	
Office Supplies	2,675	
Total Chancery Court		72,654
Juvenile Court		
Supervisor/Director	$ 9,000	
Social Security	631	
Unemployment Compensation	167	
Total Juvenile Court		9,798
Judicial Commissioners		
County Official/Administrative Officer	$ 10,244	

(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 (Cont.)		
Other Salaries and Wages	$ 300	
Office Supplies	167	
Total Judicial Commissioners		$ 10,711
Public Safety		
Sheriff's Department		
County Official/Administrative Officer	$ 57,477	
Assistant(s)	31,978	
Deputy(ies)	300,137	
Accountants/Bookkeepers	21,923	
Salary Supplements	4,200	
Dispatchers/Radio Operators	173,328	
Cafeteria Personnel	31,544	
Other Salaries and Wages	22,746	
In-Service Training	7,330	
Other Per Diem and Fees	300	
Communication	8,874	
Contracts with Government Agencies	400	
Dues and Memberships	1,250	
Evaluation and Testing	1,909	
Licenses	108	
Maintenance and Repair Services - Equipment	6,434	
Maintenance and Repair Services - Vehicles	19,523	
Postal Charges	1,001	
Printing, Stationery, and Forms	1,821	
Travel	5,325	
Remittance of Revenue Collected	449	
Gasoline	45,616	
Law Enforcement Supplies	4,398	
Office Supplies	3,931	
Tires and Tubes	6,578	
Uniforms	5,296	
Other Supplies and Materials	2,615	
Premiums on Corporate Surety Bonds	698	
Other Charges	4,668	
Other Equipment	16,470	
Total Sheriff's Department		788,327
Drug Enforcement		
Motor Vehicles	$ 39,700	
Total Drug Enforcement		39,700

(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	$ 30,275	
Maintenance and Repair Services - Buildings	14,734	
Custodial Supplies	3,818	
Drugs and Medical Supplies	22,849	
Electricity	15,747	
Food Preparation Supplies	2,097	
Food Supplies	38,577	
Gasoline	3,688	
Water and Sewer	738	
Other Supplies and Materials	1,557	
Other Charges	716	
Total Jail		$ 134,796
Correctional Incentive Program Improvements		
Other Equipment	$ 1,600	
Total Correctional Incentive Program Improvements		1,600
Fire Prevention and Control		
Disability Insurance	$ 15,268	
Contributions	20,000	
Other Charges	2,000	
Other Equipment	25,628	
Total Fire Prevention and Control		62,896
Rescue Squad		
Contributions	$ 2,500	
Total Rescue Squad		2,500
Other Emergency Management		
Supervisor/Director	$ 3,600	
Maintenance and Repair Services - Equipment	17,990	
Road Signs	3,517	
Total Other Emergency Management		25,107
County Coroner/Medical Examiner		
Other Per Diem and Fees	$ 12,884	
Total County Coroner/Medical Examiner		12,884
Other Public Safety		
Guards	$ 595	
Total Other Public Safety		595

(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	2,638	
Maintenance and Repair Services - Buildings	2,996	
Custodial Supplies	700	
Drugs and Medical Supplies	800	
Office Supplies	1,600	
Utilities	16,187	
Other Charges	648	
Total Local Health Center		$ 29,169
Ambulance/Emergency Medical Services		
Other Contracted Services	$ 300,000	
Total Ambulance/Emergency Medical Services		300,000
Other Local Health Services		
Other Salaries and Wages	$ 1,074	
Social Security	31	
Unemployment Compensation	28	
Travel	286	
Total Other Local Health Services		1,419
Appropriation to State		
Other Contracted Services	$ 11,300	
Total Appropriation to State		11,300
Social, Cultural, and Recreational Services		
Senior Citizens Assistance		
Supervisor/Director	$ 17,023	
Social Security	1,275	
Unemployment Compensation	221	
Communication	1,251	
Postal Charges	44	
Travel	158	
Utilities	26,551	
Other Supplies and Materials	495	
Total Senior Citizens Assistance		47,018
Libraries		
Supervisor/Director	$ 9,072	
Part-time Personnel	1,468	

