
ANNUAL FINANCIAL REPORT CLAY COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2012



**ANNUAL FINANCIAL REPORT
CLAY COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2012**

***COMPTROLLER OF THE TREASURY
JUSTIN P. WILSON***

***DIVISION OF LOCAL GOVERNMENT AUDIT
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This financial report is available at www.comptroller.tn.gov

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Audit Highlights

Annual Financial Report
Clay County, Tennessee
For the Year Ended June 30, 2012

Scope

We have audited the basic financial statements of Clay County as of and for the year ended June 30, 2012.

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

Findings and Best Practices

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

OFFICES OF COUNTY MAYOR AND ROAD SUPERINTENDENT

- ◆ The offices had not established formal purchase order systems.

OFFICE OF ROAD SUPERINTENDENT

- ◆ The Highway/Public Works Fund required material audit adjustments for proper financial statement presentation.

OFFICE OF ASSESSOR OF PROPERTY

- ◆ New owners of greenbelt properties were not required to file a new application for agricultural property.
 - ◆ The assessor did not prorate new construction.
 - ◆ Mobile homes were assessed to the mobile home owner instead of the land owner where the mobile home was located.
-

OFFICE OF TRUSTEE

- ◆ The office did not implement adequate controls to protect its information resources.
-

OFFICE OF COUNTY CLERK

- ◆ 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.
 - ◆ Unclaimed funds were not reported and paid to the state.
-

OFFICES OF COUNTY CLERK AND SHERIFF

- ◆ Multiple employees operated from the same cash drawer.
-

OFFICES OF ROAD SUPERINTENDENT, COUNTY CLERK, AND SHERIFF

- ◆ Duties were not segregated adequately.
-

BEST PRACTICES

The Division of Local Government 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, 2012

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 LOCAL GOVERNMENT AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
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INDEPENDENT AUDITOR'S REPORT

December 17, 2012

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, 2012, 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, 2012, 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, 2012, 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 December 17, 2012, 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.

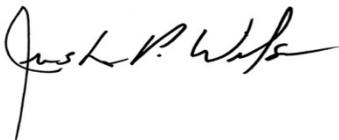
Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required 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 53 through 61 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,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a long vertical stroke at the end.

Justin P. Wilson
Comptroller of the Treasury

JPW/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

Clay County, Tennessee
Statement of Net Assets
June 30, 2012

	<u>Primary Governmental Activities</u>	<u>Component Unit Clay County School Department</u>
<u>ASSETS</u>		
Cash	\$ 18,202	\$ 1,646
Equity in Pooled Cash and Investments	3,311,065	2,003,117
Accounts Receivable	14,375	2,404
Due from Other Governments	328,176	287,831
Property Taxes Receivable	2,365,743	1,338,198
Allowance for Uncollectible Property Taxes	(106,309)	(60,134)
Capital Assets:		
Assets Not Depreciated:		
Land	95,000	338,698
Construction in Progress	0	38,632
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	1,993,994	6,701,209
Infrastructure	8,997,223	401,640
Other Capital Assets	1,032,993	805,624
Total Assets	<u>\$ 18,050,462</u>	<u>\$ 11,858,865</u>
<u>LIABILITIES</u>		
Accrued Interest Payable	\$ 11,531	\$ 0
Payroll Deductions Payable	0	16
Deferred Revenue - Current Property Taxes	2,141,521	1,211,366
Noncurrent Liabilities:		
Due Within One Year	70,039	242,019
Due in More Than One Year	645,933	6,495,284
Total Liabilities	<u>\$ 2,869,024</u>	<u>\$ 7,948,685</u>
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	\$ 11,475,843	\$ 1,816,803
Restricted for:		
Courthouse and Jail Maintenance	49,625	0
Drug Control	69,127	0
Highway/Public Works	470,812	0
School Federal Projects	0	2,590
Central Cafeteria	0	158,821
Other Purposes	59,251	1,283
Unrestricted	<u>3,056,780</u>	<u>1,930,683</u>
Total Net Assets	<u>\$ 15,181,438</u>	<u>\$ 3,910,180</u>

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

Exhibit B

Clay County, Tennessee
Statement of Activities
For the Year Ended June 30, 2012

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets						Component Unit
	Program Revenues		Primary Government		Clay County School Department		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities		
Primary Government:							
Governmental Activities:							
General Government	\$ 507,628	\$ 32,807	\$ 101,029	\$ 0	\$ (373,792)	\$ 0	0
Finance	324,491	224,499	0	0	(99,992)	0	0
Administration of Justice	386,547	219,704	9,000	0	(157,843)	0	0
Public Safety	1,487,048	156,660	4,800	0	(1,325,588)	0	0
Public Health and Welfare	240,218	157,168	293,382	0	210,332	0	0
Social, Cultural, and Recreational Services	227,900	13,686	122,326	0	(91,888)	0	0
Agriculture and Natural Resources	144,699	0	9,783	0	(134,916)	0	0
Other Operations	1,196,872	0	0	100,000	(1,096,872)	0	0
Highways/Public Works	1,878,352	0	1,344,752	166,140	(367,460)	0	0
Interest on Long-term Debt	13,568	0	0	0	(13,568)	0	0
Other Debt Service	1,112	0	0	0	(1,112)	0	0
Total Governmental Activities	\$ 6,408,435	\$ 804,524	\$ 1,885,072	\$ 266,140	\$ (3,452,699)	\$ 0	0
Total Primary Government	\$ 6,408,435	\$ 804,524	\$ 1,885,072	\$ 266,140	\$ (3,452,699)	\$ 0	0
Component Unit:							
Clay County School Department	\$ 10,480,257	\$ 177,030	\$ 1,570,850	\$ 0	\$ 0	\$ (8,732,377)	0

(Continued)

Exhibit B

Clay County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary	Component
				Governmental Activities	Unit
				Clay County School Department	
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes				\$ 1,896,796	\$ 1,089,528
Property Taxes Levied for Debt Service				29,250	0
Local Option Sales Taxes				265,718	536,442
Wheel Tax				188,517	0
Wholesale Beer Tax				246,133	0
Hotel/Motel Tax				45,204	0
Litigation Tax - General				34,660	0
Beer Privilege Tax				22,825	0
Other Local Taxes				21,594	467
Grants and Contributions Not Restricted to Specific Programs				494,188	6,718,447
Unrestricted Investment Earnings				44,192	666
Miscellaneous				13,723	43,339
Sale of Equipment				10,300	4,097
Total General Revenues				\$ 3,313,100	\$ 8,392,986
Change in Net Assets				\$ (139,599)	\$ (339,391)
Prior-period Adjustment				0	70,983
Net Assets, July 1, 2011				15,321,037	4,178,588
Net Assets, June 30, 2012				\$ 15,181,438	\$ 3,910,180

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, 2012

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Governmental Funds		
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 18,202	\$ 18,202
Equity in Pooled Cash and Investments	1,372,346	547,901	232,685	1,039,381	118,752	3,311,065	3,311,065
Accounts Receivable	0	14,346	0	0	29	14,375	14,375
Due from Other Governments	90,049	0	238,127	0	0	328,176	328,176
Due from Other Funds	777	0	0	0	0	777	777
Property Taxes Receivable	1,875,867	454,031	0	35,845	0	2,365,743	2,365,743
Allowance for Uncollectible Property Taxes	(84,295)	(20,403)	0	(1,611)	0	(106,309)	(106,309)
Total Assets	\$ 3,254,744	\$ 995,875	\$ 470,812	\$ 1,073,615	\$ 136,983	\$ 5,932,029	\$ 5,932,029

ASSETS

LIABILITIES AND FUND BALANCES

Liabilities	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 777	\$ 777
Due to Other Funds	1,698,075	410,999	0	32,447	0	2,141,521	2,141,521
Deferred Revenue - Current Property Taxes	89,034	21,550	0	1,701	0	112,285	112,285
Deferred Revenue - Delinquent Property Taxes	27,366	0	118,731	0	0	146,097	146,097
Total Liabilities	\$ 1,814,475	\$ 432,549	\$ 118,731	\$ 34,148	\$ 777	\$ 2,400,680	\$ 2,400,680
Fund Balances	\$ 24,677	\$ 0	\$ 0	\$ 0	\$ 49,625	\$ 74,302	\$ 74,302
Restricted:	20,482	0	0	0	0	20,482	20,482
Restricted for General Government	6,126	0	0	0	69,127	75,253	75,253
Restricted for Administration of Justice	7,966	0	0	0	0	7,966	7,966
Restricted for Public Safety	0	0	352,081	0	0	352,081	352,081
Restricted for Other Operations	0	0	0	0	0	0	0
Restricted for Highways/Public Works	0	0	0	0	0	0	0
Committed:	0	0	0	0	17,454	17,454	17,454
Committed for Finance	0	563,326	0	0	0	563,326	563,326
Committed for Public Health and Welfare	0	0	0	1,039,467	0	1,039,467	1,039,467
Committed for Debt Service	0	0	0	0	0	0	0
Unassigned	1,381,018	0	0	0	0	1,381,018	1,381,018
Total Fund Balances	\$ 1,440,269	\$ 563,326	\$ 352,081	\$ 1,039,467	\$ 136,206	\$ 3,531,349	\$ 3,531,349
Total Liabilities and Fund Balances	\$ 3,254,744	\$ 995,875	\$ 470,812	\$ 1,073,615	\$ 136,983	\$ 5,932,029	\$ 5,932,029

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, 2012

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)		\$	3,531,349
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	95,000	
Add: buildings and improvements net of accumulated depreciation		1,993,994	
Add: infrastructure net of accumulated depreciation		8,997,223	
Add: other capital assets net of accumulated depreciation		<u>1,032,993</u>	12,119,210
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: capital leases payable	\$	(28,367)	
Less: other loans payable		(615,000)	
Less: accrued interest on long-term debt		(11,531)	
Less: compensated absences payable		<u>(72,605)</u>	(727,503)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>258,382</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>15,181,438</u></u>

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

Exhibit C-3

Clay County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Governmental Funds	Governmental Funds	
<u>Revenues</u>							
Local Taxes	\$ 2,433,227	\$ 400,860	\$ 0	\$ 60,794	\$ 15,742	\$ 2,910,623	
Licenses and Permits	950	0	0	0	0	950	
Fines, Forfeitures, and Penalties	63,518	0	0	0	10,425	73,943	
Charges for Current Services	41,712	118,103	0	0	86,316	246,131	
Other Local Revenues	21,270	39,065	4,166	44,192	575	109,268	
Fees Received from County Officials	316,820	0	0	0	0	316,820	
State of Tennessee	615,415	22,881	1,468,861	0	0	2,107,157	
Federal Government	351,481	0	45,834	0	0	397,315	
Other Governments and Citizens Groups	104,027	0	0	0	0	104,027	
Total Revenues	\$ 3,948,420	\$ 580,909	\$ 1,518,861	\$ 104,986	\$ 113,058	\$ 6,266,234	
<u>Expenditures</u>							
Current:							
General Government	\$ 456,043	\$ 0	\$ 0	\$ 0	\$ 2,881	\$ 458,924	
Finance	217,113	0	0	0	81,196	298,309	
Administration of Justice	334,399	0	0	0	5,329	339,728	
Public Safety	1,380,603	0	0	0	15,891	1,396,494	
Public Health and Welfare	545,033	463,293	0	0	0	1,008,326	
Social, Cultural, and Recreational Services	203,515	0	0	0	0	203,515	
Agriculture and Natural Resources	132,426	0	0	0	0	132,426	
Other Operations	1,451,059	9,012	0	0	202	1,460,273	
Highways	27,944	0	1,739,086	0	0	1,767,030	
Debt Service:							
Principal on Debt	0	0	0	166,630	0	166,630	
Interest on Debt	0	0	0	2,094	0	2,094	
Other Debt Service	0	0	0	1,112	0	1,112	
Total Expenditures	\$ 4,748,135	\$ 472,305	\$ 1,739,086	\$ 169,836	\$ 105,499	\$ 7,234,861	
Excess (Deficiency) of Revenues Over Expenditures	\$ (799,715)	\$ 108,604	\$ (220,225)	\$ (64,850)	\$ 7,559	\$ (968,627)	

(Continued)

Exhibit C-3

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

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Governmental Funds		
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 129,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 129,000
Other Loans Issued	580,800	0	0	0	0	0	580,800
Total Other Financing Sources (Uses)	\$ 709,800	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 709,800
Net Change in Fund Balances	\$ (89,915)	\$ 108,604	\$ (220,225)	\$ (64,850)	\$ 7,559	\$ (258,827)	
Fund Balance, July 1, 2011	1,530,184	454,722	572,306	1,104,317	128,647	3,790,176	
Fund Balance, June 30, 2012	\$ 1,440,269	\$ 563,326	\$ 352,081	\$ 1,039,467	\$ 136,206	\$ 3,531,349	

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, 2012

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)		\$ (258,827)
(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	\$ 999,978	
Less: current-year depreciation expense	<u>(346,066)</u>	653,912
(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, 2012	\$ 258,382	
Less: deferred delinquent property taxes and other deferred June 30, 2011	<u>(255,780)</u>	2,602
(3) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:		
Add: principal payments on capital leases	\$ 7,630	
Add: principal payments on notes	159,000	
Less: other loan proceeds	(580,800)	
Less: note proceeds	<u>(129,000)</u>	(543,170)
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued interest payable	\$ (11,474)	
Change in compensated absences payable	<u>17,358</u>	5,884
Change in net assets of governmental activities (Exhibit B)		<u>\$ (139,599)</u>

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

Exhibit D

Clay County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2012

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 530,336
Due from Other Governments	<u>49,861</u>
Total Assets	<u>\$ 580,197</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 49,861
Due to Litigants, Heirs, and Others	<u>530,336</u>
Total Liabilities	<u>\$ 580,197</u>

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

CLAY COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

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. There were no debt issues contributed by the county to the School Department during the year ended June 30, 2012.

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.

Central Cafeteria Fund – This special revenue fund is used to account for the cafeteria operations in each of the schools. Grant funds and collections from food sales are the foundational revenues of this fund.

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.

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 2.48 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.

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:

<u>Assets</u>	<u>Years</u>
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.

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.

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, and shall remain binding unless removed in the same manner.

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 Commission has authorized the Budget/Finance Committee to make assignments for the general government. The Board of Education makes assignments for the School Department.

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.

7. Prior-period Adjustment

A prior-period adjustment totaling \$70,983 was recognized in the Statement of Activities to reduce the liability for other postemployment benefits in the discretely presented Clay County School Department that was overstated at July 1, 2011.

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. All annual appropriations lapse at fiscal year-end.

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

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

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

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Deposits

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

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

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

Investments

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

The county had no pooled and nonpooled investments as of June 30, 2012.

B. Capital Assets

Capital assets activity for the year ended June 30, 2012, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-11	Increases	Balance 6-30-12
Capital Assets Not Depreciated:			
Land	\$ 40,000	\$ 55,000	\$ 95,000
Total Capital Assets Not Depreciated	<u>\$ 40,000</u>	<u>\$ 55,000</u>	<u>\$ 95,000</u>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 1,826,286	\$ 794,527	\$ 2,620,813
Roads and Bridges	11,307,724	15,303	11,323,027
Other Capital Assets	2,389,578	135,148	2,524,726
Total Capital Assets Depreciated	<u>\$ 15,523,588</u>	<u>\$ 944,978</u>	<u>\$ 16,468,566</u>
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 582,700	\$ 44,119	\$ 626,819
Roads and Bridges	2,226,196	99,608	2,325,804
Other Capital Assets	1,289,394	202,339	1,491,733
Total Accumulated Depreciation	<u>\$ 4,098,290</u>	<u>\$ 346,066</u>	<u>\$ 4,444,356</u>
Total Capital Assets Depreciated, Net	<u>\$ 11,425,298</u>	<u>\$ 598,912</u>	<u>\$ 12,024,210</u>
Governmental Activities Capital Assets, Net	<u>\$ 11,465,298</u>	<u>\$ 653,912</u>	<u>\$ 12,119,210</u>

There were no decreases in capital assets to report during the year ended June 30, 2012.

