
ANNUAL FINANCIAL REPORT CLAY COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2014



**ANNUAL FINANCIAL REPORT
CLAY COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2014**

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

***DIVISION OF LOCAL GOVERNMENT AUDIT
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State Auditors***

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

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Summary of Audit Findings

Annual Financial Report
Clay County, Tennessee
For the Year Ended June 30, 2014

Scope

We have audited the basic financial statements of Clay County as of and for the year ended June 30, 2014.

Results

Our report on Clay County's financial statements is unmodified.

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

Findings

The following are summaries of the audit findings:

OFFICES OF COUNTY MAYOR AND ROAD SUPERINTENDENT

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

OFFICE OF ROAD SUPERINTENDENT

- ◆ Appropriations exceeded estimated available funding in the Highway/Public Works Fund.
-

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ The School Federal Projects Fund had a cash overdraft at June 30, 2014.
-

OFFICE OF COUNTY CLERK

- ◆ The office did not review its software audit logs.
-

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

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

OFFICES OF COUNTY CLERK AND CIRCUIT AND GENERAL SESSIONS COURTS CLERK

- ◆ 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.

INTRODUCTORY SECTION

Clay County Officials
June 30, 2014

Officials

Dale Reagan, County Mayor
Ernest Garrison, Road Superintendent
Jerry Strong, 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 of Deeds
Brandon Boone, Sheriff

Board of County Commissioners

Dale Reagan, County Mayor, Chairman
Pam Breeding
Denzil Cherry
Bryan Coons
Dorothy Forney
Anna Ruth Locke

Timmie Scott
Daniel Stewart
Parrish Wright
Winton Young
Vacant

Board of Education

David West, Chairman
Benji Bailey
Russell Cherry
Jerry Eads
Veda Hix

Todd Lynn
Chris McClerran
Nathan Sherrell
Anthony Smith
Vonda Weir

Audit Committee

Doug Young, Chairman
Anna Ruth Locke
Parrish Wright

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

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

To the County Mayor and Board of County Commissioners:

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the county's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position 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 June 30, 2014, and the respective changes in financial position and the respective budgetary comparison for the General, Solid Waste/Sanitation, and Highway/Public Works funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note V.B., Clay County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans* and GASB Statement No. 70, *Accounting and Reporting for Nonexchange Financial Guarantees*, which have an effective date of June 30, 2014. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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 schedules of funding progress – pension plan and other postemployment benefit plan on pages 61 - 63 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clay County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Clay County School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Clay County School Department (a discretely presented component unit), and 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, 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 miscellaneous schedules are fairly stated, in all material respects, in relation to the basic 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2014, on our consideration of Clay County's internal control over financial

reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Clay County's internal control over financial reporting and compliance.