(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.)		
Other Salaries and Wages	$ 6,960	
Communication	735	
Dues and Memberships	240	
Postal Charges	998	
Travel	119	
Custodial Supplies	324	
Electricity	2,260	
Library Books/Media	2,805	
Office Supplies	2,359	
Water and Sewer	192	
Office Equipment	3,189	
Total Libraries		$ 30,721
Other Social, Cultural, and Recreational		
Contributions	$ 1,195	
Total Other Social, Cultural, and Recreational		1,195
Agriculture and Natural Resources		
Agriculture Extension Service		
Salary Supplements	$ 54,341	
Social Security	5,657	
Extension Service Medicare	205	
Communication	2,744	
Contributions	6,976	
Travel	7,731	
Other Charges	2,498	
Data Processing Equipment	774	
Total Agriculture Extension Service		80,926
Forest Service		
Contributions	$ 1,000	
Total Forest Service		1,000
Soil Conservation		
Secretary(ies)	$ 17,576	
Other Salaries and Wages	27,686	
Communication	1,510	
Utilities	1,546	
Total Soil Conservation		48,318

(Continued)

Exhibit J-7

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

General Fund (Cont.)			
Other Operations			
Tourism			
Clerical Personnel	$ 5,654		
Advertising	75		
Communication	1,465		
Maintenance and Repair Services - Office Equipment	79		
Postal Charges	462		
Office Supplies	78		
Total Tourism		$ 7,813	
Industrial Development			
Advertising	$ 590		
Consultants	24,000		
Travel	587		
Other Charges	1,819		
Total Industrial Development		26,996	
Other Economic and Community Development			
Other Charges	$ 34,212		
Other Construction	333,630		
Total Other Economic and Community Development		367,842	
Other Charges			
Liability Insurance	$ 51,610		
Trustee's Commission	43,357		
Workers' Compensation Insurance	34,243		
Other Charges	1,014		
Other Debt Issuance Charges	1,075		
Total Other Charges		131,299	
Employee Benefits			
Social Security	$ 120,267		
State Retirement	101,395		
Unemployment Compensation	12,109		
Total Employee Benefits		233,771	
Highways			
Litter and Trash Collection			
Supervisor/Director	$ 25,996		
Laborers	3,526		
Other Charges	1,490		
Total Litter and Trash Collection		31,012	
Total General Fund			$ 3,336,388

(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	$ 2,339		
Total County Buildings		$ 2,339	
Other Operations			
Other Charges			
Trustee's Commission	$ 35		
Total Other Charges		35	
Total Courthouse and Jail Maintenance Fund			$ 2,374
Public Library Fund			
Social, Cultural, and Recreational Services			
Libraries			
Supervisor/Director	$ 10,584		
Part-time Personnel	3,985		
Other Salaries and Wages	8,120		
In-Service Training	25		
Communication	757		
Dues and Memberships	265		
Postal Charges	1,106		
Travel	136		
Other Contracted Services	200		
Custodial Supplies	1,196		
Electricity	5,225		
Library Books/Media	6,639		
Office Supplies	3,003		
Periodicals	266		
Water and Sewer	198		
Other Supplies and Materials	1,395		
Other Charges	574		
Office Equipment	2,314		
Total Libraries		$ 45,988	
Total Public Library Fund			45,988
Solid Waste/Sanitation Fund			
Public Health and Welfare			
Waste Pickup			
Truck Drivers	$ 23,959		
Laborers	67,992		

(Continued)

Exhibit J-7

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

Solid Waste/Sanitation Fund (Cont.)			
Public Health and Welfare (Cont.)			
Waste Pickup (Cont.)			
Clerical Personnel	$ 14,774		
Social Security	8,165		
Unemployment Compensation	2,378		
Communication	1,495		
Contracts with Private Agencies	162,341		
Evaluation and Testing	228		
Maintenance and Repair Services - Buildings	5,156		
Maintenance and Repair Services - Vehicles	42,466		
Postal Charges	42		
Rentals	1,925		
Travel	99		
Custodial Supplies	1,565		
Electricity	4,608		
Gasoline	35,428		
Natural Gas	918		
Office Supplies	905		
Tires and Tubes	7,135		
Water and Sewer	573		
Other Charges	1,902		
Site Development	21,154		
Solid Waste Equipment	12,359		
Total Waste Pickup		$ 417,567	
Other Operations			
Other Charges			
Trustee's Commission	$ 8,603		
Total Other Charges		8,603	
Total Solid Waste/Sanitation Fund			$ 426,170
Drug Control Fund			
Public Safety			
Drug Enforcement			
Contributions	$ 586		
Confidential Drug Enforcement Payments	1,000		
Other Supplies and Materials	6,080		
Other Charges	7,811		
Law Enforcement Equipment	847		
Motor Vehicles	4,150		
Total Drug Enforcement		$ 20,474	