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

Governmental Activities:

Public Safety	\$ 17,800
Public Health and Welfare	130,352
Social, Cultural, and Recreational	10,394
Agriculture and Natural Resources	1,673
Other Operations	2,995
Highways/Public Works	<u>182,852</u>
 Total Depreciation Expense - Governmental Activities	 <u><u>\$ 346,066</u></u>

Discretely Presented Clay County School Department

Governmental Activities:

	Balance 7-1-11	Increases	Decreases	Balance 6-30-12
Capital Assets Not Depreciated:				
Land	\$ 338,698	\$ 0	\$ 0	\$ 338,698
Construction in Progress	0	38,632	0	38,632
Total Capital Assets Not Depreciated	<u>\$ 338,698</u>	<u>\$ 38,632</u>	<u>\$ 0</u>	<u>\$ 377,330</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 10,901,368	\$ 0	\$ 0	\$ 10,901,368
Infrastructure	648,860	0	0	648,860
Other Capital Assets	1,675,130	117,349	(133,225)	1,659,254
Total Capital Assets Depreciated	<u>\$ 13,225,358</u>	<u>\$ 117,349</u>	<u>\$ (133,225)</u>	<u>\$ 13,209,482</u>
Less Accumulated Depreciated For:				
Buildings and Improvements	\$ 3,956,698	\$ 243,461	\$ 0	\$ 4,200,159
Infrastructure	225,417	21,803	0	247,220
Other Capital Assets	852,463	85,950	(84,783)	853,630
Total Accumulated Depreciation	<u>\$ 5,034,578</u>	<u>\$ 351,214</u>	<u>\$ (84,783)</u>	<u>\$ 5,301,009</u>
Total Capital Assets Depreciated, Net	<u>\$ 8,190,780</u>	<u>\$ (233,865)</u>	<u>\$ (48,442)</u>	<u>\$ 7,908,473</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 8,529,478</u></u>	<u><u>\$ (195,233)</u></u>	<u><u>\$ (48,442)</u></u>	<u><u>\$ 8,285,803</u></u>

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

Governmental Activities:

Instruction	\$ 242,587
Support Services	95,540
Operation of Non-Instructional Services	<u>13,087</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 351,214</u></u>

C. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2012, was as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government: General	Nonmajor governmental	\$ 777
Discretely Presented School Department: Central Cafeteria	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, 2012, consisted of the following amounts:

Discretely Presented Clay County School Department

<u>Transfer Out</u>	<u>Transfers In</u>	
	General Purpose School Fund	School Federal Projects Fund
School Federal Projects Fund	\$ 16,020	\$ 0
General Purpose School Fund	<u>0</u>	<u>20,000</u>
Total	<u><u>\$ 16,020</u></u>	<u><u>\$ 20,000</u></u>

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.

The General Purpose School Fund made a one-time transfer of \$20,000 to the School Federal Projects Fund to provide cash flow to prevent problems caused by the time lag between requesting and receiving funds from reimbursable grant programs.

D. Capital Lease

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

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2012, were as follows:

Year Ending June 30	Governmental Funds
2013	\$ 9,257
2014	9,257
2015	9,257
2016	<u>3,084</u>
Total Minimum Lease Payments	\$ 30,855
Less: Amount Representing Interest	<u>(2,488)</u>
Present Value of Minimum Lease Payments	<u>\$ 28,367</u>

E. 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. During the year examined, the county retired all of its capital outlay notes.

Other loans outstanding were issued for an original term of 40 years. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the

debt. Other loans included in long-term debt at June 30, 2012, will be retired from the General Debt Service Fund.

Other loans and capital leases outstanding as of June 30, 2012, for governmental activities are as follows:

Type	Interest Rate		Final Maturity	Original Amount of Issue	Balance 6-30-12
Other Loans	3.75 %		3-7-50	\$ 615,000	\$ 615,000
Capital Leases	5		9-15-15	72,727	28,367

During 2010-11, 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 an 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 40 years at an interest rate of 3.75 percent.

The annual requirements to amortize the county's other loans outstanding as of June 30, 2012, including interest payments, are presented in the following table:

Year Ending June 30	Other Loans		
	Principal	Interest	Total
2013	\$ 7,565	\$ 23,062	\$ 30,627
2014	7,848	22,779	30,627
2015	8,142	22,485	30,627
2016	8,448	22,179	30,627
2017	8,765	21,862	30,627
2018-2022	49,006	104,129	153,135
2023-2027	58,910	94,225	153,135
2028-2032	70,817	82,318	153,135
2033-2037	85,129	68,006	153,135
2038-2042	102,333	50,802	153,135
2043-2047	123,016	30,119	153,135
2048-2050	85,021	6,439	91,460
Total	\$ 615,000	\$ 548,405	\$ 1,163,405

There is \$1,039,467 available in the General Debt Service Fund to service long-term debt. Debt per capita, including other loans and capital leases totaled \$82, based on the 2010 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2012, was as follows:

Governmental Activities:

	Other Loans	Capital Leases
Balance, July 1, 2011	\$ 34,200	\$ 35,997
Additions	580,800	0
Reductions	0	(7,630)
	<hr/>	<hr/>
Balance, June 30, 2012	\$ 615,000	\$ 28,367
	<hr/> <hr/>	<hr/> <hr/>
Balance Due Within One Year	\$ 7,565	\$ 8,020
	<hr/> <hr/>	<hr/> <hr/>
	Notes	Compensated Absences
Balance, July 1, 2011	\$ 30,000	\$ 89,963
Additions	129,000	111,049
Reductions	(159,000)	(128,407)
	<hr/>	<hr/>
Balance, June 30, 2012	\$ 0	\$ 72,605
	<hr/> <hr/>	<hr/> <hr/>
Balance Due Within One Year	\$ 0	\$ 54,454
	<hr/> <hr/>	<hr/> <hr/>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2012	\$ 715,972
Less: Balance Due Within One Year	<u>(70,039)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 645,933</u>

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

Discretely Presented Clay County School Department

Other Loans

The county issues other loans 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, 2012, will be retired from the General Purpose School Fund.

Other loans outstanding as of June 30, 2012, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-12
Other Loans	Variable	5-25-31	\$ 8,400,000	\$ 6,469,000

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, 2012, the variable interest rate was .49 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, 2012, including interest payments and other fees, are presented in the following table:

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2013	\$ 241,000	\$ 31,698	\$ 39,560	\$ 312,258
2014	249,000	30,518	38,162	317,680
2015	259,000	29,297	36,718	325,015
2016	268,000	28,028	35,216	331,244
2017	278,000	26,715	33,662	338,377
2018-2022	1,554,000	112,088	142,874	1,808,962
2023-2027	1,865,000	71,089	94,346	2,030,435
2028-2031	1,755,000	21,889	34,069	1,810,958
Total	\$ 6,469,000	\$ 351,322	\$ 454,607	\$ 7,274,929

Debt per capita totaled \$823, 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, 2012, was as follows:

Governmental Activities:

	Other Loans	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2011	\$ 6,701,000	\$ 193	\$ 191,153
Additions	0	2,313	106,530
Reductions	(232,000)	(1,019)	(30,867)
Balance, June 30, 2012	<u>\$ 6,469,000</u>	<u>\$ 1,487</u>	<u>\$ 266,816</u>
Balance Due Within One Year	<u>\$ 241,000</u>	<u>\$ 1,019</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2012	\$ 6,737,303
Less: Balance Due Within One Year	<u>(242,019)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 6,495,284</u>

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

F. On-Behalf Payments

Discretely Presented Clay County School Department

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Clay County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2012, were \$53,422 and \$16,157, 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 (LWCF), which are public entity risk pools established by the Tennessee County Services Association, an association of member counties. The county pays annual premiums to these pools for their general liability, property, casualty, and workers' compensation insurance coverage. The creation of these pools provides for them to be self-sustaining through member premiums. The LGPCF and LWCF reinsure through commercial insurance companies for claims exceeding \$100,000 for each insured event.

Clay County does not provide health insurance for its employees.

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. **Change in Administration**

On June 30, 2012, Donnie Cherry left the Office of Director of Schools and was replaced by Jerry Strong effective July 1, 2012.

C. **Contingent Liabilities**

The county and the School Department are involved in several pending lawsuits. Attorneys for the county and the School Department estimate that

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

D. Jointly Governed Organization

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

E. Retirement Commitments

1. Tennessee Consolidated Retirement System (TCRS)

Plan Description

Employees of Clay County are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits, as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service, and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of *Tennessee Code Annotated*. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Clay County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

Funding Policy

Clay County requires employees to contribute five percent of their earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2012, 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, 2012, Clay County's annual pension cost of \$235,103 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 three percent annual rate of inflation, (c) 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), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected postretirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a 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, 2011, which established contribution rates effective July 1, 2012.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-12	\$235,103	100%	\$0
6-30-11	192,794	100	0
6-30-10	218,374	100	0

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 87.67 percent funded. The actuarial accrued liability for benefits was \$6.66 million, and the actuarial value of assets was

\$5.84 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$.82 million. The covered payroll (annual payroll of active employees covered by the plan) was \$3.02 million, and the ratio of the UAAL to the covered payroll was 27.21 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.

SCHOOL TEACHERS

Plan Description

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

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

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2012, 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, 2012, 2011, and 2010, were \$411,150, \$408,529, and \$283,359, respectively, equal to the required contributions for each year.

2. Deferred Compensation

The discretely presented Clay County School Department offers its employees two deferred compensation plans, one established pursuant to IRC Section 457 and the other pursuant to IRC Section 403(b). All costs of administering and funding these programs are the responsibility of plan participants. The Section 403(b) and Section 457 plan assets remain the property of the contributing employees and are not presented in the accompanying financial statements. IRC Sections 403(b) and 457 establish participation, contribution, and withdrawal provisions for the plans.

F. Other Postemployment Benefits (OPEB)

Plan Description

The School Department participates in the state-administered Local Education Group Insurance Plan for healthcare benefits. For accounting purposes, the 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. Prior to reaching the age of 65, all members 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, 2012, the discretely presented Clay County School Department contributed \$30,867 for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan
	<hr/>
ARC	\$ 107,000
Interest on the NPO	7,646
Adjustment to the ARC	(8,116)
Annual OPEB cost	<hr/> \$ 106,530
Amount of contribution	(30,867)
Increase/decrease in NPO	\$ 75,663
Net OPEB obligation, 7-1-11	<hr/> 191,153
Net OPEB obligation, 6-30-12	<hr/> <hr/> \$ 266,816

Fiscal Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-10	Local Education Group	\$ 77,234	42	% \$ 143,641
6-30-11	"	80,341	41	191,153
6-30-12	"	106,530	29	266,816

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2011, was as follows:

	<u>Local Education Group Plan</u>
Actuarial valuation date	7-1-11
Actuarial accrued liability (AAL)	\$ 1,128,000
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 1,128,000
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 4,169,995
UAAL as a % of covered payroll	27%

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, 2011 actuarial valuation for the Local Education Group Plan, the projected unit credit actuarial cost method was used, and the actuarial assumptions included a four percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 9.25 percent for fiscal year 2012. The trend rate will decrease to 8.75 percent in fiscal year 2013 and then be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. Both rates include a 2.5 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with June 30, 2008.

G. Purchasing Laws

Office of County Mayor

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

Office of Road Superintendent

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

Office of Director of Schools

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

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, 2012

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 2,433,227	\$ 0	\$ 2,433,227	\$ 2,665,804	\$ 2,598,373	\$ (165,146)
Licenses and Permits	950	0	950	0	0	950
Fines, Forfeitures, and Penalties	63,518	0	63,518	48,600	48,600	14,918
Charges for Current Services	41,712	0	41,712	28,000	34,903	6,809
Other Local Revenues	21,270	0	21,270	16,100	28,787	(7,517)
Fees Received from County Officials	316,820	0	316,820	235,000	235,000	81,820
State of Tennessee	615,415	0	615,415	479,954	479,909	135,506
Federal Government	351,481	0	351,481	783,380	383,353	(31,872)
Other Governments and Citizens Groups	104,027	0	104,027	157,200	136,839	(32,812)
Total Revenues	\$ 3,948,420	\$ 0	\$ 3,948,420	\$ 4,414,038	\$ 3,945,764	\$ 2,656
<u>Expenditures</u>						
<u>General Government</u>						
County Commission	\$ 29,251	\$ 0	\$ 29,251	\$ 36,006	\$ 36,006	\$ 6,755
Board of Equalization	1,050	0	1,050	1,300	1,300	250
Beer Board	251	0	251	500	500	249
County Mayor/Executive	119,677	0	119,677	122,701	122,701	3,024
County Attorney	6,000	0	6,000	6,000	6,000	0
Election Commission	115,904	0	115,904	142,180	142,180	26,276
Register of Deeds	75,333	0	75,333	77,495	77,495	2,162
County Buildings	106,375	0	106,375	151,500	132,615	26,240
Preservation of Records	2,202	0	2,202	3,013	3,013	811
<u>Finance</u>						
Property Assessor's Office	89,175	0	89,175	93,547	93,547	4,372
County Trustee's Office	13,684	0	13,684	14,287	14,287	603

(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)	Less: Encumbrances 7/1/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Finance (Cont.)</u>						
County Clerk's Office	\$ 114,254	\$ 0	\$ 114,254	\$ 113,926	\$ 115,626	\$ 1,372
<u>Administration of Justice</u>						
Circuit Court	151,610	0	151,610	161,446	161,446	9,836
General Sessions Court	68,759	0	68,759	68,759	68,759	0
Chancery Court	75,983	0	75,983	77,101	77,101	1,118
Juvenile Court	27,026	0	27,026	30,000	30,000	2,974
Judicial Commissioners	11,021	0	11,021	11,079	11,079	58
<u>Public Safety</u>						
Sheriff's Department	860,937	0	860,937	896,291	895,701	34,764
Drug Enforcement	39,800	0	39,800	40,000	40,000	200
Jail	336,493	0	336,493	293,996	367,171	30,678
Correctional Incentive Program Improvements	2,680	0	2,680	2,680	2,680	0
Fire Prevention and Control	38,106	0	38,106	40,268	40,268	2,162
Rescue Squad	2,500	0	2,500	2,500	2,500	0
Other Emergency Management	59,546	0	59,546	77,800	80,800	21,254
County Coroner/Medical Examiner	14,665	0	14,665	17,250	20,650	5,985
Other Public Safety	25,876	0	25,876	55,833	55,833	29,957
<u>Public Health and Welfare</u>						
Local Health Center	56,887	0	56,887	61,950	61,950	5,063
Ambulance/Emergency Medical Services	360,000	0	360,000	360,000	360,000	0
Alcohol and Drug Programs	47,466	0	47,466	50,500	50,500	3,034
Other Local Health Services	76,380	0	76,380	134,200	134,200	57,820
Appropriation to State	4,300	0	4,300	4,300	4,300	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)	Less: Encumbrances 7/1/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Social, Cultural, and Recreational Services</u>						
Senior Citizens Assistance	\$ 39,053	0	\$ 39,053	\$ 50,305	\$ 50,305	\$ 11,252
Libraries	105,498	0	105,498	102,996	116,950	11,452
Parks and Fair Boards	49,300	0	49,300	42,400	49,303	3
Other Social, Cultural, and Recreational Agriculture and Natural Resources	9,664	0	9,664	15,000	15,000	5,336
<u>Agriculture Extension Service</u>						
Forest Service	81,631	0	81,631	92,820	92,820	11,189
Soil Conservation	1,000	0	1,000	1,000	1,000	0
<u>Other Operations</u>						
Tourism	49,795	0	49,795	52,116	52,116	2,321
Industrial Development	43,688	0	43,688	13,487	56,737	13,049
Other Economic and Community Development	85,653	0	85,653	133,500	99,000	13,347
Other Charges	768,934	(757,615)	11,319	153,505	222,151	210,832
Employee Benefits	183,697	0	183,697	180,620	193,556	9,859
ARRA Grant # 2	269,087	0	269,087	280,000	280,000	10,913
ARRA Grant # 3	0	0	0	698,767	0	0
<u>Highways</u>						
Litter and Trash Collection	100,000	0	100,000	0	100,000	0
Total Expenditures	27,944	0	27,944	44,779	44,779	16,835
	\$ 4,748,135	\$ (757,615)	\$ 3,990,520	\$ 5,009,703	\$ 4,583,925	\$ 593,405
Excess (Deficiency) of Revenues Over Expenditures	\$ (799,715)	\$ 757,615	\$ (42,100)	\$ (595,665)	\$ (638,161)	\$ 596,061