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
Nashville, Tennessee

November 14, 2014

JPW/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

Clay County, Tennessee
Statement of Net Position
June 30, 2014

	<u>Primary Governmental Activities</u>	<u>Component Unit Clay County School Department</u>
<u>ASSETS</u>		
Cash	\$ 17,421	\$ 1,830
Equity in Pooled Cash and Investments	3,612,813	1,995,530
Accounts Receivable	13,422	1,293
Due from Other Governments	405,957	263,681
Due from Component Units	5,979,000	0
Property Taxes Receivable	2,353,042	1,349,715
Allowance for Uncollectible Property Taxes	(248,048)	(142,281)
Capital Assets:		
Assets Not Depreciated:		
Land	95,000	338,698
Construction in Progress	202,766	0
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	1,934,587	6,238,264
Infrastructure	8,804,560	358,560
Other Capital Assets	982,389	951,688
Total Assets	<u>\$ 24,152,909</u>	<u>\$ 11,356,978</u>
<u>LIABILITIES</u>		
Accrued Interest Payable	\$ 3,745	\$ 533
Cash Overdraft	0	2,294
Contracts Payable	65,212	0
Due to Primary Government	0	5,979,000
Noncurrent Liabilities:		
Due Within One Year	342,726	423
Due in More Than One Year	6,021,639	467,511
Total Liabilities	<u>\$ 6,433,322</u>	<u>\$ 6,449,761</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred Current Property Taxes	<u>\$ 2,087,721</u>	<u>\$ 1,197,526</u>
Total Deferred Inflow of Resources	<u>\$ 2,087,721</u>	<u>\$ 1,197,526</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	\$ 11,719,715	\$ 7,887,210
Restricted for:		
General Government	116,847	0
Administration of Justice	20,409	0
Public Safety	97,349	0
Highways	487,164	0
Education	0	197,039
Unrestricted	<u>3,190,382</u>	<u>(4,374,558)</u>
Total Net Position	<u>\$ 15,631,866</u>	<u>\$ 3,709,691</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, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Component Unit Clay County School Department
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Total Governmental Activities		
Primary Government:							
Governmental Activities:							
General Government	\$ 833,690	\$ 33,805	\$ 35,378	\$ 0	\$ (764,507)	\$ 0	0
Finance	340,708	230,834	0	0	(109,874)	0	0
Administration of Justice	380,222	240,281	0	0	(139,941)	0	0
Public Safety	1,487,844	166,641	21,795	202,666	(1,096,742)	0	0
Public Health and Welfare	1,385,624	116,642	631,915	0	(637,067)	0	0
Social, Cultural, and Recreational Services	347,184	6,881	31,374	0	(308,929)	0	0
Agriculture and Natural Resources	172,751	0	16,496	0	(156,255)	0	0
Highways	1,601,875	0	1,312,309	132,475	(157,091)	0	0
Interest on Long-term Debt	30,453	0	0	0	(30,453)	0	0
Total Governmental Activities	\$ 6,580,351	\$ 795,084	\$ 2,049,267	\$ 335,141	\$ (3,400,859)	\$ 0	0
Total Primary Government	\$ 6,580,351	\$ 795,084	\$ 2,049,267	\$ 335,141	\$ (3,400,859)	\$ 0	0
Component Unit:							
Clay County School Department	\$ 9,680,343	\$ 142,265	\$ 1,121,178	\$ 0	\$ 0	\$ (8,416,900)	0
Total Component Unit	\$ 9,680,343	\$ 142,265	\$ 1,121,178	\$ 0	\$ 0	\$ (8,416,900)	0

(Continued)

Exhibit B

Clay County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary	Component
				Government Total	Unit
	Expenses	Governmental Activities	Governmental Activities	Clay County School Department	
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes		\$ 1,920,333	\$	1,147,156	
Property Taxes Levied for Debt Service		82,381		0	
Local Option Sales Taxes		252,804		504,610	
Wheel Tax		187,158		0	
Wholesale Beer Tax		238,025		0	
Hotel/Motel Tax		47,708		0	
Litigation Tax - General		52,811		0	
Other Local Taxes		28,577		1,130	
Grants and Contributions Not Restricted to Specific Programs		752,988		6,629,980	
Unrestricted Investment Earnings		22,652		563	
Miscellaneous		33,467		43,043	
Sale of Equipment		7,004		0	
Total General Revenues		\$ 3,625,908		\$ 8,326,482	
Insurance Recovery		\$		\$	315
Change in Net Position		\$		\$	(90,103)
Net Position, July 1, 2013					3,799,794
Net Position, June 30, 2014					\$ 3,709,691