(Continued)

Exhibit J-7

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

Drug Control Fund (Cont.)			
Other Operations			
Other Charges			
Trustee's Commission	$ 133		
Total Other Charges		$ 133	
Total Drug Control Fund			$ 20,607
Constitutional Officers - Fees Fund			
Finance			
County Trustee's Office			
County Official/Administrative Officer	$ 52,251		
Deputy(ies)	27,441		
Constitutional Officers' Operating Expenses	668		
Total County Trustee's Office		$ 80,360	
County Clerk's Office			
County Official/Administrative Officer	$ 52,251		
Deputy(ies)	42,420		
Constitutional Officers' Operating Expenses	265		
Total County Clerk's Office		94,936	
Administration of Justice			
Chancery Court			
Special Commissioner Fees/Special Master Fees	$ 8,581		
Total Chancery Court		8,581	
Total Constitutional Officers - Fees Fund			183,877
Highway/Public Works Fund			
Highways			
Administration			
County Official/Administrative Officer	$ 57,477		
Accountants/Bookkeepers	29,989		
Advertising	192		
Communication	1,442		
Consultants	375		
Data Processing Services	4,515		
Dues and Memberships	2,032		
Postal Charges	310		
Other Contracted Services	7,527		
Other Charges	3,851		
Total Administration		$ 107,710	

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)		
Highways (Cont.)		
Highway and Bridge Maintenance		
Equipment Operators	$ 121,299	
Truck Drivers	125,878	
Laborers	122,384	
Rentals	1,476	
Asphalt - Hot Mix	171,223	
Asphalt - Liquid	273,955	
Crushed Stone	133,118	
Pipe	11,350	
Road Signs	1,064	
Wood Products	720	
Other Supplies and Materials	952	
Other Charges	424	
Highway Construction	2,400	
Other Construction	700	
Total Highway and Bridge Maintenance		$ 966,943
Operation and Maintenance of Equipment		
Mechanic(s)	$ 24,637	
Maintenance and Repair Services - Equipment	2,806	
Diesel Fuel	62,284	
Equipment and Machinery Parts	14,990	
Gasoline	10,720	
Lubricants	4,596	
Natural Gas	1,854	
Small Tools	755	
Tires and Tubes	17,269	
Other Supplies and Materials	512	
Other Charges	224	
Total Operation and Maintenance of Equipment		140,647
Other Charges		
Electricity	$ 3,786	
Water and Sewer	616	
Premiums on Corporate Surety Bonds	289	
Trustee's Commission	12,735	
Vehicle and Equipment Insurance	15,994	
Workers' Compensation Insurance	57,522	
Other Charges	349	
Total Other Charges		91,291

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)			
Highways (Cont.)			
Employee Benefits			
Social Security	$ 29,887		
State Retirement	19,610		
Unemployment Compensation	6,674		
Employer Medicare	6,572		
Total Employee Benefits		$ 62,743	
Capital Outlay			
Highway Equipment	$ 48,085		
Total Capital Outlay		48,085	
Total Highway/Public Works Fund			$ 1,417,419
General Debt Service Fund			
Principal on Debt			
General Government			
Principal on Capital Leases	$ 6,597		
Total General Government		$ 6,597	
Interest on Debt			
General Government			
Interest on Capital Leases	$ 2,698		
Total General Government		2,698	
Other Debt Service			
General Government			
Trustee's Commission	$ 1,743		
Total General Government		1,743	
Total General Debt Service Fund			11,038
Total Governmental Funds - Primary Government			$ 5,443,861

