ANNUAL FINANCIAL REPORT
CLAY COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2010

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FOR THE YEAR ENDED JUNE 30, 2010

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

GARY D. RAMSEY, CPA
KELLEY J. McNEAL, CPA, CGFM
State Auditors

This financial report is available at www.tn.gov/comptroller

CLAY COUNTY, TENNESSEE
TABLE OF CONTENTS

	Exhibit	Page(s)
Audit Highlights		6-7
INTRODUCTORY SECTION		8
Clay County Officials		9
FINANCIAL SECTION		10
Independent Auditor's Report		11-13
BASIC FINANCIAL STATEMENTS:		14
Government-wide Financial Statements:		
Statement of Net Assets	A	15
Statement of Activities	B	16-17
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C-1	18-19
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	C-2	20
Statement of Revenues, Expenditures, and Changes in Fund Balances	C-3	21-22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	C-4	23
Fiduciary Funds:		
Statement of Fiduciary Assets and Liabilities	D	24
Notes to the Financial Statements		25-52
REQUIRED SUPPLEMENTARY INFORMATION:		53
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
General Fund	E-1	54-55
Solid Waste/Sanitation Fund	E-2	56
Highway/Public Works Fund	E-3	57
Schedule of Funding Progress – Pension Plans – Primary Government and Discretely Presented Clay County School Department	E-4	58
Schedule of Funding Progress – Other Postemployment Benefits Plans – Discretely Presented Clay County School Department	E-5	59
Notes to the Required Supplementary Information		60

	Exhibit	Page(s)
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		61
Nonmajor Governmental Funds:		62
Combining Balance Sheet	F-1	63
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	F-2	64-65
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
Courthouse and Jail Maintenance Fund	F-3	66
Public Library Fund	F-4	67
Drug Control Fund	F-5	68
Major Governmental Fund:		69
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:		
General Debt Service Fund	G	70
Fiduciary Funds:		71
Combining Statement of Fiduciary Assets and Liabilities	H-1	72
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	H-2	73
Component Unit:		
Discretely Presented Clay County School Department:		74
Statement of Activities	I-1	75
Balance Sheet – Governmental Funds	I-2	76
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	I-3	77
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	I-4	78
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	I-5	79
Combining Balance Sheet – Nonmajor Governmental Funds	I-6	80
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	I-7	81
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Purpose School Fund	I-8	82-84
School Federal Projects Fund	I-9	85
Central Cafeteria Fund	I-10	86
Miscellaneous Schedules:		87
Schedule of Changes in Long-term Notes, Capital Leases and Other Loans – Primary Government and Discretely Presented Clay County School Department	J-1	88

	Exhibit	Page(s)
Schedule of Long-term Debt Requirements by Year – Primary Government and Discretely Presented Clay County School Department	J-2	89
Schedule of Transfers – Primary Government and Discretely Presented Clay County School Department	J-3	90
Schedule of Salaries and Official Bonds of Principal Officials – Primary Government and Discretely Presented Clay County School Department	J-4	91
Schedule of Detailed Revenues – All Governmental Fund Types	J-5	92-96
Schedule of Detailed Revenues – All Governmental Fund Types – Discretely Presented Clay County School Department	J-6	97-98
Schedule of Detailed Expenditures – All Governmental Fund Types	J-7	99-113
Schedule of Detailed Expenditures – All Governmental Fund Types – Discretely Presented Clay County School Department	J-8	114-127
Schedule of Detailed Receipts, Disbursements, and Changes in Cash Balance – City Agency Fund	J-9	128
SINGLE AUDIT SECTION		129
Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards		130-131
Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133		132-134
Schedule of Expenditures of Federal Awards and State Grants		135-136
Schedule of Audit Findings Not Corrected		137
Schedule of Findings and Questioned Costs		138-142
Auditee Reporting Responsibilities		143

Audit Highlights

Annual Financial Report
Clay County, Tennessee
For the Year Ended June 30, 2010

Scope

We have audited the basic financial statements of Clay County as of and for the year ended June 30, 2010.

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

Findings and Best Practices

The following are summaries of the audit findings and best practices:

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 prepared execution docket trial balances for Circuit and General Sessions Courts; however, these trial balances did not reconcile with the general ledger accounts by $1,874 and $14,929, respectively.

OTHER FINDING

- Duties were not segregated adequately in the Offices of County Mayor, Road Superintendent, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff.

BEST PRACTICES

The Division of County Audit strongly believes that the items noted below are best practices that should be adopted by the governing body as a means of significantly improving accountability and the quality of services provided to the citizens of Clay County.

- Clay County should adopt a central system of accounting, budgeting, and purchasing.
- Clay County should establish an Audit Committee.

INTRODUCTORY SECTION

Clay County Officials
June 30, 2010

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
Rene Davis, 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
Jerry Eads
Heather Hammock
Annette Smith
Anthony Smith
David West

FINANCIAL SECTION

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

October 15, 2010

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, 2010, 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, 2010, 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, 2010, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 15, 2010, 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 the provisions of Governmental Accounting Standards Board Statement No. 51, Accounting and Financial Reporting for Intangible Assets; and Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, which became effective for the year ended June 30, 2010.

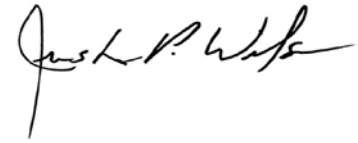
Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison, pension, and other postemployment benefits information on pages 54 through 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational,

economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Basic Financial Statements

Exhibit A

Clay County, Tennessee
Statement of Net Assets
June 30, 2010

	Primary Government	Component Unit
	Governmental Activities	Clay County School Department
ASSETS		
Cash	$ 40,816	$ 1,789
Equity in Pooled Cash and Investments	3,155,753	2,089,139
Accounts Receivable	26,210	0
Due from Other Governments	570,517	321,019
Property Taxes Receivable	2,234,101	1,263,787
Allowance for Uncollectible Property Taxes	(72,635)	(41,088)
Capital Assets:		
Assets Not Depreciated:		
Land	40,000	338,698
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	523,289	7,188,978
Other Capital Assets	1,021,238	783,150
Infrastructure	8,833,427	445,245
Total Assets	$ 16,372,716	$ 12,390,717
LIABILITIES		
Accounts Payable	$ 25,940	$ 366
Deferred Revenue - Current Property Taxes	2,008,073	1,135,927
Noncurrent Liabilities:		
Due Within One Year	39,891	224,255
Due in More Than One Year	67,350	6,879,591
Total Liabilities	$ 2,141,254	$ 8,240,139
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	$ 10,374,698	$ 1,831,071
Restricted for:		
Courthouse and Jail Maintenance	25,789	0
Public Library	5,233	0
Solid Waste/Sanitation	425,788	0
Drug Control	87,743	0
Highway/Public Works	664,412	0
Debt Service	1,021,910	0
Capital Projects	0	7,378
School Federal Projects	0	12,056
Central Cafeteria	0	133,155
Other Purposes	286,523	1,093,992
Unrestricted	1,339,366	1,072,926
Total Net Assets	$ 14,231,462	$ 4,150,578

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, 2010

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	$ 474,021	$ 50,696	$ 16,380	$ 0	$ (406,945)	$ 0
Finance	305,219	220,714	3,322	0	(81,183)	0
Administration of Justice	349,054	232,560	18,000	0	(98,494)	0
Public Safety	1,053,177	145,777	15,204	21,972	(870,224)	0
Public Health and Welfare	1,017,899	80,353	118,895	643,193	(175,458)	0
Social, Cultural, and Recreational Services	148,096	1,740	150,152	5,000	8,796	0
Agriculture and Natural Resources	144,739	0	0	0	(144,739)	0
Other Operations	387,410	0	0	0	(387,410)	0
Highways/Public Works	1,757,411	0	1,370,959	179,871	(206,581)	0
Interest on Long-term Debt	1,315	0	0	0	(1,315)	
Other Debt Service	1,740	0	0	0	(1,740)	0
Total Governmental Activities	$ 5,640,081	$ 731,840	$ 1,692,912	$ 850,036	$ (2,365,293)	$ 0
Total Primary Government	$ 5,640,081	$ 731,840	$ 1,692,912	$ 850,036	$ (2,365,293)	$ 0
Component Unit:						
Clay County School Department	$ 10,026,726	$ 185,136	$ 1,654,467	$ 0	$ 0	$ (8,187,123)

(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					$ 2,085,862	$ 1,215,813
Property Taxes Levied for Debt Service					30,292	0
Local Option Sales Taxes					256,155	532,869
Wheel Tax					194,679	0
Litigation Tax - General					43,663	0
Litigation Tax - Special Purpose					13,065	0
Litigation Tax - Jail, Workhouse, or Courthouse					15,784	0
Wholesale Beer Tax					254,284	0
Other Local Taxes					8,611	602
Grants and Contributions Not Restricted to Specific Programs					441,475	6,555,794
Unrestricted Investment Earnings					101,404	2,084
Miscellaneous					42,255	40,475
Sale of Equipment					14,243	1,221
Total General Revenues					$ 3,501,772	$ 8,348,858
Insurance Recovery					$ 37,189	$ 1,694
Change in Net Assets					$ 1,173,668	$ 163,429
Net Assets, July 1, 2009					13,057,794	3,987,149
Net Assets, June 30, 2010					$ 14,231,462	$ 4,150,578

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, 2010

	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	$ 40,816	$ 40,816
Equity in Pooled Cash and Investments	1,464,854	380,984	176,827	1,014,323	118,765	3,155,753
Accounts Receivable	5,239	15,360	0	5,257	354	26,210
Due from Other Governments	82,932	0	487,585	0	0	570,517
Due from Other Funds	318	0	0	0	0	318
Property Taxes Receivable	1,771,330	428,841	0	33,930	0	2,234,101
Allowance for Uncollectible Property Taxes	(57,589)	(13,943)	0	(1,103)	0	(72,635)
Total Assets	$ 3,267,084	$ 811,242	$ 664,412	$ 1,052,407	$ 159,935	$ 5,955,080
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts Payable	$ 25,940	$ 0	$ 0	$ 0	$ 0	$ 25,940
Due to Other Funds	0	0	0	0	318	318
Deferred Revenue - Current Property Taxes	1,592,122	385,454	0	30,497	0	2,008,073
Deferred Revenue - Delinquent Property Taxes	116,555	28,218	0	2,233	0	147,006
Other Deferred Revenues	23,200	0	110,533	0	0	133,733
Total Liabilities	$ 1,757,817	$ 413,672	$ 110,533	$ 32,730	$ 318	$ 2,315,070
Fund Balances						
Reserved for Alcohol and Drug Treatment	$ 10,913	$ 0	$ 0	$ 0	$ 0	$ 10,913
Reserved for Sexual Offender Registration	2,934	0	0	0	0	2,934
Reserved for Courtroom Security	16,628	0	0	0	0	16,628
Reserved for Computer System - Register	9,527	0	0	0	0	9,527
Reserved for Automation Purposes - General Sessions Court	6,046	0	0	0	0	6,046
Reserved for Automation Purposes - Chancery Court	1,724	0	0	0	0	1,724
Other Federal Reserves	230,785	0	0	0	0	230,785
Reserved for Other General Purposes	7,966	0	0	0	0	7,966

(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.)						
Unreserved, Reported In:						
General Fund	$ 1,222,744	$ 0	$ 0	$ 0	$ 0	$ 1,222,744
Special Revenue Funds	0	397,570	553,879	0	159,617	1,111,066
Debt Service Funds	0	0	0	1,019,677	0	1,019,677
Total Fund Balances	$ 1,509,267	$ 397,570	$ 553,879	$ 1,019,677	$ 159,617	$ 3,640,010
Total Liabilities and Fund Balances	$ 3,267,084	$ 811,242	$ 664,412	$ 1,052,407	$ 159,935	$ 5,955,080

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, 2010

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)		$ 3,640,010
(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	8,833,427	
Add: buildings and improvements net of accumulated depreciation	523,289	
Add: other capital assets net of accumulated depreciation	1,021,238	10,417,954
(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	$ (43,256)	
Less: compensated absences payable	(63,985)	(107,241)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		280,739
Net assets of governmental activities (Exhibit A)		$ 14,231,462

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, 2010

	Major Funds				Nonmajor Funds	
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern-mental Funds	Total Governmental Funds
Revenues						
Local Taxes	$ 2,504,512	$ 410,301	$ 1,326	$ 58,967	$ 17,618	$ 2,992,724
Licenses and Permits	712	0	0	0	0	712
Fines, Forfeitures, and Penalties	61,470	0	0	0	6,496	67,966
Charges for Current Services	6,021	58,080	0	0	179,076	243,177
Other Local Revenues	60,956	35,990	487	101,404	13,055	211,892
Fees Received from County Officials	240,925	0	0	0	0	240,925
State of Tennessee	610,153	0	1,465,520	0	0	2,075,673
Federal Government	702,871	0	95,428	0	0	798,299
Other Governments and Citizens Groups	129,051	0	0	0	6,834	135,885
Total Revenues	$ 4,316,671	$ 504,371	$ 1,562,761	$ 160,371	$ 223,079	$ 6,767,253
Expenditures						
Current:						
General Government	$ 420,548	$ 0	$ 0	$ 0	$ 2,754	$ 423,302
Finance	116,293	0	0	0	176,196	292,489
Administration of Justice	311,269	0	0	0	24	311,293
Public Safety	1,079,320	0	0	0	38,860	1,118,180
Public Health and Welfare	797,318	404,334	0	0	0	1,201,652
Social, Cultural, and Recreational Services	49,964	0	0	0	85,079	135,043
Agriculture and Natural Resources	130,291	0	0	0	0	130,291
Other Operations	610,349	8,305	0	0	262	618,916
Highways	27,590	0	1,637,821	0	0	1,665,411
Debt Service:						
Principal on Debt	0	0	0	69,222	0	69,222
Interest on Debt	0	0	0	3,057	0	3,057
Other Debt Service	0	0	0	1,740	0	1,740
Total Expenditures	$ 3,542,942	$ 412,639	$ 1,637,821	$ 74,019	$ 303,175	$ 5,970,596
Excess (Deficiency) of Revenues Over Expenditures	$ 773,729	$ 91,732	$ (75,060)	$ 86,352	$ (80,096)	$ 796,657

(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
Other Financing Sources (Uses)						
Notes Issued	$ 62,879	$ 0	$ 0	$ 0	$ 0	$ 62,879
Insurance Recovery	31,300	0	5,889	0	0	37,189
Transfers In	0	0	0	0	78,243	78,243
Transfers Out	(78,243)	0	0	0	0	(78,243)
Total Other Financing Sources (Uses)	$ 15,936	$ 0	$ 5,889	$ 0	$ 78,243	$ 100,068
Net Change in Fund Balances	$ 789,665	$ 91,732	$ (69,171)	$ 86,352	$ (1,853)	$ 896,725
Fund Balance, July 1, 2009	719,602	305,838	623,050	933,325	161,470	2,743,285
Fund Balance, June 30, 2010	$ 1,509,267	$ 397,570	$ 553,879	$ 1,019,677	$ 159,617	$ 3,640,010

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, 2010

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)		$ 896,725
(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	$ 541,439	
Less: current year depreciation expense	(296,576)	244,863
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, donations, etc.) is to decrease net assets.		
Less: decrease in revenue from the sale of disposed assets		(2,213)
(3) 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, 2009	$ (271,432)	
Add: deferred delinquent property taxes and other deferred June 30, 2010	280,739	9,307
(4) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:		
Add: principal payments on capital leases	$ 6,343	
Add: principal payments on notes	62,879	
Less: capital lease proceeds	(62,879)	6,343
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued interest payable	$ 1,742	
Change in compensated absences payable	16,901	18,643
Change in net assets of governmental activities (Exhibit B)		$ 1,173,668

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, 2010

	Agency Funds
ASSETS	
Cash	$ 775,302
Accounts Receivable	14
Due from Other Governments	44,807
Total Assets	$ 820,123
LIABILITIES	
Due to Other Taxing Units	$ 44,807
Due to Litigants, Heirs, and Others	775,316
Total Liabilities	$ 820,123

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 funds:

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

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

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.