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, 2014

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Governmental Funds		
ASSETS							
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 17,421	\$ 17,421	\$ 17,421
Equity in Pooled Cash and Investments	1,379,363	876,158	248,190	933,020	176,082	3,612,813	3,612,813
Accounts Receivable	0	13,398	0	0	24	13,422	13,422
Due from Other Governments	166,730	253	238,974	0	0	405,957	405,957
Due from Other Funds	724	0	0	0	0	724	724
Property Taxes Receivable	1,803,601	453,886	0	95,555	0	2,353,042	2,353,042
Allowance for Uncollectible Property Taxes	(190,128)	(47,847)	0	(10,073)	0	(248,048)	(248,048)
Total Assets	\$ 3,160,290	\$ 1,295,848	\$ 487,164	\$ 1,018,502	\$ 193,527	\$ 6,155,331	\$ 6,155,331
LIABILITIES							
Contracts Payable	\$ 65,212	\$ 0	\$ 0	\$ 0	\$ 0	\$ 65,212	\$ 65,212
Due to Other Funds	0	0	0	0	724	724	724
Total Liabilities	\$ 65,212	\$ 0	\$ 0	\$ 0	\$ 724	\$ 65,936	\$ 65,936
DEFERRED INFLOWS OF RESOURCES							
Deferred Current Property Taxes	\$ 1,600,233	\$ 402,707	\$ 0	\$ 84,781	\$ 0	\$ 2,087,721	\$ 2,087,721
Deferred Delinquent Property Taxes	8,369	2,106	0	443	0	10,918	10,918
Other Deferred/Unavailable Revenue	22,724	0	119,473	0	0	142,197	142,197
Total Deferred Inflows of Resources	\$ 1,631,326	\$ 404,813	\$ 119,473	\$ 85,224	\$ 0	\$ 2,240,836	\$ 2,240,836
FUND BALANCES							
Restricted:							
Restricted for General Government	\$ 32,660	\$ 0	\$ 0	\$ 0	\$ 84,187	\$ 116,847	\$ 116,847

(Continued)

Exhibit C-1

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

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other	Governmental Funds	
Restricted (Cont.):							
Restricted for Administration of Justice	\$ 20,409	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	20,409
Restricted for Public Safety	8,502	0	0	0	91,895	0	100,397
Restricted for Highways/Public Works Committed:	0	0	367,691	0	0	0	367,691
Committed for Finance	0	0	0	0	16,721	0	16,721
Committed for Public Health and Welfare	0	891,035	0	0	0	0	891,035
Committed for Debt Service	0	0	0	933,278	0	0	933,278
Unassigned	1,402,181	0	0	0	0	0	1,402,181
Total Fund Balances	\$ 1,463,752	\$ 891,035	\$ 367,691	\$ 933,278	\$ 192,803	\$ 0	\$ 3,848,559
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 3,160,290	\$ 1,295,848	\$ 487,164	\$ 1,018,502	\$ 193,527	\$ 0	\$ 6,155,331

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

Clay County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2014

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$	3,848,559
(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: construction in progress		202,766	
Add: buildings and improvements net of accumulated depreciation		1,934,587	
Add: infrastructure net of accumulated depreciation		8,804,560	
Add: other capital assets net of accumulated depreciation		<u>982,389</u>	12,019,302
(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	\$	(6,278,587)	
Add: debt to be contributed by the School Department		5,979,000	
Less: accrued interest on long-term debt		(3,745)	
Less: compensated absences payable		<u>(85,778)</u>	(389,110)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>153,115</u>
Net position of governmental activities (Exhibit A)		\$	<u><u>15,631,866</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, 2014

	Major Funds					Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Governmental Funds	Governmental Funds		
Revenues								
Local Taxes	\$ 2,541,509	\$ 429,048	\$ 1,462	\$ 116,410	\$ 19,218	\$ 3,107,647		
Licenses and Permits	1,188	0	0	0	0	1,188		
Fines, Forfeitures, and Penalties	84,409	0	0	0	13,476	97,885		
Charges for Current Services	29,052	86,506	0	0	87,900	203,458		
Other Local Revenues	16,910	31,636	13,113	22,652	1,580	85,891		
Fees Received from County Officials	319,384	0	0	0	0	319,384		
State of Tennessee	558,774	11,800	1,446,284	0	0	2,016,858		
Federal Government	719,274	0	0	0	0	719,274		
Other Governments and Citizens Groups	179,511	0	0	346,849	1,000	527,360		
Total Revenues	\$ 4,450,011	\$ 558,990	\$ 1,460,859	\$ 485,911	\$ 123,174	\$ 7,078,945		
Expenditures								
Current:								
General Government	\$ 485,861	\$ 0	\$ 0	\$ 0	\$ 1,560	\$ 487,421		
Finance	228,917	0	0	0	85,117	314,034		
Administration of Justice	336,876	0	0	0	4,410	341,286		
Public Safety	1,445,590	0	0	0	18,707	1,464,297		
Public Health and Welfare	477,856	393,962	0	0	0	871,818		
Social, Cultural, and Recreational Services	200,274	0	0	0	0	200,274		
Agriculture and Natural Resources	155,290	0	0	0	0	155,290		
Other Operations	1,209,595	9,389	0	0	323	1,219,307		
Highways	37,736	0	1,387,039	0	0	1,424,775		
Debt Service:								
Principal on Debt	0	0	0	556,848	0	556,848		
Interest on Debt	0	0	0	38,098	0	38,098		
Other Debt Service	0	0	0	84,654	0	84,654		
Total Expenditures	\$ 4,577,995	\$ 403,351	\$ 1,387,039	\$ 679,600	\$ 110,117	\$ 7,158,102		

