ANNUAL FINANCIAL REPORT
CLAY COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2011

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FOR THE YEAR ENDED JUNE 30, 2011

COMPTROLLER OF THE TREASURY
JUSTIN P. WILSON

DIVISION OF COUNTY AUDIT
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This financial report is available at www.tn.gov/comptroller

CLAY COUNTY, TENNESSEE
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Audit Highlights

Annual Financial Report
Clay County, Tennessee
For the Year Ended June 30, 2011

Scope

We have audited the basic financial statements of Clay County as of and for the year ended June 30, 2011.

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

Findings and Best Practices

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

OFFICE OF COUNTY MAYOR

- The office had deficiencies in purchasing procedures.
- A capital outlay note was not issued in compliance with state statutes.

OFFICE OF ROAD SUPERINTENDENT

- The office had not established a formal purchase order system.

OFFICE OF COUNTY CLERK

- Deficiencies were noted in the maintenance of accounting records.
- The office did not deposit some funds within three days of collection.

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

- Execution docket trial balances did not reconcile with general ledger accounts.

OFFICES OF REGISTER AND SHERIFF

- Multiple employees operated from the same cash drawer.

OTHER FINDING

- Duties were not segregated adequately in the Offices of Road Superintendent, County 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, 2011

Officials

Dale Reagan, County Mayor
Ernest Garrison, Road Superintendent
Donnie Cherry, Director of Schools
Charlie Key, Trustee
Billy Smith, Assessor of Property
Donna Watson, County Clerk
Susan Birdwell, Circuit and General Sessions Courts Clerk
Rene Davis, Clerk and Master
Brenda Browning, Register
Brandon Boone, Sheriff

Board of County Commissioners

Dale Reagan, County Mayor, Chairman
Pam Breeding
Denzil Cherry
Bryan Coons
Dorothy Forney
Cecil Langford
Wayne Rich
Timmie Scott
Daniel Stewart
Parrish Wright
Winton Young

Board of Education

David West, Chairman
Russell Cherry
Jerry Eads
Heather Hammock
Veda Hix
Todd Lynn
Richard Roberts
Nathan Sherrell
Annette Smith
Anthony Smith

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 10, 2011

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, 2011, 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, 2011, 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, 2011, 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 10, 2011, 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.C., Clay County has adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which became effective for the year ended June 30, 2011.

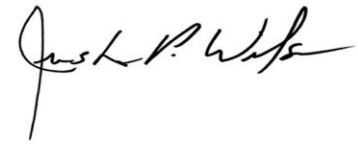
Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required 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 56 through 64 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 financial statements as a whole. 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 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements 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 do not express an opinion or provide any assurance on it.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury

JPW/yu

Basic Financial Statements

Exhibit A

Clay County, Tennessee
Statement of Net Assets
June 30, 2011

	Primary Government	Component Unit
	Governmental Activities	Clay County School Department
ASSETS		
Cash	$ 19,022	$ 1,816
Equity in Pooled Cash and Investments	3,540,739	2,025,498
Accounts Receivable	15,529	0
Due from Other Governments	410,496	518,782
Property Taxes Receivable	2,092,800	1,183,806
Allowance for Uncollectible Property Taxes	(67,145)	(37,980)
Capital Assets:		
Assets Not Depreciated:		
Land	40,000	338,698
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	1,243,586	6,944,670
Other Capital Assets	9,081,528	822,667
Infrastructure	1,100,184	423,443
Total Assets	$ 17,476,739	$ 12,221,400
LIABILITIES		
Accounts Payable	$ 56,227	$ 653
Accrued Interest Payable	57	0
Payroll Deductions Payable	17	0
Claims and Judgments Payable	2,025	0
Deferred Revenue - Current Property Taxes	1,907,216	1,078,830
Noncurrent Liabilities:		
Due Within One Year	74,809	232,193
Due in More Than One Year	115,351	6,731,136
Total Liabilities	$ 2,155,702	$ 8,042,812
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	$ 11,365,101	$ 1,828,478
Restricted for:		
Courthouse and Jail Maintenance	36,902	0
Solid Waste/Sanitation	473,937	0
Drug Control	74,082	0
Constitutional Officers - Fees	17,663	0
Highway/Public Works	687,840	0
Debt Service	1,106,006	0
School Federal Projects	0	11,446
Central Cafeteria	0	122,305
Other Purposes	817,706	2,060,064
Unrestricted	741,800	156,295
Total Net Assets	$ 15,321,037	$ 4,178,588

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, 2011

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	$ 550,391	$ 45,139	$ 16,417	$ 1,000	$ (487,835)	$ 0
Finance	326,784	223,550	0	0	(103,234)	0
Administration of Justice	357,015	193,097	9,090	18,877	(135,951)	0
Public Safety	1,404,356	123,001	118,130	16,470	(1,146,755)	0
Public Health and Welfare	780,060	111,316	134,349	0	(534,395)	0
Social, Cultural, and Recreational Services	287,750	1,705	17,642	10,089	(258,314)	0
Agriculture and Natural Resources	153,099	0	16,622	0	(136,477)	0
Other Operations	557,187	0	0	98,333	(458,854)	0
Highways/Public Works	1,242,091	0	1,596,264	0	354,173	0
Interest on Long-term Debt	2,337	0	0	0	(2,337)	
Other Debt Service	1,589	0	0	0	(1,589)	0
Total Governmental Activities	$ 5,662,659	$ 697,808	$ 1,908,514	$ 144,769	$ (2,911,568)	$ 0
Total Primary Government	$ 5,662,659	$ 697,808	$ 1,908,514	$ 144,769	$ (2,911,568)	$ 0
Component Unit:						
Clay County School Department	$ 10,402,532	$ 175,006	$ 1,757,085	$ 99,521	$ 0	$ (8,370,920)

(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					$ 2,114,040	$ 1,214,306
Property Taxes Levied for Debt Service					32,594	0
Local Option Sales Taxes					271,870	539,286
Wheel Tax					192,755	0
Litigation Tax - General					30,079	0
Hotel/Motel Tax					57,783	0
Wholesale Beer Tax					268,429	0
Other Local Taxes					20,494	548
Grants and Contributions Not Restricted to Specific Programs					385,680	6,613,722
Unrestricted Investment Earnings					73,746	1,649
Miscellaneous					60,415	29,225
Sale of Equipment					13,825	194
Donation of Capital Assets					475,133	0
Total General Revenues					$ 3,996,843	$ 8,398,930
Insurance Recovery					$ 4,300	$ 0
Change in Net Assets					$ 1,089,575	$ 28,010
Net Assets, July 1, 2010					14,231,462	4,150,578
Net Assets, June 30, 2011					$ 15,321,037	$ 4,178,588

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, 2011

	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	$ 19,022	$ 19,022
Equity in Pooled Cash and Investments	1,434,299	444,173	447,014	1,104,269	110,984	3,540,739
Accounts Receivable	4,263	9,936	0	0	1,330	15,529
Due from Other Governments	113,443	0	297,053	0	0	410,496
Due from Other Funds	2,689	0	0	0	0	2,689
Property Taxes Receivable	1,659,443	401,648	0	31,709	0	2,092,800
Allowance for Uncollectible Property Taxes	(53,241)	(12,886)	0	(1,018)	0	(67,145)
Total Assets	$ 3,160,896	$ 842,871	$ 744,067	$ 1,134,960	$ 131,336	$ 6,014,130
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts Payable	$ 0	$ 0	$ 56,227	$ 0	$ 0	$ 56,227
Payroll Deductions Payable	17	0	0	0	0	17
Claims and Judgments Payable	2,025	0	0	0	0	2,025
Due to Other Funds	0	0	0	0	2,689	2,689
Deferred Revenue - Current Property Taxes	1,512,288	366,031	0	28,897	0	1,907,216
Deferred Revenue - Delinquent Property Taxes	91,382	22,118	0	1,746	0	115,246
Other Deferred Revenues	25,000	0	115,534	0	0	140,534
Total Liabilities	$ 1,630,712	$ 388,149	$ 171,761	$ 30,643	$ 2,689	$ 2,223,954
Fund Balances						
Restricted:						
Restricted for General Government	$ 23,707	$ 0	$ 0	$ 0	$ 36,902	$ 60,609
Restricted for Administration of Justice	23,925	0	0	0	0	23,925
Restricted for Public Safety	4,493	0	0	0	74,082	78,575
Restricted for Other Operations	7,966	0	0	0	0	7,966
Restricted for Highways/Public Works	0	0	572,306	0	0	572,306
Committed:						
Committed for Finance	0	0	0	0	17,663	17,663

(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.)						
Committed (Cont.):						
Committed for Public Health and Welfare	$ 0	$ 454,722	$ 0	$ 0	$ 0	$ 454,722
Committed for Debt Service	0	0	0	1,104,317	0	1,104,317
Assigned:						
Assigned for Administration of Justice	757,615	0	0	0	0	757,615
Unassigned	712,478	0	0	0	0	712,478
Total Fund Balances	$ 1,530,184	$ 454,722	$ 572,306	$ 1,104,317	$ 128,647	$ 3,790,176
Total Liabilities and Fund Balances	$ 3,160,896	$ 842,871	$ 744,067	$ 1,134,960	$ 131,336	$ 6,014,130

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, 2011

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)		$ 3,790,176
(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	1,243,586	
Add: buildings and improvements net of accumulated depreciation	9,081,528	
Add: other capital assets net of accumulated depreciation	1,100,184	11,465,298
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: notes payable	$ (30,000)	
Less: capital leases payable	(35,997)	
Less: other loans payable	(34,200)	
Less: accrued interest on long-term debt	(57)	
Less: compensated absences payable	(89,963)	(190,217)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		255,780
Net assets of governmental activities (Exhibit A)		$ 15,321,037

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, 2011

	Major Funds				Nonmajor Funds	
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern-mental Funds	Total Governmental Funds
Revenues						
Local Taxes	$ 2,600,294	$ 420,890	$ 0	$ 63,022	$ 14,147	$ 3,098,353
Fines, Forfeitures, and Penalties	63,326	0	0	0	9,815	73,141
Charges for Current Services	24,054	63,650	0	0	74,373	162,077
Other Local Revenues	62,814	47,666	25,926	73,746	100	210,252
Fees Received from County Officials	309,991	0	0	0	0	309,991
State of Tennessee	445,603	0	1,324,911	0	0	1,770,514
Federal Government	266,236	0	273,352	0	0	539,588
Other Governments and Citizens Groups	133,844	0	0	0	0	133,844
Total Revenues	$ 3,906,162	$ 532,206	$ 1,624,189	$ 136,768	$ 98,435	$ 6,297,760
Expenditures						
Current:						
General Government	$ 487,918	$ 0	$ 0	$ 0	$ 2,886	$ 490,804
Finance	201,937	0	0	0	97,562	299,499
Administration of Justice	312,315	0	0	0	0	312,315
Public Safety	1,242,761	0	0	0	23,487	1,266,248
Public Health and Welfare	448,447	466,007	0	0	0	914,454
Social, Cultural, and Recreational Services	189,769	0	0	0	0	189,769
Agriculture and Natural Resources	139,555	0	0	0	0	139,555
Other Operations	947,733	9,047	0	0	237	957,017
Highways	29,543	0	1,605,762	0	0	1,635,305
Debt Service:						
Principal on Debt	0	0	0	48,259	0	48,259
Interest on Debt	0	0	0	2,280	0	2,280
Other Debt Service	0	0	0	1,589	0	1,589
Total Expenditures	$ 3,999,978	$ 475,054	$ 1,605,762	$ 52,128	$ 124,172	$ 6,257,094
Excess (Deficiency) of Revenues Over Expenditures	$ (93,816)	$ 57,152	$ 18,427	$ 84,640	$ (25,737)	$ 40,666
Other Financing Sources (Uses)						
Notes Issued	$ 71,000	$ 0	$ 0	$ 0	$ 0	$ 71,000
Other Loans Issued	34,200	0	0	0	0	34,200

(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) (Cont.)						
Insurance Recovery	$ 4,300	$ 0	$ 0	$ 0	$ 0	$ 4,300
Transfers In	5,233	0	0	0	0	5,233
Transfers Out	0	0	0	0	(5,233)	(5,233)
Total Other Financing Sources (Uses)	$ 114,733	$ 0	$ 0	$ 0	$ (5,233)	$ 109,500
Net Change in Fund Balances	$ 20,917	$ 57,152	$ 18,427	$ 84,640	$ (30,970)	$ 150,166
Fund Balance, July 1, 2010	1,509,267	397,570	553,879	1,019,677	159,617	3,640,010
Fund Balance, June 30, 2011	$ 1,530,184	$ 454,722	$ 572,306	$ 1,104,317	$ 128,647	$ 3,790,176

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, 2011

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)		$ 150,166
(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	$ 1,017,062	
Less: current-year depreciation expense	(386,256)	630,806
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, donations, etc.) is to increase net assets.		
Add: assets donated and capitalized	$ 475,133	
Less: loss on disposal of capital assets	(58,595)	416,538
(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, 2011	$ 255,780	
Less: deferred delinquent property taxes and other deferred June 30, 2010	(280,739)	(24,959)
(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	$ 7,259	
Add: principal payments on notes	41,000	
Less: other loan proceeds	(34,200)	
Less: note proceeds	(71,000)	(56,941)
(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	$ (57)	
Change in compensated absences payable	(25,978)	(26,035)
Change in net assets of governmental activities (Exhibit B)		$ 1,089,575

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, 2011

	Agency Funds
ASSETS	
Cash	$ 979,678
Due from Other Governments	51,390
Total Assets	$ 1,031,068
LIABILITIES	
Due to Other Taxing Units	$ 51,390
Due to Litigants, Heirs, and Others	979,678
Total Liabilities	$ 1,031,068

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 special revenue fund accounts for transactions relating to the disposal of Clay County's solid waste. Local taxes and general service charges are the foundational revenues of this fund.

Highway/Public Works Fund – This special revenue fund accounts for transactions of the county's Highway Department. Local and state gasoline/fuel taxes are the foundational revenues of this fund.

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 special revenue 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.

It is the county's policy that restricted amounts would be reduced first followed by unrestricted amounts when expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available. Also, it is the county's policy that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of these unrestricted fund balance classifications could be used.

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 1.73 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.

Most payables are disaggregated on the face of the financial statements. Claims and judgments payable totaling $2,025 is discussed in Note V.B. Risk Financing Activities.

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 $817,706, with the primary restriction being for a courtroom addition project of $757,615. For the discretely presented School Department, the account balance in Restricted for Other Purposes consists of various restrictions totaling $2,060,064, with the primary restrictions being for the Basic Education Program totaling $900,641 and funds for debt retirement totaling $992,432.

In the fund financial statements, governmental funds report fund balance in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in these funds can be spent. These classifications may consist of the following:

Nonspendable Fund Balance – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance – includes amounts that have constraints placed on the use of the resources that are either (a) externally imposed by creditors, grantors, contributors or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the County Commission, the county's highest level of decision-making authority and the Board of Education, the School Department's highest level of decision-making authority.

Assigned Fund Balance – includes amounts that are constrained by the county's intent to be used for specific purposes, but are neither restricted nor committed (excluding stabilization arrangements). The county's Budget/Finance Committee and the Board of Education are authorized bodies to make assignments.

Unassigned Fund Balance – the residual classification of the General and General Purpose School funds. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General and General Purpose School funds.

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.