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 1.75 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 primary government consists of various restrictions totaling $286,523, with the primary restriction being for health department building funds ($230,785). For the discretely presented School Department, the account balance in Restricted for Other Purposes consists of various restrictions totaling $1,093,992, with the primary restriction being for the Basic Education Program ($1,084,251).

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

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 County 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.

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 Comptroller's Office 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 fair value of the securities on the day of purchase. The county had no pooled and nonpooled investments as of June 30, 2010.

B. Capital Assets

Capital assets activity for the year ended June 30, 2010, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-09	Increases	Decreases	Balance 6-30-10
Capital Assets Not Depreciated:				
Land	$ 40,000	$ 0	$ 0	$ 40,000
Total Capital Assets Not Depreciated	$ 40,000	$ 0	$ 0	$ 40,000
Capital Assets Depreciated:				
Buildings and Improvements	$ 869,590	$ 130,940	$ 0	$ 1,000,530
Roads and Bridges	10,908,343	54,899	(2,841)	10,960,401
Other Capital Assets	1,890,010	355,600	0	2,245,610
Total Capital Assets Depreciated	$ 13,667,943	$ 541,439	$ (2,841)	$ 14,206,541
Less Accumulated Depreciation For:				
Buildings and Improvements	$ 462,059	$ 15,182	$ 0	$ 477,241
Roads and Bridges	2,030,545	97,057	(628)	2,126,974
Other Capital Assets	1,040,035	184,337	0	1,224,372
Total Accumulated Depreciation	$ 3,532,639	$ 296,576	$ (628)	$ 3,828,587
Total Capital Assets Depreciatied, Net	$ 10,135,304	$ 244,863	$ (2,213)	$ 10,377,954
Governmental Activities Capital Assets, Net	$ 10,175,304	$ 244,863	$ (2,213)	$ 10,417,954

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

Governmental Activities:

General Government	$ 7,775
Public Safety	6,537
Public Health and Welfare	93,981
Agriculture and Natural Resources	1,673
Highways/Public Works	186,610
Total Depreciation Expense - Governmental Activities	$ 296,576

Discretely Presented Clay County School Department

Governmental Activities:

	Balance 7-1-09	Increases	Decreases	Balance 6-30-10
Capital Assets Not Depreciated:				
Land	$ 338,698	$ 0	$ 0	$ 338,698
Construction in Progress	135,690	0	(135,690)	0
Total Capital Assets Not Depreciated	$ 474,388	$ 0	$ (135,690)	$ 338,698
Capital Assets Depreciated:				
Buildings and Improvements	$ 10,782,368	$ 119,000	$ 0	$ 10,901,368
Infrastructure	648,860	0	0	648,860
Other Capital Assets	1,530,458	107,046	(87,600)	1,549,904
Total Capital Assets Depreciated	$ 12,961,686	$ 226,046	$ (87,600)	$ 13,100,132

Governmental Activities: (Cont.)

	Balance 7-1-09	Increases	Decreases	Balance 6-30-10
Less Accumulated Depreciated For:				
Buildings and Improvements	$ 3,468,384	$ 244,006	$ 0	$ 3,712,390
Infrastructure	181,812	21,803	0	203,615
Other Capital Assets	762,354	87,620	(83,220)	766,754
Total Accumulated Depreciation	$ 4,412,550	$ 353,429	$ (83,220)	$ 4,682,759
Total Capital Assets Depreciated, Net	$ 8,549,136	$ (127,383)	$ (4,380)	$ 8,417,373
Governmental Activities Capital Assets, Net	$ 9,023,524	$ (127,383)	$ (140,070)	$ 8,756,071

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

Governmental Activities:

Instruction	$ 243,035
Support Services	101,544
Operation of Non-Instructional Services	8,850
Total Depreciation Expense - Governmental Activities	$ 353,429

C. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2010, is as follows:

Due to/from Other Funds:

Receivable Fund	Payable Fund	Amount
Primary Government:		
General	Nonmajor governmental	$ 318
Discretely Presented School Department:		
General Purpose School	School Federal Projects	7,801

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

Interfund Transfers

Interfund transfers for the year ended June 30, 2010, consisted of the following amounts:

Primary Government

Transfer Out	Transfer In Nonmajor Governmental Funds
General Fund	$ 78,243

Discretely Presented Clay County School Department

Transfer Out	Transfer In General Purpose School Fund
School Federal Projects Fund	$ 28,517

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, 2010, were as follows:

Year Ending June 30		Governmental Funds
2011	$	9,257
2012		9,257
2013		9,257
2014		9,257
2015		9,257
2016		3,084
Total Minimum Lease Payments	$	49,369
Less: Amount Representing Interest		(6,113)
Present Value of Minimun Lease Payments	$	43,256

E. Long-term Debt

Primary Government

Notes

The county issues capital outlay notes to fund capital facilities and other capital outlay purchases, such as equipment.

Capital outlay notes are direct obligations and pledge the full faith and credit of the government. Capital outlay notes were issued for original terms of up to three years. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. The capital outlay note issued during the period was retired prior to June 30, 2010.

Capital leases outstanding as of June 30, 2010, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-10
Capital Lease	5 %	$ 72,727	$ 43,256

There is $1,019,677 available in the General Debt Service Fund to service long-term debt. Debt per capita totaled $5, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2010, was as follows:

Governmental Activities:

	Notes	Capital Lease	Compensated Absences
Balance, July 1, 2009	$ 0	$ 49,599	$ 80,886
Additions	62,879	0	83,898
Deductions	(62,879)	(6,343)	(100,799)
Balance, June 30, 2010	$ 0	$ 43,256	$ 63,985
Balance Due Within One Year	$ 0	$ 7,259	$ 32,632

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2010	$ 107,241
Less: Balance Due Within One Year	(39,891)
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	$ 67,350

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 on behalf of the School Department 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, 2010, will be retired from the General Purpose School Fund.

Other loans outstanding as of June 30, 2010, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-10
Other Loans	Variable	$ 8,400,000	$ 6,925,000

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 interest rates that are tax-exempt variable rates 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, 2010, the variable interest rate was .2 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, 2010, including interest payments and other fees, are presented in the following table:

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2011	$ 224,000	$ 13,850	$ 42,205	$ 280,055
2012	232,000	13,402	40,906	286,308
2013	241,000	12,938	39,560	293,498
2014	249,000	12,456	38,162	299,618
2015	259,000	11,958	36,718	307,676
2016-2020	1,444,000	51,634	159,939	1,655,573
2021-2025	1,733,000	36,078	114,826	1,883,904
2026-2030	2,080,000	17,406	60,677	2,158,083
2031	463,000	926	4,726	468,652
Total	$ 6,925,000	$ 170,648	$ 537,719	$ 7,633,367

Debt per capita totaled $868, 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, 2010, was as follows:

Governmental Activities:

	Other Loans	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2009	$ 7,140,000	$ 2,606	$ 98,488
Additions	0	2,012	113,234
Deductions	(215,000)	(4,363)	(33,131)
Balance, June 30, 2010	$ 6,925,000	$ 255	$ 178,591
Balance Due Within One Year	$ 224,000	$ 255	$ 0

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2010	$ 7,103,846
Less: Balance Due Within One Year	(224,255)
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	$ 6,879,591

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, 2010, were $67,030 and $11,666, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

V. OTHER INFORMATION

A. Risk Management

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. Risk Financing Activities

Clay County and several other counties, cities and local government entities were members of the Local Government Insurance Cooperative (LOGIC) for their workers' compensation insurance for one or more policy years in 1996-97, 1997-98, or 1999-2000. LOGIC obtained excess coverage insurance from Reliance Insurance Company for claims that exceeded certain amounts. Reliance Insurance Company is now insolvent and is being liquidated in the state of Pennsylvania. The insolvency of Reliance Insurance Company has

left LOGIC members exposed to significant claim liabilities for their policy years. In 2003, LOGIC board of directors assessed its members certain amounts for each member's share of outstanding claims unpaid by Reliance Insurance Company. In 2009, the LOGIC board of directors made a second assessment of its members. Clay County's share of this second assessment totaled $6,074.

C. Accounting Changes

Provisions of Governmental Accounting Standards Board Statement No. 51, Accounting and Financial Reporting for Intangible Assets; and Statement No. 53, Accounting and Financial Reporting for Derivative Instruments became effective for the year ended June 30, 2009.

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets. Intangible assets have three characteristics: lack of physical substance; nonfinancial in nature; and a useful life that extends beyond a single reporting period. Assets that have these characteristics and are identifiable to the government should be reported as capital assets and amortized over their useful lives. Easements, water rights, patents, and computer software are examples of intangible assets that should be recognized under GASB Statement No. 51. Clay County and the School Department had no assets that met the definition of intangible assets at June 30, 2010. However, it is reasonably expected that Clay County and the School Department may acquire intangible assets in subsequent years.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by county governments. Derivative instruments are financial arrangements used by governments as investments; hedges against identified financial risks; or to lower the cost of borrowings. Interest rate swaps and locks, options, swaptions, forward contracts, and futures contracts are among the commonly used types of derivatives mentioned in GASB Statement No. 53. Derivative instruments associated with fluctuating financial and commodity prices result in changing cash flows and fair values that can be used as effective risk management or investment tools. For the same reasons, derivative instruments can expose governments to significant risks and liabilities. The requirements of GASB Statement No. 53 are intended to help users of financial information evaluate the effectiveness and associated risks involved with Clay County's derivative transactions. GASB Statement No. 53 requires most derivatives to be reported at fair value in the Statement of Net Assets. Changes in fair value for derivative instruments that are intended for investment purposes or that are reported like investment derivative instruments because of ineffectiveness are reported as investment revenues in the Statement of Activities. Alternatively, the changes in fair value of derivative instruments that are classified as hedging (i.e. effective) derivative instruments are reported in the Statement of Net Assets as deferrals. Clay County had not participated in derivative transactions as of June 30, 2010.

However, it is reasonably expected that Clay County may enter into derivative transactions in subsequent years.

D. Subsequent Events

On August 31, 2010, Patricia Hix left the Office of County Clerk and was succeeded by Donna Watson, and James Storie left the Office of Sheriff and was succeeded by Brandon Boone.

On September 7, 2010, the county issued capital outlay notes totaling $41,000 to fund building renovations.

E. 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.

F. Change in Administration

On March 31, 2010, Rene Davis was appointed to the Office of Clerk and Master succeeding Corrine McClerran who died on March 21, 2010.

G. 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.

H. Retirement Commitments

Plan Description

Employees of Clay County are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of

service, and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Clay County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

Funding Policy

Clay County requires employees to contribute five percent of their earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2010, was 6.41 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the county is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2010, Clay County's annual pension cost of $192,794 to TCRS was equal to the 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. The 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, 2009, which established contribution rates effective July 1, 2010.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-10	$192,794	100%	$0
6-30-09	185,584	100	0
6-30-08	220,145	100	0

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was 84.51 percent funded. The actuarial accrued liability for benefits was $5.57 million, and the actuarial value of assets was $4.7 million, resulting in an unfunded actuarial accrued liability (UAAL) of $.86 million. The covered payroll (annual payroll of active employees covered by the plan) was $2.77 million, and the ratio of the UAAL to the covered payroll was 31.16 percent.

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 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 Clay County 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. Cost of living adjustments (COLA) are 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/Schools.

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, 2010, 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, 2010, 2009, and 2008, were $283,359, $290,925, and $278,920, respectively, equal to the required contributions for each year.

I. Other Postemployment Benefits (OPEB)

Plan Description

The School Department participates in the state-administered Local Education Group Insurance Plan and Medicare Supplement Plan for healthcare benefits. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Section 8-27-302, Tennessee Code Annotated (TCA), for teachers and Section 8-27-701, TCA, for the Medicare Supplement. 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, 2010, the discretely presented Clay County School Department contributed $33,131 for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan	Medicare Supplement Plan
ARC	$ 77,000	$ 36,000
Interest on the NPO	4,432	0
Adjustment to the ARC	(4,198)	0
Annual OPEB cost	$ 77,234	$ 36,000
Amount of contribution	(32,081)	(1,050)
Increase/decrease in NPO	$ 45,153	$ 34,950
Net OPEB obligation, 7-1-09	98,488	0
Net OPEB obligation, 6-30-10	$ 143,641	$ 34,950

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
6-30-10	"	77,234	42	143,641
6-30-10	Medicare Supplement	36,000	3	34,950

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2010, was as follows:

	Local Education Group Plan	Medicare Supplement Plan
Actuarial valuation date	7-1-09	7-1-09
Actuarial accrued liability (AAL)	$ 926,000	$ 531,000
Actuarial value of plan assets	$ 0	$ 0
Unfunded actuarial accrued liability (UAAL)	$ 926,000	$ 531,000
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	$ 4,063,876	$ N/A
UAAL as a % of covered payroll	23%	N/A

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, 2009, actuarial valuation the projected unit credit actuarial cost method was used and the actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses). The Local Education Plan had an annual healthcare cost trend rate of four percent for fiscal year 2010. The trend will rise to ten percent in fiscal year 2011 and then will be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. The annual healthcare cost trend rate for the Medicare Supplement Plan was one percent for fiscal year 2010. The trend will rise to ten percent in fiscal year 2011 and then will be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. 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.