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, 2009

General Purpose School Fund		
Instruction		
Regular Instruction Program		
Teachers	$ 2,329,044	
Career Ladder Program	33,000	
Career Ladder Extended Contracts	28,240	
Educational Assistants	91,977	
Longevity Pay	4,375	
Certified Substitute Teachers	54,684	
Non-certified Substitute Teachers	30,785	
Social Security	146,054	
State Retirement	158,355	
Medical Insurance	188,303	
Unemployment Compensation	3,771	
Employer Medicare	34,600	
Maintenance and Repair Services - Equipment	212	
Other Contracted Services	29,269	
Instructional Supplies and Materials	46,001	
Textbooks	91,395	
Other Charges	80	
Regular Instruction Equipment	33,746	
Total Regular Instruction Program		$ 3,303,891
Alternative Instruction Program		
Teachers	$ 48,195	
Non-certified Substitute Teachers	700	
Social Security	2,840	
State Retirement	3,118	
Medical Insurance	2,763	
Unemployment Compensation	46	
Employer Medicare	664	
Instructional Supplies and Materials	126	
Total Alternative Instruction Program		58,452
Special Education Program		
Teachers	$ 348,433	
Career Ladder Program	5,000	
Homebound Teachers	19,328	
Educational Assistants	21,679	
Longevity Pay	1,350	
Certified Substitute Teachers	4,143	
Non-certified Substitute Teachers	3,285	

(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	$ 22,994	
State Retirement	25,295	
Medical Insurance	31,950	
Unemployment Compensation	525	
Employer Medicare	5,383	
Contracts with Private Agencies	1,000	
Other Contracted Services	50,000	
Instructional Supplies and Materials	382	
Total Special Education Program		$ 540,747
Vocational Education Program		
Teachers	$ 144,851	
Career Ladder Program	2,000	
Certified Substitute Teachers	80	
Non-certified Substitute Teachers	1,825	
Social Security	8,538	
State Retirement	9,399	
Medical Insurance	10,459	
Unemployment Compensation	137	
Employer Medicare	1,998	
Travel	6,937	
Other Contracted Services	78,984	
Instructional Supplies and Materials	9,782	
Textbooks	5,214	
Vocational Instruction Equipment	27,213	
Total Vocational Education Program		307,417
Adult Education Program		
Teachers	$ 24,612	
Other Salaries and Wages	5,529	
Social Security	810	
State Retirement	762	
Unemployment Compensation	73	
Employer Medicare	470	
Travel	130	
Instructional Supplies and Materials	5,328	
In Service/Staff Development	1,426	
Other Equipment	484	
Total Adult Education Program		39,624

(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	$ 59,804	
Career Ladder Program	1,000	
Social Security	3,605	
State Retirement	3,904	
Medical Insurance	2,533	
Unemployment Compensation	42	
Employer Medicare	843	
Travel	1,217	
Other Supplies and Materials	386	
Other Charges	2,498	
Total Attendance		$ 75,832
Health Services		
Medical Personnel	$ 80,270	
Other Salaries and Wages	59,117	
Social Security	8,471	
State Retirement	8,652	
Medical Insurance	5,360	
Unemployment Compensation	175	
Employer Medicare	1,981	
Advertising	1,050	
Medical and Dental Services	3,930	
Travel	4,652	
Other Contracted Services	500	
Drugs and Medical Supplies	178	
Other Supplies and Materials	17,143	
Other Charges	2,300	
Total Health Services		193,779
Other Student Support		
Career Ladder Program	$ 1,000	
Guidance Personnel	129,591	
Social Security	7,293	
State Retirement	8,384	
Medical Insurance	12,642	
Unemployment Compensation	126	
Employer Medicare	1,706	
Evaluation and Testing	1,713	
Travel	1,629	

(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.)		
Other Student Support (Cont.)		
Other Charges	$ 2,819	
Total Other Student Support		$ 166,903
Regular Instruction Program		
Supervisor/Director	$ 103,528	
Career Ladder Program	7,000	
Librarians	135,465	
Education Media Personnel	25,328	
Instructional Computer Personnel	39,243	
Longevity Pay	200	
Social Security	17,154	
State Retirement	18,833	
Medical Insurance	16,678	
Unemployment Compensation	323	
Employer Medicare	4,160	
Travel	8,181	
Library Books/Media	7,041	
Other Supplies and Materials	2,503	
In Service/Staff Development	20,371	
Other Charges	253	
Total Regular Instruction Program		406,261
Special Education Program		
Supervisor/Director	$ 27,545	
Career Ladder Program	1,000	
Psychological Personnel	25,488	
Clerical Personnel	6,331	
Longevity Pay	1,000	
Other Salaries and Wages	6,408	
Social Security	4,542	
State Retirement	4,876	
Medical Insurance	2,763	
Unemployment Compensation	161	
Employer Medicare	1,062	
Postal Charges	400	
Travel	344	
Other Contracted Services	3,255	
Total Special Education Program		85,175