(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)	Less: Encumbrances 7/1/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 129,000	\$ 0	\$ 129,000	\$ 129,000	\$ 129,000	\$ 0
Other Loans Issued	580,800	0	580,800	0	580,800	0
Insurance Recovery	0	0	0	19,574	0	0
Total Other Financing Sources (Uses)	\$ 709,800	\$ 0	\$ 709,800	\$ 148,574	\$ 709,800	\$ 0
<u>Net Change in Fund Balance</u>						
Fund Balance, July 1, 2011	\$ (89,915)	\$ 757,615	\$ 667,700	\$ (447,091)	\$ 71,639	\$ 596,061
	1,530,184	(757,615)	772,569	1,275,792	1,275,792	(503,223)
Fund Balance, June 30, 2012	\$ 1,440,269	\$ 0	\$ 1,440,269	\$ 828,701	\$ 1,347,431	\$ 92,838

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, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 400,860	\$ 356,500	\$ 356,500	\$ 44,360
Charges for Current Services	118,103	55,000	55,000	63,103
Other Local Revenues	39,065	20,000	20,000	19,065
State of Tennessee	22,881	22,140	22,140	741
Total Revenues	<u>\$ 580,909</u>	<u>\$ 453,640</u>	<u>\$ 453,640</u>	<u>\$ 127,269</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Waste Pickup	\$ 463,293	\$ 535,104	\$ 535,104	\$ 71,811
<u>Other Operations</u>				
Other Charges	9,012	10,000	10,000	988
Total Expenditures	<u>\$ 472,305</u>	<u>\$ 545,104</u>	<u>\$ 545,104</u>	<u>\$ 72,799</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 108,604</u>	<u>\$ (91,464)</u>	<u>\$ (91,464)</u>	<u>\$ 200,068</u>
Net Change in Fund Balance	\$ 108,604	\$ (91,464)	\$ (91,464)	\$ 200,068
Fund Balance, July 1, 2011	<u>454,722</u>	<u>454,721</u>	<u>454,721</u>	<u>1</u>
Fund Balance, June 30, 2012	<u>\$ 563,326</u>	<u>\$ 363,257</u>	<u>\$ 363,257</u>	<u>\$ 200,069</u>

Exhibit E-3

Clay County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 4,166	\$ 0	\$ 0	\$ 4,166
State of Tennessee	1,468,861	1,647,647	1,647,647	(178,786)
Federal Government	45,834	0	0	45,834
Total Revenues	\$ 1,518,861	\$ 1,647,647	\$ 1,647,647	\$ (128,786)
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 113,661	\$ 117,102	\$ 117,402	\$ 3,741
Highway and Bridge Maintenance	1,227,342	1,245,855	1,285,880	58,538
Operation and Maintenance of Equipment	205,577	195,547	228,489	22,912
Other Charges	108,751	102,173	111,356	2,605
Employee Benefits	83,755	102,919	102,919	19,164
Capital Outlay	0	170,000	87,550	87,550
Total Expenditures	\$ 1,739,086	\$ 1,933,596	\$ 1,933,596	\$ 194,510
Excess (Deficiency) of Revenues Over Expenditures	\$ (220,225)	\$ (285,949)	\$ (285,949)	\$ 65,724
Net Change in Fund Balance	\$ (220,225)	\$ (285,949)	\$ (285,949)	\$ 65,724
Fund Balance, July 1, 2011	572,306	494,188	494,188	78,118
Fund Balance, June 30, 2012	\$ 352,081	\$ 208,239	\$ 208,239	\$ 143,842

Exhibit E-4

Clay County, Tennessee
Schedule of Funding Progress – Pension Plan
Primary Government and Discretely Presented Clay County School Department
June 30, 2012

(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)
7-1-11	\$ 5,837	\$ 6,657	\$ 821	87.67 %	\$ 3,016	27.21 %
7-1-10	4,703	5,565	862	84.51	2,765	31.16
7-1-09	4,315	4,563	248	94.56	2,584	9.6

Exhibit E-5

Clay County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plans
Discretely Presented Clay County School Department
June 30, 2012

(Dollar amounts in thousands)

<u>Plan</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b)-(a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
Local Education Group	7-1-09	\$ 0	\$ 926	\$ 926	0 %	\$ 4,064	23 %
"	7-1-10	0	956	956	0	4,064	24
"	7-1-11	0	1,128	1,128	0	4,170	27

CLAY COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2012

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.

**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.

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, 2012

	<u>Special Revenue Funds</u>			Total
	Courthouse and Jail Maintenance	Drug Control	Constitu- tional Officers - Fees	Nonmajor Governmental Funds
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 18,202	\$ 18,202
Equity in Pooled Cash and Investments	49,625	69,127	0	118,752
Accounts Receivable	0	0	29	29
Total Assets	\$ 49,625	\$ 69,127	\$ 18,231	\$ 136,983
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Due to Other Funds	\$ 0	\$ 0	\$ 777	\$ 777
Total Liabilities	\$ 0	\$ 0	\$ 777	\$ 777
<u>Fund Balances</u>				
Restricted:				
Restricted for General Government	\$ 49,625	\$ 0	\$ 0	\$ 49,625
Restricted for Public Safety	0	69,127	0	69,127
Committed:				
Committed for Finance	0	0	17,454	17,454
Total Fund Balances	\$ 49,625	\$ 69,127	\$ 17,454	\$ 136,206
Total Liabilities and Fund Balances	\$ 49,625	\$ 69,127	\$ 18,231	\$ 136,983

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, 2012

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Drug Control	Constitu- tional Officers - Fees	
<u>Revenues</u>				
Local Taxes	\$ 15,742	\$ 0	\$ 0	\$ 15,742
Fines, Forfeitures, and Penalties	0	10,425	0	10,425
Charges for Current Services	0	0	86,316	86,316
Other Local Revenues	0	575	0	575
Total Revenues	<u>\$ 15,742</u>	<u>\$ 11,000</u>	<u>\$ 86,316</u>	<u>\$ 113,058</u>
<u>Expenditures</u>				
Current:				
General Government	\$ 2,881	\$ 0	\$ 0	\$ 2,881
Finance	0	0	81,196	81,196
Administration of Justice	0	0	5,329	5,329
Public Safety	0	15,891	0	15,891
Other Operations	138	64	0	202
Total Expenditures	<u>\$ 3,019</u>	<u>\$ 15,955</u>	<u>\$ 86,525</u>	<u>\$ 105,499</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 12,723</u>	<u>\$ (4,955)</u>	<u>\$ (209)</u>	<u>\$ 7,559</u>
Net Change in Fund Balances	\$ 12,723	\$ (4,955)	\$ (209)	\$ 7,559
Fund Balance, July 1, 2011	<u>36,902</u>	<u>74,082</u>	<u>17,663</u>	<u>128,647</u>
Fund Balance, June 30, 2012	<u>\$ 49,625</u>	<u>\$ 69,127</u>	<u>\$ 17,454</u>	<u>\$ 136,206</u>

Exhibit F-3

Clay County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Courthouse and Jail Maintenance Fund
For the Year Ended June 30, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 15,742	\$ 9,100	\$ 9,100	\$ 6,642
Total Revenues	\$ 15,742	\$ 9,100	\$ 9,100	\$ 6,642
<u>Expenditures</u>				
<u>General Government</u>				
County Buildings	\$ 2,881	\$ 3,200	\$ 3,200	\$ 319
<u>Other Operations</u>				
Other Charges	138	500	500	362
Total Expenditures	\$ 3,019	\$ 3,700	\$ 3,700	\$ 681
Excess (Deficiency) of Revenues Over Expenditures	\$ 12,723	\$ 5,400	\$ 5,400	\$ 7,323
Net Change in Fund Balance	\$ 12,723	\$ 5,400	\$ 5,400	\$ 7,323
Fund Balance, July 1, 2011	36,902	36,904	36,904	(2)
Fund Balance, June 30, 2012	\$ 49,625	\$ 42,304	\$ 42,304	\$ 7,321

Exhibit F-4

Clay County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Drug Control Fund
For the Year Ended June 30, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 10,425	\$ 3,000	\$ 3,000	\$ 7,425
Other Local Revenues	575	0	800	(225)
Total Revenues	<u>\$ 11,000</u>	<u>\$ 3,000</u>	<u>\$ 3,800</u>	<u>\$ 7,200</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 15,891	\$ 42,000	\$ 42,800	\$ 26,909
<u>Other Operations</u>				
Other Charges	64	500	500	436
Total Expenditures	<u>\$ 15,955</u>	<u>\$ 42,500</u>	<u>\$ 43,300</u>	<u>\$ 27,345</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (4,955)</u>	<u>\$ (39,500)</u>	<u>\$ (39,500)</u>	<u>\$ 34,545</u>
Net Change in Fund Balance	\$ (4,955)	\$ (39,500)	\$ (39,500)	\$ 34,545
Fund Balance, July 1, 2011	<u>74,082</u>	<u>74,081</u>	<u>74,081</u>	<u>1</u>
Fund Balance, June 30, 2012	<u><u>\$ 69,127</u></u>	<u><u>\$ 34,581</u></u>	<u><u>\$ 34,581</u></u>	<u><u>\$ 34,546</u></u>

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, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 60,794	\$ 49,700	\$ 49,700	\$ 11,094
Other Local Revenues	44,192	72,000	72,000	(27,808)
Total Revenues	<u>\$ 104,986</u>	<u>\$ 121,700</u>	<u>\$ 121,700</u>	<u>\$ (16,714)</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 166,630	\$ 166,000	\$ 167,033	\$ 403
<u>Interest on Debt</u>				
General Government	2,094	5,000	3,967	1,873
<u>Other Debt Service</u>				
General Government	1,112	3,000	3,000	1,888
Total Expenditures	<u>\$ 169,836</u>	<u>\$ 174,000</u>	<u>\$ 174,000</u>	<u>\$ 4,164</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (64,850)</u>	<u>\$ (52,300)</u>	<u>\$ (52,300)</u>	<u>\$ (12,550)</u>
Net Change in Fund Balance	\$ (64,850)	\$ (52,300)	\$ (52,300)	\$ (12,550)
Fund Balance, July 1, 2011	<u>1,104,317</u>	<u>1,104,414</u>	<u>1,104,414</u>	<u>(97)</u>
Fund Balance, June 30, 2012	<u><u>\$ 1,039,467</u></u>	<u><u>\$ 1,052,114</u></u>	<u><u>\$ 1,052,114</u></u>	<u><u>\$ (12,647)</u></u>

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, 2012

	<u>Agency Funds</u>		
	Cities- Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 530,336	\$ 530,336
Due from Other Governments	49,861	0	49,861
Total Assets	<u>\$ 49,861</u>	<u>\$ 530,336</u>	<u>\$ 580,197</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 49,861	\$ 0	\$ 49,861
Due to Litigants, Heirs, and Others	0	530,336	530,336
Total Liabilities	<u>\$ 49,861</u>	<u>\$ 530,336</u>	<u>\$ 580,197</u>

Exhibit H-2

Clay County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2012

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 247,142	\$ 247,142	\$ 0
Due from Other Governments	51,390	49,861	51,390	49,861
Total Assets	\$ 51,390	\$ 297,003	\$ 298,532	\$ 49,861
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 51,390	\$ 297,003	\$ 298,532	\$ 49,861
Total Liabilities	\$ 51,390	\$ 297,003	\$ 298,532	\$ 49,861
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 978,911	\$ 4,914,259	\$ 5,362,834	\$ 530,336
Accounts Receivable	767	0	767	0
Total Assets	\$ 979,678	\$ 4,914,259	\$ 5,363,601	\$ 530,336
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 979,678	\$ 4,914,259	\$ 5,363,601	\$ 530,336
Total Liabilities	\$ 979,678	\$ 4,914,259	\$ 5,363,601	\$ 530,336
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 978,911	\$ 4,914,259	\$ 5,362,834	\$ 530,336
Equity in Pooled Cash and Investments	0	247,142	247,142	0
Accounts Receivable	767	0	767	0
Due from Other Governments	51,390	49,861	51,390	49,861
Total Assets	\$ 1,031,068	\$ 5,211,262	\$ 5,662,133	\$ 580,197
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 51,390	\$ 297,003	\$ 298,532	\$ 49,861
Due to Litigants, Heirs, and Others	979,678	4,914,259	5,363,601	530,336
Total Liabilities	\$ 1,031,068	\$ 5,211,262	\$ 5,662,133	\$ 580,197

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 and two Special Revenue Funds.

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.

Exhibit I-1

Clay County, Tennessee
Statement of Activities
Discretely Presented Clay County School Department
For the Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 5,697,326	\$ 7,500	\$ 631,764	\$ (5,058,062)
Support Services	3,744,130	22,914	463,926	(3,257,290)
Operation of Non-Instructional Services	973,984	146,616	475,160	(352,208)
Interest on Long-term Debt	24,696	0	0	(24,696)
Other Debt Service	40,121	0	0	(40,121)
Total Governmental Activities	\$ 10,480,257	\$ 177,030	\$ 1,570,850	\$ (8,732,377)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 1,089,528
Local Option Sales Taxes				536,442
Other Local Taxes				467
Grants and Contributions Not Restricted to Specific Programs				6,718,447
Unrestricted Investment Earnings				666
Miscellaneous				43,339
Sale of Equipment				4,097
Total General Revenues				\$ 8,392,986
Change in Net Assets				\$ (339,391)
Prior-period Adjustment				70,983
Net Assets, July 1, 2011				4,178,588
Net Assets, June 30, 2012				\$ 3,910,180

Exhibit I-2

Clay County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Clay County School Department
June 30, 2012

	Major Funds			Total Govern- mental Funds
	General Purpose School	School Federal Projects	Central Cafeteria	
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 1,646	\$ 1,646
Equity in Pooled Cash and Investments	1,875,806	10,122	117,189	2,003,117
Accounts Receivable	2,404	0	0	2,404
Due from Other Governments	235,633	12,484	39,714	287,831
Due from Other Funds	0	0	272	272
Property Taxes Receivable	1,338,198	0	0	1,338,198
Allowance for Uncollectible Property Taxes	(60,134)	0	0	(60,134)
Total Assets	\$ 3,391,907	\$ 22,606	\$ 158,821	\$ 3,573,334
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Payroll Deductions Payable	\$ 0	\$ 16	\$ 0	\$ 16
Due to Other Funds	272	0	0	272
Deferred Revenue - Current Property Taxes	1,211,366	0	0	1,211,366
Deferred Revenue - Delinquent Property Taxes	63,515	0	0	63,515
Other Deferred Revenues	52,232	0	0	52,232
Total Liabilities	\$ 1,327,385	\$ 16	\$ 0	\$ 1,327,401
<u>Fund Balances</u>				
Restricted:				
Restricted for Education	\$ 1,283	\$ 2,590	\$ 158,821	\$ 162,694
Committed:				
Committed for Education	1,716,047	20,000	0	1,736,047
Assigned:				
Assigned for Education	44,632	0	0	44,632
Unassigned	302,560	0	0	302,560
Total Fund Balances	\$ 2,064,522	\$ 22,590	\$ 158,821	\$ 2,245,933
Total Liabilities and Fund Balances	\$ 3,391,907	\$ 22,606	\$ 158,821	\$ 3,573,334