At June 30, 2011, Clay County and the Clay County School Department reported the following significant encumbrances:

Funds	Description		Amount
Primary Government			
Major Fund:			
General	Courtroom Addition	$	757,615
School Department:			
Major Fund:			
General Purpose School	Construction/Renovation		162,203

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, 2011.

B. Capital Assets

Capital assets activity for the year ended June 30, 2011, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-10	Increases	Decreases	Balance 6-30-11
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	$ 1,000,530	$ 825,756	$ 0	$ 1,826,286
Roads and Bridges	10,960,401	347,323	0	11,307,724
Other Capital Assets	2,245,610	319,116	(175,148)	2,389,578
Total Capital Assets Depreciated	$ 14,206,541	$ 1,492,195	$ (175,148)	$ 15,523,588
Less Accumulated Depreciation For:				
Buildings and Improvements	$ 477,241	$ 105,459	$ 0	$ 582,700
Roads and Bridges	2,126,974	99,222	0	2,226,196
Other Capital Assets	1,224,372	181,575	(116,553)	1,289,394
Total Accumulated Depreciation	$ 3,828,587	$ 386,256	$ (116,553)	$ 4,098,290
Total Capital Assets Depreciatied, Net	$ 10,377,954	$ 1,105,939	$ (58,595)	$ 11,425,298
Governmental Activities Capital Assets, Net	$ 10,417,954	$ 1,105,939	$ (58,595)	$ 11,465,298

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

Governmental Activities:

General Government	$ 7,775
Public Safety	12,642
Public Health and Welfare	100,848
Social, Cultural, and Recreational	86,938
Agriculture and Natural Resources	1,673
Other Operations	250
Highways/Public Works	176,130
Total Depreciation Expense - Governmental Activities	$ 386,256

Discretely Presented Clay County School Department

Governmental Activities:

	Balance 7-1-10	Increases	Balance 6-30-11
Capital Assets Not Depreciated:			
Land	$ 338,698	$ 0	$ 338,698
Total Capital Assets Not Depreciated	$ 338,698	$ 0	$ 338,698
Capital Assets Depreciated:			
Buildings and Improvements	$ 10,901,368	$ 0	$ 10,901,368
Infrastructure	648,860	0	648,860
Other Capital Assets	1,549,904	125,226	1,675,130
Total Capital Assets Depreciated	$ 13,100,132	$ 125,226	$ 13,225,358

Governmental Activities (Cont.):

	Balance 7-1-10	Increases	Balance 6-30-11
Less Accumulated Depreciated For:			
Buildings and Improvements	$ 3,712,390	$ 244,308	$ 3,956,698
Infrastructure	203,615	21,802	225,417
Other Capital Assets	766,754	85,709	852,463
Total Accumulated Depreciation	$ 4,682,759	$ 351,819	$ 5,034,578
Total Capital Assets Depreciated, Net	$ 8,417,373	$ (226,593)	$ 8,190,780
Governmental Activities Capital Assets, Net	$ 8,756,071	$ (226,593)	$ 8,529,478

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

Governmental Activities:

Instruction	$ 243,433
Support Services	97,432
Operation of Non-Instructional Services	10,954
Total Depreciation Expense - Governmental Activities	$ 351,819

C. Construction Commitments

At June 30, 2011, the county had uncompleted construction contracts of approximately $757,615 for the construction of a courtroom addition to the county administrative annex building. Funding for these future expenditures is expected to be received primarily from other loans.

At June 30, 2011, the School Department had uncompleted construction contracts of approximately $162,203 for school renovation projects. Funding has been received for these future expenditures.

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2011, was as follows:

Due to/from Other Funds:

Receivable Fund	Payable Fund	Amount
Primary Government:		
General	Nonmajor governmental	$ 2,689
Discretely Presented School Department:		
General Purpose School	School Federal Projects	16,153
Nonmajor governmental	General Purpose School	272

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, 2011, consisted of the following amounts:

Primary Government

Transfer Out	Transfer In General Fund
Nonmajor governmental fund	$ 5,233

Discretely Presented Clay County School Department

Transfer Out	Transfer In General Purpose School Fund
School Federal Projects Fund	$ 16,154

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.

E. 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, 2011, were as follows:

Year Ending June 30		Governmental Funds
2012	$	9,257
2013		9,257
2014		9,257
2015		9,257
2016		3,084
Total Minimum Lease Payments	$	40,112
Less: Amount Representing Interest		(4,115)
Present Value of Minimun Lease Payments	$	35,997

F. Long-term Debt

Primary Government

Notes and Other Loans

The county issues other loans to provide funds for the acquisition and construction of major capital facilities. Capital outlay notes are also issued to fund capital facilities and other capital outlay purchases, such as equipment.

Capital outlay notes and other loans are direct obligations and pledge the full faith and credit of the government. Capital outlay notes and other loans outstanding were issued for original terms of up to three years for notes and up to 38 years for other loans. 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 and other loan included in long-term debt at June 30, 2011, will be retired from the General Debt Service Fund.

The county's capital outlay note, other loan and capital lease outstanding as of June 30, 2011, for governmental activities are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-11
Capital Outlay Note	2.29 %	$ 30,000	$ 30,000
Other Loan	4.375	34,200	34,200
Capital Lease	5	72,727	35,997

During the year examined, Clay County entered into a loan agreement with the U.S. Department of Agriculture (USDA) Rural Development Loan Program. This loan agreement provided for the USDA to make $615,000 available for loan to Clay County on as as-needed basis for the construction of a courtroom addition at the administrative annex building. The terms of this agreement call for the county to repay the loan over a period of 38 years with the first payment due one year following the final drawdown of funds at an interest rate of 4.375 percent. At June 30, 2011, Clay County had borrowed $34,200 under this agreement.

The annual requirements to amortize all notes and other loans outstanding as of June 30, 2011, including interest payments, are presented in the following tables:

Year Ending June 30	Capital Outlay Note		
	Principal	Interest	Total
2012	$ 15,000	$ 687	$ 15,687
2013	15,000	343	15,343
Total	$ 30,000	$ 1,030	$ 31,030

Year Ending June 30	Other Loan		
	Principal	Interest	Total
2012	$ 0	$ 0	$ 0
2013	34,200	1,496	35,696
Total	$ 34,200	$ 1,496	$ 35,696

County officials estimate that the project being funded by the USDA loan will be completed in or around February 2012. Under the terms of the loan agreement, repayment of the loan begins one year following the final drawdown of funds; therefore the table above reflects the outstanding balance of the loan as of June 30, 2011, and estimated payments begin in the fiscal year ending June 30, 2013.

There is $1,104,317 available in the General Debt Service Fund to service long-term debt. Debt per capita totaled $13, based on the 2010 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2011, was as follows:

Governmental Activities:

	Notes	Capital Lease
Balance, July 1, 2010	$ 0	$ 43,256
Additions	71,000	0
Deductions	(41,000)	(7,259)
Balance, June 30, 2011	$ 30,000	$ 35,997
Balance Due Within One Year	$ 15,000	$ 7,630

	Other Loan	Compensated Absences
Balance, July 1, 2010	$ 0	$ 63,985
Additions	34,200	115,968
Deductions	0	(89,990)
Balance, June 30, 2011	$ 34,200	$ 89,963
Balance Due Within One Year	$ 0	$ 52,179

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2011	$ 190,160
Less: Balance Due Within One Year	(74,809)
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	$ 115,351

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, 2011, will be retired from the General Purpose School Fund.

Other loans outstanding as of June 30, 2011, for governmental activities are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-11
Other Loans	Variable	$ 8,400,000	$ 6,701,000

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, 2011, the variable interest rate was .08 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, 2011, including interest payments and other fees, are presented in the following table:

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2012	$ 232,000	$ 5,361	$ 40,906	$ 278,267
2013	241,000	5,175	39,560	285,735
2014	249,000	4,982	38,162	292,144
2015	259,000	4,783	36,718	300,501
2016	268,000	4,576	35,216	307,792
2017-2021	1,498,000	19,498	151,563	1,669,061
2022-2026	1,798,000	13,045	104,775	1,915,820
2027-2031	2,156,000	5,299	48,614	2,209,913
Total	$ 6,701,000	$ 62,719	$ 495,514	$ 7,259,233

Debt per capita totaled $852, based on the 2010 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, 2011, was as follows:

Governmental Activities:

	Other Loans	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2010	$ 6,925,000	$ 255	$ 178,591
Additions	0	1,376	117,425
Deductions	(224,000)	(1,438)	(33,880)
Balance, June 30, 2011	$ 6,701,000	$ 193	$ 262,136
Balance Due Within One Year	$ 232,000	$ 193	$ 0

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2011	$ 6,963,329
Less: Balance Due Within One Year	(232,193)
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	$ 6,731,136

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

G. On-Behalf Payments

Primary Government

The State of Tennessee pays health insurance premiums for retired employees on-behalf of Clay County. These payments are made by the state to the Medicare Supplement Plan, which is administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Medicare Supplement Plan for the year ended June 30, 2011, were $1,523. The county has recognized these on-behalf payments as revenues and expenditures in the General Fund.

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, 2011, were $50,733 and $15,042, 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. Clay County elected to pay this assessment in three annual installments with the final payment due in the fiscal year ending June 30, 2012. The remaining liability of $2,025 is reflected as Claims and Judgments Payable in the financial statements of this report.

C. Accounting Change

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* became effective for the year ended June 30, 2011.

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. These classifications include nonspendable, restricted, committed, assigned, and unassigned and are based on the relative strength of the constraints that control how specific amounts can be spent. Also, Statement No. 54 clarified the definitions of the General Fund and the special revenue, capital projects, debt service, and permanent fund types. Clay County and the Clay County School Department have implemented provisions of this statement in the financial statements of this report for their governmental funds.

D. Subsequent Events

On August 8, 2011, the county issued capital outlay notes totaling $55,000 to purchase land adjacent to the administrative annex building for future parking.

In September 2011, the county drew down $110,579 from funds available from the USDA Rural Development Loan Program to fund expenditures associated with the courtroom addition project.

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 and School Department not covered by insurance resulting from such litigation would not materially affect the county's financial statements.

F. Changes in Administration

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.

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 to the plan. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2011, was 7.17 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, 2011, the county's annual pension cost of $218,374 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2009, 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), and (c) projected 3.5 percent annual increase in the Social Security wage base. 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 ten-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, 2009, was 20 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
6-30-11	$218,374	100%	$0
6-30-10	192,794	100	0
6-30-09	185,584	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 $6 million, and the actuarial value of assets was $5 million, resulting in an

unfunded actuarial accrued liability (UAAL) of $1 million. The covered payroll (annual payroll of active employees covered by the plan) was $3 million, and the ratio of the UAAL to the covered payroll was 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 salary 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, 2011, was 9.05 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, 2011, 2010, and 2009, were $408,529, 283,359, and $290,925, 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 Plan. In previous years, prior to reaching the age of 65, all members had the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. However, as of January 1, 2010, the insurance plan structure was changed, and as a result, all members now have the option of choosing between the standard or partnership preferred provider organization (PPO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered Medicare Supplement Plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at http://tennessee.gov/finance/act/cafr.html.

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are 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, 2011, the discretely presented Clay County School Department contributed $33,880 for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan	Medicare Supplement Plan
ARC	$ 80,000	$ 37,000
Interest on the NPO	6,464	1,573
Adjustment to the ARC	(6,122)	(1,490)
Annual OPEB cost	$ 80,342	$ 37,083
Amount of contribution	(32,830)	(1,050)
Increase/decrease in NPO	$ 47,512	$ 36,033
Net OPEB obligation, 7-1-10	143,641	34,950
Net OPEB obligation, 6-30-11	$ 191,153	$ 70,983

Fiscal Year Ended	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-09	Local Education Group	$ 79,626	28 %	$ 98,488
6-30-10	"	77,234	42	143,641
6-30-11	"	80,341	41	191,153
6-30-10	Medicare Supplement	36,000	3	34,950
6-30-11	"	37,083	3	70,983

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2010, was as follows:

	Local Education Group Plan	Medicare Supplement Plan
Actuarial valuation date	7-1-10	7-1-10
Actuarial accrued liability (AAL)	$ 956,000	$ 531,000
Actuarial value of plan assets	$ 0	$ 0
Unfunded actuarial accrued liability (UAAL)	$ 956,000	$ 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	24%	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, 2010, actuarial valuation for the Local Education Plan, 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) and an annual healthcare cost trend rate of ten percent for fiscal year 2011. The trend will decrease to 9.5 percent in fiscal year 2012 and then will be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. The annual healthcare premium trend rate for the Medicare Supplement Plan was ten percent for fiscal year 2011. The trend will decrease to 9.5 percent in fiscal year 2012 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 (Budgetary Basis) and Budget
General Fund
For the Year Ended June 30, 2011

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues						
Local Taxes	$ 2,600,294	$ 0	$ 2,600,294	$ 2,553,869	$ 2,553,869	$ 46,425
Licenses and Permits	0	0	0	500	500	(500)
Fines, Forfeitures, and Penalties	63,326	0	63,326	46,350	48,635	14,691
Charges for Current Services	24,054	0	24,054	4,700	14,439	9,615
Other Local Revenues	62,814	0	62,814	21,774	48,450	14,364
Fees Received from County Officials	309,991	0	309,991	270,000	270,000	39,991
State of Tennessee	445,603	0	445,603	523,676	521,466	(75,863)
Federal Government	266,236	0	266,236	74,054	143,307	122,929
Other Governments and Citizens Groups	133,844	0	133,844	177,737	126,010	7,834
Total Revenues	$ 3,906,162	$ 0	$ 3,906,162	$ 3,672,660	$ 3,726,676	$ 179,486
Expenditures						
General Government						
County Commission	$ 24,925	$ 0	$ 24,925	$ 36,006	$ 36,006	$ 11,081
Board of Equalization	1,050	0	1,050	1,300	1,300	250
Beer Board	0	0	0	500	500	500
County Mayor/Executive	119,041	0	119,041	121,817	121,817	2,776
County Attorney	5,400	0	5,400	6,000	6,000	600
Election Commission	131,357	0	131,357	130,007	148,186	16,829
Register of Deeds	73,535	0	73,535	77,027	77,027	3,492
County Buildings	131,357	0	131,357	126,000	155,836	24,479
Other General Administration	1,253	0	1,253	0	1,253	0
Preservation of Records	0	0	0	3,013	3,013	3,013
Finance						
Property Assessor's Office	88,328	0	88,328	91,227	91,227	2,899

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Expenditures (Cont.)						
Finance (Cont.)						
County Trustee's Office	$ 13,725	$ 0	$ 13,725	$ 14,167	$ 14,167	$ 442
County Clerk's Office	99,884	0	99,884	105,575	107,859	7,975
Administration of Justice						
Circuit Court	149,554	0	149,554	157,361	159,591	10,037
General Sessions Court	67,675	0	67,675	67,676	67,676	1
Chancery Court	75,118	0	75,118	76,685	76,685	1,567
Juvenile Court	10,005	0	10,005	12,000	12,000	1,995
Judicial Commissioners	9,963	0	9,963	11,079	11,079	1,116
Public Safety						
Sheriff's Department	849,354	0	849,354	848,605	882,282	32,928
Drug Enforcement	31,445	0	31,445	36,000	31,500	55
Jail	230,366	0	230,366	145,650	235,150	4,784
Correctional Incentive Program Improvements	2,680	0	2,680	2,680	2,680	0
Fire Prevention and Control	35,256	0	35,256	37,268	37,268	2,012
Rescue Squad	13,819	0	13,819	10,813	13,819	0
Other Emergency Management	51,418	0	51,418	60,900	63,290	11,872
County Coroner/Medical Examiner	13,970	0	13,970	17,250	17,250	3,280
Other Public Safety	14,453	0	14,453	10,000	13,500	(953)
Public Health and Welfare						
Local Health Center	28,887	0	28,887	259,685	28,900	13
Ambulance/Emergency Medical Services	360,000	0	360,000	360,000	360,000	0
Alcohol and Drug Programs	45,500	0	45,500	45,500	45,500	0
Other Local Health Services	2,760	0	2,760	134,200	17,000	14,240
Appropriation to State	11,300	0	11,300	11,300	11,300	0