J. 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

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, 2010

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Local Taxes	$ 2,504,512	$ 2,403,000	$ 2,403,000	$ 101,512
Licenses and Permits	712	500	500	212
Fines, Forfeitures, and Penalties	61,470	36,500	38,536	22,934
Charges for Current Services	6,021	3,800	3,800	2,221
Other Local Revenues	60,956	43,094	44,032	16,924
Fees Received from County Officials	240,925	168,000	168,000	72,925
State of Tennessee	610,153	533,881	529,028	81,125
Federal Government	702,871	20,000	698,193	4,678
Other Governments and Citizens Groups	129,051	129,000	141,301	(12,250)
Total Revenues	$ 4,316,671	$ 3,337,775	$ 4,026,390	$ 290,281
Expenditures				
General Government				
County Commission	$ 27,373	$ 36,006	$ 36,006	$ 8,633
Board of Equalization	1,050	1,300	1,300	250
Beer Board	168	500	500	332
County Mayor/Executive	119,832	119,858	119,858	26
County Attorney	3,600	3,600	3,600	0
Election Commission	91,733	104,143	114,143	22,410
Register of Deeds	74,468	76,559	76,559	2,091
County Buildings	100,336	123,000	124,498	24,162
Preservation of Records	1,988	0	5,000	3,012
Finance				
Property Assessor's Office	86,973	90,707	90,707	3,734
County Trustee's Office	14,088	14,419	14,419	331
County Clerk's Office	15,232	17,000	17,000	1,768
Administration of Justice				
Circuit Court	148,592	151,686	163,013	14,421
General Sessions Court	67,675	67,676	67,676	1
Chancery Court	73,214	73,519	74,634	1,420
Juvenile Court	11,044	11,975	11,975	931
Judicial Commissioners	10,744	10,819	10,819	75
Public Safety				
Sheriff's Department	789,846	810,176	821,301	31,455
Drug Enforcement	35,947	36,000	41,041	5,094
Jail	132,930	145,650	145,650	12,720
Correctional Incentive Program Improvements	2,680	2,680	2,680	0
Fire Prevention and Control	37,256	37,268	37,268	12
Rescue Squad	15,936	186,165	214,230	198,294
Other Emergency Management	44,842	50,900	52,900	8,058
County Coroner/Medical Examiner	14,638	15,000	17,250	2,612
Other Public Safety	5,245	6,000	6,000	755

(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				
Local Health Center	$ 29,771	$ 28,900	$ 261,540	$ 231,769
Ambulance/Emergency Medical Services	689,631	360,000	690,124	493
Other Local Health Services	66,616	92,900	107,000	40,384
Appropriation to State	11,300	11,300	11,300	0
Social, Cultural, and Recreational Services				
Senior Citizens Assistance	40,892	49,408	49,408	8,516
Other Social, Cultural, and Recreational	9,072	13,000	12,000	2,928
Agriculture and Natural Resources				
Agriculture Extension Service	79,149	83,166	89,082	9,933
Forest Service	1,000	1,000	1,000	0
Soil Conservation	50,142	51,076	56,988	6,846
Other Operations				
Tourism	9,999	10,203	10,203	204
Industrial Development	34,914	34,150	39,150	4,236
Other Economic and Community Development	180,067	45,357	186,165	6,098
Other Charges	148,915	151,081	156,081	7,166
Employee Benefits	236,454	265,000	265,057	28,603
Highways				
Litter and Trash Collection	27,590	43,700	43,700	16,110
Total Expenditures	$ 3,542,942	$ 3,432,847	$ 4,248,825	$ 705,883
Excess (Deficiency) of Revenues Over Expenditures	$ 773,729	$ (95,072)	$ (222,435)	$ 996,164
Other Financing Sources (Uses)				
Notes Issued	$ 62,879	$ 0	$ 62,879	$ 0
Insurance Recovery	31,300	183,665	224,767	(193,467)
Transfers Out	(78,243)	(78,243)	(78,243)	0
Total Other Financing Sources (Uses)	$ 15,936	$ 105,422	$ 209,403	$ (193,467)
Net Change in Fund Balance	$ 789,665	$ 10,350	$ (13,032)	$ 802,697
Fund Balance, July 1, 2009	719,602	993,910	993,910	(274,308)
Fund Balance, June 30, 2010	$ 1,509,267	$ 1,004,260	$ 980,878	$ 528,389

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, 2010

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Local Taxes	$ 410,301	$ 407,348	$ 407,348	$ 2,953
Charges for Current Services	58,080	55,000	55,000	3,080
Other Local Revenues	35,990	15,000	15,000	20,990
Total Revenues	$ 504,371	$ 477,348	$ 477,348	$ 27,023
Expenditures				
Public Health and Welfare				
Waste Pickup	$ 404,334	$ 468,840	$ 468,840	$ 64,506
Other Operations				
Other Charges	8,305	10,000	10,000	1,695
Total Expenditures	$ 412,639	$ 478,840	$ 478,840	$ 66,201
Excess (Deficiency) of Revenues Over Expenditures	$ 91,732	$ (1,492)	$ (1,492)	$ 93,224
Net Change in Fund Balance	$ 91,732	$ (1,492)	$ (1,492)	$ 93,224
Fund Balance, July 1, 2009	305,838	128,484	128,484	177,354
Fund Balance, June 30, 2010	$ 397,570	$ 126,992	$ 126,992	$ 270,578

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, 2010

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Local Taxes	$ 1,326	$ 454	$ 454	$ 872
Other Local Revenues	487	4,500	4,500	(4,013)
State of Tennessee	1,465,520	1,458,767	1,458,767	6,753
Federal Government	95,428	0	21,087	74,341
Total Revenues	$ 1,562,761	$ 1,463,721	$ 1,484,808	$ 77,953
Expenditures				
Highways				
Administration	$ 110,265	$ 118,867	$ 118,867	$ 8,602
Highway and Bridge Maintenance	1,121,248	1,142,960	1,291,449	170,201
Operation and Maintenance of Equipment	185,682	173,500	195,108	9,426
Other Charges	109,065	111,518	112,554	3,489
Employee Benefits	68,742	66,155	71,855	3,113
Capital Outlay	42,819	127,764	127,764	84,945
Total Expenditures	$ 1,637,821	$ 1,740,764	$ 1,917,597	$ 279,776
Excess (Deficiency) of Revenues Over Expenditures	$ (75,060)	$ (277,043)	$ (432,789)	$ 357,729
Other Financing Sources (Uses)				
Insurance Recovery	$ 5,889	$ 0	$ 0	$ 5,889
Total Other Financing Sources (Uses)	$ 5,889	$ 0	$ 0	$ 5,889
Net Change in Fund Balance	$ (69,171)	$ (277,043)	$ (432,789)	$ 363,618
Fund Balance, July 1, 2009	623,050	622,433	622,433	617
Fund Balance, June 30, 2010	$ 553,879	$ 345,390	$ 189,644	$ 364,235

Exhibit E-4

Clay County, Tennessee
Schedule of Funding Progress – Pension Plan
Primary Government and Discretely Presented Clay County School Department
June 30, 2010

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7-1-09	$ 4,703	$ 5,565	$ 862	84.51 %	$ 2,765	31.16 %
7-1-07	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 went into effect during the 2007 actuarial valuation; therefore, only the two most recent valuations are presented.

Exhibit E-5

Clay County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plans
Discretely Presented Clay County School Department
June 30, 2010

(Dollar amounts in thousands)

Plan	Actuarial Valuation Date*	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Local Education Group	7-1-07	$ 0	$ 680	$ 680	0 %	$ 2,940	23 %
"	7-1-09	0	926	926	0	4,064	23
Medicare Supplement	7-1-09	0	531	531	0	N/A	N/A

* Additional actuarial valuations will be reported as the data becomes available.

CLAY COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2010

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 County 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.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

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.

Exhibit F-1

Clay County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010

	Special Revenue Funds				
	Courthouse and Jail Maintenance	Public Library	Drug Control	Constitutional Officers - Fees	Total Nonmajor Governmental Funds
ASSETS					
Cash	$ 0	$ 0	$ 0	$ 40,816	$ 40,816
Equity in Pooled Cash and Investments	25,789	5,233	87,743	0	118,765
Accounts Receivable	0	0	0	354	354
Total Assets	$ 25,789	$ 5,233	$ 87,743	$ 41,170	$ 159,935
LIABILITIES AND FUND BALANCES					
Liabilities					
Due to Other Funds	$ 0	$ 0	$ 0	$ 318	$ 318
Total Liabilities	$ 0	$ 0	$ 0	$ 318	$ 318
Fund Balances					
Unreserved	$ 25,789	$ 5,233	$ 87,743	$ 40,852	$ 159,617
Total Fund Balances	$ 25,789	$ 5,233	$ 87,743	$ 40,852	$ 159,617
Total Liabilities and Fund Balances	$ 25,789	$ 5,233	$ 87,743	$ 41,170	$ 159,935

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, 2010

	Special Revenue Funds				
	Courthouse and Jail Maintenance	Public Library	Drug Control	Constitutional Officers - Fees	Total Nonmajor Governmental Funds
Revenues					
Local Taxes	$ 17,585	$ 0	$ 33	$ 0	$ 17,618
Fines, Forfeitures, and Penalties	0	195	6,301	0	6,496
Charges for Current Services	0	1,740	0	177,336	179,076
Other Local Revenues	0	0	13,055	0	13,055
Other Governments and Citizens Groups	0	6,834	0	0	6,834
Total Revenues	$ 17,585	$ 8,769	$ 19,389	$ 177,336	$ 223,079
Expenditures					
Current:					
General Government	$ 2,754	$ 0	$ 0	$ 0	$ 2,754
Finance	0	0	0	176,196	176,196
Administration of Justice	0	0	0	24	24
Public Safety	0	0	38,860	0	38,860
Social, Cultural, and Recreational Services	0	85,079	0	0	85,079
Other Operations	177	0	85	0	262
Total Expenditures	$ 2,931	$ 85,079	$ 38,945	$ 176,220	$ 303,175
Excess (Deficiency) of Revenues Over Expenditures	$ 14,654	$ (76,310)	$ (19,556)	$ 1,116	$ (80,096)

(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	$ 78,243	$ 0	$ 0	$ 78,243
Total Other Financing Sources (Uses)	$ 0	$ 78,243	$ 0	$ 0	$ 78,243
Net Change in Fund Balances	$ 14,654	$ 1,933	$ (19,556)	$ 1,116	$ (1,853)
Fund Balance, July 1, 2009	11,135	3,300	107,299	39,736	161,470
Fund Balance, June 30, 2010	$ 25,789	$ 5,233	$ 87,743	$ 40,852	$ 159,617

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, 2010

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Local Taxes	$ 17,585	$ 7,100	$ 7,100	$ 10,485
Total Revenues	$ 17,585	$ 7,100	$ 7,100	$ 10,485
Expenditures				
General Government				
County Buildings	$ 2,754	$ 3,200	$ 3,200	$ 446
Other Operations				
Other Charges	177	500	500	323
Total Expenditures	$ 2,931	$ 3,700	$ 3,700	$ 769
Excess (Deficiency) of Revenues Over Expenditures	$ 14,654	$ 3,400	$ 3,400	$ 11,254
Net Change in Fund Balance	$ 14,654	$ 3,400	$ 3,400	$ 11,254
Fund Balance, July 1, 2009	11,135	11,135	11,135	0
Fund Balance, June 30, 2010	$ 25,789	$ 14,535	$ 14,535	$ 11,254

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, 2010

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Fines, Forfeitures, and Penalties	$ 195	$ 537	$ 537	$ (342)
Charges for Current Services	1,740	2,780	2,780	(1,040)
Other Governments and Citizens Groups	6,834	3,520	3,520	3,314
Total Revenues	$ 8,769	$ 6,837	$ 6,837	$ 1,932
Expenditures				
Social, Cultural, and Recreational Services				
Libraries	$ 85,079	$ 85,080	$ 85,080	$ 1
Total Expenditures	$ 85,079	$ 85,080	$ 85,080	$ 1
Excess (Deficiency) of Revenues Over Expenditures	$ (76,310)	$ (78,243)	$ (78,243)	$ 1,933
Other Financing Sources (Uses)				
Transfers In	$ 78,243	$ 78,243	$ 78,243	$ 0
Total Other Financing Sources (Uses)	$ 78,243	$ 78,243	$ 78,243	$ 0
Net Change in Fund Balance	$ 1,933	$ 0	$ 0	$ 1,933
Fund Balance, July 1, 2009	3,300	3,300	3,300	0
Fund Balance, June 30, 2010	$ 5,233	$ 3,300	$ 3,300	$ 1,933

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, 2010

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Local Taxes	$ 33	$ 0	$ 0	$ 33
Fines, Forfeitures, and Penalties	6,301	4,900	4,900	1,401
Other Local Revenues	13,055	0	13,356	(301)
Total Revenues	$ 19,389	$ 4,900	$ 18,256	$ 1,133
Expenditures				
Public Safety				
Drug Enforcement	$ 38,860	$ 28,500	$ 44,260	$ 5,400
Other Operations				
Other Charges	85	500	500	415
Total Expenditures	$ 38,945	$ 29,000	$ 44,760	$ 5,815
Excess (Deficiency) of Revenues Over Expenditures	$ (19,556)	$ (24,100)	$ (26,504)	$ 6,948
Net Change in Fund Balance	$ (19,556)	$ (24,100)	$ (26,504)	$ 6,948
Fund Balance, July 1, 2009	107,299	107,300	107,300	(1)
Fund Balance, June 30, 2010	$ 87,743	$ 83,200	$ 80,796	$ 6,947

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.

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, 2010

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Local Taxes	$ 58,967	$ 47,250	$ 47,250	$ 11,717
Other Local Revenues	101,404	75,000	75,000	26,404
Total Revenues	$ 160,371	$ 122,250	$ 122,250	$ 38,121
Expenditures				
Principal on Debt				
General Government	$ 69,222	$ 69,500	$ 69,500	$ 278
Interest on Debt				
General Government	3,057	4,665	4,665	1,608
Other Debt Service				
General Government	1,740	3,000	5,000	3,260
Total Expenditures	$ 74,019	$ 77,165	$ 79,165	$ 5,146
Excess (Deficiency) of Revenues Over Expenditures	$ 86,352	$ 45,085	$ 43,085	$ 43,267
Net Change in Fund Balance	$ 86,352	$ 45,085	$ 43,085	$ 43,267
Fund Balance, July 1, 2009	933,325	934,095	934,095	(770)
Fund Balance, June 30, 2010	$ 1,019,677	$ 979,180	$ 977,180	$ 42,497

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.

Exhibit H-1

Clay County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2010

	Agency Funds		
	Cities-Sales Tax	Constitutional Officers - Agency	Total
ASSETS			
Cash	$ 0	$ 775,302	$ 775,302
Accounts Receivable	0	14	14
Due from Other Governments	44,807	0	44,807
Total Assets	$ 44,807	$ 775,316	$ 820,123
LIABILITIES			
Due to Other Taxing Units	$ 44,807	$ 0	$ 44,807
Due to Litigants, Heirs, and Others	0	775,316	775,316
	$ 44,807	$ 775,316	$ 820,123

Exhibit H-2

Clay County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2010

	Beginning Balance	Additions	Deductions	Ending Balance
Cities - Sales Tax Fund				
Assets				
Equity in Pooled Cash and Investments	$ 0	$ 264,710	$ 264,710	$ 0
Due from Other Governments	47,285	44,807	47,285	44,807
Total Assets	$ 47,285	$ 309,517	$ 311,995	$ 44,807
Liabilities				
Due to Other Taxing Units	$ 47,285	$ 309,517	$ 311,995	$ 44,807
Total Liabilities	$ 47,285	$ 309,517	$ 311,995	$ 44,807
Constitutional Officers - Agency Fund				
Assets				
Cash	$ 840,544	$ 5,690,416	$ 5,755,658	$ 775,302
Accounts Receivable	0	14	0	14
Total Assets	$ 840,544	$ 5,690,430	$ 5,755,658	$ 775,316
Liabilities				
Due to Litigants, Heirs, and Others	$ 840,544	$ 5,690,430	$ 5,755,658	$ 775,316
Total Liabilities	$ 840,544	$ 5,690,430	$ 5,755,658	$ 775,316
Totals - All Agency Funds				
Assets				
Cash	$ 840,544	$ 5,690,416	$ 5,755,658	$ 775,302
Equity in Pooled Cash and Investments	0	264,710	264,710	0
Accounts Receivable	0	14	0	14
Due from Other Governments	47,285	44,807	47,285	44,807
Total Assets	$ 887,829	$ 5,999,947	$ 6,067,653	$ 820,123
Liabilities				
Due to Other Taxing Units	$ 47,285	$ 309,517	$ 311,995	$ 44,807
Due to Litigants, Heirs, and Others	840,544	5,690,430	5,755,658	775,316
Total Liabilities	$ 887,829	$ 5,999,947	$ 6,067,653	$ 820,123

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.