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, 2012

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)		\$ 2,245,933	
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: construction in progress	\$	338,698	
Add: land		38,632	
Add: buildings and improvements net of accumulated depreciation		6,701,209	
Add: infrastructure net of accumulated depreciation		401,640	
Add: other capital assets net of accumulated depreciation		<u>805,624</u>	8,285,803
(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	\$	(6,469,000)	
Less: other postemployment benefits liability		(266,816)	
Less: compensated absences payable		<u>(1,487)</u>	(6,737,303)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>115,747</u>
Net assets of governmental activities (Exhibit A)			<u>\$ 3,910,180</u>

Exhibit I-4

Clay County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Discretely Presented Clay County School Department
For the Year Ended June 30, 2012

	Major Funds			Total Governmental Funds
	General Purpose School	School Federal Projects	Central Cafeteria	
<u>Revenues</u>				
Local Taxes	\$ 1,717,799	\$ 0	\$ 0	\$ 1,717,799
Licenses and Permits	870	0	0	870
Charges for Current Services	27,535	0	149,495	177,030
Other Local Revenues	50,352	0	1,850	52,202
State of Tennessee	6,337,861	0	0	6,337,861
Federal Government	116,885	1,274,357	469,194	1,860,436
Total Revenues	<u>\$ 8,251,302</u>	<u>\$ 1,274,357</u>	<u>\$ 620,539</u>	<u>\$ 10,146,198</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 4,134,805	\$ 934,314	\$ 0	\$ 5,069,119
Support Services	3,413,536	321,300	0	3,734,836
Operation of Non-Instructional Services	433,736	11,579	584,023	1,029,338
Capital Outlay	265,615	0	0	265,615
Debt Service:				
Principal on Debt	232,000	0	0	232,000
Interest on Debt	24,696	0	0	24,696
Other Debt Service	40,121	0	0	40,121
Total Expenditures	<u>\$ 8,544,509</u>	<u>\$ 1,267,193</u>	<u>\$ 584,023</u>	<u>\$ 10,395,725</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (293,207)</u>	<u>\$ 7,164</u>	<u>\$ 36,516</u>	<u>\$ (249,527)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 16,020	\$ 20,000	\$ 0	\$ 36,020
Transfers Out	(20,000)	(16,020)	0	(36,020)
Total Other Financing Sources (Uses)	<u>\$ (3,980)</u>	<u>\$ 3,980</u>	<u>\$ 0</u>	<u>\$ 0</u>
Net Change in Fund Balances	\$ (297,187)	\$ 11,144	\$ 36,516	\$ (249,527)
Fund Balance, July 1, 2011	<u>2,361,709</u>	<u>11,446</u>	<u>122,305</u>	<u>2,495,460</u>
Fund Balance, June 30, 2012	<u>\$ 2,064,522</u>	<u>\$ 22,590</u>	<u>\$ 158,821</u>	<u>\$ 2,245,933</u>

Exhibit I-5

Clay County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Discretely Presented Clay County School Department
For the Year Ended June 30, 2012

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)		\$ (249,527)
(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	\$ 155,981	
Less: current-year depreciation expense	<u>(351,214)</u>	(195,233)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets		
Less: loss on disposal of capital assets	\$ (44,342)	
Less: decrease of revenue for the sale of disposed assets	<u>(4,100)</u>	(48,442)
(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, 2012	\$ 115,747	
Less: deferred delinquent property taxes and other deferred June 30, 2011	<u>(116,979)</u>	(1,232)
(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 other loans		232,000
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in other postemployment benefits liability	\$ (75,663)	
Change in compensated absences payable	<u>(1,294)</u>	<u>(76,957)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ (339,391)</u>

Exhibit I-6

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, 2012

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2011	Add: Encumbrances 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 1,717,799	\$ 0	\$ 0	\$ 1,717,799	\$ 1,780,136	\$ 1,780,136	\$ (62,337)
Licenses and Permits	870	0	0	870	770	770	100
Charges for Current Services	27,535	0	0	27,535	29,890	29,890	(2,355)
Other Local Revenues	50,352	0	0	50,352	46,340	46,340	4,012
State of Tennessee	6,337,861	0	0	6,337,861	6,241,563	6,311,142	26,719
Federal Government	116,885	0	0	116,885	150,840	150,840	(33,955)
Total Revenues	\$ 8,251,302	\$ 0	\$ 0	\$ 8,251,302	\$ 8,249,539	\$ 8,319,118	\$ (67,816)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 3,230,707	\$ 0	\$ 0	\$ 3,230,707	\$ 3,493,578	\$ 3,493,578	\$ 262,871
Alternative Instruction Program	60,304	0	0	60,304	61,750	61,750	1,446
Special Education Program	510,593	0	0	510,593	525,625	525,625	15,032
Vocational Education Program	300,051	0	0	300,051	306,201	306,201	6,150
Adult Education Program	33,150	0	0	33,150	47,815	47,815	14,665
<u>Support Services</u>							
Attendance	83,196	0	0	83,196	83,605	83,605	409
Health Services	194,677	0	0	194,677	199,589	199,589	4,912
Other Student Support	177,514	0	0	177,514	197,488	197,488	19,974
Regular Instruction Program	392,576	0	0	392,576	427,715	427,715	35,139
Special Education Program	82,935	0	0	82,935	83,648	83,648	713
Vocational Education Program	28,764	0	0	28,764	29,082	29,082	318
Adult Programs	12,537	0	0	12,537	12,641	12,641	104
Other Programs	69,579	0	0	69,579	0	69,579	0

(Continued)

Exhibit I-6

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2011	Add: Encumbrances 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Board of Education	\$ 152,977	\$ 0	\$ 0	\$ 152,977	\$ 180,540	\$ 180,540	\$ 27,563
Director of Schools	131,473	0	0	131,473	133,104	133,104	1,631
Office of the Principal	454,453	0	0	454,453	470,819	470,819	16,366
Fiscal Services	140,466	0	0	140,466	146,107	146,107	5,641
Operation of Plant	762,973	0	0	762,973	904,118	904,118	141,145
Maintenance of Plant	132,129	0	0	132,129	161,715	161,715	29,586
Transportation	597,287	0	6,000	603,287	691,326	687,737	84,450
<u>Operation of Non-Instructional Services</u>							
Food Service	79,467	0	0	79,467	80,468	80,468	1,001
Community Services	47,999	0	0	47,999	48,257	48,257	258
Early Childhood Education	306,270	0	0	306,270	306,271	306,271	1
<u>Capital Outlay</u>							
Regular Capital Outlay	265,615	(162,203)	38,632	142,044	275,000	248,589	106,545
<u>Principal on Debt</u>							
Education	232,000	0	0	232,000	235,000	235,000	3,000
<u>Interest on Debt</u>							
Education	24,696	0	0	24,696	312,675	312,675	287,979
<u>Other Debt Service</u>							
Education	40,121	0	0	40,121	55,000	55,000	14,879
Total Expenditures	\$ 8,544,509	\$ (162,203)	\$ 44,632	\$ 8,426,938	\$ 9,469,137	\$ 9,508,716	\$ 1,081,778
Excess (Deficiency) of Revenues Over Expenditures	\$ (293,207)	\$ 162,203	\$ (44,632)	\$ (175,636)	\$ (1,219,598)	\$ (1,189,598)	\$ 1,013,962

(Continued)

Exhibit I-6

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2011	Add: Encumbrances 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 0 \$	0 \$	0 \$	0 \$	30,000 \$	0 \$	0
Transfers In	16,020	0	0	16,020	17,130	17,130	(1,110)
Transfers Out	(20,000)	0	0	(20,000)	(20,000)	(20,000)	0
Total Other Financing Sources (Uses)	\$ (3,980) \$	0 \$	0 \$	(3,980) \$	27,130 \$	(2,870) \$	(1,110)
Net Change in Fund Balance	\$ (297,187) \$	162,203 \$	(44,632) \$	(179,616) \$	(1,192,468) \$	(1,192,468) \$	1,012,852
Fund Balance, July 1, 2011	2,361,709	(162,203)	0	2,199,506	2,197,655	2,197,655	1,851
Fund Balance, June 30, 2012	\$ 2,064,522 \$	0 \$	(44,632) \$	2,019,890 \$	1,005,187 \$	1,005,187 \$	1,014,703

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
School Federal Projects Fund
For the Year Ended June 30, 2012

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Federal Government	\$ 1,274,357	\$ 0	\$ 1,274,357	\$ 1,312,116	\$ 1,311,759	\$ (37,402)
Total Revenues	\$ 1,274,357	\$ 0	\$ 1,274,357	\$ 1,312,116	\$ 1,311,759	\$ (37,402)
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 735,676	\$ (1,835)	\$ 733,841	\$ 746,263	\$ 739,661	\$ 5,820
Special Education Program	183,021	0	183,021	180,680	179,758	(3,263)
Vocational Education Program	15,617	0	15,617	15,871	15,871	254
<u>Support Services</u>						
Other Student Support	7,751	0	7,751	7,750	7,751	0
Regular Instruction Program	215,985	(910)	215,075	222,258	228,859	13,784
Special Education Program	83,790	0	83,790	83,253	84,995	1,205
Vocational Education Program	1,000	0	1,000	1,000	1,000	0
Transportation	12,774	0	12,774	14,508	13,331	557
<u>Operation of Non-Instructional Services</u>						
Food Service	11,579	0	11,579	11,579	11,579	0
Total Expenditures	\$ 1,267,193	\$ (2,745)	\$ 1,264,448	\$ 1,283,162	\$ 1,282,805	\$ 18,357
Excess (Deficiency) of Revenues Over Expenditures	\$ 7,164	\$ 2,745	\$ 9,909	\$ 28,954	\$ 28,954	\$ (19,045)
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 20,000	\$ 0	\$ 20,000	\$ 69,522	\$ 7,831	\$ 12,169
Transfers Out	(16,020)	0	(16,020)	(78,476)	(16,785)	765
Total Other Financing Sources (Uses)	\$ 3,980	\$ 0	\$ 3,980	\$ (8,954)	\$ (8,954)	\$ 12,934

(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
School Federal Projects Fund (Cont.)

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
Net Change in Fund Balance	\$ 11,144	\$ 2,745	\$ 13,889	\$ 20,000	\$ 20,000	\$ (6,111)
Fund Balance, July 1, 2011	11,446	(2,745)	8,701	0	0	8,701
Fund Balance, June 30, 2012	\$ 22,590	0	\$ 22,590	\$ 20,000	\$ 20,000	\$ 2,590

Exhibit I-8

Clay County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Clay County School Department
Central Cafeteria Fund
For the Year Ended June 30, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 149,495	\$ 151,500	\$ 151,500	\$ (2,005)
Other Local Revenues	1,850	2,840	2,840	(990)
Federal Government	469,194	483,180	483,180	(13,986)
Total Revenues	<u>\$ 620,539</u>	<u>\$ 637,520</u>	<u>\$ 637,520</u>	<u>\$ (16,981)</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	<u>\$ 584,023</u>	<u>\$ 637,520</u>	<u>\$ 650,720</u>	<u>\$ 66,697</u>
Total Expenditures	<u>\$ 584,023</u>	<u>\$ 637,520</u>	<u>\$ 650,720</u>	<u>\$ 66,697</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 36,516</u>	<u>\$ 0</u>	<u>\$ (13,200)</u>	<u>\$ 49,716</u>
Net Change in Fund Balance	\$ 36,516	\$ 0	\$ (13,200)	\$ 49,716
Fund Balance, July 1, 2011	<u>122,305</u>	<u>96,259</u>	<u>96,259</u>	<u>26,046</u>
Fund Balance, June 30, 2012	<u>\$ 158,821</u>	<u>\$ 96,259</u>	<u>\$ 83,059</u>	<u>\$ 75,762</u>

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, 2012

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-11	Issued During Period	Matured During Period	Outstanding 6-30-12
<u>PRIMARY GOVERNMENT</u>								
<u>CAPITAL OUTLAY NOTES PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Fairground Building	\$ 30,000	2.29 %	5-17-11	6-30-12	\$ 30,000	\$ 0	\$ 30,000	\$ 0
Courthouse Renovation Project	74,000	1.49	9-27-11	10-18-11	0	74,000	74,000	0
Land Acquisition For County Parking Project	55,000	2.29	8-8-11	10-18-11	0	55,000	55,000	0
Total Capital Outlay Notes Payable					\$ 30,000	\$ 129,000	\$ 159,000	\$ 0
<u>CAPITAL LEASES PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Geothermal Heating System	72,727	5	9-1-05	9-15-15	\$ 35,997	\$ 0	\$ 7,630	\$ 28,367
<u>OTHER LOANS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Senior Center Courtroom Renovation	615,000	3.75	12-14-10	3-7-50	\$ 34,200	\$ 580,800	\$ 0	\$ 615,000
<u>DISCRETELY PRESENTED CLAY COUNTY SCHOOL DEPARTMENT</u>								
<u>OTHER LOANS PAYABLE</u>								
<u>Public Building Authority Loan Agreement:</u>								
<u>Payable through General Purpose School Fund</u>								
School Construction	6,900,000	Variable	6-28-02	5-25-31	\$ 5,498,000	\$ 0	\$ 189,000	\$ 5,309,000
Athletic Facility	1,500,000	Variable	9-29-03	5-25-31	1,203,000	0	43,000	1,160,000
Total Other Loans Payable					\$ 6,701,000	\$ 0	\$ 232,000	\$ 6,469,000

Exhibit J-2

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

PRIMARY GOVERNMENT

Year Ending June 30	Capital Leases		
	Principal	Interest	Total
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	\$ 28,367	\$ 2,488	\$ 30,855

Year Ending June 30	Other Loans		
	Principal	Interest	Total
2013	\$ 7,565	\$ 23,062	\$ 30,627
2014	7,848	22,779	30,627
2015	8,142	22,485	30,627
2016	8,448	22,179	30,627
2017	8,765	21,862	30,627
2018	9,093	21,534	30,627
2019	9,434	21,193	30,627
2020	9,788	20,839	30,627
2021	10,155	20,472	30,627
2022	10,536	20,091	30,627
2023	10,931	19,696	30,627
2024	11,341	19,286	30,627
2025	11,766	18,861	30,627
2026	12,207	18,420	30,627
2027	12,665	17,962	30,627
2028	13,140	17,487	30,627
2029	13,633	16,994	30,627
2030	14,144	16,483	30,627
2031	14,675	15,952	30,627

(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.)

PRIMARY GOVERNMENT (CONT.)