(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		
Excess (Deficiency) of Revenues Over Expenditures	\$ (127,984) \$	155,639 \$	73,820 \$	(193,689) \$	13,057 \$		(79,157)
Net Change in Fund Balances	\$ (127,984) \$	155,639 \$	73,820 \$	(193,689) \$	13,057 \$		(79,157)
Fund Balance, July 1, 2013	1,591,736	735,396	293,871	1,126,967	179,746		3,927,716
Fund Balance, June 30, 2014	\$ 1,463,752 \$	891,035 \$	367,691 \$	933,278 \$	192,803 \$		3,848,559

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, 2014

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)		\$ (79,157)
(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	\$ 386,344	
Less: current-year depreciation expense	<u>(373,503)</u>	12,841
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2014	\$ 153,115	
Less: deferred delinquent property taxes and other deferred June 30, 2013	<u>(177,660)</u>	(24,545)
(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 position. Also, governmental funds report the effect of 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 effect of these differences in the treatment of long-term debt and related items:		
Add: principal payments on other loans	\$ 556,848	
Less: contributions from the School Department for other loans	<u>(249,000)</u>	307,848
(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	\$ 7,645	
Change in compensated absences payable	<u>417</u>	<u>8,062</u>
Change in net position of governmental activities (Exhibit B)		<u>\$ 225,049</u>

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

Exhibit C-5

Clay County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Fund
For the Year Ended June 30, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,541,509	\$ 2,566,499	\$ 2,566,499	\$ (24,990)
Licenses and Permits	1,188	500	500	688
Fines, Forfeitures, and Penalties	84,409	56,000	56,000	28,409
Charges for Current Services	29,052	24,400	24,400	4,652
Other Local Revenues	16,910	10,000	16,194	716
Fees Received from County Officials	319,384	256,000	256,000	63,384
State of Tennessee	558,774	1,590,100	900,416	(341,642)
Federal Government	719,274	70,000	718,588	686
Other Governments and Citizens Groups	179,511	133,200	204,674	(25,163)
Total Revenues	\$ 4,450,011	\$ 4,706,699	\$ 4,743,271	\$ (293,260)
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 21,089	\$ 36,050	\$ 36,050	\$ 14,961
Board of Equalization	1,050	1,300	1,300	250
Beer Board	292	500	500	208
County Mayor/Executive	125,395	127,965	127,965	2,570
County Attorney	6,000	6,000	6,000	0
Election Commission	132,084	169,754	171,294	39,210
Register of Deeds	81,155	82,322	82,322	1,167
County Buildings	118,796	149,115	149,115	30,319
Preservation of Records	0	811	811	811
<u>Finance</u>				
Property Assessor's Office	93,609	93,748	93,748	139
County Trustee's Office	17,804	15,189	18,526	722
County Clerk's Office	117,504	114,633	119,433	1,929
<u>Administration of Justice</u>				
Circuit Court	164,591	164,593	164,593	2
General Sessions Court	72,451	72,451	72,451	0
Chancery Court	78,082	80,502	80,502	2,420
Juvenile Court	10,359	15,375	15,375	5,016
Judicial Commissioners	11,393	11,876	11,876	483
<u>Public Safety</u>				
Sheriff's Department	846,940	905,045	906,600	59,660
Drug Enforcement	44,322	44,713	48,662	4,340
Jail	334,621	356,996	396,996	62,375
Correctional Incentive Program Improvements	2,680	2,680	2,680	0
Juvenile Services	56,924	86,160	86,160	29,236
Fire Prevention and Control	35,256	40,268	40,268	5,012
Rescue Squad	2,500	2,500	2,500	0
Other Emergency Management	61,983	83,600	83,600	21,617
County Coroner/Medical Examiner	13,070	17,250	17,250	4,180
Other Public Safety	47,294	55,833	55,833	8,539
<u>Public Health and Welfare</u>				
Local Health Center	39,429	41,300	54,088	14,659
Ambulance/Emergency Medical Services	360,000	360,000	360,000	0
Alcohol and Drug Programs	43,644	50,000	50,000	6,356
Other Local Health Services	23,483	64,900	64,900	41,417
Appropriation to State	11,300	11,300	11,300	0