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Expenditures (Cont.)						
Social, Cultural, and Recreational Services						
Senior Citizens Assistance	$ 38,086	$ 0	$ 38,086	$ 49,830	$ 49,830	$ 11,744
Libraries	91,276	0	91,276	82,780	96,282	5,006
Parks and Fair Boards	29,903	0	29,903	0	30,000	97
Other Social, Cultural, and Recreational	30,504	0	30,504	36,000	36,000	5,496
Agriculture and Natural Resources						
Agriculture Extension Service	82,133	0	82,133	86,337	90,837	8,704
Forest Service	1,000	0	1,000	1,000	1,000	0
Soil Conservation	56,422	0	56,422	57,508	57,508	1,086
Other Operations						
Tourism	151,783	0	151,783	151,805	152,402	619
Industrial Development	54,643	0	54,643	47,200	54,663	20
Other Economic and Community Development	35,110	757,615	792,725	20,321	822,786	30,061
Other Charges	158,090	0	158,090	159,400	159,400	1,310
Employee Benefits	265,798	0	265,798	265,000	280,000	14,202
ARRA Grant # 1	51,524	0	51,524	0	117,200	65,676
ARRA Grant # 2	230,785	0	230,785	0	230,785	0
Highways						
Litter and Trash Collection	29,543	0	29,543	43,700	43,700	14,157
Total Expenditures	$ 3,999,978	$ 757,615	$ 4,757,593	$ 4,018,172	$ 5,073,054	$ 315,461
Excess (Deficiency) of Revenues Over Expenditures	$ (93,816)	$ (757,615)	$ (851,431)	$ (345,512)	$ (1,346,378)	$ 494,947

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Other Financing Sources (Uses)						
Notes Issued	$ 71,000	$ 0	$ 71,000	$ 41,000	$ 71,000	$ 0
Other Loans Issued	34,200	0	34,200	0	791,815	(757,615)
Insurance Recovery	4,300	0	4,300	7,349	25,213	(20,913)
Transfers In	5,233	0	5,233	0	0	5,233
Total Other Financing Sources (Uses)	$ 114,733	$ 0	$ 114,733	$ 48,349	$ 888,028	$ (773,295)
Net Change in Fund Balance	$ 20,917	$ (757,615)	$ (736,698)	$ (297,163)	$ (458,350)	$ (278,348)
Fund Balance, July 1, 2010	1,509,267	0	1,509,267	1,534,276	1,534,276	(25,009)
Fund Balance, June 30, 2011	$ 1,530,184	$ (757,615)	$ 772,569	$ 1,237,113	$ 1,075,926	$ (303,357)

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, 2011

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Local Taxes	$ 420,890	$ 353,500	$ 353,500	$ 67,390
Charges for Current Services	63,650	55,000	55,000	8,650
Other Local Revenues	47,666	15,000	15,000	32,666
Total Revenues	$ 532,206	$ 423,500	$ 423,500	$ 108,706
Expenditures				
Public Health and Welfare				
Waste Pickup	$ 466,007	$ 500,360	$ 501,060	$ 35,053
Other Operations				
Other Charges	9,047	10,000	10,000	953
Total Expenditures	$ 475,054	$ 510,360	$ 511,060	$ 36,006
Excess (Deficiency) of Revenues Over Expenditures	$ 57,152	$ (86,860)	$ (87,560)	$ 144,712
Net Change in Fund Balance	$ 57,152	$ (86,860)	$ (87,560)	$ 144,712
Fund Balance, July 1, 2010	397,570	397,570	397,570	0
Fund Balance, June 30, 2011	$ 454,722	$ 310,710	$ 310,010	$ 144,712

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, 2011

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Local Taxes	$ 0	$ 1,326	$ 1,326	$ (1,326)
Other Local Revenues	25,926	0	20,484	5,442
State of Tennessee	1,324,911	1,479,890	1,479,890	(154,979)
Federal Government	273,352	0	213,699	59,653
Total Revenues	$ 1,624,189	$ 1,481,216	$ 1,715,399	$ (91,210)
Expenditures				
Highways				
Administration	$ 109,508	$ 118,148	$ 118,588	$ 9,080
Highway and Bridge Maintenance	872,621	1,123,577	1,194,477	321,856
Operation and Maintenance of Equipment	188,465	185,683	216,084	27,619
Other Charges	79,055	100,599	101,424	22,369
Employee Benefits	71,647	73,200	73,200	1,553
Capital Outlay	284,466	112,764	316,792	32,326
Total Expenditures	$ 1,605,762	$ 1,713,971	$ 2,020,565	$ 414,803
Excess (Deficiency) of Revenues Over Expenditures	$ 18,427	$ (232,755)	$ (305,166)	$ 323,593
Other Financing Sources (Uses)				
Insurance Recovery	$ 0	$ 13,304	$ 13,304	$ (13,304)
Total Other Financing Sources (Uses)	$ 0	$ 13,304	$ 13,304	$ (13,304)
Net Change in Fund Balance	$ 18,427	$ (219,451)	$ (291,862)	$ 310,289
Fund Balance, July 1, 2010	553,879	529,856	529,856	24,023
Fund Balance, June 30, 2011	$ 572,306	$ 310,405	$ 237,994	$ 334,312

Exhibit E-4

Clay County, Tennessee
Schedule of Funding Progress – Pension Plan
Primary Government and Discretely Presented Clay County School Department
June 30, 2011

(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 year of 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, 2011

(Dollar amounts in thousands)

Plans	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
"	7-1-10	0	956	956	0	4,064	24
Medicare Supplement	7-1-09	0	531	531	0	N/A	N/A
"	7-1-10	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, 2011

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 Clay 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 Clay 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.

At June 30, 2011, Clay County reported the following significant encumbrance in the General Fund:

Fund	Description		Amount
General	Courtroom Addition Project	$	757,615

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.

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. This fund was closed as of June 30, 2011.

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, 2011

	Special Revenue Funds			
	Courthouse and Jail Maintenance	Drug Control	Constitu - tional Officers - Fees	Total Nonmajor Governmental Funds
ASSETS				
Cash	$ 0	$ 0	$ 19,022	$ 19,022
Equity in Pooled Cash and Investments	36,902	74,082	0	110,984
Accounts Receivable	0	0	1,330	1,330
Total Assets	$ 36,902	$ 74,082	$ 20,352	$ 131,336
LIABILITIES AND FUND BALANCES				
Liabilities				
Due to Other Funds	$ 0	$ 0	$ 2,689	$ 2,689
Total Liabilities	$ 0	$ 0	$ 2,689	$ 2,689
Fund Balances				
Restricted:				
Restricted for General Government	$ 36,902	$ 0	$ 0	$ 36,902
Restricted for Public Safety	0	74,082	0	74,082
Committed:				
Committed for Finance	0	0	17,663	17,663
Total Fund Balances	$ 36,902	$ 74,082	$ 17,663	$ 128,647
Total Liabilities and Fund Balances	$ 36,902	$ 74,082	$ 20,352	$ 131,336

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, 2011

	Special Revenue Funds				
	Courthouse and Jail Maintenance	Public Library	Drug Control	Constitu - tional Officers - Fees	Total Nonmajor Governmental Funds
Revenues					
Local Taxes	$ 14,147	$ 0	$ 0	$ 0	$ 14,147
Fines, Forfeitures, and Penalties	0	0	9,815	0	9,815
Charges for Current Services	0	0	0	74,373	74,373
Other Local Revenues	0	0	632	0	632
Total Revenues	$ 14,147	$ 0	$ 10,447	$ 74,373	$ 98,967
Expenditures					
Current:					
General Government	$ 2,886	$ 0	$ 0	$ 0	$ 2,886
Finance	0	0	0	97,562	97,562
Public Safety	0	0	24,019	0	24,019
Other Operations	148	0	89	0	237
Total Expenditures	$ 3,034	$ 0	$ 24,108	$ 97,562	$ 124,704
Excess (Deficiency) of Revenues Over Expenditures	$ 11,113	$ 0	$ (13,661)	$ (23,189)	$ (25,737)
Other Financing Sources (Uses)					
Transfers Out	$ 0	$ (5,233)	$ 0	$ 0	$ (5,233)
Total Other Financing Sources (Uses)	$ 0	$ (5,233)	$ 0	$ 0	$ (5,233)
Net Change in Fund Balances	$ 11,113	$ (5,233)	$ (13,661)	$ (23,189)	$ (30,970)
Fund Balance, July 1, 2010	25,789	5,233	87,743	40,852	159,617
Fund Balance, June 30, 2011	$ 36,902	$ 0	$ 74,082	$ 17,663	$ 128,647

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, 2011

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Local Taxes	$ 14,147	$ 7,100	$ 7,100	$ 7,047
Total Revenues	$ 14,147	$ 7,100	$ 7,100	$ 7,047
Expenditures				
General Government				
County Buildings	$ 2,886	$ 3,200	$ 3,200	$ 314
Other Operations				
Other Charges	148	500	500	352
Total Expenditures	$ 3,034	$ 3,700	$ 3,700	$ 666
Excess (Deficiency) of Revenues Over Expenditures	$ 11,113	$ 3,400	$ 3,400	$ 7,713
Net Change in Fund Balance	$ 11,113	$ 3,400	$ 3,400	$ 7,713
Fund Balance, July 1, 2010	25,789	25,789	25,789	0
Fund Balance, June 30, 2011	$ 36,902	$ 29,189	$ 29,189	$ 7,713

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, 2011

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Total Revenues	$ 0	$ 0	$ 0	$ 0
Total Expenditures	$ 0	$ 0	$ 0	$ 0
Excess (Deficiency) of Revenues Over Expenditures	$ 0	$ 0	$ 0	$ 0
Other Financing Sources (Uses)				
Transfers Out	$ (5,233)	$ 0	$ (5,233)	$ 0
Total Other Financing Sources (Uses)	$ (5,233)	$ 0	$ (5,233)	$ 0
Net Change in Fund Balance	$ (5,233)	$ 0	$ (5,233)	$ 0
Fund Balance, July 1, 2010	5,233	5,233	5,233	0
Fund Balance, June 30, 2011	$ 0	$ 5,233	$ 0	$ 0

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, 2011

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Fines, Forfeitures, and Penalties	$ 9,815	$ 2,900	$ 2,900	$ 6,915
Other Local Revenues	632	0	0	632
Total Revenues	$ 10,447	$ 2,900	$ 2,900	$ 7,547
Expenditures				
Public Safety				
Drug Enforcement	$ 24,019	$ 33,500	$ 33,500	$ 9,481
Other Operations				
Other Charges	89	500	500	411
Total Expenditures	$ 24,108	$ 34,000	$ 34,000	$ 9,892
Excess (Deficiency) of Revenues Over Expenditures	$ (13,661)	$ (31,100)	$ (31,100)	$ 17,439
Net Change in Fund Balance	$ (13,661)	$ (31,100)	$ (31,100)	$ 17,439
Fund Balance, July 1, 2010	87,743	87,639	87,639	104
Fund Balance, June 30, 2011	$ 74,082	$ 56,539	$ 56,539	$ 17,543

Major Governmental Fund

General Debt Service Fund

The General Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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, 2011

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Local Taxes	$ 63,022	$ 47,250	$ 47,250	$ 15,772
Other Local Revenues	73,746	75,000	75,000	(1,254)
Total Revenues	$ 136,768	$ 122,250	$ 122,250	$ 14,518
Expenditures				
Principal on Debt				
General Government	$ 48,259	$ 53,000	$ 53,000	$ 4,741
Interest on Debt				
General Government	2,280	5,000	5,000	2,720
Other Debt Service				
General Government	1,589	3,000	3,000	1,411
Total Expenditures	$ 52,128	$ 61,000	$ 61,000	$ 8,872
Excess (Deficiency) of Revenues Over Expenditures	$ 84,640	$ 61,250	$ 61,250	$ 23,390
Net Change in Fund Balance	$ 84,640	$ 61,250	$ 61,250	$ 23,390
Fund Balance, July 1, 2010	1,019,677	1,019,677	1,019,677	0
Fund Balance, June 30, 2011	$ 1,104,317	$ 1,080,927	$ 1,080,927	$ 23,390

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, 2011

	Agency Funds		
	Cities-Sales Tax	Constitutional Officers - Agency	Total
ASSETS			
Cash	$ 0	$ 979,678	$ 979,678
Due from Other Governments	51,390	0	51,390
Total Assets	$ 51,390	$ 979,678	$ 1,031,068
LIABILITIES			
Due to Other Taxing Units	$ 51,390	$ 0	$ 51,390
Due to Litigants, Heirs, and Others	0	979,678	979,678
	$ 51,390	$ 979,678	$ 1,031,068

Exhibit H-2

Clay County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2011

	Beginning Balance	Additions	Deductions	Ending Balance
Cities - Sales Tax Fund				
Assets				
Equity in Pooled Cash and Investments	$ 0	$ 268,067	$ 268,067	$ 0
Due from Other Governments	44,807	51,390	44,807	51,390
Total Assets	$ 44,807	$ 319,457	$ 312,874	$ 51,390
Liabilities				
Due to Other Taxing Units	$ 44,807	$ 319,457	$ 312,874	$ 51,390
Total Liabilities	$ 44,807	$ 319,457	$ 312,874	$ 51,390
Constitutional Officers - Agency Fund				
Assets				
Cash	$ 775,302	$ 5,004,971	$ 4,801,362	$ 978,911
Accounts Receivable	14	767	14	767
Total Assets	$ 775,316	$ 5,005,738	$ 4,801,376	$ 979,678
Liabilities				
Due to Litigants, Heirs, and Others	$ 775,316	$ 5,005,738	$ 4,801,376	$ 979,678
Total Liabilities	$ 775,316	$ 5,005,738	$ 4,801,376	$ 979,678
Totals - All Agency Funds				
Assets				
Cash	$ 775,302	$ 5,004,971	$ 4,801,362	$ 978,911
Equity in Pooled Cash and Investments	0	268,067	268,067	0
Accounts Receivable	14	767	14	767
Due from Other Governments	44,807	51,390	44,807	51,390
Total Assets	$ 820,123	$ 5,325,195	$ 5,114,250	$ 1,031,068
Liabilities				
Due to Other Taxing Units	$ 44,807	$ 319,457	$ 312,874	$ 51,390
Due to Litigants, Heirs, and Others	775,316	5,005,738	4,801,376	979,678
Total Liabilities	$ 820,123	$ 5,325,195	$ 5,114,250	$ 1,031,068

Exhibit I-1

Clay County, Tennessee
Statement of Activities
Discretely Presented Clay County School Department
For the Year Ended June 30, 2011