Year Ending June 30	Other Loans (Cont.)		
	Principal	Interest	Total
2032	\$ 15,225	\$ 15,402	\$ 30,627
2033	15,796	14,831	30,627
2034	16,388	14,239	30,627
2035	17,003	13,624	30,627
2036	17,640	12,987	30,627
2037	18,302	12,325	30,627
2038	18,988	11,639	30,627
2039	19,700	10,927	30,627
2040	20,439	10,188	30,627
2041	21,205	9,422	30,627
2042	22,001	8,626	30,627
2043	22,826	7,801	30,627
2044	23,682	6,945	30,627
2045	24,570	6,057	30,627
2046	25,491	5,136	30,627
2047	26,447	4,180	30,627
2048	27,439	3,188	30,627
2049	28,468	2,159	30,627
2050	29,114	1,092	30,206
Total	\$ 615,000	\$ 548,405	\$ 1,163,405

(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			Total
	Principal	Interest	Other Fees	
2013	\$ 241,000	\$ 31,698	\$ 39,560	\$ 312,258
2014	249,000	30,518	38,162	317,680
2015	259,000	29,297	36,718	325,015
2016	268,000	28,028	35,216	331,244
2017	278,000	26,715	33,662	338,377
2018	289,000	25,353	32,049	346,402
2019	299,000	23,936	30,373	353,309
2020	310,000	22,472	28,639	361,111
2021	322,000	20,952	26,840	369,792
2022	334,000	19,375	24,973	378,348
2023	346,000	17,738	23,036	386,774
2024	359,000	16,042	21,029	396,071
2025	372,000	14,284	18,947	405,231
2026	387,000	12,461	16,789	416,250
2027	401,000	10,564	14,545	426,109
2028	415,000	8,599	12,219	435,818
2029	431,000	6,567	9,812	447,379
2030	446,000	4,454	7,312	457,766
2031	463,000	2,269	4,726	469,995
Total	\$ 6,469,000	\$ 351,322	\$ 454,607	\$ 7,274,929

Exhibit J-3

Clay County, Tennessee
Schedule of Transfers
Discretely Presented Clay County School Department
For the Year Ended June 30, 2012

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
School Federal Projects	General Purpose School	Indirect costs	\$ 16,020
General Purpose School	School Federal Projects	Operations	<u>20,000</u>
Total Transfers Discretely Presented Clay County School Department			<u>\$ 36,020</u>

Exhibit J-4

Clay County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Primary Government and Discretely Presented Clay County School Department
For the Year Ended June 30, 2012

Official	Authorization for Salary	\$	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, TCA	\$	60,350	\$ 25,000	RLL 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		70,535 (1)	50,000	"
Trustee	Section 8-24-102, TCA		52,251	400,800	"
Assessor of Property	Section 8-24-102, TCA		52,251	10,000	"
County Clerk	Section 8-24-102, TCA		52,251	35,000	"
Circuit and General Sessions Courts Clerk	Section 8-24-102, TCA		52,251	50,000	"
Clerk and Master	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	Section 8-24-102, TCA		57,477 (3)	25,000	"
Employee Blanket Bonds					
Public Employee Dishonesty - County Departments				150,000	Local Government Insurance Pool
Public Employee Dishonesty - School Department				150,000	Tennessee Risk Management Trust

- (1) Includes a chief executive officer training supplement of \$1,000.
- (2) Does not include special commissioner fees of \$5,329.
- (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, 2012

	Special Revenue Funds							Debt Service Fund	Total
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service		
<u>Local Taxes</u>									
<u>County Property Taxes</u>									
Current Property Tax	\$ 1,411,699	\$ 0	\$ 340,693	\$ 0	\$ 0	\$ 0	\$ 26,954	\$ 1,779,346	
Trustee's Collections - Prior Year	76,180	0	19,522	0	0	0	1,545	97,247	
Trustee's Collections - Bankruptcy	266	0	64	0	0	0	5	335	
Circuit/Clerk & Master Collections - Prior Years	27,182	0	6,581	0	0	0	521	34,284	
Interest and Penalty	14,109	0	3,416	0	0	0	270	17,795	
Payments in-Lieu-of Taxes - Local Utilities	113,502	0	27,479	0	0	0	2,174	143,155	
<u>County Local Option Taxes</u>									
Local Option Sales Tax	263,352	0	0	0	0	0	0	263,352	
Hotel/Motel Tax	45,204	0	0	0	0	0	0	45,204	
Wheel Tax	188,517	0	0	0	0	0	0	188,517	
Litigation Tax - General	34,660	0	0	0	0	0	0	34,660	
Litigation Tax - Special Purpose	3,148	1,243	0	0	0	0	2,326	6,717	
Litigation Tax - Jail, Workhouse, or Courthouse	0	14,499	0	0	0	0	0	14,499	
<u>Statutory Local Taxes</u>									
Bank Excise Tax	12,825	0	3,105	0	0	0	246	16,176	
Wholesale Beer Tax	221,520	0	0	0	0	0	24,613	246,133	
Beer Privilege Tax	20,685	0	0	0	0	0	2,140	22,825	
Interstate Telecommunications Tax	378	0	0	0	0	0	0	378	
Total Local Taxes	\$ 2,433,227	\$ 15,742	\$ 400,860	\$ 0	\$ 0	\$ 0	\$ 60,794	\$ 2,910,623	
<u>Licenses and Permits</u>									
<u>Permits</u>									
Beer Permits	\$ 950	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 950	
Total Licenses and Permits	\$ 950	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 950	
<u>Fines, Forfeitures, and Penalties</u>									
<u>Circuit Court</u>									
Fines	\$ 6,815	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,815	
Officers Costs	7,545	0	0	0	0	0	0	7,545	
Drug Control Fines	0	0	0	3,708	0	0	0	3,708	

(Continued)

Exhibit J-5

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

	Special Revenue Funds							Debt Service Fund	Total
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service		
<u>Fines, Forfeitures, and Penalties (Cont.)</u>									
<u>Circuit Court (Cont.)</u>									
Drug Court Fees	\$ 1,817	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	1,817	
Jail Fees	592	0	0	0	0	0	0	592	
DUI Treatment Fines	247	0	0	0	0	0	0	247	
Data Entry Fee - Circuit Court	713	0	0	0	0	0	0	713	
Courtroom Security Fee	2,072	0	0	0	0	0	0	2,072	
<u>General Sessions Court</u>									
Fines	9,864	0	0	0	0	0	0	9,864	
Officers Costs	12,387	0	0	0	0	0	0	12,387	
Game and Fish Fines	1,354	0	0	0	0	0	0	1,354	
Drug Control Fines	0	0	0	3,029	0	0	0	3,029	
Drug Court Fees	4,059	0	0	0	0	0	0	4,059	
Jail Fees	1,960	0	0	0	0	0	0	1,960	
DUI Treatment Fines	1,092	0	0	0	0	0	0	1,092	
Data Entry Fee - General Sessions Court	1,340	0	0	0	0	0	0	1,340	
Courtroom Security Fee	11,143	0	0	0	0	0	0	11,143	
<u>Chancery Court</u>									
Data Entry Fee - Chancery Court	454	0	0	0	0	0	0	454	
<u>Judicial District Drug Program</u>									
Drug Task Force Forfeitures and Seizures	0	0	0	2,603	0	0	0	2,603	
<u>Other Fines, Forfeitures, and Penalties</u>									
Other Fines, Forfeitures, and Penalties	64	0	0	1,085	0	0	0	1,149	
Total Fines, Forfeitures, and Penalties	\$ 63,518	\$ 0	\$ 0	\$ 10,425	\$ 0	\$ 0	\$ 0	\$ 73,943	
<u>Charges for Current Services</u>									
<u>General Service Charges</u>									
Typing Fees	\$ 0	\$ 0	\$ 118,103	\$ 0	\$ 0	\$ 0	\$ 0	\$ 118,103	
Other General Service Charges	2,444	0	0	0	0	0	0	2,444	
<u>Fees</u>									
Recreation Fees	13,656	0	0	0	0	0	0	13,656	
Copy Fees	928	0	0	0	0	0	0	928	

(Continued)

Exhibit J-5

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

	Special Revenue Funds						Debt Service Fund	Total
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works		
<u>Charges for Current Services (Cont.)</u>								
<u>Fees (Cont.)</u>								
Library Fees	\$ 30	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 30
Telephone Commissions	16,853	0	0	0	0	0	0	16,853
Vending Machine Collections	3,525	0	0	0	0	0	0	3,525
Constitutional Officers' Fees and Commissions	0	0	0	0	80,987	0	0	80,987
Special Commissioner Fees/Special Master Fees	0	0	0	0	5,329	0	0	5,329
Data Processing Fee - Register	2,626	0	0	0	0	0	0	2,626
Sexual Offender Registration Fees - Sheriff	1,650	0	0	0	0	0	0	1,650
Total Charges for Current Services	\$ 41,712	\$ 0	\$ 118,103	\$ 0	\$ 86,316	\$ 0	\$ 0	\$ 246,131
<u>Other Local Revenues</u>								
<u>Recurring Items</u>								
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 44,192	\$ 44,192
Sale of Recycled Materials	0	0	39,065	0	0	0	0	39,065
Miscellaneous Refunds	11,557	0	0	0	0	2,166	0	13,723
Nonrecurring Items								
Sale of Equipment	8,300	0	0	0	0	2,000	0	10,300
Contributions and Gifts	1,013	0	0	575	0	0	0	1,588
Other Local Revenues	400	0	0	0	0	0	0	400
Total Other Local Revenues	\$ 21,270	\$ 0	\$ 39,065	\$ 575	\$ 0	\$ 4,166	\$ 44,192	\$ 109,268
<u>Fees Received from County Officials</u>								
<u>Excess Fees</u>								
Trustee	\$ 45,466	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 45,466
<u>Fees in-Lieu-of Salary</u>								
County Clerk	98,046	0	0	0	0	0	0	98,046
Circuit Court Clerk	59,928	0	0	0	0	0	0	59,928
General Sessions Court Clerk	52,212	0	0	0	0	0	0	52,212
Clerk and Master	28,292	0	0	0	0	0	0	28,292
Register	25,859	0	0	0	0	0	0	25,859

(Continued)

Exhibit J-5

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

	Special Revenue Funds							Debt Service Fund	Total
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service		
Fees Received from County Officials (Cont.)									
Fees in-Jieu-of Salary (Cont.)									
Sheriff	\$ 7,017	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,017
Total Fees Received from County Officials	\$ 316,820	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 316,820
State of Tennessee									
General Government Grants									
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,000
Aging Programs	14,094	0	0	0	0	0	0	0	14,094
Solid Waste Grants	0	0	22,881	0	0	0	0	0	22,881
Public Safety Grants									
Law Enforcement Training Programs	4,800	0	0	0	0	0	0	0	4,800
Health and Welfare Grants									
Other Health and Welfare Grants	74,795	0	0	0	0	0	0	0	74,795
Public Works Grants									
State Aid Program	0	0	0	0	0	166,140	0	0	166,140
Litter Program	45,219	0	0	0	0	0	0	0	45,219
Other State Revenues									
Income Tax	5,742	0	0	0	0	0	0	0	5,742
Beer Tax	18,421	0	0	0	0	0	0	0	18,421
Alcoholic Beverage Tax	19,959	0	0	0	0	0	0	0	19,959
State Revenue Sharing - T.V.A.	278,207	0	0	0	0	7,000	0	0	285,207
Contracted Prisoner Boarding	101,797	0	0	0	0	0	0	0	101,797
Gasoline and Motor Fuel Tax	0	0	0	0	0	1,289,793	0	0	1,289,793
Petroleum Special Tax	0	0	0	0	0	5,672	0	0	5,672
Registrar's Salary Supplement	15,164	0	0	0	0	0	0	0	15,164
Other State Grants	9,783	0	0	0	0	0	0	0	9,783
Other State Revenues	18,434	0	0	0	0	256	0	0	18,690
Total State of Tennessee	\$ 615,415	\$ 0	\$ 22,881	\$ 0	\$ 0	\$ 1,468,861	\$ 0	\$ 0	\$ 2,107,157

(Continued)

Exhibit J-5

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

	Special Revenue Funds							Debt Service Fund	Total
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service		
<u>Federal Government</u>									
<u>Federal Through State</u>									
ARRA Grant # 3	\$ 100,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 100,000	
Other Federal through State	65,750	0	0	0	0	45,834	0	111,584	
<u>Direct Federal Revenue</u>									
Police Service (Lake Area)	25,818	0	0	0	0	0	0	25,818	
Other Direct Federal Revenue	159,913	0	0	0	0	0	0	159,913	
Total Federal Government	\$ 351,481	\$ 0	\$ 0	\$ 0	\$ 0	\$ 45,834	\$ 0	\$ 397,315	
<u>Other Governments and Citizens Groups</u>									
<u>Citizens Groups</u>									
Donations	\$ 3,540	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,540	
Other	100,487	0	0	0	0	0	0	100,487	
Total Other Governments and Citizens Groups	\$ 104,027	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 104,027	
<u>Total</u>	\$ 3,948,420	\$ 15,742	\$ 580,909	\$ 11,000	\$ 86,316	\$ 1,518,861	\$ 104,986	\$ 6,266,234	

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, 2012

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 1,007,200	\$ 0	\$ 0	\$ 1,007,200
Trustee's Collections - Prior Year	54,351	0	0	54,351
Trustee's Collections - Bankruptcy	190	0	0	190
Circuit/Clerk & Master Collections - Prior Years	19,394	0	0	19,394
Interest and Penalty	10,067	0	0	10,067
Payments in-Lieu-of Taxes - Local Utilities	80,980	0	0	80,980
<u>County Local Option Taxes</u>				
Local Option Sales Tax	536,000	0	0	536,000
<u>Statutory Local Taxes</u>				
Bank Excise Tax	9,150	0	0	9,150
Interstate Telecommunications Tax	467	0	0	467
Total Local Taxes	\$ 1,717,799	\$ 0	\$ 0	\$ 1,717,799
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 684	\$ 0	\$ 0	\$ 684
<u>Permits</u>				
Other Permits	186	0	0	186
Total Licenses and Permits	\$ 870	\$ 0	\$ 0	\$ 870
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Lunch Payments - Children	\$ 0	\$ 0	\$ 73,552	\$ 73,552
Lunch Payments - Adults	0	0	28,928	28,928
Income from Breakfast	0	0	16,879	16,879
A la carte Sales	0	0	27,257	27,257
Contract for Student Support Services with Other LEAs	7,500	0	0	7,500
Receipts from Individual Schools	20,035	0	0	20,035
Community Service Fees - Adults	0	0	2,879	2,879
Total Charges for Current Services	\$ 27,535	\$ 0	\$ 149,495	\$ 177,030
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 0	\$ 0	\$ 666	\$ 666
Sale of Materials and Supplies	1,119	0	0	1,119
Refund of Telecommunication and Internet Fees (E-Rate)	22,824	0	0	22,824
Cobra Insurance Payments	305	0	0	305
Miscellaneous Refunds	18,805	0	544	19,349
<u>Nonrecurring Items</u>				
Sale of Equipment	6,438	0	640	7,078
Damages Recovered from Individuals	729	0	0	729
<u>Other Local Revenues</u>				
Other Local Revenues	132	0	0	132
Total Other Local Revenues	\$ 50,352	\$ 0	\$ 1,850	\$ 52,202

(Continued)

Exhibit J-6

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-Behalf Contributions for OPEB	\$ 69,579	\$ 0	\$ 0	\$ 69,579
<u>State Education Funds</u>				
Basic Education Program	5,568,000	0	0	5,568,000
Early Childhood Education	306,269	0	0	306,269
School Food Service	5,966	0	0	5,966
Other State Education Funds	150,703	0	0	150,703
Career Ladder Program	43,050	0	0	43,050
Career Ladder - Extended Contract	32,767	0	0	32,767
Career Ladder - Extended Contract - ARRA	1,317	0	0	1,317
<u>Other State Revenues</u>				
Flood Control	160,210	0	0	160,210
Total State of Tennessee	\$ 6,337,861	\$ 0	\$ 0	\$ 6,337,861
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 305,361	\$ 305,361
USDA - Commodities	0	0	27,600	27,600
Breakfast	0	0	126,689	126,689
USDA - Other	0	0	1,650	1,650
USDA Food Service Equipment Grant - ARRA	0	0	7,894	7,894
Adult Education State Grant Program	33,953	0	0	33,953
Vocational Education - Basic Grants to States	0	24,368	0	24,368
Title I Grants to Local Education Agencies	0	452,812	0	452,812
Special Education - Grants to States	0	265,360	0	265,360
Special Education Preschool Grants	0	11,217	0	11,217
Rural Education	0	32,154	0	32,154
Eisenhower Professional Development State Grants	0	91,460	0	91,460
Job Training Partnership Act	11,000	0	0	11,000
Disaster Relief	1,355	0	0	1,355
Race-to-the-Top - ARRA	0	96,118	0	96,118
Other Federal through State	0	300,868	0	300,868
<u>Direct Federal Revenue</u>				
Public Law 874 - Maintenance and Operation	70,577	0	0	70,577
Total Federal Government	\$ 116,885	\$ 1,274,357	\$ 469,194	\$ 1,860,436
Total	\$ 8,251,302	\$ 1,274,357	\$ 620,539	\$ 10,146,198