Exhibit I-1

Clay County, Tennessee
Statement of Activities
Discretely Presented Clay County School Department
For the Year Ended June 30, 2010

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	$ 5,244,454	$ 18,210	$ 964,610	$ (4,261,634)
Support Services	3,724,058	0	220,340	(3,503,718)
Operation of Non-Instructional Services	988,045	166,926	469,517	(351,602)
Other Debt Service	70,169	0	0	(70,169)
Total Governmental Activities	$ 10,026,726	$ 185,136	$ 1,654,467	$ (8,187,123)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				$ 1,215,813
Local Option Sales Taxes				532,869
Other Local Taxes				602
Grants and Contributions Not Restricted to Specific Programs				6,555,794
Unrestricted Investment Earnings				2,084
Miscellaneous				40,475
Sale of Equipment				1,221
Total General Revenues				$ 8,348,858
Insurance Recovery				$ 1,694
Change in Net Assets				$ 163,429
Net Assets, July 1, 2009				3,987,149
Net Assets, June 30, 2010				$ 4,150,578

Exhibit I-2

Clay County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Clay County School Department
June 30, 2010

	Major Funds		Nonmajor Funds	
	General Purpose School	School Federal Projects	Other Govern-mental Funds	Total Govern-mental Funds
ASSETS				
Cash	$ 0	$ 0	$ 1,789	$ 1,789
Equity in Pooled Cash and Investments	1,939,385	13,793	135,961	2,089,139
Due from Other Governments	311,806	6,253	2,960	321,019
Due from Other Funds	7,801	0	0	7,801
Property Taxes Receivable	1,263,787	0	0	1,263,787
Allowance for Uncollectible Property Taxes	(41,088)	0	0	(41,088)
Total Assets	$ 3,481,691	$ 20,046	$ 140,710	$ 3,642,447
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	$ 0	$ 189	$ 177	$ 366
Due to Other Funds	0	7,801	0	7,801
Deferred Revenue - Current Property Taxes	1,135,927	0	0	1,135,927
Deferred Revenue - Delinquent Property Taxes	83,159	0	0	83,159
Other Deferred Revenues	108,705	0	0	108,705
Total Liabilities	$ 1,327,791	$ 7,990	$ 177	$ 1,335,958
Fund Balances				
Reserved for Encumbrances	$ 0	$ 0	$ 8,490	$ 8,490
Reserved for Career Ladder - Extended Contract	6,878	0	0	6,878
Reserved for Career Ladder Program	2,863	0	0	2,863
Reserved for Basic Education Program	1,084,251	0	0	1,084,251
Reserved for Title I Grants to Local Education Agencies	0	2,580	0	2,580
Reserved for Innovative Education Program Strategies	0	789	0	789
Reserved for Special Education - Grants to States	0	2,696	0	2,696
Other Federal Reserves	0	5,991	0	5,991
Unreserved, Reported In:				
General Fund	1,059,908	0	0	1,059,908
Special Revenue Funds	0	0	124,665	124,665
Capital Projects Funds	0	0	7,378	7,378
Total Fund Balances	$ 2,153,900	$ 12,056	$ 140,533	$ 2,306,489
Total Liabilities and Fund Balances	$ 3,481,691	$ 20,046	$ 140,710	$ 3,642,447

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, 2010

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)		$ 2,306,489
(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: buildings and improvements net of accumulated depreciation	7,188,978	
Add: infrastructure net of accumulated depreciation	445,245	
Add: other capital assets net of accumulated depreciation	783,150	8,756,071
(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	$ (6,925,000)	
Less: other postemployment benefits liability	(178,591)	
Less: compensated absences payable	(255)	(7,103,846)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		191,864
Net assets of governmental activities (Exhibit A)		$ 4,150,578

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, 2010

	Major Funds		Nonmajor Funds	
	General Purpose School	School Federal Projects	Other Govern-mental Funds	Total Governmental Funds
Revenues				
Local Taxes	$ 1,730,009	$ 0	$ 0	$ 1,730,009
Licenses and Permits	874	0	0	874
Charges for Current Services	37,035	0	147,326	184,361
Other Local Revenues	44,126	0	2,259	46,385
State of Tennessee	6,396,450	0	0	6,396,450
Federal Government	135,426	1,148,161	425,198	1,708,785
Total Revenues	$ 8,343,920	$ 1,148,161	$ 574,783	$ 10,066,864
Expenditures				
Current:				
Instruction	$ 3,865,666	$ 769,179	$ 0	$ 4,634,845
Support Services	3,329,361	348,659	0	3,678,020
Operation of Non-Instructional Services	411,019	0	548,404	959,423
Capital Outlay	284,471	0	0	284,471
Debt Service:				
Principal on Debt	215,000	0	0	215,000
Interest on Debt	26,325	0	0	26,325
Other Debt Service	43,844	0	0	43,844
Capital Projects	0	0	17,402	17,402
Total Expenditures	$ 8,175,686	$ 1,117,838	$ 565,806	$ 9,859,330
Excess (Deficiency) of Revenues Over Expenditures	$ 168,234	$ 30,323	$ 8,977	$ 207,534
Other Financing Sources (Uses)				
Insurance Recovery	$ 1,694	$ 0	$ 0	$ 1,694
Transfers In	28,517	0	0	28,517
Transfers Out	0	(28,517)	0	(28,517)
Total Other Financing Sources (Uses)	$ 30,211	$ (28,517)	$ 0	$ 1,694
Net Change in Fund Balances	$ 198,445	$ 1,806	$ 8,977	$ 209,228
Fund Balance, July 1, 2009	1,955,455	10,250	131,556	2,097,261
Fund Balance, June 30, 2010	$ 2,153,900	$ 12,056	$ 140,533	$ 2,306,489

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, 2010

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)		$ 209,228
(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	$ 92,356	
Less: current year depreciation expense	(353,429)	(261,073)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, donations, etc.) is to decrease net assets.		
Less: loss on disposal of capital assets	$ (5,430)	
Less: decrease in revenue from the sale of disposed assets	(950)	(6,380)
(3) 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, 2010	$ 191,864	
Less: deferred delinquent property taxes and other deferred June 30, 2009	(107,458)	84,406
(4) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:		
Add: other loan principal payments		215,000
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in other postemployment benefits liability	$ (80,103)	
Change in compensated absences payable	2,351	(77,752)
Change in net assets of governmental activities (Exhibit B)		$ 163,429

Exhibit I-6

Clay County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Clay County School Department
June 30, 2010

	Special Revenue Fund	Capital Projects Fund	Total
	Central Cafeteria	Education Capital Projects	Nonmajor Governmental Funds
ASSETS			
Cash	$ 1,789	$ 0	$ 1,789
Equity in Pooled Cash and Investments	128,583	7,378	135,961
Due from Other Governments	2,960	0	2,960
Total Assets	$ 133,332	$ 7,378	$ 140,710
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts Payable	$ 177	$ 0	$ 177
Total Liabilities	$ 177	$ 0	$ 177
Fund Balances			
Reserved for Encumbrances	$ 8,490	$ 0	$ 8,490
Unreserved	124,665	7,378	132,043
Total Fund Balances	$ 133,155	$ 7,378	$ 140,533
Total Liabilities and Fund Balances	$ 133,332	$ 7,378	$ 140,710

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, 2010

	Special Revenue Fund	Capital Projects Fund	Total
	Central Cafeteria	Education Capital Projects	Nonmajor Governmental Funds
Revenues			
Charges for Current Services	$ 147,326	$ 0	$ 147,326
Other Local Revenues	2,259	0	2,259
Federal Government	425,198	0	425,198
Total Revenues	$ 574,783	$ 0	$ 574,783
Expenditures			
Current:			
Operation of Non-Instructional Services	$ 548,404	$ 0	$ 548,404
Capital Projects	0	17,402	17,402
Total Expenditures	$ 548,404	$ 17,402	$ 565,806
Excess (Deficiency) of Revenues Over Expenditures	$ 26,379	$ (17,402)	$ 8,977
Net Change in Fund Balances	$ 26,379	$ (17,402)	$ 8,977
Fund Balance, July 1, 2009	106,776	24,780	131,556
Fund Balance, June 30, 2010	$ 133,155	$ 7,378	$ 140,533

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, 2010

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues						
Local Taxes	$ 1,730,009	$ 0	$ 1,730,009	$ 1,765,740	$ 1,765,740	$ (35,731)
Licenses and Permits	874	0	874	900	900	(26)
Charges for Current Services	37,035	0	37,035	32,580	32,580	4,455
Other Local Revenues	44,126	0	44,126	40,906	41,786	2,340
State of Tennessee	6,396,450	0	6,396,450	6,291,100	6,399,956	(3,506)
Federal Government	135,426	0	135,426	188,792	181,792	(46,366)
Total Revenues	$ 8,343,920	$ 0	$ 8,343,920	$ 8,320,018	$ 8,422,754	$ (78,834)
Expenditures						
Instruction						
Regular Instruction Program	$ 3,021,388	$ 0	$ 3,021,388	$ 3,386,610	$ 3,386,610	$ 365,222
Alternative Instruction Program	57,880	0	57,880	59,593	59,593	1,713
Special Education Program	488,208	0	488,208	496,452	496,452	8,244
Vocational Education Program	255,106	0	255,106	273,349	273,349	18,243
Adult Education Program	43,084	0	43,084	82,918	83,798	40,714
Support Services						
Attendance	78,237	0	78,237	80,592	80,592	2,355
Health Services	187,797	0	187,797	193,154	193,154	5,357
Other Student Support	173,752	0	173,752	193,908	193,908	20,156
Regular Instruction Program	396,155	0	396,155	419,551	419,551	23,396
Special Education Program	79,231	0	79,231	79,556	79,556	325
Vocational Education Program	28,280	0	28,280	28,855	28,855	575
Adult Programs	12,236	0	12,236	12,394	12,394	158
Other Programs	78,696	0	78,696	0	78,696	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)	Less: Encumbrances 7/1/2009	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	$ 141,640	$ 0	$ 141,640	$ 162,375	$ 162,375	$ 20,735
Director of Schools	105,962	0	105,962	108,733	108,733	2,771
Office of the Principal	431,924	0	431,924	441,991	441,991	10,067
Fiscal Services	121,677	0	121,677	125,767	125,767	4,090
Operation of Plant	768,156	0	768,156	908,725	908,725	140,569
Maintenance of Plant	139,252	0	139,252	165,013	165,013	25,761
Transportation	586,366	(70,557)	515,809	609,301	609,301	93,492
Operation of Non-Instructional Services						
Food Service	69,509	0	69,509	70,191	70,191	682
Community Services	45,683	0	45,683	47,524	47,524	1,841
Early Childhood Education	295,827	0	295,827	297,571	297,571	1,744
Capital Outlay						
Regular Capital Outlay	284,471	(133,750)	150,721	280,000	303,160	152,439
Principal on Debt						
Education	215,000	0	215,000	220,000	220,000	5,000
Interest on Debt						
Education	26,325	0	26,325	333,100	333,100	306,775
Other Debt Service						
Education	43,844	0	43,844	55,000	55,000	11,156
Total Expenditures	$ 8,175,686	$ (204,307)	$ 7,971,379	$ 9,132,223	$ 9,234,959	$ 1,263,580
Excess (Deficiency) of Revenues Over Expenditures	$ 168,234	$ 204,307	$ 372,541	$ (812,205)	$ (812,205)	$ 1,184,746

(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)	Less: Encumbrances 7/1/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Other Financing Sources (Uses)						
Insurance Recovery	$ 1,694	$ 0	$ 1,694	$ 1,000	$ 1,000	$ 694
Transfers In	28,517	0	28,517	19,155	19,155	9,362
Total Other Financing Sources (Uses)	$ 30,211	$ 0	$ 30,211	$ 20,155	$ 20,155	$ 10,056
Net Change in Fund Balance	$ 198,445	$ 204,307	$ 402,752	$ (792,050)	$ (792,050)	$ 1,194,802
Fund Balance, July 1, 2009	1,955,455	(204,307)	1,751,148	1,749,581	1,749,581	1,567
Fund Balance, June 30, 2010	$ 2,153,900	$ 0	$ 2,153,900	$ 957,531	$ 957,531	$ 1,196,369

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, 2010

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues						
Federal Government	$ 1,148,161	$ 0	$ 1,148,161	$ 1,483,058	$ 1,483,058	$ (334,897)
Total Revenues	$ 1,148,161	$ 0	$ 1,148,161	$ 1,483,058	$ 1,483,058	$ (334,897)
Expenditures						
Instruction						
Regular Instruction Program	$ 446,703	$ 0	$ 446,703	$ 495,572	$ 495,572	$ 48,869
Special Education Program	303,522	(3,150)	300,372	387,280	348,455	48,083
Vocational Education Program	18,954	(1,960)	16,994	17,754	16,994	0
Support Services						
Other Student Support	8,454	0	8,454	150,339	151,527	143,073
Regular Instruction Program	226,370	0	226,370	265,454	265,454	39,084
Special Education Program	102,562	0	102,562	105,990	144,815	42,253
Vocational Education Program	888	0	888	1,316	888	0
Transportation	10,385	0	10,385	15,961	15,961	5,576
Total Expenditures	$ 1,117,838	$ (5,110)	$ 1,112,728	$ 1,439,666	$ 1,439,666	$ 326,938
Excess (Deficiency) of Revenues Over Expenditures	$ 30,323	$ 5,110	$ 35,433	$ 43,392	$ 43,392	$ (7,959)
Other Financing Sources (Uses)						
Transfers In	$ 0	$ 0	$ 0	$ 35,422	$ 35,422	$ (35,422)
Transfers Out	(28,517)	0	(28,517)	(78,814)	(78,814)	50,297
Total Other Financing Sources (Uses)	$ (28,517)	$ 0	$ (28,517)	$ (43,392)	$ (43,392)	$ 14,875
Net Change in Fund Balance	$ 1,806	$ 5,110	$ 6,916	$ 0	$ 0	$ 6,916
Fund Balance, July 1, 2009	10,250	(5,110)	5,140	0	0	5,140
Fund Balance, June 30, 2010	$ 12,056	$ 0	$ 12,056	$ 0	$ 0	$ 12,056

Exhibit I-10

Clay County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Clay County School Department
Central Cafeteria Fund
For the Year Ended June 30, 2010