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: Total Governmental Activities
Governmental Activities:					
Instruction	$ 5,617,411	$ 21,418	$ 1,170,862	$ 0	$ (4,425,131)
Support Services	3,701,245	10,800	121,206	0	(3,569,239)
Operation of Non-Instructional Services	1,015,040	142,788	465,017	99,521	(307,714)
Interest on Long-term Debt	26,258	0	0	0	(26,258)
Other Debt Service	42,578	0	0	0	(42,578)
Total Governmental Activities	$ 10,402,532	$ 175,006	$ 1,757,085	$ 99,521	$ (8,370,920)
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes					$ 1,214,306
Local Option Sales Taxes					539,286
Other Local Taxes					548
Grants and Contributions Not Restricted to Specific Programs					6,613,722
Unrestricted Investment Earnings					1,649
Miscellaneous					29,225
Sale of Equipment					194
Total General Revenues					$ 8,398,930
Change in Net Assets					$ 28,010
Net Assets, July 1, 2010					4,150,578
Net Assets, June 30, 2011					$ 4,178,588

Exhibit I-2

Clay County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Clay County School Department
June 30, 2011

	Major Funds		Nonmajor Fund	Total
	General Purpose School	School Federal Projects	Central Cafeteria	Govern-mental Funds
ASSETS				
Cash	$ 0	$ 0	$ 1,816	$ 1,816
Equity in Pooled Cash and Investments	1,900,718	4,610	120,170	2,025,498
Due from Other Governments	495,093	23,642	47	518,782
Due from Other Funds	16,153	0	272	16,425
Property Taxes Receivable	1,183,806	0	0	1,183,806
Allowance for Uncollectible Property Taxes	(37,980)	0	0	(37,980)
Total Assets	$ 3,557,790	$ 28,252	$ 122,305	$ 3,708,347
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	$ 0	$ 653	$ 0	$ 653
Due to Other Funds	272	16,153	0	16,425
Deferred Revenue - Current Property Taxes	1,078,830	0	0	1,078,830
Deferred Revenue - Delinquent Property Taxes	65,189	0	0	65,189
Other Deferred Revenues	51,790	0	0	51,790
Total Liabilities	$ 1,196,081	$ 16,806	$ 0	$ 1,212,887
Fund Balances				
Restricted:				
Restricted for Education	$ 4,788	$ 11,446	$ 122,305	$ 138,539
Committed:				
Committed for Education	1,893,073	0	0	1,893,073
Assigned:				
Assigned for Education	162,203	0	0	162,203
Unassigned	301,645	0	0	301,645
Total Fund Balances	$ 2,361,709	$ 11,446	$ 122,305	$ 2,495,460
Total Liabilities and Fund Balances	$ 3,557,790	$ 28,252	$ 122,305	$ 3,708,347

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, 2011

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)		$ 2,495,460
(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	6,944,670	
Add: infrastructure net of accumulated depreciation	423,443	
Add: other capital assets net of accumulated depreciation	822,667	8,529,478
(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	$ (6,701,000)	
Less: other postemployment benefits liability	(262,136)	
Less: compensated absences payable	(193)	(6,963,329)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		116,979
Net assets of governmental activities (Exhibit A)		$ 4,178,588

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, 2011

	Major Funds		Nonmajor Funds	
	General Purpose School	School Federal Projects	Other Govern-mental Funds	Total Governmental Funds
Revenues				
Local Taxes	$ 1,782,850	$ 0	$ 0	$ 1,782,850
Licenses and Permits	772	0	0	772
Charges for Current Services	32,218	0	142,788	175,006
Other Local Revenues	44,705	0	1,719	46,424
State of Tennessee	6,384,510	0	0	6,384,510
Federal Government	305,109	1,360,698	450,058	2,115,865
Total Revenues	$ 8,550,164	$ 1,360,698	$ 594,565	$ 10,505,427
Expenditures				
Current:				
Instruction	$ 4,056,579	$ 1,003,478	$ 0	$ 5,060,057
Support Services	3,357,991	341,676	0	3,699,667
Operation of Non-Instructional Services	428,105	0	605,415	1,033,520
Capital Outlay	222,998	0	0	222,998
Debt Service:				
Principal on Debt	224,000	0	0	224,000
Interest on Debt	26,258	0	0	26,258
Other Debt Service	42,578	0	0	42,578
Capital Projects	0	0	7,378	7,378
Total Expenditures	$ 8,358,509	$ 1,345,154	$ 612,793	$ 10,316,456
Excess (Deficiency) of Revenues Over Expenditures	$ 191,655	$ 15,544	$ (18,228)	$ 188,971
Other Financing Sources (Uses)				
Transfers In	$ 16,154	$ 0	$ 0	$ 16,154
Transfers Out	0	(16,154)	0	(16,154)
Total Other Financing Sources (Uses)	$ 16,154	$ (16,154)	$ 0	$ 0
Net Change in Fund Balances	$ 207,809	$ (610)	$ (18,228)	$ 188,971
Fund Balance, July 1, 2010	2,153,900	12,056	140,533	2,306,489
Fund Balance, June 30, 2011	$ 2,361,709	$ 11,446	$ 122,305	$ 2,495,460

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, 2011

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)		$ 188,971
(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	$ 125,226	
Less: current-year depreciation expense	(351,819)	(226,593)
(2) Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2011	$ 116,979	
Less: deferred delinquent property taxes and other deferred June 30, 2010	(191,864)	(74,885)
(3) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:		
Add: other loan principal payments		224,000
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in other postemployment benefits liability	$ (83,545)	
Change in compensated absences payable	62	(83,483)
Change in net assets of governmental activities (Exhibit B)		$ 28,010

Exhibit I-6

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, 2011

	Special Revenue Fund	Capital Projects Fund	Total
	Central Cafeteria	Education Capital Projects	Nonmajor Governmental Funds
Revenues			
Charges for Current Services	$ 142,788	$ 0	$ 142,788
Other Local Revenues	1,719	0	1,719
Federal Government	450,058	0	450,058
Total Revenues	$ 594,565	$ 0	$ 594,565
Expenditures			
Current:			
Operation of Non-Instructional Services	$ 605,415	$ 0	$ 605,415
Capital Projects	0	7,378	7,378
Total Expenditures	$ 605,415	$ 7,378	$ 612,793
Excess (Deficiency) of Revenues Over Expenditures	$ (10,850)	$ (7,378)	$ (18,228)
Net Change in Fund Balances	$ (10,850)	$ (7,378)	$ (18,228)
Fund Balance, July 1, 2010	133,155	7,378	140,533
Fund Balance, June 30, 2011	$ 122,305	$ 0	$ 122,305

Exhibit I-7

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, 2011

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues						
Local Taxes	$ 1,782,850	$ 0	$ 1,782,850	$ 1,766,556	$ 1,765,956	$ 16,894
Licenses and Permits	772	0	772	200	800	(28)
Charges for Current Services	32,218	0	32,218	26,880	26,880	5,338
Other Local Revenues	44,705	0	44,705	33,300	48,668	(3,963)
State of Tennessee	6,384,510	0	6,384,510	6,316,684	6,389,459	(4,949)
Federal Government	305,109	0	305,109	196,139	299,146	5,963
Total Revenues	$ 8,550,164	$ 0	$ 8,550,164	$ 8,339,759	$ 8,530,909	$ 19,255
Expenditures						
Instruction						
Regular Instruction Program	$ 3,139,219	$ 0	$ 3,139,219	$ 3,438,180	$ 3,448,187	$ 308,968
Alternative Instruction Program	59,045	0	59,045	61,009	61,009	1,964
Special Education Program	508,134	0	508,134	566,958	566,958	58,824
Vocational Education Program	295,237	0	295,237	302,943	302,943	7,706
Adult Education Program	54,944	0	54,944	99,515	99,515	44,571
Support Services						
Attendance	81,745	0	81,745	82,348	82,348	603
Health Services	190,779	0	190,779	202,147	202,147	11,368
Other Student Support	174,109	0	174,109	199,533	199,533	25,424
Regular Instruction Program	413,191	0	413,191	429,899	429,899	16,708
Special Education Program	79,975	0	79,975	81,817	81,817	1,842
Vocational Education Program	28,090	0	28,090	28,823	28,823	733
Adult Programs	12,534	0	12,534	12,624	12,624	90
Other Programs	65,775	0	65,775	0	65,775	0

(Continued)

Exhibit I-7

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2011	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	$ 145,423	$ 0	$ 145,423	$ 173,598	$ 173,598	$ 28,175
Director of Schools	108,037	0	108,037	110,618	110,618	2,581
Office of the Principal	452,130	0	452,130	458,780	457,510	5,380
Fiscal Services	127,479	0	127,479	140,975	138,595	11,116
Operation of Plant	798,343	0	798,343	878,338	878,338	79,995
Maintenance of Plant	132,514	0	132,514	178,828	178,828	46,314
Transportation	547,867	0	547,867	642,195	642,195	94,328
Operation of Non-Instructional Services						
Food Service	74,658	0	74,658	72,229	75,879	1,221
Community Services	47,295	0	47,295	47,436	47,436	141
Early Childhood Education	306,152	0	306,152	306,153	306,153	1
Capital Outlay						
Regular Capital Outlay	222,998	162,203	385,201	310,000	425,368	40,167
Principal on Debt						
Education	224,000	0	224,000	230,000	230,000	6,000
Interest on Debt						
Education	26,258	0	26,258	314,100	314,100	287,842
Other Debt Service						
Education	42,578	0	42,578	55,000	55,000	12,422
Total Expenditures	$ 8,358,509	$ 162,203	$ 8,520,712	$ 9,424,046	$ 9,615,196	$ 1,094,484
Excess (Deficiency) of Revenues Over Expenditures	$ 191,655	$ (162,203)	$ 29,452	$ (1,084,287)	$ (1,084,287)	$ 1,113,739

(Continued)

Exhibit I-7

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Other Financing Sources (Uses)						
Insurance Recovery	$ 0	$ 0	$ 0	$ 500	$ 500	$ (500)
Transfers In	16,154	0	16,154	16,270	16,270	(116)
Total Other Financing Sources (Uses)	$ 16,154	$ 0	$ 16,154	$ 16,770	$ 16,770	$ (616)
Net Change in Fund Balance	$ 207,809	$ (162,203)	$ 45,606	$ (1,067,517)	$ (1,067,517)	$ 1,113,123
Fund Balance, July 1, 2010	2,153,900	0	2,153,900	2,204,544	2,204,544	(50,644)
Fund Balance, June 30, 2011	$ 2,361,709	$ (162,203)	$ 2,199,506	$ 1,137,027	$ 1,137,027	$ 1,062,479

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
School Federal Projects Fund
For the Year Ended June 30, 2011

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues						
Federal Government	$ 1,360,698	$ 0	$ 1,360,698	$ 1,537,601	$ 1,537,601	$ (176,903)
Total Revenues	$ 1,360,698	$ 0	$ 1,360,698	$ 1,537,601	$ 1,537,601	$ (176,903)
Expenditures						
Instruction						
Regular Instruction Program	$ 711,009	$ 1,835	$ 712,844	$ 778,348	$ 778,348	$ 65,504
Special Education Program	222,681	0	222,681	230,708	240,669	17,988
Vocational Education Program	69,788	0	69,788	70,042	70,042	254
Support Services						
Other Student Support	14,096	0	14,096	14,051	14,051	(45)
Regular Instruction Program	226,117	910	227,027	289,395	289,395	62,368
Special Education Program	90,425	0	90,425	106,470	99,470	9,045
Vocational Education Program	1,250	0	1,250	1,250	1,250	0
Transportation	9,788	0	9,788	16,770	13,809	4,021
Total Expenditures	$ 1,345,154	$ 2,745	$ 1,347,899	$ 1,507,034	$ 1,507,034	$ 159,135
Excess (Deficiency) of Revenues Over Expenditures	$ 15,544	$ (2,745)	$ 12,799	$ 30,567	$ 30,567	$ (17,768)
Other Financing Sources (Uses)						
Transfers In	$ 0	$ 0	$ 0	$ 47,314	$ 47,314	$ (47,314)
Transfers Out	(16,154)	0	(16,154)	(80,363)	(80,363)	64,209
Total Other Financing Sources (Uses)	$ (16,154)	$ 0	$ (16,154)	$ (33,049)	$ (33,049)	$ 16,895
Net Change in Fund Balance	$ (610)	$ (2,745)	$ (3,355)	$ (2,482)	$ (2,482)	$ (873)
Fund Balance, July 1, 2010	12,056	0	12,056	2,482	2,482	9,574
Fund Balance, June 30, 2011	$ 11,446	$ (2,745)	$ 8,701	$ 0	$ 0	$ 8,701

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
Central Cafeteria Fund
For the Year Ended June 30, 2011

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues						
Charges for Current Services	$ 142,788	$ 0	$ 142,788	$ 150,500	$ 150,500	$ (7,712)
Other Local Revenues	1,719	0	1,719	2,200	2,200	(481)
Federal Government	450,058	0	450,058	418,205	459,653	(9,595)
Total Revenues	$ 594,565	$ 0	$ 594,565	$ 570,905	$ 612,353	$ (17,788)
Expenditures						
Operation of Non-Instructional Services						
Food Service	$ 605,415	$ (8,490)	$ 596,925	$ 593,788	$ 666,236	$ 69,311
Total Expenditures	$ 605,415	$ (8,490)	$ 596,925	$ 593,788	$ 666,236	$ 69,311
Excess (Deficiency) of Revenues Over Expenditures	$ (10,850)	$ 8,490	$ (2,360)	$ (22,883)	$ (53,883)	$ 51,523
Net Change in Fund Balance	$ (10,850)	$ 8,490	$ (2,360)	$ (22,883)	$ (53,883)	$ 51,523
Fund Balance, July 1, 2010	133,155	(8,490)	124,665	90,325	90,325	34,340
Fund Balance, June 30, 2011	$ 122,305	$ 0	$ 122,305	$ 67,442	$ 36,442	$ 85,863

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 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. This fund was closed as of June 30, 2011.

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, 2011

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-10	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-11
PRIMARY GOVERNMENT								
CAPITAL OUTLAY NOTES PAYABLE								
Payable through General Debt Service Fund								
Chamber of Commerce Renovation	$ 41,000	2.79 %	9-7-10	6-30-11	$ 0	$ 41,000	$ 41,000	$ 0
Fairground Building	30,000	2.29	5-17-11	5-17-13	0	30,000	0	30,000
Total Capital Outlay Notes Payable					$ 0	$ 71,000	$ 41,000	$ 30,000
CAPITAL LEASES PAYABLE								
Payable through General Debt Service Fund								
Geothermal Heating System	72,727	5	9-1-05	9-15-15	$ 43,256	$ 0	$ 7,259	$ 35,997
OTHER LOANS PAYABLE								
Payable through General Debt Service Fund								
Senior Center Courtroom Renovation	(1)	4.375	12-14-10	12-14-48	$ 0	$ 34,200	$ 0	$ 34,200
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	$ 5,680,000	$ 0	$ 182,000	$ 5,498,000
Athletic Facility	1,500,000	Variable	9-29-03	5-25-31	1,245,000	0	42,000	1,203,000
Total Other Loans Payable					$ 6,925,000	$ 0	$ 224,000	$ 6,701,000

(1) Total amount approved was $615,000, of which $580,800 remains available for draws as of June 30, 2011.