Exhibit J-7

Clay County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2012

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	21,707	
Other Per Diem and Fees		1,101	
Audit Services		2,358	
Consultants		701	
Contracts with Government Agencies		800	
Dues and Memberships		1,050	
Legal Services		34	
Travel		1,186	
Other Contracted Services		270	
Other Charges		44	
Total County Commission			\$ 29,251

Board of Equalization

Board and Committee Members Fees	\$	1,050	
Total Board of Equalization			1,050

Beer Board

Legal Notices, Recording, and Court Costs	\$	251	
Total Beer Board			251

County Mayor/Executive

County Official/Administrative Officer	\$	60,350	
Accountants/Bookkeepers		24,797	
Clerical Personnel		17,566	
Communication		2,939	
Data Processing Services		4,254	
Dues and Memberships		3,226	
Evaluation and Testing		80	
Legal Notices, Recording, and Court Costs		1,091	
Maintenance Agreements		252	
Postal Charges		1,311	
Printing, Stationery, and Forms		683	
Travel		1,529	
Office Supplies		960	
Premiums on Corporate Surety Bonds		75	
Office Equipment		564	
Total County Mayor/Executive			119,677

County Attorney

County Official/Administrative Officer	\$	6,000	
Total County Attorney			6,000

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission

County Official/Administrative Officer	\$	41,801	
Other Salaries and Wages		17,718	
Election Commission		6,045	
Election Workers		6,181	
In-Service Training		1,005	
Communication		1,718	
Dues and Memberships		175	
Legal Services		18,211	
Legal Notices, Recording, and Court Costs		1,362	
Maintenance and Repair Services - Buildings		238	
Maintenance and Repair Services - Equipment		9,850	
Postal Charges		497	
Printing, Stationery, and Forms		1,299	
Travel		2,375	
Office Supplies		1,088	
Office Equipment		6,341	
Total Election Commission			\$ 115,904

Register of Deeds

County Official/Administrative Officer	\$	52,251	
Deputy(ies)		16,154	
Communication		1,116	
Data Processing Services		2,956	
Dues and Memberships		422	
Maintenance Agreements		191	
Postal Charges		296	
Printing, Stationery, and Forms		818	
Travel		231	
Office Supplies		669	
Premiums on Corporate Surety Bonds		125	
Office Equipment		104	
Total Register of Deeds			75,333

County Buildings

Custodial Personnel	\$	50,418	
Communication		42	
Evaluation and Testing		400	
Maintenance and Repair Services - Buildings		18,563	
Maintenance and Repair Services - Vehicles		2,736	
Pest Control		380	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Custodial Supplies	\$	7,777	
Electricity		17,746	
Gasoline		3,634	
Natural Gas		1,779	
Uniforms		147	
Water and Sewer		2,753	
Total County Buildings			\$ 106,375

Preservation of Records

Other Supplies and Materials	\$	2,202	
Total Preservation of Records			2,202

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	52,251	
Deputy(ies)		20,689	
Part-time Personnel		3,294	
In-Service Training		250	
Communication		1,055	
Contracts with Private Agencies		3,912	
Data Processing Services		3,764	
Dues and Memberships		300	
Postal Charges		776	
Printing, Stationery, and Forms		74	
Travel		1,511	
Office Supplies		1,133	
Office Equipment		166	
Total Property Assessor's Office			89,175

County Trustee's Office

Data Processing Services	\$	1,800	
Dues and Memberships		327	
Legal Notices, Recording, and Court Costs		87	
Maintenance and Repair Services - Equipment		5,460	
Postal Charges		2,588	
Printing, Stationery, and Forms		291	
Office Supplies		1,802	
Premiums on Corporate Surety Bonds		1,268	
Office Equipment		61	
Total County Trustee's Office			13,684

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office

County Official/Administrative Officer	\$	52,251	
Deputy(ies)		45,852	
Communication		2,144	
Dues and Memberships		327	
Maintenance and Repair Services - Equipment		738	
Postal Charges		1,727	
Rentals		5,289	
Electricity		2,222	
Office Supplies		3,554	
Premiums on Corporate Surety Bonds		150	
Total County Clerk's Office			\$ 114,254

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	52,251	
Deputy(ies)		25,202	
Clerical Personnel		40,062	
Other Salaries and Wages		3,225	
Jury and Witness Expense		3,792	
In-Service Training		1,540	
Communication		2,118	
Data Processing Services		944	
Dues and Memberships		327	
Legal Notices, Recording, and Court Costs		64	
Maintenance Agreements		9,854	
Postal Charges		978	
Printing, Stationery, and Forms		793	
Travel		267	
Remittance of Revenue Collected		3,555	
Office Supplies		4,078	
Premiums on Corporate Surety Bonds		250	
Office Equipment		2,310	
Total Circuit Court			151,610

General Sessions Court

Judge(s)	\$	68,759	
Total General Sessions Court			68,759

Chancery Court

County Official/Administrative Officer	\$	52,251	
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(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court (Cont.)

Deputy(ies)	\$	16,967	
Communication		1,609	
Data Processing Services		150	
Dues and Memberships		627	
Maintenance Agreements		1,572	
Postal Charges		224	
Office Supplies		<u>2,583</u>	
Total Chancery Court			\$ 75,983

Juvenile Court

Supervisor/Director	\$	9,000	
Social Security		446	
Unemployment Compensation		180	
Other Contracted Services		<u>17,400</u>	
Total Juvenile Court			27,026

Judicial Commissioners

County Official/Administrative Officer	\$	10,504	
Other Salaries and Wages		300	
Office Supplies		<u>217</u>	
Total Judicial Commissioners			11,021

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	57,477	
Assistant(s)		34,160	
Deputy(ies)		344,159	
Accountants/Bookkeepers		22,955	
Salary Supplements		4,800	
Dispatchers/Radio Operators		184,613	
Cafeteria Personnel		32,169	
Other Salaries and Wages		22,343	
In-Service Training		7,413	
Other Per Diem and Fees		891	
Communication		9,786	
Contracts with Other Public Agencies		803	
Dues and Memberships		1,300	
Evaluation and Testing		1,618	
Licenses		182	
Maintenance and Repair Services - Equipment		11,135	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Maintenance and Repair Services - Vehicles	\$	25,416	
Pest Control		180	
Postal Charges		1,096	
Printing, Stationery, and Forms		3,101	
Travel		8,626	
Remittance of Revenue Collected		531	
Gasoline		58,087	
Law Enforcement Supplies		5,000	
Office Supplies		3,286	
Tires and Tubes		4,605	
Uniforms		4,194	
Other Supplies and Materials		2,198	
Premiums on Corporate Surety Bonds		564	
Other Charges		1,100	
Other Equipment		7,149	
Total Sheriff's Department			\$ 860,937

Drug Enforcement

Motor Vehicles	\$	39,800	
Total Drug Enforcement			39,800

Jail

Guards	\$	24,631	
Communication		6,600	
Contracts with Government Agencies		143,242	
Maintenance and Repair Services - Buildings		16,660	
Travel		329	
Other Contracted Services		10,000	
Custodial Supplies		1,996	
Drugs and Medical Supplies		60,158	
Electricity		17,528	
Food Preparation Supplies		1,588	
Food Supplies		30,029	
Gasoline		20,197	
Water and Sewer		1,310	
Other Supplies and Materials		2,002	
Other Charges		223	
Total Jail			336,493

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Correctional Incentive Program Improvements

Other Equipment	\$ 2,680	
Total Correctional Incentive Program Improvements		\$ 2,680

Fire Prevention and Control

Disability Insurance	\$ 15,256	
Contributions	20,000	
Other Charges	2,850	
Total Fire Prevention and Control		38,106

Rescue Squad

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

Other Emergency Management

Supervisor/Director	\$ 4,800	
Secretary(ies)	4,800	
Other Salaries and Wages	15,000	
Maintenance and Repair Services - Equipment	24,950	
Office Supplies	242	
Road Signs	5,399	
Other Equipment	4,355	
Total Other Emergency Management		59,546

County Coroner/Medical Examiner

Other Salaries and Wages	\$ 1,400	
Other Per Diem and Fees	13,265	
Total County Coroner/Medical Examiner		14,665

Other Public Safety

Guards	\$ 25,876	
Total Other Public Safety		25,876

Public Health and Welfare

Local Health Center

Other Salaries and Wages	\$ 6,500	
Communication	2,646	
Maintenance and Repair Services - Buildings	31,971	
Custodial Supplies	490	
Drugs and Medical Supplies	593	
Office Supplies	1,100	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

Utilities	\$ 13,587	
Total Local Health Center		\$ 56,887

Ambulance/Emergency Medical Services

Other Contracted Services	\$ 360,000	
Total Ambulance/Emergency Medical Services		360,000

Alcohol and Drug Programs

Other Salaries and Wages	\$ 35,051	
Communication	1,020	
Postal Charges	120	
Travel	3,150	
Office Supplies	4,159	
Other Charges	3,966	
Total Alcohol and Drug Programs		47,466

Other Local Health Services

Temporary Personnel	\$ 6,242	
Other Salaries and Wages	65,396	
Unemployment Compensation	762	
Travel	3,980	
Total Other Local Health Services		76,380

Appropriation to State

Other Contracted Services	\$ 4,300	
Total Appropriation to State		4,300

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Supervisor/Director	\$ 17,849	
Social Security	1,008	
Unemployment Compensation	184	
Communication	1,289	
Postal Charges	44	
Travel	196	
Utilities	17,869	
Other Supplies and Materials	614	
Total Senior Citizens Assistance		39,053

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Libraries

Supervisor/Director	\$	20,689	
Part-time Personnel		7,873	
Other Salaries and Wages		17,569	
Communication		1,806	
Dues and Memberships		396	
Postal Charges		2,664	
Travel		391	
Other Contracted Services		250	
Custodial Supplies		1,010	
Electricity		6,468	
Instructional Supplies and Materials		11,442	
Library Books/Media		13,272	
Office Supplies		5,777	
Periodicals		295	
Water and Sewer		642	
Other Supplies and Materials		9,326	
Other Charges		949	
Office Equipment		4,679	
Total Libraries			\$ 105,498

Parks and Fair Boards

Contributions	\$	6,903	
Maintenance and Repair Services - Buildings		29,627	
Custodial Supplies		940	
Electricity		10,912	
Natural Gas		546	
Water and Sewer		265	
Other Charges		107	
Total Parks and Fair Boards			49,300

Other Social, Cultural, and Recreational

Contributions	\$	9,664	
Total Other Social, Cultural, and Recreational			9,664

Agriculture and Natural Resources

Agriculture Extension Service

Salary Supplements	\$	54,750	
Social Security		5,103	
Extension Service Medicare		501	
Communication		1,686	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Agriculture and Natural Resources (Cont.)

Agriculture Extension Service (Cont.)

Contributions	\$	9,689	
Travel		8,269	
Instructional Supplies and Materials		26	
Data Processing Equipment		1,607	
Total Agriculture Extension Service			\$ 81,631

Forest Service

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

Soil Conservation

Secretary(ies)	\$	18,035	
Other Salaries and Wages		28,898	
Communication		1,543	
Utilities		1,319	
Total Soil Conservation			49,795

Other Operations

Tourism

Clerical Personnel	\$	6,687	
Advertising		7,389	
Communication		1,700	
Contributions		250	
Dues and Memberships		500	
Postal Charges		475	
Office Supplies		1,193	
Other Charges		25,494	
Total Tourism			43,688

Industrial Development

Advertising	\$	510	
Consultants		24,000	
Travel		1,127	
Office Supplies		665	
Other Charges		59,351	
Total Industrial Development			85,653

Other Economic and Community Development

Debt Collection Services	\$	8,273	
Other Construction		757,615	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Other Operations (Cont.)

Other Economic and Community Development (Cont.)

Other Capital Outlay	\$ 3,046	
Total Other Economic and Community Development		\$ 768,934

Other Charges

Liability Insurance	\$ 63,494	
Trustee's Commission	48,549	
Workers' Compensation Insurance	71,654	
Total Other Charges		183,697

Employee Benefits

Social Security	\$ 146,456	
State Retirement	110,840	
Unemployment Compensation	11,791	
Total Employee Benefits		269,087

ARRA Grant # 3

Other Construction	\$ 100,000	
Total ARRA Grant # 3		100,000

Highways

Litter and Trash Collection

Supervisor/Director	\$ 26,644	
Other Charges	1,300	
Total Litter and Trash Collection		27,944

Total General Fund		\$ 4,748,135
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Courthouse and Jail Maintenance Fund

General Government

County Buildings

Maintenance and Repair Services - Buildings	\$ 2,881	
Total County Buildings		\$ 2,881

Other Operations

Other Charges

Trustee's Commission	\$ 138	
Total Other Charges		138

Total Courthouse and Jail Maintenance Fund		3,019
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(Continued)

Exhibit J-7

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

Solid Waste/Sanitation Fund

Public Health and Welfare

Waste Pickup

Truck Drivers	\$	39,296	
Laborers		98,800	
Clerical Personnel		10,975	
Social Security		11,404	
Unemployment Compensation		2,244	
Communication		1,616	
Contracts with Private Agencies		154,473	
Evaluation and Testing		170	
Maintenance and Repair Services - Buildings		5,692	
Maintenance and Repair Services - Equipment		1,122	
Maintenance and Repair Services - Vehicles		16,250	
Postal Charges		88	
Rentals		1,400	
Travel		474	
Custodial Supplies		305	
Electricity		4,514	
Gasoline		29,626	
Natural Gas		293	
Office Supplies		902	
Tires and Tubes		5,347	
Uniforms		448	
Water and Sewer		607	
Other Charges		2,233	
Site Development		12,073	
Solid Waste Equipment		62,941	
Total Waste Pickup			\$ 463,293

Other Operations

Other Charges

Trustee's Commission	\$	9,012	
Total Other Charges			9,012

Total Solid Waste/Sanitation Fund \$ 472,305

Drug Control Fund

Public Safety

Drug Enforcement

Contributions	\$	1,313	
Confidential Drug Enforcement Payments		2,000	
Other Supplies and Materials		5,036	

(Continued)

Exhibit J-7

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

Drug Control Fund (Cont.)

Public Safety (Cont.)

Drug Enforcement (Cont.)

Other Charges	\$	273	
Law Enforcement Equipment		<u>7,269</u>	
Total Drug Enforcement	\$		15,891

Other Operations

Other Charges

Trustee's Commission	\$	64	
Total Other Charges		<u>64</u>	

Total Drug Control Fund \$ 15,955

Constitutional Officers - Fees Fund

Finance

County Trustee's Office

County Official/Administrative Officer	\$	52,251	
Deputy(ies)		28,305	
Constitutional Officers' Operating Expenses		<u>640</u>	
Total County Trustee's Office	\$		81,196

Administration of Justice

Chancery Court

Special Commissioner Fees/Special Master Fees	\$	<u>5,329</u>	
Total Chancery Court			<u>5,329</u>

Total Constitutional Officers - Fees Fund 86,525

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	57,477
Accountants/Bookkeepers		29,989
Advertising		96
Communication		1,603
Consultants		541
Data Processing Services		4,792
Dues and Memberships		2,032
Postal Charges		225
Other Contracted Services		7,656
Other Charges		3,963
Administration Equipment		5,127

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Data Processing Equipment	\$ 160	
Total Administration		\$ 113,661

Highway and Bridge Maintenance

Equipment Operators	\$ 127,882	
Truck Drivers	131,473	
Laborers	185,006	
Rentals	1,668	
Asphalt - Hot Mix	327,286	
Asphalt - Liquid	230,114	
Concrete	382	
Crushed Stone	136,658	
Pipe	16,406	
Road Signs	420	
Salt	34,780	
Wood Products	1,188	
Other Supplies and Materials	994	
Other Charges	3,020	
Highway Construction	1,837	
Other Construction	28,228	
Total Highway and Bridge Maintenance		1,227,342

Operation and Maintenance of Equipment

Mechanic(s)	\$ 24,565	
Maintenance and Repair Services - Equipment	23,846	
Diesel Fuel	84,920	
Equipment and Machinery Parts	33,224	
Gasoline	17,662	
Lubricants	6,761	
Natural Gas	1,272	
Small Tools	417	
Tires and Tubes	11,084	
Other Supplies and Materials	1,796	
Other Charges	30	
Total Operation and Maintenance of Equipment		205,577

Other Charges

Electricity	\$ 3,432
Water and Sewer	1,141
Premiums on Corporate Surety Bonds	289

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Other Charges (Cont.)