(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.)		
Vocational Education Program		
Supervisor/Director	$ 24,874	
Social Security	1,350	
State Retirement	1,623	
Medical Insurance	3,504	
Unemployment Compensation	33	
Employer Medicare	316	
Travel	218	
Instructional Supplies and Materials	397	
Total Vocational Education Program		$ 32,315
Adult Programs		
Supervisor/Director	$ 10,770	
Social Security	612	
State Retirement	691	
Unemployment Compensation	10	
Employer Medicare	108	
Total Adult Programs		12,191
Other Programs		
On-Behalf Payments to OPEB	$ 73,840	
Total Other Programs		73,840
Board of Education		
Other Salaries and Wages	$ 2,000	
Board and Committee Members Fees	12,400	
Social Security	893	
State Retirement	128	
Unemployment Compensation	79	
Employer Medicare	209	
Advertising	2,530	
Audit Services	3,500	
Dues and Memberships	9,166	
Legal Services	5,173	
Travel	159	
Food Supplies	641	
Trustee's Commission	52,004	
Workers' Compensation Insurance	53,291	
Refund to Applicant for Criminal Investigation	1,104	
Other Charges	7,659	
Total Board of Education		150,936

(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.)		
Director of Schools		
County Official/Administrative Officer	$ 78,005	
Career Ladder Program	1,100	
Social Security	4,188	
State Retirement	4,702	
Medical Insurance	6,321	
Unemployment Compensation	50	
Employer Medicare	1,055	
Communication	13,819	
Postal Charges	3,404	
Travel	1,665	
Office Supplies	139	
Other Charges	327	
Total Director of Schools		$ 114,775
Office of the Principal		
Principals	$ 173,279	
Career Ladder Program	3,500	
Assistant Principals	93,212	
Secretary(ies)	56,840	
Clerical Personnel	20,986	
Longevity Pay	2,300	
Social Security	20,384	
State Retirement	21,968	
Medical Insurance	21,838	
Unemployment Compensation	465	
Employer Medicare	4,767	
Communication	4,447	
Travel	1,886	
Data Processing Supplies	5,864	
Data Processing Equipment	400	
Total Office of the Principal		432,136
Fiscal Services		
Accountants/Bookkeepers	$ 57,047	
Secretary(ies)	38,961	
Longevity Pay	2,025	
Social Security	5,569	
State Retirement	5,300	
Medical Insurance	3,647	

(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.)		
Fiscal Services (Cont.)		
Unemployment Compensation	$ 211	
Employer Medicare	1,378	
Travel	2,208	
Other Contracted Services	4,802	
Data Processing Supplies	1,775	
Office Supplies	2,033	
Other Charges	481	
Total Fiscal Services		$ 125,437
Operation of Plant		
Custodial Personnel	$ 147,813	
Longevity Pay	1,500	
Social Security	9,234	
State Retirement	9,122	
Medical Insurance	4,193	
Unemployment Compensation	416	
Employer Medicare	2,160	
Maintenance and Repair Services - Equipment	3,767	
Travel	1,849	
Other Contracted Services	86,512	
Custodial Supplies	37,691	
Electricity	430,395	
Fuel Oil	25,491	
Water and Sewer	23,273	
Other Supplies and Materials	1,241	
Building and Contents Insurance	39,609	
Other Charges	1,116	
Plant Operation Equipment	4,427	
Total Operation of Plant		829,809
Maintenance of Plant		
Longevity Pay	$ 300	
Other Salaries and Wages	97,541	
Social Security	5,158	
State Retirement	5,333	
Medical Insurance	3,214	
Unemployment Compensation	178	
Employer Medicare	1,419	
Maintenance and Repair Services - Buildings	2,369	