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	Notes		
	Principal	Interest	Total
2012	$ 15,000	$ 687	$ 15,687
2013	15,000	343	15,343
Total	$ 30,000	$ 1,030	$ 31,030

Year Ending June 30	Capital Lease		
	Principal	Interest	Total
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	$ 35,997	$ 4,115	$ 40,112

Year Ending June 30	Other Loan		
	Principal	Interest	Total
2012	$ 0	$ 0	$ 0
2013	34,200	1,496	35,696
Total	$ 34,200	$ 1,496	$ 35,696

(Continued)

Exhibit J-2

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

DISCRETELY PRESENTED CLAY
COUNTY SCHOOL DEPARTMENT

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2012	$ 232,000	$ 5,361	$ 40,906	$ 278,267
2013	241,000	5,175	39,560	285,735
2014	249,000	4,982	38,162	292,144
2015	259,000	4,783	36,718	300,501
2016	268,000	4,576	35,216	307,792
2017	278,000	4,362	33,662	316,024
2018	289,000	4,139	32,049	325,188
2019	299,000	3,908	30,373	333,281
2020	310,000	3,669	28,639	342,308
2021	322,000	3,421	26,841	352,262
2022	334,000	3,163	24,973	362,136
2023	346,000	2,896	23,036	371,932
2024	359,000	2,619	21,029	382,648
2025	372,000	2,332	18,947	393,279
2026	387,000	2,034	16,789	405,823
2027	401,000	1,725	14,545	417,270
2028	415,000	1,404	12,219	428,623
2029	431,000	1,072	9,812	441,884
2030	446,000	727	7,312	454,039
2031	463,000	371	4,726	468,097
Total	$ 6,701,000	$ 62,719	$ 495,514	$ 7,259,233

Exhibit J-3

Clay County, Tennessee
Schedule of Transfers
Primary Government and Discretely Presented Clay County School Department
For the Year Ended June 30, 2011

From Fund	To Fund	Purpose	Amount
PRIMARY GOVERNMENT			
Public Library	General	To close fund	$ 5,233
Total Transfers Primary Government			$ 5,233
DISCRETELY PRESENTED CLAY COUNTY SCHOOL DEPARTMENT			
School Federal Projects	General Purpose School	Indirect costs	$ 16,154
Total Transfers Discretely Presented Clay County School Department			$ 16,154

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, 2011

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	69,900	(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:					
Patricia Hix (7-1-10 through 8-31-10)	Section 8-24-102, *TCA*	8,709		35,000	"
Donna Watson (9-1-10 through 6-30-11)		43,542		35,000	
Circuit and General Sessions Courts Clerk	Section 8-24-102, *TCA*	52,251		50,000	"
Clerk and Master	Section 8-24-102, *TCA* and Chancery Court Judge	52,251	(2)	75,000	"
Register	Section 8-24-102, *TCA*	52,251		15,000	"
Sheriff:					
James Storie (7-1-10 through 8-31-10)	Section 8-24-102, *TCA*	8,843	(3)	25,000	"
Brandon Boone (9-1-10 through 6-30-11)	Section 8-24-102, *TCA*	48,634		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 $4,104.
(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, 2011

		Special Revenue Funds					Debt Service Fund	
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Drug Control	Constitu - tional Officers - Fees	Highway / Public Works	General Debt Service	Total
Local Taxes								
County Property Taxes								
Current Property Tax	$ 1,436,827	$ 0	$ 347,857	$ 0	$ 0	$ 0	$ 27,520	$ 1,812,204
Trustee's Collections - Prior Year	111,682	0	27,038	0	0	0	2,139	140,859
Circuit/Clerk & Master Collections - Prior Years	31,173	0	7,547	0	0	0	597	39,317
Interest and Penalty	20,085	0	4,863	0	0	0	385	25,333
Payments in-Lieu-of Taxes - T.V.A.	66,062	0	0	0	0	0	0	66,062
Payments in-Lieu-of Taxes - Local Utilities	127,398	0	30,843	0	0	0	2,440	160,681
County Local Option Taxes								
Local Option Sales Tax	270,070	0	0	0	0	0	0	270,070
Hotel/Motel Tax	57,783	0	0	0	0	0	0	57,783
Wheel Tax	192,755	0	0	0	0	0	0	192,755
Litigation Tax - General	30,079	0	0	0	0	0	0	30,079
Litigation Tax - Special Purpose	2,894	1,100	0	0	0	0	2,881	6,875
Litigation Tax - Jail, Workhouse, or Courthouse	0	13,047	0	0	0	0	0	13,047
Other County Local Option Taxes	430	0	0	0	0	0	0	430
Statutory Local Taxes								
Bank Excise Tax	11,328	0	2,742	0	0	0	217	14,287
Wholesale Beer Tax	241,586	0	0	0	0	0	26,843	268,429
Interstate Telecommunications Tax	142	0	0	0	0	0	0	142
Total Local Taxes	$ 2,600,294	$ 14,147	$ 420,890	$ 0	$ 0	$ 0	$ 63,022	$ 3,098,353
Fines, Forfeitures, and Penalties								
Circuit Court								
Fines	$ 5,824	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 5,824
Officers Costs	7,676	0	0	0	0	0	0	7,676
Drug Control Fines	0	0	0	2,241	0	0	0	2,241
Drug Court Fees	853	0	0	0	0	0	0	853
Jail Fees	603	0	0	0	0	0	0	603
DUI Treatment Fines	285	0	0	0	0	0	0	285
Data Entry Fee - Circuit Court	481	0	0	0	0	0	0	481
Courtroom Security Fee	2,288	0	0	0	0	0	0	2,288

(Continued)

Exhibit J-5

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

		Special Revenue Funds					Debt Service Fund	
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Drug Control	Constitu - tional Officers - Fees	Highway / Public Works	General Debt Service	Total
Fines, Forfeitures, and Penalties (Cont.)								
General Sessions Court								
Fines	$ 12,416	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 12,416
Fines for Littering	48	0	0	0	0	0	0	48
Officers Costs	11,841	0	0	0	0	0	0	11,841
Game and Fish Fines	632	0	0	0	0	0	0	632
Drug Control Fines	0	0	0	3,418	0	0	0	3,418
Drug Court Fees	2,703	0	0	0	0	0	0	2,703
Jail Fees	1,725	0	0	0	0	0	0	1,725
DUI Treatment Fines	2,716	0	0	0	0	0	0	2,716
Data Entry Fee - General Sessions Court	1,237	0	0	0	0	0	0	1,237
Courtroom Security Fee	11,217	0	0	0	0	0	0	11,217
Chancery Court								
Data Entry Fee - Chancery Court	460	0	0	0	0	0	0	460
Other Fines, Forfeitures, and Penalties								
Proceeds from Confiscated Property	0	0	0	1,881	0	0	0	1,881
Other Fines, Forfeitures, and Penalties	321	0	0	2,275	0	0	0	2,596
Total Fines, Forfeitures, and Penalties	$ 63,326	$ 0	$ 0	$ 9,815	$ 0	$ 0	$ 0	$ 73,141
Charges for Current Services								
General Service Charges								
Tipping Fees	$ 0	$ 0	$ 63,650	$ 0	$ 0	$ 0	$ 0	$ 63,650
Other General Service Charges	3,012	0	0	0	0	0	0	3,012
Fees								
Recreation Fees	111	0	0	0	0	0	0	111
Copy Fees	1,090	0	0	0	0	0	0	1,090
Library Fees	20	0	0	0	0	0	0	20
Telephone Commissions	15,674	0	0	0	0	0	0	15,674
Constitutional Officers' Fees and Commissions	0	0	0	0	74,373	0	0	74,373
Data Processing Fee - Register	2,572	0	0	0	0	0	0	2,572
Sexual Offender Registration Fees - Sheriff	1,575	0	0	0	0	0	0	1,575
Total Charges for Current Services	$ 24,054	$ 0	$ 63,650	$ 0	$ 74,373	$ 0	$ 0	$ 162,077

(Continued)

Exhibit J-5

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

		Special Revenue Funds					Debt Service Fund	
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Drug Control	Constitu - tional Officers - Fees	Highway / Public Works	General Debt Service	Total
Other Local Revenues								
Recurring Items								
Investment Income	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 73,746	$ 73,746
Lease/Rentals	13,500	0	0	0	0	0	0	13,500
Sale of Recycled Materials	0	0	47,666	0	0	0	0	47,666
Miscellaneous Refunds	23,372	0	0	532	0	16,601	0	40,505
Nonrecurring Items								
Sale of Equipment	4,500	0	0	0	0	9,325	0	13,825
Contributions and Gifts	1,000	0	0	100	0	0	0	1,100
Other Local Revenues								
Other Local Revenues	20,442	0	0	0	0	0	0	20,442
Total Other Local Revenues	$ 62,814	$ 0	$ 47,666	$ 632	$ 0	$ 25,926	$ 73,746	$ 210,784
Fees Received from County Officials								
Excess Fees								
County Clerk	$ 25,268	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 25,268
Trustee	47,527	0	0	0	0	0	0	47,527
Fees in-Lieu-of Salary								
County Clerk	76,382	0	0	0	0	0	0	76,382
Circuit Court Clerk	49,303	0	0	0	0	0	0	49,303
General Sessions Court Clerk	50,323	0	0	0	0	0	0	50,323
Clerk and Master	24,807	0	0	0	0	0	0	24,807
Register	26,055	0	0	0	0	0	0	26,055
Sheriff	10,326	0	0	0	0	0	0	10,326
Total Fees Received from County Officials	$ 309,991	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 309,991
State of Tennessee								
General Government Grants								
Juvenile Services Program	$ 9,090	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 9,090
Aging Programs	14,250	0	0	0	0	0	0	14,250
On-Behalf Contributions for OPEB	1,253	0	0	0	0	0	0	1,253

(Continued)

Exhibit J-5

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

		Special Revenue Funds					Debt Service Fund	
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Drug Control	Constitu - tional Officers - Fees	Highway / Public Works	General Debt Service	Total
State of Tennessee (Cont.)								
Public Safety Grants								
Law Enforcement Training Programs	$ 4,200	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 4,200
Health and Welfare Grants								
Health Department Programs	3,588	0	0	0	0	0	0	3,588
Public Works Grants								
Litter Program	29,237	0	0	0	0	0	0	29,237
Other State Revenues								
Beer Tax	18,724	0	0	0	0	0	0	18,724
Alcoholic Beverage Tax	19,652	0	0	0	0	0	0	19,652
State Revenue Sharing - T.V.A.	258,325	0	0	0	0	7,000	0	265,325
Contracted Prisoner Boarding	61,401	0	0	0	0	0	0	61,401
Gasoline and Motor Fuel Tax	0	0	0	0	0	1,310,239	0	1,310,239
Petroleum Special Tax	0	0	0	0	0	6,406	0	6,406
Registrar's Salary Supplement	15,164	0	0	0	0	0	0	15,164
State Shared Sales Tax - Cities	630	0	0	0	0	0	0	630
Other State Grants	10,089	0	0	0	0	0	0	10,089
Other State Revenues	0	0	0	0	0	1,266	0	1,266
Total State of Tennessee	$ 445,603	$ 0	$ 0	$ 0	$ 0	$ 1,324,911	$ 0	$ 1,770,514
Federal Government								
Federal Through State								
Homeland Security Grants	$ 16,470	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 16,470
ARRA Grant # 1	51,524	0	0	0	0	0	0	51,524
Other Federal through State	51,000	0	0	0	0	270,142	0	321,142
Direct Federal Revenue								
Police Service (Lake Area)	30,032	0	0	0	0	0	0	30,032
Other Direct Federal Revenue	117,210	0	0	0	0	3,210	0	120,420
Total Federal Government	$ 266,236	$ 0	$ 0	$ 0	$ 0	$ 273,352	$ 0	$ 539,588

(Continued)

Exhibit J-5

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

		Special Revenue Funds					Debt Service Fund	
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Drug Control	Constitu - tional Officers - Fees	Highway / Public Works	General Debt Service	Total
Other Governments and Citizens Groups								
Other Governments								
Contributions	$ 16,622	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 16,622
Citizens Groups								
Donations	3,392	0	0	0	0	0	0	3,392
Other								
Other	113,830	0	0	0	0	0	0	113,830
Total Other Governments and Citizens Groups	$ 133,844	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 133,844
Total	$ 3,906,162	$ 14,147	$ 532,206	$ 10,447	$ 74,373	$ 1,624,189	$ 136,768	$ 6,298,292

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, 2011

	General Purpose School	School Federal Projects	Central Cafeteria	Total
Local Taxes				
County Property Taxes				
Current Property Tax	$ 1,025,129	$ 0	$ 0	$ 1,025,129
Trustee's Collections - Prior Year	79,682	0	0	79,682
Circuit/Clerk & Master Collections - Prior Years	22,241	0	0	22,241
Interest and Penalty	14,330	0	0	14,330
Payments in-Lieu-of Taxes - Local Utilities	90,894	0	0	90,894
County Local Option Taxes				
Local Option Sales Tax	541,944	0	0	541,944
Statutory Local Taxes				
Bank Excise Tax	8,082	0	0	8,082
Interstate Telecommunications Tax	548	0	0	548
Total Local Taxes	$ 1,782,850	$ 0	$ 0	$ 1,782,850
Licenses and Permits				
Licenses				
Marriage Licenses	$ 741	$ 0	$ 0	$ 741
Permits				
Other Permits	31	0	0	31
Total Licenses and Permits	$ 772	$ 0	$ 0	$ 772
Charges for Current Services				
Education Charges				
Lunch Payments - Children	$ 0	$ 0	$ 73,075	$ 73,075
Lunch Payments - Adults	0	0	27,156	27,156
Income from Breakfast	0	0	15,759	15,759
A la carte Sales	0	0	25,085	25,085
Contract for Student Support Services with Other LEAs	10,800	0	0	10,800
Receipts from Individual Schools	21,373	0	0	21,373
Community Service Fees - Adults	0	0	1,713	1,713
Other Charges for Services				
Other Charges for Services	45	0	0	45
Total Charges for Current Services	$ 32,218	$ 0	$ 142,788	$ 175,006
Other Local Revenues				
Recurring Items				
Investment Income	$ 0	$ 0	$ 1,649	$ 1,649
Refund of Telecommunication & Internet Fees (E-Rate)	23,011	0	0	23,011
Miscellaneous Refunds	5,640	0	70	5,710
Nonrecurring Items				
Sale of Equipment	194	0	0	194
Damages Recovered from Individuals	431	0	0	431
Contributions and Gifts	15,356	0	0	15,356
Other Local Revenues				
Other Local Revenues	73	0	0	73
Total Other Local Revenues	$ 44,705	$ 0	$ 1,719	$ 46,424

(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	$ 65,775	$ 0	$ 0	$ 65,775
State Education Funds				
Basic Education Program	5,013,164	0	0	5,013,164
Basic Education Program - ARRA	610,840	0	0	610,840
Early Childhood Education	305,532	0	0	305,532
School Food Service	6,157	0	0	6,157
Energy Efficient School Initiative	8,802	0	0	8,802
Other State Education Funds	9,403	0	0	9,403
Coordinated School Health - ARRA	90,000	0	0	90,000
Internet Connectivity - ARRA	3,163	0	0	3,163
Family Resource Centers - ARRA	33,284	0	0	33,284
Statewide Student Management System (SSMS) - ARRA	2,727	0	0	2,727
Career Ladder Program	53,281	0	0	53,281
Career Ladder - Extended Contract - ARRA	31,450	0	0	31,450
Other State Revenues				
Flood Control	144,032	0	0	144,032
Safe Schools - ARRA	6,900	0	0	6,900
Total State of Tennessee	$ 6,384,510	$ 0	$ 0	$ 6,384,510
Federal Government				
Federal Through State				
USDA School Lunch Program	$ 0	$ 0	$ 289,380	$ 289,380
USDA - Commodities	0	0	41,448	41,448
Breakfast	0	0	117,531	117,531
USDA - Other	0	0	1,699	1,699
Adult Education State Grant Program	67,477	0	0	67,477
Vocational Education - Basic Grants to States	0	25,342	0	25,342
Other Vocational	0	59,746	0	59,746
Title I Grants to Local Education Agencies	0	571,261	0	571,261
Special Education - Grants to States	0	317,218	0	317,218
Special Education Preschool Grants	0	11,024	0	11,024
Rural Education	0	18,833	0	18,833
Eisenhower Professional Development State Grants	0	60,091	0	60,091
Job Training Partnership Act	15,000	0	0	15,000
Disaster Relief	24,389	0	0	24,389
ARRA Grant # 1	99,521	0	0	99,521
Race to the Top - ARRA	0	271,557	0	271,557
Other Federal through State	10,007	25,626	0	35,633
Direct Federal Revenue				
Public Law 874 - Maintenance and Operation	88,715	0	0	88,715
Total Federal Government	$ 305,109	$ 1,360,698	$ 450,058	$ 2,115,865
Total	$ 8,550,164	$ 1,360,698	$ 594,565	$ 10,505,427