(Continued)

Exhibit C-5

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	\$ 49,826	\$ 51,305	\$ 51,305	\$ 1,479
Libraries	90,897	91,589	93,329	2,432
Parks and Fair Boards	46,125	47,000	47,000	875
Other Social, Cultural, and Recreational	13,426	15,000	15,000	1,574
<u>Agriculture and Natural Resources</u>				
Agricultural Extension Service	102,257	94,072	104,744	2,487
Forest Service	1,000	1,000	1,000	0
Soil Conservation	52,033	52,836	52,836	803
<u>Other Operations</u>				
Tourism	52,201	48,387	63,387	11,186
Industrial Development	56,387	90,700	90,700	34,313
Other Economic and Community Development	606,944	1,068,062	1,068,062	461,118
Veterans' Services	18,798	18,800	18,800	2
Other Charges	190,634	188,166	198,049	7,415
Employee Benefits	284,631	296,000	296,000	11,369
<u>Highways</u>				
Litter and Trash Collection	37,736	41,180	41,180	3,444
Total Expenditures	<u>\$ 4,577,995</u>	<u>\$ 5,368,826</u>	<u>\$ 5,474,090</u>	<u>\$ 896,095</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (127,984)</u>	<u>\$ (662,127)</u>	<u>\$ (730,819)</u>	<u>\$ 602,835</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 0	\$ 4,713	\$ 4,713	\$ (4,713)
Total Other Financing Sources	<u>\$ 0</u>	<u>\$ 4,713</u>	<u>\$ 4,713</u>	<u>\$ (4,713)</u>
Net Change in Fund Balance	\$ (127,984)	\$ (657,414)	\$ (726,106)	\$ 598,122
Fund Balance, July 1, 2013	<u>1,591,736</u>	<u>2,247,091</u>	<u>2,247,091</u>	<u>(655,355)</u>
Fund Balance, June 30, 2014	<u>\$ 1,463,752</u>	<u>\$ 1,589,677</u>	<u>\$ 1,520,985</u>	<u>\$ (57,233)</u>

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

Exhibit C-6

Clay County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 429,048	\$ 376,500	\$ 376,500	\$ 52,548
Charges for Current Services	86,506	55,000	55,000	31,506
Other Local Revenues	31,636	20,000	20,000	11,636
State of Tennessee	11,800	11,300	11,300	500
Total Revenues	<u>\$ 558,990</u>	<u>\$ 462,800</u>	<u>\$ 462,800</u>	<u>\$ 96,190</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Waste Pickup	\$ 393,962	\$ 519,104	\$ 519,104	\$ 125,142
<u>Other Operations</u>				
Other Charges	9,389	10,000	10,000	611
Total Expenditures	<u>\$ 403,351</u>	<u>\$ 529,104</u>	<u>\$ 529,104</u>	<u>\$ 125,753</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 155,639</u>	<u>\$ (66,304)</u>	<u>\$ (66,304)</u>	<u>\$ 221,943</u>
Net Change in Fund Balance	\$ 155,639	\$ (66,304)	\$ (66,304)	\$ 221,943
Fund Balance, July 1, 2013	<u>735,396</u>	<u>737,241</u>	<u>737,241</u>	<u>(1,845)</u>
Fund Balance, June 30, 2014	<u>\$ 891,035</u>	<u>\$ 670,937</u>	<u>\$ 670,937</u>	<u>\$ 220,098</u>