Trustee's Commission	\$ 13,023	
Vehicle and Equipment Insurance	17,478	
Workers' Compensation Insurance	73,388	
Total Other Charges	<u>103,889</u>	\$ 108,751

Employee Benefits

Social Security	\$ 34,530	
State Retirement	33,000	
Unemployment Compensation	8,149	
Employer Medicare	8,076	
Total Employee Benefits	<u>83,755</u>	<u>83,755</u>

Total Highway/Public Works Fund \$ 1,739,086

General Debt Service Fund

Principal on Debt

General Government

Principal on Notes	\$ 159,000	
Principal on Capital Leases	7,630	
Total General Government	<u>166,630</u>	\$ 166,630

Interest on Debt

General Government

Interest on Notes	\$ 467	
Interest on Capital Leases	1,627	
Total General Government	<u>2,094</u>	2,094

Other Debt Service

General Government

Trustee's Commission	\$ 1,112	
Total General Government	<u>1,112</u>	<u>1,112</u>

Total General Debt Service Fund 169,836

Total Governmental Funds - Primary Government \$ 7,234,861

Exhibit J-8

Clay County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Clay County School Department
For the Year Ended June 30, 2012

General Purpose School FundInstructionRegular Instruction Program

Teachers	\$ 2,262,571	
Career Ladder Program	23,000	
Career Ladder Extended Contracts	28,900	
Educational Assistants	78,733	
Longevity Pay	3,700	
Certified Substitute Teachers	42,520	
Non-certified Substitute Teachers	15,855	
Social Security	138,011	
State Retirement	196,817	
Medical Insurance	183,264	
Unemployment Compensation	5,647	
Employer Medicare	32,645	
Maintenance and Repair Services - Equipment	5,705	
Other Contracted Services	36,735	
Instructional Supplies and Materials	44,475	
Textbooks	74,991	
Regular Instruction Equipment	57,138	
Total Regular Instruction Program		\$ 3,230,707

Alternative Instruction Program

Teachers	\$ 45,646	
Certified Substitute Teachers	600	
Non-certified Substitute Teachers	675	
Social Security	2,410	
State Retirement	4,146	
Medical Insurance	6,023	
Unemployment Compensation	82	
Employer Medicare	564	
Instructional Supplies and Materials	158	
Total Alternative Instruction Program		60,304

Special Education Program

Teachers	\$ 315,146
Career Ladder Program	5,000
Homebound Teachers	19,638
Educational Assistants	25,084
Longevity Pay	1,850
Certified Substitute Teachers	4,760
Non-certified Substitute Teachers	3,250

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Social Security	\$	21,659	
State Retirement		32,791	
Medical Insurance		25,613	
Unemployment Compensation		795	
Employer Medicare		5,081	
Contracts with Private Agencies		5,100	
Other Contracted Services		44,050	
Special Education Equipment		776	
Total Special Education Program			\$ 510,593

Vocational Education Program

Teachers	\$	187,723	
Career Ladder Program		2,000	
Certified Substitute Teachers		5,320	
Non-certified Substitute Teachers		700	
Social Security		11,341	
State Retirement		17,177	
Medical Insurance		12,204	
Unemployment Compensation		347	
Employer Medicare		2,677	
Travel		4,921	
Other Contracted Services		38,678	
Instructional Supplies and Materials		9,118	
Textbooks		602	
Vocational Instruction Equipment		7,243	
Total Vocational Education Program			300,051

Adult Education Program

Teachers	\$	16,344	
Other Salaries and Wages		7,096	
Social Security		440	
Unemployment Compensation		139	
Employer Medicare		340	
Travel		337	
Instructional Supplies and Materials		6,633	
In Service/Staff Development		1,325	
Other Equipment		496	
Total Adult Education Program			33,150

(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	\$	60,342	
Career Ladder Program		1,000	
Social Security		3,624	
State Retirement		5,551	
Medical Insurance		2,988	
Unemployment Compensation		72	
Employer Medicare		848	
Travel		2,943	
Other Contracted Services		2,798	
Other Supplies and Materials		392	
Other Charges		2,638	
Total Attendance	\$		83,196

Health Services

Medical Personnel	\$	86,605	
Longevity Pay		350	
Other Salaries and Wages		62,845	
Social Security		8,743	
State Retirement		12,535	
Medical Insurance		7,732	
Unemployment Compensation		292	
Employer Medicare		2,045	
Contributions		100	
Licenses		200	
Travel		4,786	
Other Contracted Services		500	
Drugs and Medical Supplies		338	
Other Supplies and Materials		7,606	
Total Health Services			194,677

Other Student Support

Career Ladder Program	\$	1,000	
Guidance Personnel		132,942	
Social Security		7,633	
State Retirement		12,122	
Medical Insurance		10,533	
Unemployment Compensation		216	
Employer Medicare		1,785	
Evaluation and Testing		4,324	

(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	\$	3,481	
Other Charges		3,478	
Total Other Student Support			\$ 177,514

Regular Instruction Program

Supervisor/Director	\$	106,686	
Career Ladder Program		5,105	
Librarians		108,136	
Education Media Personnel		25,200	
Instructional Computer Personnel		30,171	
Longevity Pay		100	
Non-certified Substitute Teachers		1,200	
Social Security		16,389	
State Retirement		24,448	
Medical Insurance		12,642	
Unemployment Compensation		485	
Employer Medicare		3,833	
Travel		14,382	
Library Books/Media		8,010	
Other Supplies and Materials		4,973	
In Service/Staff Development		30,516	
Other Charges		300	
Total Regular Instruction Program			392,576

Special Education Program

Supervisor/Director	\$	27,577	
Career Ladder Program		1,000	
Psychological Personnel		26,709	
Clerical Personnel		7,119	
Longevity Pay		583	
Other Salaries and Wages		7,254	
Social Security		4,338	
State Retirement		6,076	
Unemployment Compensation		205	
Employer Medicare		1,014	
Postal Charges		401	
Travel		189	
Other Contracted Services		470	
Total Special Education Program			82,935

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Vocational Education Program

Supervisor/Director	\$	27,358	
Unemployment Compensation		72	
Employer Medicare		397	
Travel		250	
Instructional Supplies and Materials		687	
Total Vocational Education Program			\$ 28,764

Adult Programs

Supervisor/Director	\$	10,772	
Social Security		627	
State Retirement		975	
Unemployment Compensation		17	
Employer Medicare		146	
Total Adult Programs			12,537

Other Programs

On-Behalf Payments to OPEB	\$	69,579	
Total Other Programs			69,579

Board of Education

Other Salaries and Wages	\$	2,900	
Board and Committee Members Fees		13,600	
Social Security		936	
State Retirement		234	
Life Insurance		4,098	
Unemployment Compensation		117	
Employer Medicare		239	
Advertising		2,906	
Audit Services		4,000	
Dues and Memberships		11,003	
Legal Services		1,282	
Food Supplies		1,166	
Trustee's Commission		51,829	
Workers' Compensation Insurance		53,158	
Refund to Applicant for Criminal Investigation		1,606	
Other Charges		3,903	
Total Board of Education			152,977

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools

County Official/Administrative Officer	\$	69,535	
Career Ladder Program		1,000	
Social Security		4,039	
State Retirement		6,383	
Medical Insurance		5,830	
Unemployment Compensation		72	
Employer Medicare		945	
Communication		38,588	
Dues and Memberships		238	
Postal Charges		2,371	
Travel		1,957	
Office Supplies		515	
Total Director of Schools	\$		131,473

Office of the Principal

Principals	\$	176,952	
Career Ladder Program		3,000	
Assistant Principals		94,510	
Secretary(ies)		69,160	
Clerical Personnel		20,910	
Longevity Pay		600	
Social Security		21,442	
State Retirement		30,593	
Medical Insurance		20,448	
Unemployment Compensation		846	
Employer Medicare		5,015	
Communication		4,145	
Travel		2,468	
Other Contracted Services		2,812	
Data Processing Equipment		1,552	
Total Office of the Principal			454,453

Fiscal Services

Accountants/Bookkeepers	\$	52,812	
Secretary(ies)		50,309	
Longevity Pay		783	
Social Security		5,254	
State Retirement		6,097	
Medical Insurance		2,963	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Fiscal Services (Cont.)

Unemployment Compensation	\$	348	
Employer Medicare		1,486	
Travel		1,770	
Other Contracted Services		5,318	
Data Processing Supplies		1,230	
Office Supplies		2,378	
Other Charges		457	
Administration Equipment		9,261	
Total Fiscal Services			\$ 140,466

Operation of Plant

Custodial Personnel	\$	154,472	
Longevity Pay		2,110	
Social Security		9,613	
State Retirement		10,873	
Medical Insurance		4,667	
Unemployment Compensation		685	
Employer Medicare		2,248	
Maintenance and Repair Services - Equipment		6,859	
Travel		558	
Contracts for Landfill Facilities		7,588	
Other Contracted Services		86,795	
Custodial Supplies		23,552	
Electricity		348,470	
Fuel Oil		12,480	
Water and Sewer		26,545	
Other Supplies and Materials		611	
Building and Contents Insurance		50,311	
Other Charges		930	
Plant Operation Equipment		13,606	
Total Operation of Plant			762,973

Maintenance of Plant

Longevity Pay	\$	150	
Other Salaries and Wages		83,614	
Social Security		3,591	
State Retirement		4,230	
Medical Insurance		2,000	
Unemployment Compensation		315	

(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.)

Employer Medicare	\$	1,215	
Maintenance and Repair Services - Buildings		2,726	
Maintenance and Repair Services - Equipment		7,015	
Rentals		1,121	
General Construction Materials		869	
Other Supplies and Materials		20,989	
Other Charges		150	
Maintenance Equipment		4,144	
Total Maintenance of Plant			\$ 132,129

Transportation

Mechanic(s)	\$	30,000	
Bus Drivers		193,996	
Longevity Pay		4,925	
Other Salaries and Wages		2,005	
Social Security		14,278	
State Retirement		16,452	
Medical Insurance		5,003	
Unemployment Compensation		1,423	
Employer Medicare		3,339	
Communication		5,160	
Licenses		570	
Maintenance and Repair Services - Vehicles		5,834	
Medical and Dental Services		3,157	
Travel		2,345	
Other Contracted Services		700	
Diesel Fuel		107,706	
Gasoline		10,810	
Lubricants		5,912	
Tires and Tubes		14,191	
Vehicle Parts		34,340	
Other Supplies and Materials		2,183	
Vehicle and Equipment Insurance		19,106	
Other Charges		2,412	
Transportation Equipment		111,440	
Total Transportation			597,287

(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

Food Service

Supervisor/Director	\$	57,936	
Career Ladder Program		1,000	
Social Security		3,219	
State Retirement		5,334	
Medical Insurance		7,607	
Unemployment Compensation		72	
Employer Medicare		753	
Communication		995	
Travel		2,551	
Total Food Service			\$ 79,467

Community Services

Supervisor/Director	\$	33,942	
Other Salaries and Wages		3,648	
Social Security		2,189	
State Retirement		3,402	
Medical Insurance		2,988	
Unemployment Compensation		67	
Employer Medicare		512	
Travel		515	
Other Supplies and Materials		486	
Other Charges		250	
Total Community Services			47,999

Early Childhood Education

Supervisor/Director	\$	14,998	
Teachers		114,620	
Accountants/Bookkeepers		6,009	
Educational Assistants		46,598	
Longevity Pay		600	
Certified Substitute Teachers		760	
Non-certified Substitute Teachers		1,100	
Social Security		11,148	
State Retirement		14,512	
Medical Insurance		3,558	
Unemployment Compensation		574	
Employer Medicare		2,616	
Dues and Memberships		25	
Postal Charges		300	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Early Childhood Education (Cont.)

Travel	\$	3,194	
Instructional Supplies and Materials		22,353	
In Service/Staff Development		1,000	
Regular Instruction Equipment		62,305	
Total Early Childhood Education			\$ 306,270

Capital Outlay

Regular Capital Outlay

Building Construction	\$	75	
Building Improvements		61,397	
Communication Equipment		12,754	
Heating and Air Conditioning Equipment		145,738	
Site Development		26,720	
Other Capital Outlay		18,931	
Total Regular Capital Outlay			265,615

Principal on Debt

Education

Principal on Other Loans	\$	232,000	
Total Education			232,000

Interest on Debt

Education

Interest on Other Loans	\$	24,696	
Total Education			24,696

Other Debt Service

Education

Other Debt Service	\$	40,121	
Total Education			40,121

Total General Purpose School Fund \$ 8,544,509

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	401,843	
Educational Assistants		93,480	
Longevity Pay		2,500	

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Regular Instruction Program (Cont.)

Other Salaries and Wages	\$	64,413	
Social Security		32,386	
State Retirement		48,803	
Medical Insurance		37,213	
Unemployment Compensation		2,219	
Employer Medicare		7,568	
Other Contracted Services		18,931	
Instructional Supplies and Materials		9,524	
Other Charges		96	
Regular Instruction Equipment		16,700	
Total Regular Instruction Program	\$		735,676

Special Education Program

Teachers	\$	36,535	
Educational Assistants		58,126	
Social Security		5,345	
State Retirement		7,060	
Medical Insurance		10,607	
Unemployment Compensation		453	
Employer Medicare		1,251	
Contracts with Other Public Agencies		2,449	
Contracts with Private Agencies		15,107	
Other Contracted Services		34,241	
Instructional Supplies and Materials		8,071	
Other Charges		3,000	
Special Education Equipment		776	
Total Special Education Program			183,021

Vocational Education Program

Instructional Supplies and Materials	\$	1,469	
Vocational Instruction Equipment		14,148	
Total Vocational Education Program			15,617

Support Services

Other Student Support

Other Salaries and Wages	\$	1,500	
Social Security		93	
State Retirement		136	
Employer Medicare		22	

(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.)

Other Student Support (Cont.)