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues						
Charges for Current Services	$ 147,326	$ 0	$ 147,326	$ 164,000	$ 164,000	$ (16,674)
Other Local Revenues	2,259	0	2,259	1,500	1,500	759
Federal Government	425,198	0	425,198	415,666	415,666	9,532
Total Revenues	$ 574,783	$ 0	$ 574,783	$ 581,166	$ 581,166	$ (6,383)
Expenditures						
Operation of Non-Instructional Services						
Food Service	$ 548,404	$ 8,490	$ 556,894	$ 595,595	$ 625,595	$ 68,701
Total Expenditures	$ 548,404	$ 8,490	$ 556,894	$ 595,595	$ 625,595	$ 68,701
Excess (Deficiency) of Revenues Over Expenditures	$ 26,379	$ (8,490)	$ 17,889	$ (14,429)	$ (44,429)	$ 62,318
Net Change in Fund Balance	$ 26,379	$ (8,490)	$ 17,889	$ (14,429)	$ (44,429)	$ 62,318
Fund Balance, July 1, 2009	106,776	0	106,776	76,499	76,499	30,277
Fund Balance, June 30, 2010	$ 133,155	$ (8,490)	$ 124,665	$ 62,070	$ 32,070	$ 92,595

MISCELLANEOUS SCHEDULES

Exhibit J-1

Clay County, Tennessee
Schedule of Changes in Long-term Notes, Capital Leases and Other Loans
Primary Government and Discretely Presented Clay County School Department
For the Year Ended June 30, 2010

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-09	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-10
PRIMARY GOVERNMENT								
CAPITAL OUTLAY NOTES PAYABLE								
Payable through General Debt Service Fund								
Ambulance and Waterline Construction	$ 62,879	2.98 %	10-19-09	4-19-10	$ 0	$ 62,879	$ 62,879	$ 0
CAPITAL LEASES PAYABLE								
Payable through General Debt Service Fund								
Geothermal Heating System	72,727	5	9-1-05	9-15-15	$ 49,599	$ 0	$ 6,343	$ 43,256
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	$ 5,855,000	$ 0	$ 175,000	$ 5,680,000
Athletic Facility	1,500,000	Variable	9-29-03	5-25-31	1,285,000	0	40,000	1,245,000
Total Other Loans Payable					$ 7,140,000	$ 0	$ 215,000	$ 6,925,000

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	Capital Lease Total
2011	$ 7,259	$ 1,998	$ 9,257
2012	7,630	1,627	9,257
2013	8,020	1,237	9,257
2014	8,431	826	9,257
2015	8,862	395	9,257
2016	3,054	30	3,084
Total	$ 43,256	$ 6,113	$ 49,369

DISCRETELY PRESENTED CLAY COUNTY SCHOOL DEPARTMENT

Year Ending June 30	Other Loans Principal	Other Loans Interest	Other Loans Other Fees	Other Loans Total
2011	$ 224,000	$ 13,850	$ 42,205	$ 280,055
2012	232,000	13,402	40,906	286,308
2013	241,000	12,938	39,560	293,498
2014	249,000	12,456	38,162	299,618
2015	259,000	11,958	36,718	307,676
2016	268,000	11,440	35,216	314,656
2017	278,000	10,904	33,662	322,566
2018	289,000	10,348	32,049	331,397
2019	299,000	9,770	30,373	339,143
2020	310,000	9,172	28,639	347,811
2021	322,000	8,552	26,841	357,393
2022	334,000	7,908	24,973	366,881
2023	346,000	7,240	23,036	376,276
2024	359,000	6,548	21,029	386,577
2025	372,000	5,830	18,947	396,777
2026	387,000	5,086	16,789	408,875
2027	401,000	4,312	14,545	419,857
2028	415,000	3,510	12,219	430,729
2029	431,000	2,680	9,812	443,492
2030	446,000	1,818	7,312	455,130
2031	463,000	926	4,726	468,652
Total	$ 6,925,000	$ 170,648	$ 537,719	$ 7,633,367

Exhibit J-3

Clay County, Tennessee
Schedule of Transfers
Primary Government and Discretely Presented Clay County School Department
For the Year Ended June 30, 2010

From Fund	To Fund	Purpose	Amount
PRIMARY GOVERNMENT			
General	Public Library	Operations	$ 78,243
Total Transfers Primary Government			$ 78,243
DISCRETELY PRESENTED CLAY COUNTY SCHOOL DEPARTMENT			
School Federal Projects	General Purpose School	Indirect costs	$ 28,517
Total Transfers Discretely Presented Clay County School Department			$ 28,517

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, 2010

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	State Board of Education and Clay County Board of Education	69,850	(1)	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	52,251		50,000	"
Clerk and Master:					
Corrinne McClerran (7-1-09 to 3-21-10)	Section 8-24-102, TCA and Chancery Court Judge	38,184	(2)	40,000	State Farm Fire and Casualty Company
Rene Davis (3-31-10 to 6-30-10)	Section 8-24-102, TCA	12,560		75,000	RLI Insurance Company
Register	Section 8-24-102, TCA	52,251		15,000	"
Sheriff	Section 8-24-102, TCA	57,477	(3)	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 a chief executive officer training supplement of $1,000.
(2) Does not include special commissioner fees of $12,500.
(3) 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, 2010

		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	$ 1,518,848	$ 0	$ 0	$ 338,314	$ 0	$ 0	$ 0	$ 26,765	$ 1,883,927
Trustee's Collections - Prior Year	85,098	0	0	20,602	0	0	0	1,630	107,330
Circuit/Clerk & Master Collections - Prior Years	59,713	0	0	14,457	0	0	0	1,144	75,314
Interest and Penalty	15,847	0	0	3,837	0	0	0	304	19,988
Payments in-Lieu-of Taxes - T.V.A.	65,521	0	0	0	0	0	0	0	65,521
Payments in-Lieu-of Taxes - Local Utilities	0	0	0	29,401	0	0	0	2,326	31,727
County Local Option Taxes									
Local Option Sales Tax	259,608	0	0	0	0	0	0	0	259,608
Hotel/Motel Tax	13,065	0	0	0	0	0	0	0	13,065
Wheel Tax	194,679	0	0	0	0	0	0	0	194,679
Litigation Tax - General	43,663	0	0	0	0	0	0	0	43,663
Litigation Tax - Special Purpose	3,769	1,834	0	0	0	0	0	1,078	6,681
Litigation Tax - Jail, Workhouse, or Courthouse	0	15,751	0	0	33	0	0	0	15,784
Mineral Severance Tax	0	0	0	0	0	0	1,326	0	1,326
Other County Local Option Taxes	604	0	0	0	0	0	0	0	604
Statutory Local Taxes									
Bank Excise Tax	15,241	0	0	3,690	0	0	0	292	19,223
Wholesale Beer Tax	228,856	0	0	0	0	0	0	25,428	254,284
Total Local Taxes	$ 2,504,512	$ 17,585	$ 0	$ 410,301	$ 33	$ 0	$ 1,326	$ 58,967	$ 2,992,724
Licenses and Permits									
Permits									
Beer Permits	$ 712	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 712
Total Licenses and Permits	$ 712	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 712
Fines, Forfeitures, and Penalties									
Circuit Court									
Fines	$ 4,449	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 4,449
Officers Costs	5,251	0	0	0	0	0	0	0	5,251
Drug Control Fines	0	0	0	0	1,130	0	0	0	1,130

(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.)									
Drug Court Fees	$ 576	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 576
Jail Fees	363	0	0	0	0	0	0	0	363
Data Entry Fee - Circuit Court	382	0	0	0	0	0	0	0	382
Courtroom Security Fee	1,352	0	0	0	0	0	0	0	1,352
General Sessions Court									
Fines	12,556	0	0	0	0	0	0	0	12,556
Officers Costs	13,096	0	0	0	0	0	0	0	13,096
Game and Fish Fines	2,293	0	0	0	0	0	0	0	2,293
Drug Control Fines	0	0	0	0	2,677	0	0	0	2,677
Drug Court Fees	1,654	0	0	0	0	0	0	0	1,654
Jail Fees	1,854	0	0	0	0	0	0	0	1,854
DUI Treatment Fines	2,451	0	0	0	0	0	0	0	2,451
Data Entry Fee - General Sessions Court	1,463	0	0	0	0	0	0	0	1,463
Courtroom Security Fee	13,100	0	0	0	0	0	0	0	13,100
Chancery Court									
Officers Costs	44	0	0	0	0	0	0	0	44
Data Entry Fee - Chancery Court	586	0	0	0	0	0	0	0	586
Judicial District Drug Program									
Drug Task Force Forfeitures and Seizures	0	0	0	0	1,645	0	0	0	1,645
Other Fines, Forfeitures, and Penalties									
Proceeds from Confiscated Property	0	0	0	0	25	0	0	0	25
Other Fines, Forfeitures, and Penalties	0	0	195	0	824	0	0	0	1,019
Total Fines, Forfeitures, and Penalties	$ 61,470	$ 0	$ 195	$ 0	$ 6,301	$ 0	$ 0	$ 0	$ 67,966
Charges for Current Services									
General Service Charges									
Tipping Fees	$ 0	$ 0	$ 0	$ 58,080	$ 0	$ 0	$ 0	$ 0	$ 58,080
Other General Service Charges	812	0	0	0	0	0	0	0	812
Fees									
Copy Fees	852	0	1,173	0	0	0	0	0	2,025

(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.)									
Library Fees	$ 0	$ 0	$ 30	$ 0	$ 0	$ 0	$ 0	$ 0	$ 30
Telephone Commissions	463	0	537	0	0	0	0	0	1,000
Constitutional Officers' Fees and Commissions	0	0	0	0	0	177,336	0	0	177,336
Data Processing Fee - Register	2,694	0	0	0	0	0	0	0	2,694
Sexual Offender Registration Fees - Sheriff	1,200	0	0	0	0	0	0	0	1,200
Total Charges for Current Services	$ 6,021	$ 0	$ 1,740	$ 58,080	$ 0	$ 177,336	$ 0	$ 0	$ 243,177
Other Local Revenues									
Recurring Items									
Investment Income	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 101,404	$ 101,404
Lease/Rentals	18,000	0	0	0	0	0	0	0	18,000
Sale of Recycled Materials	0	0	0	35,990	0	0	0	0	35,990
Miscellaneous Refunds	5,917	0	0	0	0	0	487	0	6,404
Nonrecurring Items									
Sale of Property	1,188	0	0	0	13,055	0	0	0	14,243
Other Local Revenues									
Other Local Revenues	35,851	0	0	0	0	0	0	0	35,851
Total Other Local Revenues	$ 60,956	$ 0	$ 0	$ 35,990	$ 13,055	$ 0	$ 487	$ 101,404	$ 211,892
Fees Received from County Officials									
Excess Fees									
County Clerk	$ 3,932	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 3,932
Trustee	39,470	0	0	0	0	0	0	0	39,470
Fees in-Lieu-of Salary									
Circuit Court Clerk	41,510	0	0	0	0	0	0	0	41,510
General Sessions Court Clerk	82,150	0	0	0	0	0	0	0	82,150
Clerk and Master	41,954	0	0	0	0	0	0	0	41,954
Register	27,626	0	0	0	0	0	0	0	27,626
Sheriff	4,283	0	0	0	0	0	0	0	4,283
Total Fees Received from County Officials	$ 240,925	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 240,925

(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	$ 18,000	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 18,000
Aging Programs	14,267	0	0	0	0	0	0	0	14,267
State Reappraisal Grant	3,322	0	0	0	0	0	0	0	3,322
Public Safety Grants									
Law Enforcement Training Programs	5,400	0	0	0	0	0	0	0	5,400
Health and Welfare Grants									
Health Department Programs	70,545	0	0	0	0	0	0	0	70,545
Public Works Grants									
State Aid Program	0	0	0	0	0	0	179,871	0	179,871
Litter Program	31,059	0	0	0	0	0	0	0	31,059
Other State Revenues									
Income Tax	29,142	0	0	0	0	0	0	0	29,142
Beer Tax	17,778	0	0	0	0	0	0	0	17,778
Alcoholic Beverage Tax	18,846	0	0	0	0	0	0	0	18,846
State Revenue Sharing - T.V.A.	252,238	0	0	0	0	0	7,000	0	259,238
Contracted Prisoner Boarding	115,885	0	0	0	0	0	0	0	115,885
Gasoline and Motor Fuel Tax	0	0	0	0	0	0	1,272,085	0	1,272,085
Petroleum Special Tax	0	0	0	0	0	0	6,406	0	6,406
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	0	16,380
Other State Grants	9,291	0	0	0	0	0	0	0	9,291
Other State Revenues	8,000	0	0	0	0	0	158	0	8,158
Total State of Tennessee	$ 610,153	$ 0	$ 0	$ 0	$ 0	$ 0	$ 1,465,520	$ 0	$ 2,075,673
Federal Government									
Federal Through State									
Appalachian Regional Commission	$ 2,500	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 2,500
Community Development	408,053	0	0	0	0	0	0	0	408,053
Other Federal through State	9,804	0	0	0	0	0	95,428	0	105,232
Direct Federal Revenue									
Police Service (Lake Area)	22,902	0	0	0	0	0	0	0	22,902

(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
Federal Government (Cont.)									
Direct Federal Revenue (Cont.)									
ARRA Grant No. 6	$ 20,000	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 20,000
ARRA Grant No. 7	232,640	0	0	0	0	0	0	0	232,640
Other Direct Federal Revenue	6,972	0	0	0	0	0	0	0	6,972
Total Federal Government	$ 702,871	$ 0	$ 0	$ 0	$ 0	$ 0	$ 95,428	$ 0	$ 798,299
Other Governments and Citizens Groups									
Other Governments									
Contributions	$ 26,420	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 26,420
Citizens Groups									
Donations	0	0	5,685	0	0	0	0	0	5,685
Other									
Other	102,631	0	1,149	0	0	0	0	0	103,780
Total Other Governments and Citizens Groups	$ 129,051	$ 0	$ 6,834	$ 0	$ 0	$ 0	$ 0	$ 0	$ 135,885
Total	$ 4,316,671	$ 17,585	$ 8,769	$ 504,371	$ 19,389	$ 177,336	$ 1,562,761	$ 160,371	$ 6,767,253

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, 2010

	General Purpose School	School Federal Projects	Central Cafeteria	Total
Local Taxes				
County Property Taxes				
Current Property Tax	$ 1,083,648	$ 0	$ 0	$ 1,083,648
Trustee's Collections - Prior Year	56,960	0	0	56,960
Circuit/Clerk & Master Collections - Prior Years	43,667	0	0	43,667
Interest and Penalty	11,306	0	0	11,306
County Local Option Taxes				
Local Option Sales Tax	522,952	0	0	522,952
Statutory Local Taxes				
Bank Excise Tax	10,874	0	0	10,874
Interstate Telecommunications Tax	602	0	0	602
Total Local Taxes	$ 1,730,009	$ 0	$ 0	$ 1,730,009
Licenses and Permits				
Licenses				
Marriage Licenses	$ 724	$ 0	$ 0	$ 724
Permits				
Other Permits	150	0	0	150
Total Licenses and Permits	$ 874	$ 0	$ 0	$ 874
Charges for Current Services				
Education Charges				
Lunch Payments - Children	$ 0	$ 0	$ 74,580	$ 74,580
Lunch Payments - Adults	0	0	27,511	27,511
Income from Breakfast	0	0	20,021	20,021
A la carte Sales	0	0	24,199	24,199
Contract for Student Support Services with Other LEAs	19,600	0	0	19,600
Receipts from Individual Schools	17,435	0	0	17,435
Community Service Fees - Adults	0	0	1,015	1,015
Total Charges for Current Services	$ 37,035	$ 0	$ 147,326	$ 184,361
Other Local Revenues				
Recurring Items				
Investment Income	$ 0	$ 0	$ 2,084	$ 2,084
Sale of Materials and Supplies	775	0	0	775
Refund of Telecommunication and Internet Fees (E-Rate)	23,011	0	0	23,011
Miscellaneous Refunds	16,920	0	175	17,095
Nonrecurring Items				
Sale of Equipment	2,171	0	0	2,171
Damages Recovered from Individuals	348	0	0	348
Contributions and Gifts	880	0	0	880
Other Local Revenues				
Other Local Revenues	21	0	0	21
Total Other Local Revenues	$ 44,126	$ 0	$ 2,259	$ 46,385