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

Exhibit C-7

Clay County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,462	\$ 2,000	\$ 2,000	\$ (538)
Other Local Revenues	13,113	0	0	13,113
State of Tennessee	1,446,284	1,429,313	1,429,313	16,971
Federal Government	0	52,000	52,000	(52,000)
Total Revenues	<u>\$ 1,460,859</u>	<u>\$ 1,483,313</u>	<u>\$ 1,483,313</u>	<u>\$ (22,454)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 117,767	\$ 121,979	\$ 118,904	\$ 1,137
Highway and Bridge Maintenance	854,407	910,500	969,686	115,279
Operation and Maintenance of Equipment	184,834	220,782	214,382	29,548
Other Charges	123,736	35,589	145,920	22,184
Employee Benefits	87,605	96,645	96,645	9,040
Capital Outlay	18,690	187,666	169,666	150,976
Total Expenditures	<u>\$ 1,387,039</u>	<u>\$ 1,573,161</u>	<u>\$ 1,715,203</u>	<u>\$ 328,164</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 73,820</u>	<u>\$ (89,848)</u>	<u>\$ (231,890)</u>	<u>\$ 305,710</u>
Net Change in Fund Balance	\$ 73,820	\$ (89,848)	\$ (231,890)	\$ 305,710
Fund Balance, July 1, 2013	<u>293,871</u>	<u>161,874</u>	<u>161,874</u>	<u>131,997</u>
Fund Balance, June 30, 2014	<u>\$ 367,691</u>	<u>\$ 72,026</u>	<u>\$ (70,016)</u>	<u>\$ 437,707</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, 2014

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 456,268
Due from Other Governments	<u>55,188</u>
Total Assets	<u>\$ 511,456</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 55,188
Due to Litigants, Heirs, and Others	<u>456,268</u>
Total Liabilities	<u>\$ 511,456</u>

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

CLAY COUNTY, TENNESSEE

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CLAY COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

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, 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; however, in our opinion, this omission is not material to the component units' opinion unit.

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 Position 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, 2014.

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, deferred outflow of resources, liabilities, deferred inflow of resources, fund equity 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 fund:

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

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

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

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, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

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 position 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 are reported at cost. Investments in the State Treasurer's Investment Pool are reported at fair value. 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. Accordingly, the pool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. 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 5.61 percent of total taxes levied.

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 inflow of resources 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 as a deferred outflow of resources 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. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has no items that qualify for reporting in this category.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources

(revenue) until that time. The government has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and the governmental funds balance sheet. These revenues are from the following sources: current and delinquent property taxes and various receivables for revenues, which do not meet the availability criteria in governmental funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

5. Compensated Absences

Primary Government

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.

Discretely Presented Clay County School Department

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.

6. 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 Position. Debt premiums and discounts are deferred and amortized over the life of the new debt using the straight-line method. Debt issuance costs are expensed in the period incurred. In refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner 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.

7. Net Position and Fund Balance

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

- a. Net investment in capital assets – 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 position – Consists of net position 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 position – All other net position that does not meet the definition of restricted or net investment in capital assets.

As of June 30, 2014, Clay County had \$5,979,000 in outstanding debt for capital purposes for the discretely presented Clay County School Department. This debt is a liability of Clay County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, Clay County has incurred a liability significantly decreasing its unrestricted net position with no corresponding increase in the county's capital assets.

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 by resolution authorized the county's 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.

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 Position

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 Position.

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 Position.

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 position 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 position of governmental activities reported in the government-wide Statement of Activities.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except the Constitutional Officers - Fees Fund (special revenue fund), which is not budgeted. 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.

B. Appropriations Exceeded Estimated Available Funds

The budget and subsequent amendments approved by the County Commission for the Highway/Public Works Fund resulted in appropriations exceeding estimated available funding by \$70,016.

C. Cash Overdraft

The discretely presented School Federal Projects Fund had a cash overdraft of \$2,294 at June 30, 2014. This cash overdraft resulted from the issuance of warrants exceeding cash on deposit with the county trustee. The cash overdraft was liquidated subsequent to June 30, 2014.