Exhibit J-7

Clay County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2011

General Fund		
General Government		
County Commission		
Board and Committee Members Fees	$ 19,956	
Audit Services	2,393	
Consultants	567	
Dues and Memberships	1,050	
Legal Services	500	
Other Contracted Services	330	
Other Charges	129	
Total County Commission		$ 24,925
Board of Equalization		
Board and Committee Members Fees	$ 1,050	
Total Board of Equalization		1,050
County Mayor/Executive		
County Official/Administrative Officer	$ 60,350	
Accountants/Bookkeepers	24,329	
Clerical Personnel	17,276	
Communication	2,451	
Data Processing Services	4,094	
Dues and Memberships	3,274	
Legal Notices, Recording, and Court Costs	1,687	
Maintenance Agreements	252	
Postal Charges	1,095	
Printing, Stationery, and Forms	400	
Travel	1,379	
Office Supplies	1,380	
Premiums on Corporate Surety Bonds	75	
Office Equipment	999	
Total County Mayor/Executive		119,041
County Attorney		
County Official/Administrative Officer	$ 5,400	
Total County Attorney		5,400
Election Commission		
County Official/Administrative Officer	$ 41,801	
Other Salaries and Wages	17,807	
Election Commission	5,689	
Election Workers	13,311	
In-Service Training	1,602	

(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.)		
Communication	$ 1,886	
Dues and Memberships	50	
Legal Services	28,870	
Legal Notices, Recording, and Court Costs	2,686	
Maintenance and Repair Services - Buildings	420	
Maintenance and Repair Services - Equipment	12,589	
Postal Charges	74	
Printing, Stationery, and Forms	1,568	
Travel	504	
Office Supplies	1,038	
Office Equipment	1,462	
Total Election Commission		$ 131,357
Register of Deeds		
County Official/Administrative Officer	$ 52,251	
Deputy(ies)	15,814	
Communication	1,087	
Data Processing Services	2,250	
Dues and Memberships	407	
Postal Charges	223	
Printing, Stationery, and Forms	1,013	
Duplicating Supplies	174	
Office Supplies	224	
Premiums on Corporate Surety Bonds	92	
Total Register of Deeds		73,535
County Buildings		
Custodial Personnel	$ 47,093	
Maintenance and Repair Services - Buildings	26,480	
Maintenance and Repair Services - Vehicles	2,121	
Custodial Supplies	6,363	
Electricity	38,606	
Gasoline	3,969	
Natural Gas	3,611	
Water and Sewer	3,114	
Total County Buildings		131,357
Other General Administration		
On-Behalf Payments to OPEB	$ 1,253	
Total Other General Administration		1,253

(Continued)

Exhibit J-7

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

General Fund (Cont.)
Finance

Property Assessor's Office		
County Official/Administrative Officer	$ 52,251	
Deputy(ies)	20,171	
Part-time Personnel	3,800	
Communication	981	
Contracts with Private Agencies	3,100	
Data Processing Services	3,039	
Dues and Memberships	300	
Legal Notices, Recording, and Court Costs	101	
Postal Charges	655	
Printing, Stationery, and Forms	264	
Travel	2,026	
Office Supplies	1,200	
Premiums on Corporate Surety Bonds	266	
Office Equipment	174	
Total Property Assessor's Office		$ 88,328
County Trustee's Office		
Data Processing Services	$ 1,800	
Dues and Memberships	327	
Legal Notices, Recording, and Court Costs	108	
Maintenance and Repair Services - Equipment	5,307	
Postal Charges	2,600	
Printing, Stationery, and Forms	441	
Office Supplies	1,460	
Premiums on Corporate Surety Bonds	1,285	
Office Equipment	397	
Total County Trustee's Office		13,725
County Clerk's Office		
County Official/Administrative Officer	$ 43,542	
Deputy(ies)	37,734	
Communication	1,910	
Dues and Memberships	327	
Maintenance and Repair Services - Equipment	684	
Postal Charges	1,601	
Rentals	7,800	
Electricity	3,205	
Office Supplies	2,931	
Premiums on Corporate Surety Bonds	150	
Total County Clerk's Office		99,884

(Continued)

Exhibit J-7

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

General Fund (Cont.)		
Administration of Justice		
Circuit Court		
County Official/Administrative Officer	$ 52,251	
Deputy(ies)	24,457	
Clerical Personnel	38,503	
Other Salaries and Wages	5,313	
Jury and Witness Expense	5,015	
In-Service Training	1,583	
Communication	2,217	
Data Processing Services	641	
Dues and Memberships	327	
Legal Notices, Recording, and Court Costs	160	
Maintenance Agreements	9,514	
Postal Charges	961	
Printing, Stationery, and Forms	961	
Travel	232	
Remittance of Revenue Collected	3,022	
Office Supplies	1,889	
Premiums on Corporate Surety Bonds	201	
Office Equipment	2,307	
Total Circuit Court		$ 149,554
General Sessions Court		
Judge(s)	$ 67,675	
Total General Sessions Court		67,675
Chancery Court		
County Official/Administrative Officer	$ 52,251	
Deputy(ies)	16,572	
Communication	2,020	
Dues and Memberships	327	
Maintenance Agreements	1,812	
Postal Charges	648	
Office Supplies	1,488	
Total Chancery Court		75,118
Juvenile Court		
Supervisor/Director	$ 9,000	
Social Security	525	
Unemployment Compensation	180	
Other Contracted Services	300	
Total Juvenile Court		10,005

(Continued)

Exhibit J-7

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

General Fund (Cont.)		
Administration of Justice (Cont.)		
Judicial Commissioners		
County Official/Administrative Officer	$ 9,431	
Other Salaries and Wages	300	
Office Supplies	189	
Premiums on Corporate Surety Bonds	43	
Total Judicial Commissioners		$ 9,963
Public Safety		
Sheriff's Department		
County Official/Administrative Officer	$ 57,477	
Assistant(s)	33,676	
Deputy(ies)	332,709	
Accountants/Bookkeepers	22,436	
Salary Supplements	4,200	
Dispatchers/Radio Operators	183,497	
Cafeteria Personnel	30,706	
Other Salaries and Wages	25,842	
In-Service Training	6,589	
Other Per Diem and Fees	1,360	
Communication	17,695	
Contracts with Other Public Agencies	1,064	
Dues and Memberships	1,300	
Evaluation and Testing	1,557	
Licenses	130	
Maintenance and Repair Services - Buildings	7	
Maintenance and Repair Services - Equipment	8,314	
Maintenance and Repair Services - Vehicles	10,247	
Pest Control	375	
Postal Charges	879	
Printing, Stationery, and Forms	2,064	
Travel	4,933	
Remittance of Revenue Collected	154	
Gasoline	61,546	
Law Enforcement Supplies	5,000	
Office Supplies	3,675	
Tires and Tubes	4,034	
Uniforms	5,705	
Other Supplies and Materials	1,645	
Premiums on Corporate Surety Bonds	794	
Other Equipment	19,744	
Total Sheriff's Department		849,354

(Continued)

Exhibit J-7

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

General Fund (Cont.)		
Public Safety (Cont.)		
Drug Enforcement		
Motor Vehicles	$ 31,445	
Total Drug Enforcement		$ 31,445
Jail		
Contracts with Government Agencies	$ 92,663	
Maintenance and Repair Services - Buildings	13,799	
Custodial Supplies	2,515	
Drugs and Medical Supplies	59,189	
Electricity	16,053	
Food Preparation Supplies	742	
Food Supplies	37,094	
Gasoline	4,504	
Water and Sewer	1,049	
Other Supplies and Materials	2,306	
Other Charges	452	
Total Jail		230,366
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	
Total Fire Prevention and Control		35,256
Rescue Squad		
Contributions	$ 2,500	
Other Capital Outlay	11,319	
Total Rescue Squad		13,819
Other Emergency Management		
Supervisor/Director	$ 4,800	
Secretary(ies)	3,600	
Other Salaries and Wages	12,500	
Maintenance and Repair Services - Equipment	22,000	
Office Supplies	22	
Road Signs	5,796	
Other Charges	1,000	
Other Equipment	1,700	
Total Other Emergency Management		51,418

(Continued)

Exhibit J-7

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

General Fund (Cont.)		
Public Safety (Cont.)		
County Coroner/Medical Examiner		
Other Salaries and Wages	$ 950	
Other Per Diem and Fees	13,020	
Total County Coroner/Medical Examiner		$ 13,970
Other Public Safety		
Guards	$ 14,453	
Total Other Public Safety		14,453
Public Health and Welfare		
Local Health Center		
Other Salaries and Wages	$ 3,600	
Communication	2,645	
Maintenance and Repair Services - Buildings	4,144	
Custodial Supplies	206	
Drugs and Medical Supplies	517	
Office Supplies	665	
Utilities	17,110	
Total Local Health Center		28,887
Ambulance/Emergency Medical Services		
Other Contracted Services	$ 360,000	
Total Ambulance/Emergency Medical Services		360,000
Alcohol and Drug Programs		
Other Salaries and Wages	$ 30,000	
Communication	1,020	
Postal Charges	46	
Travel	4,355	
Office Supplies	6,486	
Other Charges	3,593	
Total Alcohol and Drug Programs		45,500
Other Local Health Services		
Temporary Personnel	$ 1,725	
Unemployment Compensation	56	
Travel	979	
Total Other Local Health Services		2,760
Appropriation to State		
Other Contracted Services	$ 11,300	
Total Appropriation to State		11,300

(Continued)

Exhibit J-7

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

General Fund (Cont.)		
Social, Cultural, and Recreational Services		
Senior Citizens Assistance		
Supervisor/Director	$ 17,435	
Social Security	1,159	
Unemployment Compensation	184	
Communication	1,270	
Travel	255	
Office Supplies	35	
Utilities	16,840	
Other Supplies and Materials	908	
Total Senior Citizens Assistance		$ 38,086
Libraries		
Supervisor/Director	$ 20,171	
Part-time Personnel	7,793	
Other Salaries and Wages	17,051	
Social Security	138	
Communication	1,514	
Dues and Memberships	351	
Postal Charges	2,000	
Travel	912	
Other Contracted Services	438	
Custodial Supplies	1,946	
Electricity	8,215	
Library Books/Media	13,961	
Office Supplies	3,691	
Periodicals	314	
Water and Sewer	559	
Other Supplies and Materials	6,081	
Other Charges	1,709	
Office Equipment	4,432	
Total Libraries		91,276
Parks and Fair Boards		
Maintenance and Repair Services - Buildings	$ 29,802	
Electricity	101	
Total Parks and Fair Boards		29,903
Other Social, Cultural, and Recreational		
Contributions	$ 30,504	
Total Other Social, Cultural, and Recreational		30,504

(Continued)

Exhibit J-7

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

General Fund (Cont.)		
Agriculture and Natural Resources		
Agriculture Extension Service		
Salary Supplements	$ 54,855	
Social Security	5,352	
Extension Service Medicare	510	
Communication	1,674	
Contributions	9,808	
Travel	7,332	
Other Charges	1,036	
Data Processing Equipment	1,566	
Total Agriculture Extension Service		$ 82,133
Forest Service		
Contributions	$ 1,000	
Total Forest Service		1,000
Soil Conservation		
Secretary(ies)	$ 17,812	
Other Salaries and Wages	29,994	
Communication	1,518	
Maintenance and Repair Services - Buildings	5,912	
Utilities	1,186	
Total Soil Conservation		56,422
Other Operations		
Tourism		
Clerical Personnel	$ 6,472	
Advertising	1,381	
Communication	5,567	
Contributions	325	
Dues and Memberships	200	
Postal Charges	326	
Travel	76	
Office Supplies	496	
Other Construction	136,940	
Total Tourism		151,783
Industrial Development		
Advertising	$ 320	
Consultants	24,000	
Travel	1,261	
Office Supplies	933	

(Continued)

Exhibit J-7

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

General Fund (Cont.)			
Other Operations (Cont.)			
Industrial Development (Cont.)			
Other Charges	$ 28,129		
Total Industrial Development		$ 54,643	
Other Economic and Community Development			
Other Construction	$ 16,233		
Other Capital Outlay	18,877		
Total Other Economic and Community Development		35,110	
Other Charges			
Liability Insurance	$ 59,188		
Trustee's Commission	49,157		
Workers' Compensation Insurance	45,803		
Other Charges	250		
Other Debt Issuance Charges	3,692		
Total Other Charges		158,090	
Employee Benefits			
Social Security	$ 151,423		
State Retirement	101,803		
Unemployment Compensation	12,572		
Total Employee Benefits		265,798	
ARRA Grant # 1			
Other Salaries and Wages	$ 51,070		
Unemployment Compensation	325		
Travel	129		
Total ARRA Grant # 1		51,524	
ARRA Grant # 2			
Other Contracted Services	$ 230,785		
Total ARRA Grant # 2		230,785	
Highways			
Litter and Trash Collection			
Supervisor/Director	$ 25,660		
Laborers	2,803		
Other Charges	1,080		
Total Litter and Trash Collection		29,543	
Total General Fund			$ 3,999,978

(Continued)

Exhibit J-7

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

Courthouse and Jail Maintenance Fund			
General Government			
County Buildings			
Maintenance and Repair Services - Buildings	$ 2,886		
Total County Buildings		$ 2,886	
Other Operations			
Other Charges			
Trustee's Commission	$ 148		
Total Other Charges		148	
Total Courthouse and Jail Maintenance Fund			$ 3,034
Solid Waste/Sanitation Fund			
Public Health and Welfare			
Waste Pickup			
Truck Drivers	$ 39,185		
Laborers	88,326		
Clerical Personnel	15,427		
Social Security	10,132		
Unemployment Compensation	2,492		
Communication	1,634		
Contracts with Private Agencies	148,181		
Evaluation and Testing	137		
Legal Notices, Recording, and Court Costs	50		
Maintenance and Repair Services - Buildings	3,282		
Maintenance and Repair Services - Equipment	2,289		
Maintenance and Repair Services - Vehicles	31,749		
Rentals	1,790		
Travel	51		
Custodial Supplies	1,370		
Electricity	5,806		
Gasoline	38,891		
Natural Gas	738		
Office Supplies	749		
Tires and Tubes	9,444		
Uniforms	163		
Water and Sewer	711		
Other Charges	1,311		
Site Development	9,337		
Solid Waste Equipment	52,762		
Total Waste Pickup		$ 466,007	