Travel	\$ 6,000	
Total Other Student Support		\$ 7,751

Regular Instruction Program

Supervisor/Director	\$ 27,357	
Secretary(ies)	8,758	
Other Salaries and Wages	88,731	
Social Security	7,123	
State Retirement	11,134	
Medical Insurance	10,188	
Unemployment Compensation	327	
Employer Medicare	1,666	
Travel	11,859	
Other Supplies and Materials	1,148	
In Service/Staff Development	40,897	
Other Charges	6,147	
Other Equipment	650	
Total Regular Instruction Program		215,985

Special Education Program

Psychological Personnel	\$ 26,712	
Assessment Personnel	24,280	
Clerical Personnel	7,840	
Other Salaries and Wages	7,060	
Social Security	4,078	
State Retirement	5,683	
Unemployment Compensation	184	
Employer Medicare	954	
Maintenance and Repair Services - Equipment	120	
Travel	5,453	
Other Supplies and Materials	930	
In Service/Staff Development	496	
Total Special Education Program		83,790

Vocational Education Program

Travel	\$ 500	
In Service/Staff Development	500	
Total Vocational Education Program		1,000

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Transportation

Bus Drivers	\$	7,539	
Other Salaries and Wages		3,500	
Social Security		649	
State Retirement		827	
Unemployment Compensation		99	
Employer Medicare		160	
Total Transportation			\$ 12,774

Operation of Non-Instructional Services

Food Service

Cafeteria Personnel	\$	10,025	
Social Security		617	
State Retirement		714	
Unemployment Compensation		79	
Employer Medicare		144	
Total Food Service			<u>11,579</u>

Total School Federal Projects Fund \$ 1,267,193

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Cafeteria Personnel	\$	186,547
Longevity Pay		3,088
In-Service Training		250
Social Security		11,723
State Retirement		12,597
Medical Insurance		7,000
Unemployment Compensation		1,112
Employer Medicare		2,741
Communication		1,369
Maintenance and Repair Services - Equipment		7,654
Postal Charges		120
Transportation - Other than Students		1,948
Other Contracted Services		2,089
Food Preparation Supplies		6,529
Food Supplies		251,100
Office Supplies		3,648
USDA - Commodities		27,599

(Continued)

Exhibit J-8

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

Central Cafeteria Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Other Supplies and Materials	\$	14,299	
Workers' Compensation Insurance		6,600	
In Service/Staff Development		988	
Food Service Equipment		<u>35,022</u>	
Total Food Service			<u>\$ 584,023</u>

Total Central Cafeteria Fund \$ 584,023

Total Governmental Funds - Clay County School Department \$ 10,395,725

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, 2012

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 247,142
Total Cash Receipts	<u>\$ 247,142</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 244,418
Trustee's Commission	2,724
Total Cash Disbursements	<u>\$ 247,142</u>
 Excess of Cash Receipts Over (Under) Cash Disbursements	 \$ 0
Cash Balance, July 1, 2011	<u>0</u>
 Cash Balance, June 30, 2012	 <u><u>\$ 0</u></u>

SINGLE AUDIT SECTION



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT 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

December 17, 2012

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, 2012, which collectively comprise Clay County's basic financial statements and have issued our report thereon dated December 17, 2012. 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

The management of Clay County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Clay County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Clay County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Clay County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant

deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

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. We consider the following deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness: 12.02.

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. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies: 12.01, 12.06, 12.10, and 12.11.

Compliance and Other Matters

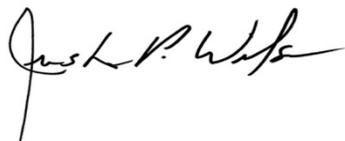
As part of obtaining reasonable assurance about whether Clay County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 12.03, 12.04, 12.05, 12.07, 12.08, and 12.09.

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

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

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

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury

JPW/sb



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7841

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

INDEPENDENT AUDITOR'S REPORT

December 17, 2012

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

To the County Mayor and Board of County Commissioners:

Compliance

We have audited Clay County's compliance 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, 2012. 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, 2012.

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 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

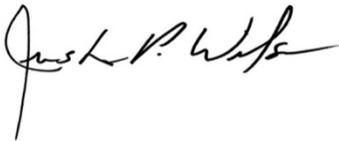
We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Clay County as of and for the year ended June 30, 2012, and have issued our report thereon dated December 17, 2012. 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.

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

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,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a long vertical stroke extending downwards from the end of the name.

Justin P. Wilson
Comptroller of the Treasury

JPW/sb

Clay County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2012

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	\$ 7,487
ARRA - Community Facilities Loans and Grants	10.766	N/A	680,800 (3)
Soil and Water Conservation	10.902	N/A	4,872
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	126,689
National School Lunch Program	10.555	N/A	305,361 (4)
Child Nutrition Discretionary Grants Limited Availability, Recovery Act	10.579	N/A	7,894
Fresh Fruits and Vegetable Program	10.582	N/A	1,650
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	27,600 (4)
Total U.S. Department of Agriculture			<u>\$ 1,162,353</u>
U.S. Department of Housing and Urban Development:			
Direct Program:			
Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grants	14.251	N/A	<u>\$ 80,123</u>
U.S. Department of the Interior:			
Direct Program:			
Payments in-Lieu-of Taxes	15.226	N/A	<u>\$ 67,431</u>
U.S. Department of Labor:			
Passed-through Upper Cumberland Human Resource Agency:			
WIA Youth Activities	17.259	(2)	<u>\$ 11,000</u>
Appalachian Regional Commission:			
Passed-through Tennessee Technological University:			
Appalachian Area Development	23.002	(2)	\$ 8,750
Passed-through East Tennessee State University:			
Appalachian Research, Technical Assistance, and Demonstration Projects	23.011	(2)	<u>5,000</u>
Total Appalachian Regional Commission			<u>\$ 13,750</u>
Institute of Museum and Library Services			
Passed-through Tennessee Secretary of State:			
Grants to States	45.310	(2)	<u>\$ 2,000</u>
U.S. Department of Education:			
Direct Programs:			
Impact Aid	84.041	N/A	\$ 70,577
Passed-through State Department of Labor and Workforce Development:			
Adult Education - Basic Grants to States	84.002	(2)	33,953
Passed-through State Department of Education:			
Title I Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	N/A	481,023
Title I Grants to Local Educational Agencies, Recovery Act	84.389	N/A	2,745
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	268,812
Special Education - Preschool Grants	84.173	N/A	12,140
Career and Technical Education - Basic Grants to States	84.048	N/A	24,368

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Passed-through Entity Identifying Number	Expenditures
U.S. Department of Education (Cont.):			
Passed-through State Department of Education (Cont.):			
Education Technology State Grants Cluster:			
Education Technology State Grants	84.318	N/A	\$ 322
Education Technology State Grants, Recovery Act	84.386	N/A	450
Rural Education	84.358	N/A	32,466
Improving Teacher Quality State Grants	84.367	N/A	64,028
State Fiscal Stabilization Fund - Government Service, Recovery Act	84.397	(2)	1,317
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants - Recovery Act	84.395	N/A	96,760
Education Jobs Fund	84.410	N/A	300,099
Total U.S. Department of Education			<u>\$ 1,389,060</u>
U.S. Department of Health and Human Services:			
Passed-through State Department of Mental Health and Developmental Disabilities:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	Z-12-36475-00	<u>\$ 50,000</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	(2)	<u>\$ 47,189</u>
Total Expenditures of Federal Awards			<u><u>\$ 2,822,906</u></u>

State Grants		Contract Number	
Aging Program - Upper Cumberland Development District	N/A	(2)	\$ 14,094
Juvenile Justice - State Commission on Children and Youth	N/A	(2)	9,000
Tennessee Agricultural Enhancement Program - State Department of Agriculture	N/A	Z-08-21374-00	9,783
Law Enforcement Training - State Department of Safety	N/A	(2)	4,800
High Schools that Work - State Department of Education	N/A	(2)	5,974
Lottery for Education/PreK - State Department of Education	N/A	(2)	306,269
Coordinated School Health - State Department of Education	N/A	(2)	90,000
Family Resource Center - State Department of Education	N/A	(2)	29,612
Adult Basic Education - State Department of Education	N/A	(2)	11,317
Safe Schools Act - State Department of Education	N/A	(2)	6,300
Litter Program - State Department of Transportation	N/A	(2)	45,219
Rural Local Health Services - State Department of Health	N/A	Z-12-44012-00	74,795
Recycling Equipment Grant - State Department of Environment and Conservation	N/A	GG-1134816-00	22,031
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	<u>850</u>
Total State Grants			<u><u>\$ 630,044</u></u>

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) This amount includes loan proceeds from USDA of \$580,800.
- (4) Total for CFDA No. 10.555 is \$332,961.

Clay County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2012

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, 2011, which have not been corrected.

OFFICE OF COUNTY MAYOR

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
11.01(A)	142	The office had not established a formal purchase order system

OFFICE OF ROAD SUPERINTENDENT

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
11.03	143	The office had not established a formal purchase order system

OFFICE OF COUNTY CLERK

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
11.05	144	The office did not deposit some funds within three days of collection

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
11.06	144	Execution docket trial balances did not reconcile with general ledger accounts

OFFICE OF SHERIFF

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
11.07	145	Multiple employees operated from the same cash drawer

OFFICES OF ROAD SUPERINTENDENT, COUNTY CLERK, AND SHERIFF

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
11.08	145	Duties were not segregated adequately

CLAY COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2012

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the aggregate discretely presented component units is qualified. Our report on the governmental activities, each major fund, and the aggregate remaining fund information is unqualified.
2. The audit of the financial statements of Clay County disclosed significant deficiencies in internal control. One of these conditions was considered to be a material weakness.
3. The audit did not disclose any instances of noncompliance that are material to the financial statements of Clay County.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555), Community Facilities Loans and Grants Program (CFDA No. 10.766), 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), and the Education Jobs Fund (CFDA No. 84.410) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Clay County did not qualify as a low-risk auditee.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. The written response of the trustee is paraphrased in this report. Other management officials did not provide responses for inclusion in this report.

OFFICES OF COUNTY MAYOR AND ROAD SUPERINTENDENT

FINDING 12.01 **THE OFFICES HAD NOT ESTABLISHED FORMAL PURCHASE ORDER SYSTEMS**

(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Formal purchase order systems had not been established in the Offices of County Mayor and Road Superintendent. Purchase orders are necessary to control who has purchasing authority for the offices 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 Offices of County Mayor and Road Superintendent should establish formal purchase order systems to improve internal controls over the purchasing process and to document purchasing commitments.

OFFICE OF ROAD SUPERINTENDENT

FINDING 12.02 **THE HIGHWAY/PUBLIC WORKS FUND REQUIRED MATERIAL AUDIT ADJUSTMENTS FOR PROPER FINANCIAL STATEMENT PRESENTATION**

(Internal Control – Material Weakness Under *Government Auditing Standards*)

At June 30, 2012, certain general ledger account balances in the Highway/Public Works Fund were not materially correct, and audit adjustments were required for the financial statements to be materially correct at year-end. Generally accepted accounting principles require the Road Department to have adequate controls over the maintenance of its accounting records. Material audit adjustments were required because the department's financial reporting system did not prevent, detect, or correct potential misstatements in the accounting records. It is a strong indicator of a material weakness in internal controls if the department has ineffective controls over the maintenance of its accounting records, which are used to prepare the financial statements, including the related notes to the financial statements. We presented audit adjustments to management that they approved and posted to properly present the financial statements in this report.

RECOMMENDATION

The Road Department should have appropriate processes in place to ensure that its general ledgers are materially correct.

OFFICE OF ASSESSOR OF PROPERTY

FINDING 12.03 **NEW OWNERS OF GREENBELT PROPERTIES WERE NOT REQUIRED TO FILE A NEW APPLICATION FOR AGRICULTURAL PROPERTY**
(Noncompliance Under *Government Auditing Standards*)

New owners who purchased property that previously qualified as agricultural the year before were not required to file a new application for the greenbelt classification. Section 67-5-1005(a)(1), *Tennessee Code Annotated*, requires all new owners of property that qualified as agricultural the year before to reapply by March 1 in the year of transferring ownership. This deficiency can be attributed to the lack of management oversight. Clay County could be deprived of tax revenues from property that did not qualify to receive a greenbelt exemption.

RECOMMENDATION

New owners of properties who qualified as agricultural should be required to file new greenbelt applications as required by state statute.

FINDING 12.04 **THE ASSESSOR DID NOT PRORATE NEW CONSTRUCTION**
(Noncompliance Under *Government Auditing Standards*)

The assessor did not pick up and prorate new construction or improvements. Section 67-5-603, *Tennessee Code Annotated*, provides that for the year in which an improvement or building is completed, the assessment or increase in assessment, shall be prorated for the portion of the year following the date of its completion. This deficiency can be attributed to the lack of management oversight resulting in new construction not being properly assessed, which resulted in a loss of county tax revenue.

RECOMMENDATION

The assessor should pick up and prorate new construction and improvements as required by statute.

FINDING 12.05 MOBILE HOMES WERE ASSESSED TO THE MOBILE HOME OWNER INSTEAD OF THE LAND OWNER WHERE THE MOBILE HOME WAS LOCATED
(Noncompliance Under *Government Auditing Standards*)

Mobile homes were assessed to the mobile home owners instead of to the owners of the land where the mobile homes were located. Section 67-5-802, *Tennessee Code Annotated*, requires the assessor to furnish a schedule to each land owner of a mobile home park by March 1 each year. It is the land owner's responsibility to complete the schedule to report the number of mobile homes, make, serial number, size, original cost, and any other information necessary for proper assessment of the mobile homes. This deficiency occurred because the assessors assessed the mobile homes to the wrong person, which could result in property taxes becoming delinquent without notification to the land owner.

RECOMMENDATION

Mobile homes should be assessed to the owners of the land where the mobile homes are located.

OFFICE OF TRUSTEE

FINDING 12.06 THE OFFICE DID NOT IMPLEMENT ADEQUATE CONTROLS TO PROTECT ITS INFORMATION RESOURCES
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

The office did not implement adequate controls to protect its information resources. This finding does not identify specific vulnerabilities that could allow someone to exploit the office's information system or misuse county funds. Disclosing those vulnerabilities could present a potential security risk by providing the readers with information that might be confidential pursuant to Section 10-7-504(i), *Tennessee Code Annotated*. Sound business practices dictate that proper controls be implemented. Without these controls, unauthorized system activity could occur.

RECOMMENDATION

The office should ensure that adequate controls over its information systems and the resources associated with those systems are implemented.

MANAGEMENT'S RESPONSE – TRUSTEE

This weakness was corrected in December 2012.

OFFICE OF COUNTY CLERK

FINDING 12.07 **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 a lack of management oversight and management's failure to correct the finding noted in the prior-year audit report. 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 12.08 **EXECUTION DOCKET TRIAL BALANCES DID NOT RECONCILE WITH GENERAL LEDGER ACCOUNTS** (Noncompliance Under *Government Auditing Standards*)

At June 30, 2012, the circuit and general sessions courts clerk prepared execution docket trial balances as required by Section 18-2-103, *Tennessee Code Annotated (TCA)*. However, these trial balances did not reconcile with the general ledger accounts by significant amounts. The clerk had unidentified balances of \$2,285 and \$18,004 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 the general ledger accounts. Any funds held by the courts for one year and unclaimed by the owner are considered abandoned and should be reported and paid to the state Treasurer's Office in accordance with state statutes.

FINDING 12.09 UNCLAIMED FUNDS WERE NOT REPORTED AND PAID TO THE STATE
(Noncompliance Under *Government Auditing Standards*)

The clerk did not report and pay to the state unclaimed funds (old outstanding checks) totaling \$7,773. At June 30, 2012, Circuit Court had 14 outstanding checks totaling \$2,227 and General Sessions Court had 15 outstanding checks totaling \$5,546 that were all issued before July 1, 2011. The Unclaimed Property Act, Section 66-29-101, et seq., *Tennessee Code Annotated*, provides that any funds held by the court for more than one year and unclaimed by the owner are considered abandoned. This statute further provides for the funds to be reported and paid to the state Treasurer's Office. This deficiency is the result of management's failure to review and monitor outstanding checks.

RECOMMENDATION

The clerk should report and pay to the state unclaimed funds held for more than one year as required by state statute.

OFFICES OF COUNTY CLERK AND SHERIFF

FINDING 12.10 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 County Clerk 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. Also, this deficiency in the Sheriff's Office was a result of the sheriff's failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

Officials should assign each employee their own cash drawer.

OFFICES OF ROAD SUPERINTENDENT, COUNTY CLERK, AND SHERIFF

FINDING 12.11 **DUTIES WERE NOT SEGREGATED ADEQUATELY**

(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, 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. Also, this deficiency is the result of management's failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

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

BEST PRACTICES

The Division of Local Government 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, 2012

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