(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				
General Government Grants				
On-Behalf Contributions for OPEB	$ 78,696	$ 0	$ 0	$ 78,696
State Education Funds				
Basic Education Program	5,420,475	0	0	5,420,475
Basic Education Program - ARRA	195,100	0	0	195,100
Early Childhood Education	296,273	0	0	296,273
School Food Service	6,178	0	0	6,178
Other State Education Funds	8,800	0	0	8,800
Coordinated School Health - ARRA	90,000	0	0	90,000
Internet Connectivity - ARRA	3,044	0	0	3,044
Family Resource Centers - ARRA	33,284	0	0	33,284
Statewide Student Management System (SSMS) - ARRA	2,697	0	0	2,697
Career Ladder Program	54,632	0	0	54,632
Career Ladder - Extended Contract - ARRA	33,126	0	0	33,126
Other State Revenues				
Flood Control	156,087	0	0	156,087
Other State Grants	14,358	0	0	14,358
Safe Schools - ARRA	3,700	0	0	3,700
Total State of Tennessee	$ 6,396,450	$ 0	$ 0	$ 6,396,450
Federal Government				
Federal Through State				
USDA School Lunch Program	$ 0	$ 0	$ 286,607	$ 286,607
Breakfast	0	0	117,766	117,766
USDA - Other	0	0	9,948	9,948
USDA Food Service Equipment Grant - ARRA	0	0	10,877	10,877
Adult Education State Grant Program	52,828	0	0	52,828
Vocational Education - Basic Grants to States	0	26,337	0	26,337
Title I Grants to Local Education Agencies	0	568,937	0	568,937
Special Education - Grants to States	0	408,618	0	408,618
Special Education Preschool Grants	0	17,926	0	17,926
Safe and Drug-free Schools - State Grants	0	5,647	0	5,647
Rural Education	0	30,142	0	30,142
Eisenhower Professional Development State Grants	0	81,697	0	81,697
Job Training Partnership Act	19,000	0	0	19,000
Other Federal through State	1,217	8,857	0	10,074
Direct Federal Revenue				
Public Law 874 - Maintenance and Operation	62,381	0	0	62,381
Total Federal Government	$ 135,426	$ 1,148,161	$ 425,198	$ 1,708,785
Total	$ 8,343,920	$ 1,148,161	$ 574,783	$ 10,066,864

Exhibit J-7

Clay County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2010

General Fund				
General Government				
County Commission				
Board and Committee Members Fees	$	21,007		
Other Per Diem and Fees		1,900		
Audit Services		2,627		
Consultants		334		
Dues and Memberships		1,050		
Other Contracted Services		360		
Other Charges		95		
Total County Commission			$	27,373
Board of Equalization				
Board and Committee Members Fees	$	1,050		
Total Board of Equalization				1,050
Beer Board				
Legal Notices, Recording, and Court Costs	$	168		
Total Beer Board				168
County Mayor/Executive				
County Official/Administrative Officer	$	60,350		
Accountants/Bookkeepers		23,868		
Clerical Personnel		16,740		
Communication		2,611		
Data Processing Services		4,015		
Dues and Memberships		3,274		
Legal Notices, Recording, and Court Costs		898		
Maintenance Agreements		327		
Postal Charges		1,315		
Printing, Stationery, and Forms		1,041		
Travel		768		
Office Supplies		1,466		
Premiums on Corporate Surety Bonds		75		
Office Equipment		3,084		
Total County Mayor/Executive				119,832
County Attorney				
County Official/Administrative Officer	$	3,600		
Total County Attorney				3,600
Election Commission				
County Official/Administrative Officer	$	41,801		

(Continued)

Exhibit J-7

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

General Fund (Cont.)				
General Government (Cont.)				
Election Commission (Cont.)				
Other Salaries and Wages	$	16,073		
Election Commission		5,370		
In-Service Training		1,820		
Communication		1,107		
Dues and Memberships		50		
Legal Services		10,875		
Legal Notices, Recording, and Court Costs		632		
Maintenance and Repair Services - Equipment		9,200		
Postal Charges		862		
Printing, Stationery, and Forms		236		
Travel		1,238		
Office Supplies		1,244		
Office Equipment		1,225		
Total Election Commission			$	91,733
Register of Deeds				
County Official/Administrative Officer	$	52,251		
Deputy(ies)		15,350		
Communication		1,081		
Data Processing Services		2,357		
Dues and Memberships		407		
Maintenance Agreements		434		
Postal Charges		238		
Printing, Stationery, and Forms		1,473		
Duplicating Supplies		363		
Office Supplies		148		
Premiums on Corporate Surety Bonds		75		
Office Equipment		291		
Total Register of Deeds				74,468
County Buildings				
Custodial Personnel	$	43,941		
Maintenance and Repair Services - Buildings		11,444		
Maintenance and Repair Services - Vehicles		5,179		
Custodial Supplies		6,579		
Electricity		22,494		
Gasoline		3,930		
Natural Gas		2,801		
Water and Sewer		3,968		
Total County Buildings				100,336

(Continued)

Exhibit J-7

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

General Fund (Cont.)		
General Government (Cont.)		
Preservation of Records		
Other Supplies and Materials	$ 1,988	
Total Preservation of Records		$ 1,988
Finance		
Property Assessor's Office		
County Official/Administrative Officer	$ 52,251	
Deputy(ies)	19,656	
Part-time Personnel	3,080	
In-Service Training	481	
Communication	993	
Contracts with Private Agencies	3,400	
Data Processing Services	3,240	
Dues and Memberships	300	
Legal Notices, Recording, and Court Costs	48	
Postal Charges	692	
Printing, Stationery, and Forms	135	
Travel	1,278	
Office Supplies	1,119	
Office Equipment	300	
Total Property Assessor's Office		86,973
County Trustee's Office		
Data Processing Services	$ 1,662	
Dues and Memberships	327	
Legal Notices, Recording, and Court Costs	72	
Maintenance and Repair Services - Equipment	5,591	
Postal Charges	2,624	
Printing, Stationery, and Forms	385	
Office Supplies	1,429	
Premiums on Corporate Surety Bonds	1,582	
Office Equipment	416	
Total County Trustee's Office		14,088
County Clerk's Office		
Communication	$ 1,666	
Dues and Memberships	327	
Postal Charges	1,500	
Rentals	7,800	
Electricity	1,919	
Office Supplies	1,870	

(Continued)

Exhibit J-7

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

General Fund (Cont.)		
Finance (Cont.)		
County Clerk's Office (Cont.)		
Premiums on Corporate Surety Bonds	$ 150	
Total County Clerk's Office		$ 15,232
Administration of Justice		
Circuit Court		
County Official/Administrative Officer	$ 52,251	
Deputy(ies)	24,123	
Clerical Personnel	37,593	
Other Salaries and Wages	3,550	
Jury and Witness Expense	1,799	
Communication	2,030	
Dues and Memberships	327	
Legal Notices, Recording, and Court Costs	480	
Maintenance Agreements	9,543	
Postal Charges	973	
Printing, Stationery, and Forms	1,453	
Remittance of Revenue Collected	2,694	
Office Supplies	2,214	
Premiums on Corporate Surety Bonds	150	
Law Enforcement Equipment	9,291	
Office Equipment	121	
Total Circuit Court		148,592
General Sessions Court		
Judge(s)	$ 67,675	
Total General Sessions Court		67,675
Chancery Court		
County Official/Administrative Officer	$ 50,744	
Deputy(ies)	16,121	
Communication	1,027	
Dues and Memberships	327	
Postal Charges	505	
Office Supplies	3,075	
Premiums on Corporate Surety Bonds	1,415	
Total Chancery Court		73,214
Juvenile Court		
Supervisor/Director	$ 9,000	
Social Security	604	

(Continued)

Exhibit J-7

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

General Fund (Cont.)				
Administration of Justice (Cont.)				
Juvenile Court (Cont.)				
Unemployment Compensation	$	90		
Other Contracted Services		1,350		
Total Juvenile Court			$	11,044
Judicial Commissioners				
County Official/Administrative Officer	$	10,244		
Other Salaries and Wages		300		
Office Supplies		200		
Total Judicial Commissioners				10,744
Public Safety				
Sheriff's Department				
County Official/Administrative Officer	$	57,477		
Assistant(s)		31,973		
Deputy(ies)		312,288		
Accountants/Bookkeepers		21,923		
Salary Supplements		5,400		
Dispatchers/Radio Operators		174,089		
Cafeteria Personnel		31,158		
Other Salaries and Wages		21,397		
In-Service Training		2,190		
Other Per Diem and Fees		503		
Communication		9,895		
Dues and Memberships		1,300		
Evaluation and Testing		1,256		
Licenses		99		
Maintenance and Repair Services - Equipment		4,681		
Maintenance and Repair Services - Vehicles		14,094		
Pest Control		250		
Postal Charges		778		
Printing, Stationery, and Forms		1,654		
Travel		3,742		
Remittance of Revenue Collected		132		
Gasoline		52,788		
Law Enforcement Supplies		2,017		
Office Supplies		3,765		
Tires and Tubes		4,076		
Uniforms		3,813		
Other Supplies and Materials		1,422		
Premiums on Corporate Surety Bonds		686		

(Continued)

Exhibit J-7

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

General Fund (Cont.)				
Public Safety (Cont.)				
Sheriff's Department (Cont.)				
Other Charges	$	5,000		
Other Equipment		20,000		
Total Sheriff's Department			$	789,846
Drug Enforcement				
Motor Vehicles	$	35,947		
Total Drug Enforcement				35,947
Jail				
Contracts with Government Agencies	$	33,460		
Maintenance and Repair Services - Buildings		6,285		
Custodial Supplies		2,542		
Drugs and Medical Supplies		28,794		
Electricity		13,743		
Food Preparation Supplies		2,211		
Food Supplies		38,501		
Gasoline		4,499		
Water and Sewer		818		
Other Supplies and Materials		1,871		
Other Charges		206		
Total Jail				132,930
Correctional Incentive Program Improvements				
Other Equipment	$	2,680		
Total Correctional Incentive Program Improvements				2,680
Fire Prevention and Control				
Disability Insurance	$	15,256		
Contributions		20,000		
Other Charges		2,000		
Total Fire Prevention and Control				37,256
Rescue Squad				
Contributions	$	2,500		
Other Equipment		2,500		
Other Capital Outlay		10,936		
Total Rescue Squad				15,936
Other Emergency Management				
Supervisor/Director	$	3,974		

(Continued)

Exhibit J-7

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

General Fund (Cont.)				
Public Safety (Cont.)				
Other Emergency Management (Cont.)				
Secretary(ies)	$	3,600		
Other Salaries and Wages		12,500		
Maintenance and Repair Services - Equipment		20,480		
Office Supplies		559		
Road Signs		2,821		
Other Equipment		908		
Total Other Emergency Management			$	44,842
County Coroner/Medical Examiner				
Other Salaries and Wages	$	400		
Other Per Diem and Fees		14,238		
Total County Coroner/Medical Examiner				14,638
Other Public Safety				
Guards	$	5,245		
Total Other Public Safety				5,245
Public Health and Welfare				
Local Health Center				
Other Salaries and Wages	$	3,600		
Communication		2,698		
Maintenance and Repair Services - Buildings		4,064		
Other Contracted Services		1,855		
Custodial Supplies		490		
Drugs and Medical Supplies		735		
Office Supplies		1,150		
Utilities		15,179		
Total Local Health Center				29,771
Ambulance/Emergency Medical Services				
Other Contracted Services	$	360,000		
Other Capital Outlay		329,631		
Total Ambulance/Emergency Medical Services				689,631
Other Local Health Services				
Other Salaries and Wages	$	51,366		
Unemployment Compensation		314		
Maintenance and Repair Services - Buildings		400		
Medical and Dental Services		6,242		
Travel		2,036		

(Continued)

Exhibit J-7

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

General Fund (Cont.)		
Public Health and Welfare (Cont.)		
Other Local Health Services (Cont.)		
Other Supplies and Materials	$ 6,258	
Total Other Local Health Services		$ 66,616
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	1,302	
Unemployment Compensation	170	
Communication	1,253	
Travel	128	
Utilities	20,745	
Other Supplies and Materials	271	
Total Senior Citizens Assistance		40,892
Other Social, Cultural, and Recreational		
Contributions	$ 9,072	
Total Other Social, Cultural, and Recreational		9,072
Agriculture and Natural Resources		
Agriculture Extension Service		
Salary Supplements	$ 54,341	
Social Security	5,657	
Extension Service Medicare	205	
Communication	1,685	
Contributions	7,349	
Travel	5,920	
Instructional Supplies and Materials	1,807	
Other Charges	1,458	
Data Processing Equipment	727	
Total Agriculture Extension Service		79,149
Forest Service		
Contributions	$ 1,000	
Total Forest Service		1,000

(Continued)

Exhibit J-7

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

General Fund (Cont.)				
Agriculture and Natural Resources (Cont.)				
Soil Conservation				
Secretary(ies)	$	17,441		
Other Salaries and Wages		29,994		
Communication		1,703		
Utilities		1,004		
Total Soil Conservation			$	50,142
Other Operations				
Tourism				
Clerical Personnel	$	6,253		
Advertising		977		
Communication		1,599		
Contributions		325		
Dues and Memberships		200		
Postal Charges		285		
Office Supplies		360		
Total Tourism				9,999
Industrial Development				
Advertising	$	907		
Consultants		24,000		
Travel		1,851		
Other Charges		8,156		
Total Industrial Development				34,914
Other Economic and Community Development				
Debt Collection Services	$	40,247		
Other Construction		115,008		
Other Capital Outlay		24,812		
Total Other Economic and Community Development				180,067
Other Charges				
Liability Insurance	$	54,681		
Trustee's Commission		43,868		
Workers' Compensation Insurance		49,050		
Other Charges		250		
Other Debt Issuance Charges		1,066		
Total Other Charges				148,915
Employee Benefits				
Other Salaries and Wages	$	4,950		

(Continued)

Exhibit J-7

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

General Fund (Cont.)			
Other Operations (Cont.)			
Employee Benefits (Cont.)			
Social Security	$ 124,303		
State Retirement	99,263		
Unemployment Compensation	7,938		
Total Employee Benefits		$ 236,454	
Highways			
Litter and Trash Collection			
Supervisor/Director	$ 26,010		
Other Charges	1,580		
Total Litter and Trash Collection		27,590	
Total General Fund			$ 3,542,942
Courthouse and Jail Maintenance Fund			
General Government			
County Buildings			
Maintenance and Repair Services - Buildings	$ 2,754		
Total County Buildings		$ 2,754	
Other Operations			
Other Charges			
Trustee's Commission	$ 177		
Total Other Charges		177	
Total Courthouse and Jail Maintenance Fund			2,931
Public Library Fund			
Social, Cultural, and Recreational Services			
Libraries			
Supervisor/Director	$ 19,656		
Part-time Personnel	7,540		
Other Salaries and Wages	16,536		
In-Service Training	300		
Social Security	3,298		
Communication	2,200		
Dues and Memberships	710		
Postal Charges	2,000		
Travel	915		
Other Contracted Services	250		
Custodial Supplies	1,487		