(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	$ 9,047		
Total Other Charges		$ 9,047	
Total Solid Waste/Sanitation Fund			$ 475,054
Drug Control Fund			
Public Safety			
Drug Enforcement			
Contributions	$ 2,088		
Confidential Drug Enforcement Payments	8,400		
Other Supplies and Materials	4,928		
Other Charges	3,845		
Law Enforcement Equipment	758		
Motor Vehicles	4,000		
Total Drug Enforcement		$ 24,019	
Other Operations			
Other Charges			
Trustee's Commission	$ 89		
Total Other Charges		89	
Total Drug Control Fund			24,108
Constitutional Officers - Fees Fund			
Finance			
County Trustee's Office			
County Official/Administrative Officer	$ 52,251		
Deputy(ies)	27,873		
Constitutional Officers' Operating Expenses	575		
Total County Trustee's Office		$ 80,699	
County Clerk's Office			
County Official/Administrative Officer	$ 8,709		
Deputy(ies)	8,154		
Total County Clerk's Office		16,863	
Total Constitutional Officers - Fees Fund			97,562

(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	407	
Communication	1,636	
Consultants	676	
Data Processing Services	4,540	
Dues and Memberships	2,032	
Legal Notices, Recording, and Court Costs	17	
Postal Charges	330	
Other Contracted Services	7,971	
Other Charges	4,415	
Administration Equipment	18	
Total Administration		$ 109,508
Highway and Bridge Maintenance		
Equipment Operators	$ 133,820	
Truck Drivers	130,339	
Laborers	159,075	
Rentals	1,832	
Asphalt - Hot Mix	27,155	
Asphalt - Liquid	200,921	
Crushed Stone	169,664	
General Construction Materials	3,420	
Pipe	27,915	
Road Signs	748	
Salt	10,757	
Wood Products	1,224	
Other Supplies and Materials	1,974	
Other Charges	497	
Highway Construction	2,040	
Other Construction	1,240	
Total Highway and Bridge Maintenance		872,621
Operation and Maintenance of Equipment		
Mechanic(s)	$ 24,322	
Maintenance and Repair Services - Equipment	137	
Diesel Fuel	95,222	
Equipment and Machinery Parts	26,008	
Gasoline	14,980	
Lubricants	5,067	

(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	$ 1,778		
Road Signs	30		
Small Tools	107		
Tires and Tubes	19,810		
Other Supplies and Materials	588		
Other Charges	416		
Total Operation and Maintenance of Equipment		$ 188,465	
Other Charges			
Electricity	$ 3,961		
Water and Sewer	875		
Premiums on Corporate Surety Bonds	289		
Trustee's Commission	13,275		
Vehicle and Equipment Insurance	16,211		
Workers' Compensation Insurance	44,444		
Total Other Charges		79,055	
Employee Benefits			
Social Security	$ 33,213		
State Retirement	23,908		
Unemployment Compensation	6,758		
Employer Medicare	7,768		
Total Employee Benefits		71,647	
Capital Outlay			
Bridge Construction	$ 7,000		
Highway Equipment	277,466		
Total Capital Outlay		284,466	
Total Highway/Public Works Fund			$ 1,605,762
General Debt Service Fund			
Principal on Debt			
General Government			
Principal on Notes	$ 41,000		
Principal on Capital Leases	7,259		
Total General Government		$ 48,259	

(Continued)

Exhibit J-7

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

General Debt Service Fund (Cont.)			
Interest on Debt			
General Government			
Interest on Notes	$ 282		
Interest on Capital Leases	1,998		
Total General Government		$ 2,280	
Other Debt Service			
General Government			
Trustee's Commission	$ 1,589		
Total General Government		1,589	
Total General Debt Service Fund			$ 52,128
Total Governmental Funds - Primary Government			$ 6,257,094

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, 2011

General Purpose School Fund		
Instruction		
Regular Instruction Program		
Teachers	$ 2,191,123	
Career Ladder Program	23,000	
Career Ladder Extended Contracts	25,950	
Educational Assistants	96,742	
Longevity Pay	4,675	
Certified Substitute Teachers	52,639	
Non-certified Substitute Teachers	15,125	
Social Security	135,991	
State Retirement	208,729	
Medical Insurance	183,866	
Unemployment Compensation	6,129	
Employer Medicare	32,059	
Maintenance and Repair Services - Equipment	2,179	
Other Contracted Services	45,050	
Instructional Supplies and Materials	50,281	
Textbooks	10,681	
Other Charges	321	
Regular Instruction Equipment	54,679	
Total Regular Instruction Program		$ 3,139,219
Alternative Instruction Program		
Teachers	$ 47,000	
Certified Substitute Teachers	920	
Non-certified Substitute Teachers	475	
Social Security	2,632	
State Retirement	4,253	
Medical Insurance	2,941	
Unemployment Compensation	83	
Employer Medicare	616	
Instructional Supplies and Materials	125	
Total Alternative Instruction Program		59,045
Special Education Program		
Teachers	$ 329,232	
Career Ladder Program	5,000	
Homebound Teachers	19,328	
Educational Assistants	24,744	
Longevity Pay	1,800	
Certified Substitute Teachers	6,696	

(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.)		
Non-certified Substitute Teachers	$ 3,775	
Social Security	22,288	
State Retirement	33,791	
Medical Insurance	28,386	
Unemployment Compensation	908	
Employer Medicare	5,222	
Contracts with Private Agencies	2,635	
Other Contracted Services	22,655	
Special Education Equipment	1,674	
Total Special Education Program		$ 508,134
Vocational Education Program		
Teachers	$ 183,827	
Career Ladder Program	2,000	
Certified Substitute Teachers	5,400	
Non-certified Substitute Teachers	1,700	
Social Security	11,226	
State Retirement	16,818	
Medical Insurance	10,296	
Unemployment Compensation	406	
Employer Medicare	2,651	
Travel	5,739	
Other Contracted Services	39,558	
Instructional Supplies and Materials	8,566	
Textbooks	3,447	
Vocational Instruction Equipment	3,603	
Total Vocational Education Program		295,237
Adult Education Program		
Teachers	$ 28,255	
Other Salaries and Wages	9,187	
Social Security	1,270	
State Retirement	1,272	
Unemployment Compensation	186	
Employer Medicare	543	
Travel	713	
Instructional Supplies and Materials	6,055	
In Service/Staff Development	2,808	
Other Equipment	4,655	
Total Adult Education Program		54,944

(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	$ 59,794	
Career Ladder Program	1,000	
Social Security	3,587	
State Retirement	5,502	
Medical Insurance	2,814	
Unemployment Compensation	72	
Employer Medicare	839	
Travel	2,757	
Other Contracted Services	2,727	
Other Supplies and Materials	401	
Other Charges	2,252	
Total Attendance		$ 81,745
Health Services		
Medical Personnel	$ 83,720	
Longevity Pay	250	
Other Salaries and Wages	62,294	
Social Security	8,526	
State Retirement	11,185	
Medical Insurance	7,303	
Unemployment Compensation	306	
Employer Medicare	1,994	
Contributions	100	
Licenses	100	
Travel	5,087	
Other Contracted Services	500	
Drugs and Medical Supplies	846	
Other Supplies and Materials	8,568	
Total Health Services		190,779
Other Student Support		
Career Ladder Program	$ 1,000	
Guidance Personnel	131,188	
Social Security	7,442	
State Retirement	11,963	
Medical Insurance	10,889	
Unemployment Compensation	216	
Employer Medicare	1,740	
Evaluation and Testing	4,118	

(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	$ 1,999	
Other Charges	3,554	
Total Other Student Support		$ 174,109
Regular Instruction Program		
Supervisor/Director	$ 104,548	
Career Ladder Program	7,000	
Librarians	135,465	
Education Media Personnel	25,112	
Instructional Computer Personnel	29,378	
Longevity Pay	171	
Social Security	17,760	
State Retirement	25,966	
Medical Insurance	14,627	
Unemployment Compensation	495	
Employer Medicare	4,153	
Travel	14,108	
Library Books/Media	8,115	
Other Supplies and Materials	4,609	
In Service/Staff Development	21,684	
Total Regular Instruction Program		413,191
Special Education Program		
Supervisor/Director	$ 27,345	
Career Ladder Program	1,000	
Psychological Personnel	25,932	
Clerical Personnel	6,531	
Longevity Pay	583	
Other Salaries and Wages	6,608	
Social Security	4,189	
State Retirement	5,896	
Unemployment Compensation	209	
Employer Medicare	980	
Travel	42	
Other Contracted Services	660	
Total Special Education Program		79,975
Vocational Education Program		
Supervisor/Director	$ 27,130	

(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 (Cont.)		
Unemployment Compensation	$ 72	
Employer Medicare	393	
Travel	495	
Total Vocational Education Program		$ 28,090
Adult Programs		
Supervisor/Director	$ 10,770	
Social Security	625	
State Retirement	975	
Unemployment Compensation	18	
Employer Medicare	146	
Total Adult Programs		12,534
Other Programs		
On-Behalf Payments to OPEB	$ 65,775	
Total Other Programs		65,775
Board of Education		
Other Salaries and Wages	$ 2,000	
Board and Committee Members Fees	14,400	
Social Security	918	
State Retirement	126	
Unemployment Compensation	121	
Employer Medicare	238	
Advertising	4,976	
Audit Services	3,500	
Dues and Memberships	7,592	
Engineering Services	450	
Legal Services	1,430	
Travel	875	
Food Supplies	1,105	
Trustee's Commission	53,280	
Workers' Compensation Insurance	49,460	
Refund to Applicant for Criminal Investigation	1,256	
Other Charges	3,696	
Total Board of Education		145,423
Director of Schools		
County Official/Administrative Officer	$ 68,900	

(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.)		
Career Ladder Program	$ 1,000	
Social Security	3,971	
State Retirement	6,326	
Medical Insurance	5,848	
Unemployment Compensation	72	
Employer Medicare	929	
Communication	14,535	
Dues and Memberships	404	
Postal Charges	2,960	
Travel	2,460	
Office Supplies	632	
Total Director of Schools		$ 108,037
Office of the Principal		
Principals	$ 169,592	
Career Ladder Program	3,500	
Assistant Principals	100,827	
Secretary(ies)	65,964	
Clerical Personnel	21,896	
Longevity Pay	2,450	
Social Security	21,419	
State Retirement	31,106	
Medical Insurance	18,303	
Unemployment Compensation	860	
Employer Medicare	5,009	
Communication	4,397	
Travel	4,157	
Other Contracted Services	2,650	
Total Office of the Principal		452,130
Fiscal Services		
Accountants/Bookkeepers	$ 50,981	
Secretary(ies)	49,598	
Longevity Pay	733	
Social Security	5,134	
State Retirement	5,975	
Medical Insurance	3,050	
Unemployment Compensation	351	
Employer Medicare	1,448	

(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.)		
Travel	$ 1,244	
Other Contracted Services	5,127	
Data Processing Supplies	1,821	
Office Supplies	1,909	
Other Charges	108	
Total Fiscal Services		$ 127,479
Operation of Plant		
Custodial Personnel	$ 155,275	
Longevity Pay	2,025	
Social Security	9,660	
State Retirement	10,727	
Medical Insurance	5,000	
Unemployment Compensation	733	
Employer Medicare	2,259	
Maintenance and Repair Services - Equipment	1,699	
Travel	892	
Other Contracted Services	82,175	
Custodial Supplies	26,268	
Electricity	388,310	
Fuel Oil	20,155	
Water and Sewer	23,734	
Other Supplies and Materials	412	
Building and Contents Insurance	47,611	
Other Charges	1,202	
Plant Operation Equipment	20,206	
Total Operation of Plant		798,343
Maintenance of Plant		
Longevity Pay	$ 100	
Other Salaries and Wages	88,022	
Social Security	3,962	
State Retirement	4,652	
Medical Insurance	2,000	
Unemployment Compensation	337	
Employer Medicare	1,278	
Maintenance and Repair Services - Buildings	1,580	
Maintenance and Repair Services - Equipment	2,941	
Rentals	1,692	

(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.)		
Food Supplies	$ 54	
General Construction Materials	1,082	
Other Supplies and Materials	20,326	
Maintenance Equipment	4,488	
Total Maintenance of Plant		$ 132,514
Transportation		
Bus Drivers	$ 189,680	
Longevity Pay	4,450	
Other Salaries and Wages	570	
Social Security	12,022	
State Retirement	12,763	
Medical Insurance	5,002	
Unemployment Compensation	1,273	
Employer Medicare	2,818	
Communication	5,251	
Licenses	143	
Maintenance and Repair Services - Vehicles	9,672	
Medical and Dental Services	3,096	
Travel	2,198	
Other Contracted Services	51,620	
Diesel Fuel	85,517	
Gasoline	18,467	
Lubricants	6,001	
Tires and Tubes	16,338	
Vehicle Parts	24,896	
Vehicle and Equipment Insurance	18,030	
Other Charges	2,363	
Transportation Equipment	75,697	
Total Transportation		547,867
Operation of Non-Instructional Services		
Food Service		
Supervisor/Director	$ 57,424	
Career Ladder Program	1,000	
Social Security	3,394	
State Retirement	5,287	
Medical Insurance	3,641	
Unemployment Compensation	72	

(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.)		
Employer Medicare	$ 794	
Communication	995	
Travel	2,051	
Total Food Service		$ 74,658
Community Services		
Supervisor/Director	$ 33,481	
Other Salaries and Wages	3,461	
Social Security	2,126	
State Retirement	3,343	
Medical Insurance	2,814	
Unemployment Compensation	67	
Employer Medicare	497	
Travel	605	
Other Supplies and Materials	651	
Other Charges	250	
Total Community Services		47,295
Early Childhood Education		
Supervisor/Director	$ 15,002	
Teachers	113,806	
Accountants/Bookkeepers	6,077	
Educational Assistants	46,176	
Longevity Pay	588	
Certified Substitute Teachers	1,065	
Non-certified Substitute Teachers	1,665	
Social Security	11,109	
State Retirement	15,072	
Medical Insurance	3,370	
Unemployment Compensation	482	
Employer Medicare	2,616	
Dues and Memberships	40	
Postal Charges	300	
Travel	1,522	
Instructional Supplies and Materials	19,452	
In Service/Staff Development	650	
Regular Instruction Equipment	67,160	
Total Early Childhood Education		306,152

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)			
Capital Outlay			
Regular Capital Outlay			
Architects	$ 7,700		
Building Construction	8,371		
Building Improvements	101,260		
Communication Equipment	22,790		
Heating and Air Conditioning Equipment	40,011		
Site Development	16,697		
Other Capital Outlay	26,169		
Total Regular Capital Outlay		$ 222,998	
Principal on Debt			
Education			
Principal on Other Loans	$ 224,000		
Total Education		224,000	
Interest on Debt			
Education			
Interest on Other Loans	$ 26,258		
Total Education		26,258	
Other Debt Service			
Education			
Other Debt Service	$ 42,578		
Total Education		42,578	
Total General Purpose School Fund			$ 8,358,509
School Federal Projects Fund			
Instruction			
Regular Instruction Program			
Teachers	$ 206,540		
Educational Assistants	68,006		
Longevity Pay	2,300		
Other Salaries and Wages	34,188		
Social Security	18,189		
State Retirement	26,686		
Medical Insurance	13,654		
Unemployment Compensation	1,259		
Employer Medicare	4,255		
Other Contracted Services	4,250		