(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.)		
Maintenance of Plant (Cont.)		
Maintenance and Repair Services - Equipment	$ 6,177	
Rentals	697	
Food Supplies	422	
Other Supplies and Materials	25,563	
Other Charges	290	
Maintenance Equipment	1,811	
Total Maintenance of Plant		$ 150,472
Transportation		
Bus Drivers	$ 203,953	
Longevity Pay	4,200	
Other Salaries and Wages	989	
Social Security	12,519	
State Retirement	11,809	
Medical Insurance	10,280	
Unemployment Compensation	824	
Employer Medicare	3,022	
Communication	9,223	
Contracts with Parents	362	
Licenses	312	
Maintenance and Repair Services - Vehicles	5,608	
Medical and Dental Services	3,719	
Travel	1,002	
Other Contracted Services	41,000	
Diesel Fuel	56,726	
Gasoline	22,848	
Lubricants	5,541	
Tires and Tubes	12,900	
Vehicle Parts	35,739	
Other Supplies and Materials	501	
Vehicle and Equipment Insurance	16,881	
Other Charges	2,074	
Transportation Equipment	2,580	
Total Transportation		464,612
Operation of Non-Instructional Services		
Food Service		
Supervisor/Director	$ 57,424	
Career Ladder Program	1,000	

(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.)		
Operation of Non-Instructional Services (Cont.)		
Food Service (Cont.)		
Social Security	$ 3,622	
State Retirement	3,751	
Unemployment Compensation	42	
Employer Medicare	847	
Communication	995	
Travel	1,567	
Total Food Service		$ 69,248
Community Services		
Supervisor/Director	$ 33,481	
Other Salaries and Wages	3,027	
Social Security	2,062	
State Retirement	2,344	
Medical Insurance	4,301	
Unemployment Compensation	35	
Employer Medicare	482	
Travel	511	
Other Supplies and Materials	739	
Other Charges	250	
Total Community Services		47,232
Early Childhood Education		
Supervisor/Director	$ 15,002	
Teachers	109,172	
Educational Assistants	43,884	
Longevity Pay	350	
Certified Substitute Teachers	2,280	
Non-certified Substitute Teachers	1,700	
Social Security	10,371	
State Retirement	10,311	
Medical Insurance	3,261	
Unemployment Compensation	341	
Employer Medicare	2,459	
Dues and Memberships	30	
Postal Charges	300	
Travel	2,921	
Instructional Supplies and Materials	25,704	
Regular Instruction Equipment	69,367	
Total Early Childhood Education		297,453

(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.)			
Capital Outlay			
Regular Capital Outlay			
Architects	$ 2,560		
Building Improvements	81,148		
Heating and Air Conditioning Equipment	13,822		
Site Development	2,714		
Other Capital Outlay	27,974		
Total Regular Capital Outlay		$ 128,218	
Principal on Debt			
Education			
Principal on Other Loans	$ 208,000		
Total Education		208,000	
Interest on Debt			
Education			
Interest on Other Loans	$ 91,635		
Total Education		91,635	
Other Debt Service			
Education			
Other Debt Service	$ 45,068		
Total Education		45,068	
Total General Purpose School Fund			$ 8,451,458
School Federal Projects Fund			
Instruction			
Regular Instruction Program			
Teachers	$ 179,802		
Educational Assistants	52,795		
Longevity Pay	2,150		
Certified Substitute Teachers	50		
Non-certified Substitute Teachers	100		
Social Security	13,586		
State Retirement	14,565		
Medical Insurance	14,578		
Unemployment Compensation	511		
Employer Medicare	3,193		
Other Contracted Services	3,325		
Instructional Supplies and Materials	9,685		

(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.)		
Instruction (Cont.)		
Regular Instruction Program (Cont.)		
Other Charges	$ 9,670	
Regular Instruction Equipment	7,164	
Total Regular Instruction Program		$ 311,174
Special Education Program		
Teachers	$ 30,230	
Educational Assistants	58,477	
Longevity Pay	750	
Social Security	5,300	
State Retirement	5,030	
Medical Insurance	3,010	
Unemployment Compensation	304	
Employer Medicare	1,297	
Contracts with Private Agencies	12,200	
Other Contracted Services	23,854	
Instructional Supplies and Materials	14,068	
Other Supplies and Materials	7,150	
Other Charges	8,920	
Special Education Equipment	18,575	
Total Special Education Program		189,165
Vocational Education Program		
Instructional Supplies and Materials	$ 262	
Vocational Instruction Equipment	13,909	
Total Vocational Education Program		14,171
Support Services		
Other Student Support		
Travel	$ 5,121	
In Service/Staff Development	4,945	
Total Other Student Support		10,066
Regular Instruction Program		
Supervisor/Director	$ 26,925	
Secretary(ies)	7,752	
Other Salaries and Wages	60,293	
Social Security	5,731	
State Retirement	6,096	
Medical Insurance	2,533	