(Continued)

Exhibit J-7

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

Public Library Fund (Cont.)			
Social, Cultural, and Recreational Services (Cont.)			
Libraries (Cont.)			
Electricity	$ 7,157		
Library Books/Media	10,867		
Office Supplies	5,222		
Periodicals	322		
Water and Sewer	600		
Other Supplies and Materials	2,449		
Other Charges	1,070		
Office Equipment	2,500		
Total Libraries		$ 85,079	
Total Public Library Fund			$ 85,079
Solid Waste/Sanitation Fund			
Public Health and Welfare			
Waste Pickup			
Truck Drivers	$ 34,925		
Laborers	70,978		
Clerical Personnel	15,076		
Social Security	9,255		
Unemployment Compensation	1,275		
Communication	1,685		
Contracts with Private Agencies	167,596		
Evaluation and Testing	183		
Maintenance and Repair Services - Buildings	4,316		
Maintenance and Repair Services - Equipment	2,145		
Maintenance and Repair Services - Vehicles	35,467		
Rentals	1,561		
Travel	165		
Custodial Supplies	1,145		
Electricity	4,120		
Gasoline	40,507		
Natural Gas	893		
Office Supplies	848		
Tires and Tubes	4,660		
Water and Sewer	634		
Other Charges	1,463		
Site Development	2,487		
Solid Waste Equipment	2,950		
Total Waste Pickup		$ 404,334	

(Continued)

Exhibit J-7

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

Solid Waste/Sanitation Fund (Cont.)			
Other Operations			
Other Charges			
Trustee's Commission	$ 8,305		
Total Other Charges		$ 8,305	
Total Solid Waste/Sanitation Fund			$ 412,639
Drug Control Fund			
Public Safety			
Drug Enforcement			
Contributions	$ 1,800		
Confidential Drug Enforcement Payments	10,000		
Other Supplies and Materials	3,297		
Other Charges	3,509		
Law Enforcement Equipment	16,254		
Motor Vehicles	4,000		
Total Drug Enforcement		$ 38,860	
Other Operations			
Other Charges			
Trustee's Commission	$ 85		
Total Other Charges		85	
Total Drug Control Fund			38,945
Constitutional Officers - Fees Fund			
Finance			
County Trustee's Office			
County Official/Administrative Officer	$ 52,251		
Deputy(ies)	27,540		
Constitutional Officers' Operating Expenses	594		
Total County Trustee's Office		$ 80,385	
County Clerk's Office			
County Official/Administrative Officer	$ 52,251		
Deputy(ies)	43,220		
Constitutional Officers' Operating Expenses	340		
Total County Clerk's Office		95,811	
Administration of Justice			
General Sessions Court			
Constitutional Officers' Operating Expenses	$ 24		
Total General Sessions Court		24	
Total Constitutional Officers - Fees Fund			176,220

(Continued)

Exhibit J-7

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

Highway/Public Works Fund				
Highways				
Administration				
County Official/Administrative Officer	$	57,477		
Accountants/Bookkeepers		29,989		
Advertising		268		
Communication		1,519		
Consultants		978		
Data Processing Services		4,433		
Dues and Memberships		2,032		
Postal Charges		308		
Other Contracted Services		7,662		
Other Charges		4,641		
Administration Equipment		883		
Data Processing Equipment		75		
Total Administration			$	110,265
Highway and Bridge Maintenance				
Equipment Operators	$	128,135		
Truck Drivers		130,840		
Laborers		159,217		
Rentals		6,211		
Asphalt - Hot Mix		277,978		
Asphalt - Liquid		250,916		
Crushed Stone		133,345		
General Construction Materials		76		
Pipe		13,447		
Road Signs		678		
Salt		12,707		
Wood Products		3,848		
Other Supplies and Materials		2,446		
Other Charges		674		
Highway Construction		250		
Other Construction		480		
Total Highway and Bridge Maintenance				1,121,248
Operation and Maintenance of Equipment				
Mechanic(s)	$	24,064		
Maintenance and Repair Services - Equipment		9,659		
Diesel Fuel		69,005		
Equipment and Machinery Parts		31,468		
Gasoline		14,793		
Lubricants		4,821		

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)			
Highways (Cont.)			
Operation and Maintenance of Equipment (Cont.)			
Natural Gas	$ 1,747		
Small Tools	183		
Tires and Tubes	28,407		
Other Supplies and Materials	1,133		
Other Charges	402		
Total Operation and Maintenance of Equipment		$ 185,682	
Other Charges			
Electricity	$ 3,273		
Water and Sewer	556		
Premiums on Corporate Surety Bonds	289		
Trustee's Commission	12,850		
Vehicle and Equipment Insurance	16,668		
Workers' Compensation Insurance	75,415		
Other Charges	14		
Total Other Charges		109,065	
Employee Benefits			
Social Security	$ 32,930		
State Retirement	19,946		
Unemployment Compensation	8,171		
Employer Medicare	7,695		
Total Employee Benefits		68,742	
Capital Outlay			
Highway Equipment	$ 42,819		
Total Capital Outlay		42,819	
Total Highway/Public Works Fund			$ 1,637,821
General Debt Service Fund			
Principal on Debt			
General Government			
Principal on Notes	$ 62,879		
Principal on Capital Leases	6,343		
Total General Government		$ 69,222	
Interest on Debt			
General Government			
Interest on Notes	$ 918		

(Continued)

Exhibit J-7

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

General Debt Service Fund (Cont.)			
Interest on Debt (Cont.)			
General Government (Cont.)			
Interest on Capital Leases	$ 2,139		
Total General Government		$ 3,057	
Other Debt Service			
General Government			
Trustee's Commission	$ 1,740		
Total General Government		1,740	
Total General Debt Service Fund			$ 74,019
Total Governmental Funds - Primary Government			$ 5,970,596

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, 2010

General Purpose School Fund		
Instruction		
Regular Instruction Program		
Teachers	$ 2,134,948	
Career Ladder Program	27,610	
Career Ladder Extended Contracts	36,440	
Educational Assistants	104,595	
Longevity Pay	4,675	
Certified Substitute Teachers	43,685	
Non-certified Substitute Teachers	34,315	
Social Security	134,926	
State Retirement	145,795	
Medical Insurance	176,476	
Unemployment Compensation	5,163	
Employer Medicare	32,012	
Maintenance and Repair Services - Equipment	8,420	
Other Contracted Services	33,211	
Instructional Supplies and Materials	55,197	
Textbooks	3,284	
Other Charges	558	
Regular Instruction Equipment	40,078	
Total Regular Instruction Program		$ 3,021,388
Alternative Instruction Program		
Teachers	$ 47,309	
Non-certified Substitute Teachers	1,125	
Social Security	2,640	
State Retirement	3,071	
Medical Insurance	2,846	
Unemployment Compensation	74	
Employer Medicare	618	
Instructional Supplies and Materials	197	
Total Alternative Instruction Program		57,880
Special Education Program		
Teachers	$ 316,647	
Career Ladder Program	5,000	
Homebound Teachers	19,328	
Educational Assistants	23,227	
Longevity Pay	1,450	
Certified Substitute Teachers	4,900	
Non-certified Substitute Teachers	5,500	

(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	$ 21,168	
State Retirement	23,429	
Medical Insurance	32,920	
Unemployment Compensation	737	
Employer Medicare	4,975	
Contracts with Private Agencies	1,175	
Other Contracted Services	27,752	
Total Special Education Program		$ 488,208
Vocational Education Program		
Teachers	$ 146,988	
Career Ladder Program	2,000	
Certified Substitute Teachers	1,680	
Non-certified Substitute Teachers	1,630	
Social Security	9,016	
State Retirement	9,565	
Medical Insurance	6,490	
Unemployment Compensation	205	
Employer Medicare	2,114	
Travel	5,966	
Other Contracted Services	56,837	
Instructional Supplies and Materials	6,911	
Textbooks	1,037	
Vocational Instruction Equipment	4,667	
Total Vocational Education Program		255,106
Adult Education Program		
Teachers	$ 26,486	
Other Salaries and Wages	4,348	
Social Security	874	
State Retirement	966	
Unemployment Compensation	167	
Employer Medicare	447	
Travel	341	
Instructional Supplies and Materials	4,138	
In Service/Staff Development	397	
Other Equipment	4,920	
Total Adult Education Program		43,084

(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	$ 59,744	
Career Ladder Program	1,000	
Social Security	3,596	
State Retirement	3,900	
Medical Insurance	2,609	
Unemployment Compensation	66	
Employer Medicare	841	
Travel	2,303	
Other Contracted Services	2,697	
Other Supplies and Materials	418	
Other Charges	1,063	
Total Attendance		$ 78,237
Health Services		
Medical Personnel	$ 80,855	
Longevity Pay	150	
Other Salaries and Wages	62,244	
Social Security	8,447	
State Retirement	9,165	
Medical Insurance	7,511	
Unemployment Compensation	331	
Employer Medicare	1,976	
Contributions	100	
Licenses	175	
Travel	4,627	
Other Contracted Services	500	
Drugs and Medical Supplies	453	
Other Supplies and Materials	11,263	
Total Health Services		187,797
Other Student Support		
Career Ladder Program	$ 1,000	
Guidance Personnel	129,654	
Social Security	7,273	
State Retirement	8,388	
Medical Insurance	13,021	
Unemployment Compensation	216	
Employer Medicare	1,701	
Evaluation and Testing	7,031	

(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.)				
Travel	$	2,347		
Other Charges		3,121		
Total Other Student Support			$	173,752
Regular Instruction Program				
Supervisor/Director	$	104,448		
Career Ladder Program		7,000		
Librarians		135,315		
Education Media Personnel		27,850		
Instructional Computer Personnel		29,353		
Longevity Pay		250		
Social Security		17,797		
State Retirement		19,675		
Medical Insurance		16,845		
Unemployment Compensation		497		
Employer Medicare		4,162		
Travel		11,925		
Library Books/Media		7,970		
Other Supplies and Materials		3,529		
In Service/Staff Development		9,539		
Total Regular Instruction Program				396,155
Special Education Program				
Supervisor/Director	$	27,320		
Career Ladder Program		1,000		
Psychological Personnel		25,969		
Clerical Personnel		6,531		
Longevity Pay		500		
Other Salaries and Wages		6,608		
Social Security		4,198		
State Retirement		4,430		
Unemployment Compensation		235		
Employer Medicare		982		
Postal Charges		400		
Travel		487		
Other Contracted Services		571		
Total Special Education Program				79,231

(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	$	27,101		
Unemployment Compensation		49		
Employer Medicare		393		
Travel		737		
Total Vocational Education Program			$	28,280
Adult Programs				
Supervisor/Director	$	10,770		
Social Security		628		
State Retirement		691		
Employer Medicare		147		
Total Adult Programs				12,236
Other Programs				
On-Behalf Payments to OPEB	$	78,696		
Total Other Programs				78,696
Board of Education				
Other Salaries and Wages	$	2,500		
Board and Committee Members Fees		12,300		
Social Security		862		
State Retirement		148		
Unemployment Compensation		60		
Employer Medicare		215		
Advertising		2,326		
Audit Services		3,500		
Dues and Memberships		9,767		
Engineering Services		4,050		
Legal Services		3,050		
Food Supplies		846		
Trustee's Commission		51,162		
Workers' Compensation Insurance		45,562		
Refund to Applicant for Criminal Investigation		1,544		
Other Charges		3,748		
Total Board of Education				141,640
Director of Schools				
County Official/Administrative Officer	$	68,850		
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.)				
Support Services (Cont.)				
Director of Schools (Cont.)				
Social Security	$	3,927		
State Retirement		4,484		
Medical Insurance		6,511		
Unemployment Compensation		101		
Employer Medicare		918		
Communication		14,395		
Dues and Memberships		455		
Postal Charges		1,929		
Travel		2,721		
Office Supplies		671		
Total Director of Schools			$	105,962
Office of the Principal				
Principals	$	168,336		
Career Ladder Program		4,000		
Assistant Principals		92,800		
Secretary(ies)		64,315		
Clerical Personnel		22,051		
Longevity Pay		2,650		
Social Security		20,970		
State Retirement		22,728		
Medical Insurance		15,812		
Unemployment Compensation		786		
Employer Medicare		4,904		
Communication		4,408		
Travel		4,674		
Other Contracted Services		2,655		
Data Processing Supplies		465		
Data Processing Equipment		370		
Total Office of the Principal				431,924
Fiscal Services				
Accountants/Bookkeepers	$	45,356		
Secretary(ies)		49,182		
Longevity Pay		700		
Social Security		4,760		
State Retirement		5,240		
Medical Insurance		3,050		
Unemployment Compensation		389		

(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.)				
Employer Medicare	$	1,363		
Travel		1,333		
Other Contracted Services		5,016		
Data Processing Supplies		1,194		
Office Supplies		2,675		
Other Charges		312		
Administration Equipment		1,107		
Total Fiscal Services			$	121,677
Operation of Plant				
Custodial Personnel	$	154,035		
Longevity Pay		1,750		
Social Security		9,639		
State Retirement		8,703		
Medical Insurance		4,000		
Unemployment Compensation		794		
Employer Medicare		2,254		
Maintenance and Repair Services - Equipment		1,872		
Travel		726		
Other Contracted Services		83,955		
Custodial Supplies		20,664		
Electricity		378,415		
Fuel Oil		19,843		
Water and Sewer		24,207		
Other Supplies and Materials		1,186		
Building and Contents Insurance		47,347		
Other Charges		75		
Plant Operation Equipment		8,691		
Total Operation of Plant				768,156
Maintenance of Plant				
Longevity Pay	$	375		
Other Salaries and Wages		93,206		
Social Security		4,963		
State Retirement		4,839		
Medical Insurance		2,000		
Unemployment Compensation		338		
Employer Medicare		1,357		
Maintenance and Repair Services - Buildings		727		

(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	$	5,320		
Rentals		582		
Food Supplies		397		
General Construction Materials		340		
Other Supplies and Materials		23,375		
Other Charges		825		
Maintenance Equipment		608		
Total Maintenance of Plant			$	139,252
Transportation				
Bus Drivers	$	198,520		
Longevity Pay		3,900		
Other Salaries and Wages		47		
Social Security		12,245		
State Retirement		11,764		
Medical Insurance		6,024		
Unemployment Compensation		1,015		
Employer Medicare		2,935		
Communication		6,470		
Contracts with Parents		90		
Licenses		46		
Maintenance and Repair Services - Vehicles		1,830		
Medical and Dental Services		3,890		
Travel		2,509		
Other Contracted Services		41,192		
Diesel Fuel		65,619		
Gasoline		17,847		
Lubricants		4,943		
Tires and Tubes		6,292		
Vehicle Parts		29,955		
Other Supplies and Materials		463		
Vehicle and Equipment Insurance		17,928		
Other Charges		2,571		
Transportation Equipment		148,271		
Total Transportation				586,366
Operation of Non-Instructional Services				
Food Service				
Supervisor/Director	$	57,374		