(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.)		
Instructional Supplies and Materials	$ 26,313	
Regular Instruction Equipment	305,369	
Total Regular Instruction Program		$ 711,009
Special Education Program		
Teachers	$ 35,415	
Educational Assistants	62,644	
Social Security	6,054	
State Retirement	7,303	
Medical Insurance	3,012	
Unemployment Compensation	659	
Employer Medicare	1,107	
Contracts with Private Agencies	11,288	
Other Contracted Services	57,562	
Instructional Supplies and Materials	12,809	
Other Charges	4,754	
Special Education Equipment	20,074	
Total Special Education Program		222,681
Vocational Education Program		
Instructional Supplies and Materials	$ 10,373	
Vocational Instruction Equipment	59,415	
Total Vocational Education Program		69,788
Support Services		
Other Student Support		
Other Salaries and Wages	$ 1,500	
Social Security	93	
State Retirement	136	
Employer Medicare	22	
Travel	12,045	
In Service/Staff Development	300	
Total Other Student Support		14,096
Regular Instruction Program		
Supervisor/Director	$ 27,125	
Secretary(ies)	8,202	
Other Salaries and Wages	110,859	
Social Security	8,322	

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)		
Support Services (Cont.)		
Regular Instruction Program (Cont.)		
State Retirement	$ 13,076	
Medical Insurance	11,507	
Unemployment Compensation	488	
Employer Medicare	1,946	
Maintenance and Repair Services - Equipment	473	
Postal Charges	1,500	
Travel	6,422	
Other Contracted Services	7,288	
Other Supplies and Materials	4,128	
In Service/Staff Development	20,734	
Other Charges	3,276	
Other Equipment	771	
Total Regular Instruction Program		$ 226,117
Special Education Program		
Psychological Personnel	$ 25,932	
Assessment Personnel	23,616	
Clerical Personnel	7,418	
Other Salaries and Wages	6,456	
Social Security	3,886	
State Retirement	5,479	
Medical Insurance	862	
Unemployment Compensation	183	
Employer Medicare	909	
Maintenance and Repair Services - Equipment	287	
Travel	6,077	
Other Contracted Services	4,532	
Other Supplies and Materials	3,193	
In Service/Staff Development	1,595	
Total Special Education Program		90,425
Vocational Education Program		
Travel	$ 717	
In Service/Staff Development	533	
Total Vocational Education Program		1,250
Transportation		
Bus Drivers	$ 6,597	
Social Security	534	

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)			
Support Services (Cont.)			
Transportation (Cont.)			
State Retirement	$ 621		
Unemployment Compensation	90		
Employer Medicare	96		
Contracts with Parents	1,850		
Total Transportation		$ 9,788	
Total School Federal Projects Fund			$ 1,345,154
Central Cafeteria Fund			
Operation of Non-Instructional Services			
Food Service			
Cafeteria Personnel	$ 195,326		
Longevity Pay	2,800		
In-Service Training	490		
Social Security	12,728		
State Retirement	13,297		
Medical Insurance	10,812		
Unemployment Compensation	1,204		
Employer Medicare	2,871		
Communication	1,328		
Maintenance and Repair Services - Equipment	12,165		
Postal Charges	120		
Transportation - Other than Students	2,252		
Other Contracted Services	1,870		
Food Preparation Supplies	4,292		
Food Supplies	236,816		
Office Supplies	4,381		
USDA - Commodities	41,448		
Other Supplies and Materials	13,320		
Workers' Compensation Insurance	6,000		
In Service/Staff Development	384		
Food Service Equipment	41,511		
Total Food Service		$ 605,415	
Total Central Cafeteria Fund			605,415

(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			
Maintenance and Repair Services - Buildings	$ 16		
Site Development	7,362		
Total Education Capital Projects		$ 7,378	
Total Education Capital Projects Fund			$ 7,378
Total Governmental Funds - Clay County School Department			$ 10,316,456

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, 2011

	Cities - Sales Tax Fund
Cash Receipts	
Local Option Sales Tax	$ 268,067
Total Cash Receipts	$ 268,067
Cash Disbursements	
Remittance of Revenues Collected	$ 265,386
Trustee's Commission	2,681
Total Cash Disbursements	$ 268,067
Excess of Cash Receipts Over (Under) Cash Disbursements	$ 0
Cash Balance, July 1, 2010	0
Cash Balance, June 30, 2011	$ 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 10, 2011

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, 2011, which collectively comprise Clay County's basic financial statements and have issued our report thereon dated October 10, 2011. 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: 11.01, 11.03, 11.04, 11.07, and 11.08. 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.

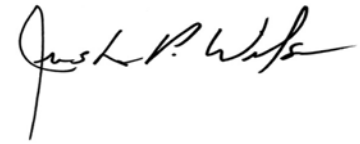
Compliance and Other Matters

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying Schedule of Findings and Questioned Costs as items 11.02, 11.05, and 11.06.

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

This report is intended solely for the information and use of management, the county mayor, director of schools, road superintendent, County Commission, Board of Education, others within Clay County, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury

JPW/yu

STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

October 10, 2011

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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. 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, 2011.

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, 2011, and have issued our report thereon dated October 10, 2011. 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 as a whole. The 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 financial statements. Such information is the responsibility of management and was derived from and relates

directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of management, the county mayor, director of schools, road superintendent, County Commission, Board of Education, others within Clay County, 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/yu

Clay County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2011

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Passed-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Direct Programs:			
Community Facilities Loans and Grants	10.766	N/A	$ 129,200
Rural Business Enterprise Grants	10.769	N/A	3,333
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	117,531
National School Lunch Program	10.555	N/A	289,380 (3)
Fresh Fruits and Vegetable Program	10.582	N/A	1,699
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	41,448 (3)
Total U.S. Department of Agriculture			$ 582,591
U.S. Department of Housing and Urban Development:			
Direct Program:			
Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grants	14.251	N/A	$ 18,877
U.S. Department of Labor:			
Passed-through Upper Cumberland Human Resource Agency:			
WIA Youth Activities	17.259	(2)	$ 15,000
U.S. Department of Energy:			
Passed-through State Department of Economic and Community Development:			
Energy Efficiency and Conservation Block Grant Program (EECBG) - Recovery Act	81.128	(2)	$ 99,521
U.S. Department of Education:			
Direct Programs:			
Impact Aid	84.041	N/A	$ 88,715
Passed-through State Department of Labor and Workforce Development:			
Adult Education - Basic Grants to States	84.002	DG-11-31220	67,477
Passed-through State Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	N/A	417,007
Title I Grants to Local Educational Agencies, Recovery Act	84.389	N/A	153,354
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	228,951
Special Education - Grants to States, Recovery Act	84.391	N/A	84,915
Special Education - Preschool Grants	84.173	N/A	11,107
Special Education - Preschool Grants, Recovery Act	84.392	N/A	421
Career and Technical Education - Basic Grants to States	84.048	N/A	85,133
Safe and Drug-free Schools and Communities - State Grants	84.186	(2)	397
Education Technology State Grants Cluster:			
Education Technology State Grants	84.318	N/A	2,567
Education Technology State Grants, Recovery Act	84.386	N/A	23,141
Rural Education	84.358	N/A	21,886
Improving Teacher Quality State Grants	84.367	N/A	60,899
State Fiscal Stabilization Fund Cluster:			
State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	N/A	610,840
State Fiscal Stabilization Fund - Government Service, Recovery Act	84.397	(4)	167,524
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants - Recovery Act	84.395	N/A	271,506
Total U.S. Department of Education			$ 2,295,840

(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 Election Assistance Commission:			
Passed-through Tennessee Secretary of State:			
Help America Vote Act Requirements Payments	90.401	N/A	$ 1,000
U.S. Department of Health and Human Services:			
Direct Program:			
ARRA - Grants to Health Center Programs	93.703	N/A	$ 282,309
Passed-through State Department of Education:			
Temporary Assistance for Needy Families	93.558	(2)	10,007
Passed-through State Department of Mental Health and Developmental Disabilities:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	50,000
Total U.S. Department of Health and Human Services			$ 342,316
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	1909-DR-TN	$ 294,531
Homeland Security Grant Program	97.067	GG-08-24215-00	16,470
Total U.S. Department of Homeland Security			$ 311,001
Total Expenditures of Federal Awards			$ 3,666,146

State Grants		Contract Number	
Aging Program - Upper Cumberland Development District	N/A	(2)	$ 14,250
Juvenile Justice - State Commission on Children and Youth	N/A	(2)	9,090
Library Computer Lab - Tennessee Secretary of State	N/A	(2)	8,589
Library Management Software - Tennessee Secretary of State	N/A	(2)	1,500
Law Enforcement Training - State Department of Safety	N/A	(2)	4,200
High Schools that Work - State Department of Education	N/A	(2)	7,000
Lottery for Education/PreK - State Department of Education	N/A	(2)	305,532
Energy Efficient Schools Initiative - State Department of Agriculture	N/A	(2)	8,802
Litter Program - State Department of Transportation	N/A	(2)	29,237
Rural Local Health Services - State Department of Health	N/A	(2)	3,588
Total State Grants			$ 391,788

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 $330,828.
(4) Coordinated School Health - $90,000; Internet Connectivity - $3,163; Family Resource Center - $33,284; Statewide Student Management Systems - $2,727; Career Ladder - Extended Contract - $31,450; Safe Schools - $6,900.

Clay County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2011

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, 2010, which have not been corrected.

OFFICES OF COUNTY MAYOR AND ROAD SUPERINTENDENT

Finding Number	Page Number	Subject
10.01	139	The offices had not established formal purchase order systems

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

Finding Number	Page Number	Subject
10.02	139	The execution docket trial balances did not reconcile with general ledger accounts

OTHER FINDING

Finding Number	Page Number	Subject
10.03	140	Duties were not segregated adequately in the Offices of Road Superintendent, County Clerk, Clerk and Master, Register, and Sheriff

CLAY COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2011

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; however, management did not provide responses for inclusion in this report.

OFFICE OF COUNTY MAYOR

FINDING 11.01 **THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES**
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Our examination of purchasing procedures revealed the following deficiencies:

A. The office had not established a formal purchase order system. Purchase orders are necessary to control who has purchasing authority for the county and to document purchasing commitments. The absence of a formal purchase order system increases the risks of unauthorized purchases. This deficiency exists because management failed to correct the finding noted in prior-year audit reports.

B. In some instances, the office paid invoices without canceling or marking them paid. This deficiency is the result of management's oversight and could result in the office paying invoices more than once.

RECOMMENDATION

The office should establish a formal purchase order system to improve internal controls over the purchasing process and to document purchasing commitments. Also, all invoices should be canceled when paid.

FINDING 11.02 **A CAPITAL OUTLAY NOTE WAS NOT ISSUED IN COMPLIANCE WITH STATE STATUTES**
(Noncompliance Under *Government Auditing Standards*)

On September 7, 2010, Clay County issued a $41,000 capital outlay note for a renovation project without the approval of the state Comptroller's Office as required by Section 9-21-601, *Tennessee Code Annotated* (*TCA*). Also, county officials did not file a Report on Debt Obligation with the state Comptroller's Office for the capital outlay note. Section 9-21-151, *TCA*, requires that within 45 days following the issuance of debt, a county must provide to the state Comptroller's Office certain information, such as a description of the purchase for which the debt is issued, a description of the debt obligation, and an itemized description of the cost of issuance. These deficiencies are the result of management's oversight.

RECOMMENDATION

Capital outlay notes should be issued in compliance with state statutes.

OFFICE OF ROAD SUPERINTENDENT

FINDING 11.03 **THE OFFICE HAD NOT ESTABLISHED A FORMAL PURCHASE ORDER SYSTEM**
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

The office had not established a formal purchase order system. Purchase orders are necessary to control who has purchasing authority for the office and to document purchasing commitments. The absence of a formal purchase order system increases the risks of unauthorized purchases. This deficiency exists because management failed to correct the finding noted in prior-year audit reports.

RECOMMENDATION

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

OFFICE OF COUNTY CLERK

FINDING 11.04 **DEFICIENCIES WERE NOTED IN THE MAINTENANCE OF ACCOUNTING RECORDS**
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Our examination revealed the following deficiencies in the maintenance of accounting records. These deficiencies are the result of a lack of management oversight and are considered significant deficiencies that increase the risk of fraud and abuse and the risk that errors will not be discovered and corrected in a timely manner.

A. The official cash journal was not properly maintained from September 1, 2010, through June 30, 2011. In most cases, disbursements were reflected in the cash journal as a reduction to cash in bank without a corresponding reduction to the appropriate liability account. In addition, the cash journal did not reflect all bank transactions. Column totals were not carried forward from one page to the next page, and ending balances for the month were not carried forward to the next month. Therefore, general ledger balances at June 30, 2011, were not accurate. Operations and year-end balances were determined by substantive testing and alternative auditing procedures and have been correctly reflected in the financial statements of this report.

B. Since the official cash journal was not properly maintained as noted above, bank statements were not reconciled with cash journal controls. Instead, the clerk reconciled bank statements with check stub balances from September 1, 2010 through June 30, 2011. The bank balance for June 30, 2011, was determined by alternative auditing procedures.

RECOMMENDATION

The county clerk should maintain a cash journal that accurately reflects all financial activity of the office and should reconcile the general ledger accounts with bank statements monthly.

FINDING 11.05 **THE OFFICE DID NOT DEPOSIT SOME FUNDS WITHIN THREE DAYS OF COLLECTION**
(Noncompliance Under *Government Auditing Standards*)

In some instances, the county clerk did not deposit funds within three days of collection. Section 5-8-207, *Tennessee Code Annotated*, requires county officials to deposit public funds to the office bank account within three days of collection. This deficiency is the result of management's oversight. The delay in depositing funds increases the risks of fraud and misappropriation.

RECOMMENDATION

The county clerk should ensure that all funds are deposited to the office bank account within three days of collection as required by state statute.

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

FINDING 11.06 **EXECUTION DOCKET TRIAL BALANCES DID NOT RECONCILE WITH GENERAL LEDGER ACCOUNTS**
(Noncompliance Under *Government Auditing Standards*)

At June 30, 2011, 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 general ledger accounts by significant amounts. The clerk had unidentified balances of $2,255 and $17,504 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. This

deficiency is the result of management's failure to correct the finding noted in prior-year audit reports.

RECOMMENDATION

Execution docket trial balances should be reconciled with 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.

OFFICES OF REGISTER AND SHERIFF

FINDING 11.07 **MULTIPLE EMPLOYEES OPERATED FROM THE SAME CASH DRAWER**
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Multiple employees operated from the same cash drawer in the Offices of Register and Sheriff. Sound internal controls dictate that each employee have their own cash drawer, start the day with a standard fixed amount of cash, and remove all but that beginning amount at the end of the day. This amount should be verified to that employee's receipts at the end of each day. Failure to adhere to this control regimen greatly increases the risk that a cash shortage may not be detected in a timely manner. Furthermore, in the event of a cash shortage, the official would not be able to determine who was responsible for the shortage because multiple employees were working from one cash drawer. This deficiency in internal controls was the result of a lack of management oversight of risks related to safeguarding assets.

RECOMMENDATION

The register and sheriff should assign each employee their own cash drawer.

OTHER FINDING AND RECOMMENDATION

FINDING 11.08 **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF ROAD SUPERINTENDENT, COUNTY 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 Road Superintendent, County 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.

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 in Clay County.

ITEM 1. CLAY COUNTY SHOULD ADOPT A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING

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 SHOULD ESTABLISH AN AUDIT COMMITTEE

Clay County does not have an Audit Committee. An Audit Committee can assist the County Commission by providing independent and objective reviews of the financial reporting process, internal controls, the audit function, and being 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, 2011

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