(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.)		
Regular Instruction Program (Cont.)		
Unemployment Compensation	$ 165	
Employer Medicare	1,340	
Maintenance and Repair Services - Equipment	534	
Postal Charges	100	
Travel	10,909	
Other Contracted Services	8,304	
Other Supplies and Materials	823	
In Service/Staff Development	19,595	
Other Charges	4,955	
Other Equipment	720	
Total Regular Instruction Program		$ 156,775
Special Education Program		
Psychological Personnel	$ 25,088	
Assessment Personnel	21,628	
Clerical Personnel	7,084	
Other Salaries and Wages	6,406	
Social Security	3,733	
State Retirement	3,605	
Unemployment Compensation	146	
Employer Medicare	813	
Maintenance and Repair Services - Equipment	690	
Postal Charges	800	
Travel	8,298	
Other Contracted Services	4,299	
Other Supplies and Materials	1,088	
In Service/Staff Development	1,550	
Other Equipment	1,000	
Total Special Education Program		86,228
Vocational Education Program		
Travel	$ 1,322	
Total Vocational Education Program		1,322
Transportation		
Bus Drivers	$ 4,791	
Social Security	297	
State Retirement	308	
Unemployment Compensation	18	

(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.)			
Transportation (Cont.)			
Employer Medicare	$ 69		
Total Transportation		$ 5,483	
Total School Federal Projects Fund			$ 774,384
Central Cafeteria Fund			
Operation of Non-Instructional Services			
Food Service			
Cafeteria Personnel	$ 175,200		
Longevity Pay	4,550		
In-Service Training	267		
Social Security	12,414		
State Retirement	10,506		
Medical Insurance	8,795		
Unemployment Compensation	1,218		
Employer Medicare	1,319		
Communication	1,306		
Maintenance and Repair Services - Equipment	6,748		
Postal Charges	150		
Transportation - Other than Students	2,516		
Other Contracted Services	2,020		
Food Preparation Supplies	3,348		
Food Supplies	250,491		
Office Supplies	3,032		
Other Supplies and Materials	12,892		
Trustee's Commission	12		
Workers' Compensation Insurance	6,000		
In Service/Staff Development	234		
Other Charges	70		
Food Service Equipment	9,380		
Total Food Service		$ 512,468	
Total Central Cafeteria Fund			512,468
Total Governmental Funds - Clay County School Department			$ 9,738,310

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, 2009

	Cities - Sales Tax Fund
Cash Receipts	
Local Option Sales Tax	$ 273,108
Total Cash Receipts	$ 273,108
Cash Disbursements	
Remittance of Revenues Collected	$ 270,377
Trustee's Commission	2,731
Total Cash Disbursements	$ 273,108
Excess of Cash Receipts Over (Under) Cash Disbursements	$ 0
Cash Balance, July 1, 2008	0
Cash Balance, June 30, 2009	$ 0

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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 37243-1402
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

September 25, 2009

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, 2009, which collectively comprise Clay County's basic financial statements and have issued our report thereon dated September 25, 2009. 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, 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: 09.01, 09.02, 09.04, and 09.06.

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, we believe that none of the significant deficiencies described above is 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 one instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and is described in the accompanying Schedule of Findings and Questioned Costs as item 09.03.

We consider item 09.05 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.

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,

Justin P. Wilson
Comptroller of the Treasury

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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 37243-1402
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

September 25, 2009

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, 2009. 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, 2009.

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, 2009, and have issued our report thereon dated September 25, 2009. 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, 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.