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 position as Equity in Pooled Cash and Investments. Cash reflected on the balance sheets or statements of net position 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, 2014.

B. Capital Assets

Capital assets activity for the year ended June 30, 2014, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-13	Increases	Balance 6-30-14
Capital Assets Not Depreciated:			
Land	\$ 95,000	\$ 0	\$ 95,000
Construction in Progress	0	202,766	202,766
Total Capital Assets Not Depreciated	\$ 95,000	\$ 202,766	\$ 297,766
Capital Assets Depreciated:			
Buildings and Improvements	\$ 2,620,813	\$ 20,000	\$ 2,640,813
Roads and Bridges	11,323,027	6,806	11,329,833
Other Capital Assets	2,671,874	156,772	2,828,646
Total Capital Assets Depreciated	\$ 16,615,714	\$ 183,578	\$ 16,799,292
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 648,739	\$ 57,487	\$ 706,226
Roads and Bridges	2,425,523	99,750	2,525,273
Other Capital Assets	1,629,991	216,266	1,846,257
Total Accumulated Depreciation	\$ 4,704,253	\$ 373,503	\$ 5,077,756
Total Capital Assets Depreciated, Net	\$ 11,911,461	\$ (189,925)	\$ 11,721,536
Governmental Activities Capital Assets, Net	\$ 12,006,461	\$ 12,841	\$ 12,019,302

There were no decreases in capital assets to report during the year ended June 30, 2014.

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

Governmental Activities:

General Government	\$	17,465
Public Safety		42,378
Public Health and Welfare		87,859
Social, Cultural, and Recreational Services		26,399
Agriculture and Natural Resources		1,673
Highways/Public Works		<u>197,729</u>
Total Depreciation Expense - Governmental Activities	\$	<u><u>373,503</u></u>

Discretely Presented Clay County School Department

Governmental Activities:

	Balance		Balance	
	7-1-13	Increases	6-30-14	
Capital Assets Not Depreciated:				
Land	\$ 338,698	\$ 0	\$ 338,698	
Total Capital Assets Not Depreciated	<u>\$ 338,698</u>	<u>\$ 0</u>	<u>\$ 338,698</u>	
Capital Assets Depreciated:				
Buildings and Improvements	\$ 10,901,368	\$ 0	\$ 10,901,368	
Roads and Bridges	648,860	0	648,860	
Other Capital Assets	1,754,431	149,350	1,903,781	
Total Capital Assets Depreciated	<u>\$ 13,304,659</u>	<u>\$ 149,350</u>	<u>\$ 13,454,009</u>	
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 4,443,160	\$ 219,944	\$ 4,663,104	
Roads and Bridges	269,022	21,278	290,300	
Other Capital Assets	854,393	97,700	952,093	
Total Accumulated Depreciation	<u>\$ 5,566,575</u>	<u>\$ 338,922</u>	<u>\$ 5,905,497</u>	

Governmental Activities (Cont.):

	Balance 7-1-13	Increases	Balance 6-30-14
Total Capital Assets Depreciated, Net	\$ 7,738,084	\$ (189,572)	\$ 7,548,512
Governmental Activities Capital Assets, Net	\$ 8,076,782	\$ (189,572)	\$ 7,887,210

There were no decreases in capital assets to report during the year ended June 30, 2014.

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

Governmental Activities:

Instruction	\$ 219,069
Support Services	104,375
Operation of Non-instructional Services	<u>15,478</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 338,922</u>

C. Construction Commitments

At June 30, 2014, Clay County had uncompleted construction contracts of approximately \$294,483 for the construction of an emergency operations center. Funding has been received for these future expenditures.

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2014, was as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 724

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

Due to/from Primary Government and Component Unit:

Receivable Fund	Payable Fund	Amount
	Component Unit:	
Primary Government	School Department	\$ 5,979,000

The Due to Primary Government is the balance of other loans issued by the county for the School Department. The School Department has agreed to contribute the funds annually to retire these other loans. These long-term obligations are reflected in the governmental activities on the Statement of Net Position.