(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.)				
Career Ladder Program	$	1,000		
Social Security		3,619		
State Retirement		3,748		
Unemployment Compensation		66		
Employer Medicare		846		
Communication		995		
Travel		1,861		
Total Food Service			$	69,509
Community Services				
Supervisor/Director	$	33,431		
Other Salaries and Wages		3,146		
Social Security		2,120		
State Retirement		2,348		
Medical Insurance		2,609		
Unemployment Compensation		49		
Employer Medicare		496		
Travel		484		
Other Supplies and Materials		750		
Other Charges		250		
Total Community Services				45,683
Early Childhood Education				
Supervisor/Director	$	15,002		
Teachers		113,236		
Accountants/Bookkeepers		5,999		
Educational Assistants		48,406		
Longevity Pay		500		
Certified Substitute Teachers		320		
Non-certified Substitute Teachers		880		
Social Security		11,159		
State Retirement		11,732		
Medical Insurance		3,234		
Unemployment Compensation		445		
Employer Medicare		2,613		
Postal Charges		100		
Travel		2,098		
Instructional Supplies and Materials		37,236		
Building Improvements		1,975		

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)			
Operation of Non-Instructional Services (Cont.)			
Early Childhood Education (Cont.)			
Regular Instruction Equipment	$ 40,892		
Total Early Childhood Education		$ 295,827	
Capital Outlay			
Regular Capital Outlay			
Fencing	$ 26,350		
Building Improvements	195,902		
Communication Equipment	10,810		
Heating and Air Conditioning Equipment	8,803		
Site Development	26,143		
Other Capital Outlay	16,463		
Total Regular Capital Outlay		284,471	
Principal on Debt			
Education			
Principal on Other Loans	$ 215,000		
Total Education		215,000	
Interest on Debt			
Education			
Interest on Other Loans	$ 26,325		
Total Education		26,325	
Other Debt Service			
Education			
Other Debt Service	$ 43,844		
Total Education		43,844	
Total General Purpose School Fund			$ 8,175,686
School Federal Projects Fund			
Instruction			
Regular Instruction Program			
Teachers	$ 240,943		
Educational Assistants	67,911		
Longevity Pay	2,050		
Certified Substitute Teachers	1,183		
Non-certified Substitute Teachers	56		
Social Security	18,468		

(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.)		
State Retirement	$ 18,251	
Medical Insurance	16,886	
Unemployment Compensation	1,099	
Employer Medicare	4,306	
Other Contracted Services	4,931	
Instructional Supplies and Materials	35,319	
Other Charges	4,460	
Regular Instruction Equipment	30,840	
Total Regular Instruction Program		$ 446,703
Special Education Program		
Teachers	$ 72,758	
Educational Assistants	71,816	
Longevity Pay	100	
Social Security	8,960	
State Retirement	8,474	
Medical Insurance	3,024	
Unemployment Compensation	334	
Employer Medicare	2,098	
Contracts with Private Agencies	10,200	
Other Contracted Services	56,194	
Instructional Supplies and Materials	13,092	
Other Supplies and Materials	30,000	
Other Charges	4,960	
Special Education Equipment	21,512	
Total Special Education Program		303,522
Vocational Education Program		
Instructional Supplies and Materials	$ 20	
Vocational Instruction Equipment	18,934	
Total Vocational Education Program		18,954
Support Services		
Other Student Support		
Other Salaries and Wages	$ 1,072	
Social Security	66	
State Retirement	69	
Employer Medicare	16	
Travel	7,231	
Total Other Student Support		8,454

(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		
Supervisor/Director	$ 27,100	
Secretary(ies)	7,752	
Longevity Pay	250	
Other Salaries and Wages	108,460	
Social Security	8,376	
State Retirement	9,133	
Medical Insurance	8,212	
Unemployment Compensation	438	
Employer Medicare	1,947	
Postal Charges	1,500	
Travel	13,165	
Other Contracted Services	6,331	
Other Supplies and Materials	4,400	
In Service/Staff Development	24,011	
Other Charges	3,206	
Other Equipment	2,089	
Total Regular Instruction Program		$ 226,370
Special Education Program		
Psychological Personnel	$ 25,619	
Assessment Personnel	21,618	
Clerical Personnel	7,309	
Other Salaries and Wages	6,606	
Social Security	3,653	
State Retirement	3,785	
Medical Insurance	2,846	
Unemployment Compensation	234	
Employer Medicare	854	
Maintenance and Repair Services - Equipment	688	
Travel	4,180	
Other Contracted Services	10,666	
Other Supplies and Materials	3,281	
In Service/Staff Development	10,484	
Other Equipment	739	
Total Special Education Program		102,562
Vocational Education Program		
Travel	$ 540	
In Service/Staff Development	348	
Total Vocational Education Program		888

(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			
Bus Drivers	$ 7,613		
Other Salaries and Wages	1,602		
Social Security	534		
State Retirement	498		
Unemployment Compensation	13		
Employer Medicare	125		
Total Transportation		$ 10,385	
Total School Federal Projects Fund			$ 1,117,838
Central Cafeteria Fund			
Operation of Non-Instructional Services			
Food Service			
Cafeteria Personnel	$ 190,401		
Longevity Pay	3,621		
In-Service Training	212		
Social Security	11,900		
State Retirement	11,207		
Medical Insurance	9,091		
Unemployment Compensation	1,022		
Employer Medicare	2,783		
Communication	1,333		
Maintenance and Repair Services - Equipment	5,095		
Postal Charges	150		
Transportation - Other than Students	2,815		
Other Contracted Services	1,790		
Food Preparation Supplies	5,553		
Food Supplies	240,094		
Office Supplies	3,284		
Other Supplies and Materials	14,066		
Trustee's Commission	8		
Workers' Compensation Insurance	6,000		
In Service/Staff Development	470		
Other Charges	115		
Food Service Equipment	37,394		
Total Food Service		$ 548,404	
Total Central Cafeteria Fund			548,404

(Continued)

Exhibit J-8

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

Education Capital Projects Fund			
Capital Projects			
Education Capital Projects			
Building Improvements	$ 17,402		
Total Education Capital Projects		$ 17,402	
Total Education Capital Projects Fund			$ 17,402
Total Governmental Funds - Clay County School Department			$ 9,859,330

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, 2010

	Cities - Sales Tax Fund
Cash Receipts	
Local Option Sales Tax	$ 264,710
Total Cash Receipts	$ 264,710
Cash Disbursements	
Remittance of Revenues Collected	$ 262,063
Trustee's Commission	2,647
Total Cash Disbursements	$ 264,710
Excess of Cash Receipts Over (Under) Cash Disbursements	$ 0
Cash Balance, July 1, 2009	0
Cash Balance, June 30, 2010	$ 0

SINGLE AUDIT SECTION

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

October 15, 2010

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, 2010, which collectively comprise Clay County's basic financial statements and have issued our report thereon dated October 15, 2010. 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.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies in internal control over financial reporting: 10.01 and 10.03. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

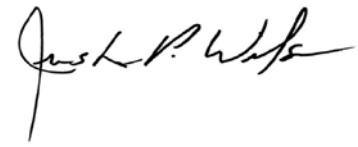
As part of obtaining reasonable assurance about whether Clay County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 10.02.

We also noted certain matters that we reported to management of Clay County in separate communications.

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

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

JPW/sb

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

October 15, 2010

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, 2010. 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, 2010.

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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

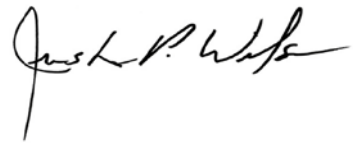
We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Clay County as of and for the year ended June 30, 2010, and have issued our report thereon dated October 15, 2010. 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.

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

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.

Yours very truly,



Justin P. Wilson
Comptroller of the Treasury

JPW/sb

Clay County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2010

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Passed-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Direct Program:			
Rural Business Enterprise Grants	10.769	N/A	$ 5,000
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	117,766
National School Lunch Program	10.555	N/A	286,607 (3)
Child Nutrition Discretionary Grants Limited Availability, Recovery Act	10.579	N/A	10,877
Fresh Fruits and Vegetable Program	10.582	N/A	9,948
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	38,141 (3)
Total U.S. Department of Agriculture			$ 468,339
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants/Entitlement Grants	14.228	GG-09-27301-00	$ 293,045
Passed-through State Housing Development Agency:			
Home Investment Partnerships Program	14.239	HM-07-11	115,008
Total U.S. Department of Housing and Urban Development			$ 408,053
U.S. Department of Justice:			
Direct Program:			
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	16.803	N/A	$ 20,000
Passed-through Appalachia HIDTA:			
Appalachia High Intensity Drug Trafficking Area	16.13PAPP50	(2)	1,972
Total U.S. Department of Justice			$ 21,972
U.S. Department of Labor:			
Passed-through Upper Cumberland Human Resource Agency:			
WIA Youth Activities	17.259	(2)	$ 19,000
Passed-through State Department of Labor and Workforce Development:			
WIA Dislocated Workers	17.260	Z-09-219685-00	1,217
Total U.S. Department of Labor			$ 20,217
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
State and Community Highway Safety	20.600	Z-09-214292-00	$ 4,804
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	Z-10-219962-00	5,000
Total U.S. Department of Transportation			$ 9,804
Appalachian Regional Commission:			
Passed-through East Tennessee State University:			
Appalachian Research, Technical Assistance, and Demonstration Projects	23.011	(2)	$ 2,500
U.S. Department of Education:			
Direct Programs:			
Impact Aid	84.041	N/A	$ 62,381
Passed-through State Department of Labor and Workforce Development:			
Adult Education - Basic Grants to States	84.002	Z-10-218497-00	52,828
Passed-through State Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	N/A	446,442
Title I Grants to Local Educational Agencies, Recovery Act	84.389	N/A	130,045

(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	Passed-through Entity Identifying Number	Expenditures
U.S. Department of Education (Cont.):			
Passed-through State Department of Education (Cont.):			
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	$ 244,225
Special Education - Grants to States, Recovery Act	84.391	N/A	156,655
Special Education - Preschool Grants	84.173	N/A	26,337
Special Education - Preschool Grants, Recovery Act	84.392	N/A	4,145
Career and Technical Education - Basic Grants to States	84.048	N/A	15,768
Safe and Drug-free Schools and Communities - State Grants	84.186	(2)	5,698
State Grants for Innovative Programs	84.298	N/A	67
Education Technology State Grants Cluster:			
Education Technology State Grants	84.318	N/A	2,938
Education Technology State Grants, Recovery Act	84.386	N/A	6,158
Rural Education	84.358	N/A	26,816
Improving Teacher Quality State Grants	84.367	N/A	75,323
State Fiscal Stabilization Fund Cluster:			
State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	N/A	195,100
State Fiscal Stabilization Fund - Government Service, Recovery Act	84.397	(4)	165,851
Total U.S. Department of Education			$ 1,616,777
U.S. Department of Homeland Security:			
Direct Program:			
ARRA - Grants to Health Center Programs	93.703	N/A	$ 1,855
Passed-through State Department of Military:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	1856-DR-TN	32,803
Total U.S. Department of Homeland Security			$ 34,658
Total Expenditures of Federal Awards			$ 2,582,320
State Grants		Contract Number	
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	$ 3,322
Aging Program - State Commission on Aging	N/A	(2)	14,267
Juvenile Services Program - State Commission on Children and Youth	N/A	(2)	18,000
Litter Program - State Department of Transportation	N/A	(2)	31,059
Lottery for Education/PreK - State Department of Education	N/A	(2)	296,273
Energy Efficient Schools Initiative - State Department of Agriculture	N/A	(2)	14,358
Rural Local Health Services - State Department of Health	N/A	(2)	70,545
High Schools That Work - State Department of Education	N/A	(2)	7,000
Archive Development - Tennessee Secretary of State	N/A	(2)	5,000
Courtroom Security System - State Administrative Office of the Courts	N/A	(2)	9,291
Law Enforcement Training - State Department of Safety	N/A	(2)	5,400
Total State Grants			$ 474,515

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 $324,748.
(4) Coordinated School Health - $90,000; Internet Connectivity - $3,044; Family Resource Center - $33,284; Statewide Student Management Systems - $2,697; Career Ladder - Extended Contract - $33,126; Safe Schools - $3,700.

Clay County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2010

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, 2009, which have not been corrected.

OFFICES OF COUNTY MAYOR AND ROAD SUPERINTENDENT

Finding Number	Page Number	Subject
09.01	162	The offices had not established formal purchase order systems

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

Finding Number	Page Number	Subject
09.03	163	The execution docket trial balances did not reconcile with general ledger accounts

OTHER FINDING

Finding Number	Page Number	Subject
09.06	164	Duties were not segregated adequately in the Offices of County Mayor, Road Superintendent, 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, 2010

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: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555); Title I, Part A Cluster: Title I Grants to Local Educational Agencies and Title I Grants to Local Education Agencies, Recovery Act (CFDA Nos. 84.010 and 84.389); the Special Education Cluster: Special Education - Grants to States, Special Education - Grants to States, Recovery Act, Special Education – Preschool Grants, and Special Education – Preschool Grants, Recovery Act (CFDA Nos. 84.027, 84.391, 84.173, and 84.392); and the State Fiscal Stabilization Fund Cluster: Education State Grants, Recovery Act and Government Service, Recovery Act (CFDA Nos. 84.394 and 84.397) were determined to be major programs.

8. A $300,000 threshold was used to distinguish between Type A and Type B federal programs.

9. Clay County did not qualify as a low-risk auditee.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. The county mayor provided written responses to certain findings, which are paraphrased in this report. All of the findings noted are the result of management's failure to correct the deficiencies noted in the prior-year audit report.

OFFICES OF COUNTY MAYOR AND ROAD SUPERINTENDENT

FINDING 10.01 **THE OFFICES HAD NOT ESTABLISHED FORMAL PURCHASE ORDER SYSTEMS**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The offices 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.

MANAGEMENT'S RESPONSE – COUNTY MAYOR

We will continue to research a purchase order system for our county.

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

FINDING 10.02 **EXECUTION DOCKET TRIAL BALANCES DID NOT RECONCILE WITH GENERAL LEDGER ACCOUNTS**
(Noncompliance Under Government Auditing Standards)

At June 30, 2010, 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 significant amounts. The clerk had unidentified balances of $1,874 and $14,929 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

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.

OTHER FINDING AND RECOMMENDATION

FINDING 10.03 **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF COUNTY MAYOR, ROAD SUPERINTENDENT, 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, 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.

MANAGEMENT'S RESPONSE – COUNTY MAYOR

Due to budget issues, we can only employ two employees in this office. We do segregate duties to the best of our ability and resources.

BEST PRACTICES

The Division of County Audit strongly believes that the items noted below are best practices that should be adopted by the governing body as a means of significantly improving accountability and the quality of services provided to the citizens of Clay County.

ITEM 1. A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAS NOT BEEN ADOPTED

Clay County does not have 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. We recommend the adoption of 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.

ITEM 2. CLAY COUNTY HAS NOT ESTABLISHED AN AUDIT COMMITTEE

Clay County does not have an Audit Committee. Audit committees can assist the County Commission by providing independent and objective reviews of the financial reporting process, internal controls, the audit function, and would be responsible for monitoring management's plans to address various risks. County officials should establish an Audit Committee as a best practice.

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, 2010

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