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, 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,

Justin P. Wilson
Comptroller of the Treasury

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Clay County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2009

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 Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	$ 107,117
National School Lunch Program	10.555	N/A	269,634 (3)
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	40,814 (3)
Total U.S. Department of Agriculture			$ 417,565
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Home Investments Partnership Program	14.239	(2)	$ 333,630
U.S. Department of Justice:			
Passed-through Appalachia HIDTA:			
Appalachia High Intensity Drug Trafficking Area	16.13PAPP50	N/A	$ 38,270
U.S. Department of Labor:			
Passed-through Upper Cumberland Human Resource Agency:			
Workforce Investment Act	17.250	N/A	$ 19,500
U.S. Department of Education:			
Direct Programs:			
Impact Aid	84.041	N/A	$ 64,991
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Programs	84.002	Z-09-213452-00	47,287
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	337,706
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	276,626
Special Education - Preschool Grants	84.173	N/A	12,360
Vocational Education - Basic Grants to States	84.048	N/A	27,518
Safe and Drug Free Schools and Communities - State Grants	84.186	(2)	7,678
State Grants for Innovative Programs	84.298	N/A	13,547
Education Technology State Grants	84.318	(2)	3,363
Rural Education	84.358	N/A	26,267
Improving Teacher Quality State Grants	84.367	N/A	88,941
Total U.S. Department of Education			$ 906,284
Elections Assistance Commission:			
Passed-through Tennessee Secretary of State's Office:			
Help America Vote Act Requirements Payments	90.401	Z-08-201054-00	$ 2,200
Total Expenditures of Federal Awards			$ 1,717,449

(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)	$ 3,137
Aging Program - State Commission on Aging	N/A	(2)	13,077
Juvenile Services Program - State Commission on Children and Youth	N/A	(2)	2,250
Litter Program - State Department of Transportation	N/A	(2)	26,028
Safe Schools Act - State Department of Education	N/A	(2)	7,500
Lottery for Education/PreK - State Department of Education	N/A	(2)	294,991
Coordinated School Health Improvement - State Department of Education	N/A	(2)	92,335
Family Preservation and Support Services - State Department of Education	N/A	(2)	33,300
High Schools That Work - State Department of Education	N/A	(2)	8,000
Used Oil Grant - State Department of Environment and Conservation	N/A	Z-09-217768-00	3,500
Recycling Equipment Grant - State Department of Environment and Conservation	N/A	Z-05-020908-00	23,019
Total State Grants			$ 507,137

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) Total for CFDA No. 10.555 is $310,448.

Clay County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2009

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, 2008, which have not been corrected.

OFFICE OF COUNTY MAYOR

Finding Number	Page Number	Subject
08.01(A)	156	A formal purchase order system had not been established

OFFICE OF ROAD SUPERINTENDENT

Finding Number	Page Number	Subject
08.03	157	A formal purchase order system had not been established

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

Finding Number	Page Number	Subject
08.06	159	The clerk did not post short-term account activity to the accounting records
08.07	159	The execution docket trial balances did not reconcile with general ledger accounts

OFFICE OF CLERK AND MASTER

Finding Number	Page Number	Subject
08.09	160	The clerk did not post short-term account activity to the accounting records

OTHER FINDINGS

Finding Number	Page Number	Subject
08.11	161	A central system of accounting, budgeting, and purchasing had not been adopted
08.12	161	Duties were not segregated adequately in the Offices of County Mayor, Road Superintendent, 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, 2009

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. None 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), the Home Investments Partnership Program (CFDA No. 14.239), 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; however, management did not provide responses for inclusion in this report. All of the deficiencies noted are the result of management's failure to correct the findings noted in the prior-year audit report.

OFFICES OF COUNTY MAYOR AND ROAD SUPERINTENDENT

FINDING 09.01 **THE OFFICES HAD NOT ESTABLISHED FORMAL PURCHASE ORDER SYSTEMS**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The Offices of County Mayor and Road Superintendent had not established formal purchase order systems. 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 Offices of County Mayor and Road Superintendent should establish formal purchase order systems to improve internal controls over the purchasing process and to document purchasing commitments.

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

FINDING 09.02 **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. 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 $118,324 at June 30, 2009. 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 09.03 **EXECUTION DOCKET TRIAL BALANCES DID NOT RECONCILE WITH GENERAL LEDGER ACCOUNTS**
(Noncompliance Under Government Auditing Standards)

At June 30, 2009, 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 $131,460 and $15,002 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.

OFFICE OF CLERK AND MASTER

FINDING 09.04 **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 $344,316 at June 30, 2009, were not reflected in the office's cash journal. 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. 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, 2009, 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.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 09.05 **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 practices dictate 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 09.06 **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF COUNTY MAYOR, ROAD SUPERINTENDENT, 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, 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 management's 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.

PART III, FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There were no findings and questioned costs for federal awards.

CLAY COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2009

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