Interfund Transfers

Interfund transfers for the year ended June 30, 2014, consisted of the following amount:

Discretely Presented Clay County School Department

	Transfer In
<u>Transfer Out</u>	<u>General Purpose School Fund</u>
School Federal Projects Fund	\$ 15,324

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.

E. Long-term Obligations

Primary Government

Other Loans

Clay County issues other loans to provide funds for the acquisition and construction of major capital facilities for the primary government and the discretely presented School Department.

Other loans are direct obligations and pledge the full faith and credit of the government. Other loans outstanding 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. Other loans included in long-term debt at June 30, 2014, will be retired from the General Debt Service Fund.

Other loans outstanding as of June 30, 2014, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-14
Other Loans	3.75 %	6-30-27	\$ 615,000	\$ 299,587
"	Variable	5-25-31	8,400,000	5,979,000

In prior years, 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. During 2013-14, Clay County elected to pay additional principle of \$300,000 on the retirement of this debt. As a result of this payment, the amortization schedule was recalculated, and the maturity date is now estimated to be June 30, 2027.

In prior years, Clay County entered into loan agreements with the Montgomery County Public Building Authority for the discretely presented Clay County School Department. 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, 2014, the variable interest rate was .28 percent, and other fees totaled approximately 1.2 percent (letter of credit), .08 percent (remarketing), and a trustee fee of \$85 per month.

The annual requirements to amortize the county's other loans outstanding as of June 30, 2014, including interest payments and other loan fees, are presented in the following table:

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2015	\$ 278,392	\$ 27,976	\$ 78,571	\$ 384,939
2016	288,120	26,523	75,256	389,899
2017	298,874	25,019	71,826	395,719
2018	310,657	23,457	68,267	402,381
2019	321,469	21,836	64,568	407,873
2020-2024	1,796,635	82,687	262,487	2,141,809
2025-2029	2,075,440	34,605	147,275	2,257,320
2030-2031	909,000	3,842	21,642	934,484
Total	\$ 6,278,587	\$ 245,945	\$ 789,892	\$ 7,314,424

There is \$933,278 available in the General Debt Service Fund to service long-term debt. Debt per capita totaled \$799, based on the 2010 federal census.

The School Department is currently contributing funds to service the debt issued on its behalf by the primary government as noted in the table below. This debt is reflected in the government-wide financial statements as Due to the Primary Government in the financial statements of the School Department and as Due from Component Units in the financial statements of the primary government.

Description of Indebtedness	Outstanding 6-30-14
Other Loans:	
Contributions from General Purpose School Fund:	
School Construction	\$ 4,910,000
Athletic Facilities	<u>1,069,000</u>
Total	<u>\$ 5,979,000</u>

Changes in Long-term Obligations

Long-term obligations activity for the year ended June 30, 2014, was as follows:

Governmental Activities:

	Other Loans	Compensated Absences
Balance, July 1, 2013	\$ 6,835,435	\$ 86,195
Additions	0	119,457
Reductions	(556,848)	(119,874)
Balance, June 30, 2014	\$ 6,278,587	\$ 85,778
Balance Due Within One Year	\$ 278,392	\$ 64,334

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2014	\$ 6,364,365
Less: Balance Due Within One Year	(342,726)
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	\$ 6,021,639

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

Discretely Presented Clay County School Department

Changes in Long-term Obligations

Long-term obligations activity for the discretely presented Clay County School Department for the year ended June 30, 2014, was as follows:

Governmental Activities:

	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2013	\$ 74	\$ 415,551
Additions	2,470	88,428
Reductions	(2,121)	(36,468)
Balance, June 30, 2014	\$ 423	\$ 467,511
Balance Due Within One Year	\$ 423	\$ 0

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2014	\$ 467,934
Less: Balance Due Within One Year	<u>(423)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 467,511</u>

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

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, 2014, were \$65,771 and \$20,603, 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. Accounting Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans* and Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* became effective for the year ended June 30, 2014.

GASB Statement No. 67 replaces the requirements of Statements No. 25 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts or equivalent arrangements.

GASB Statement No. 70 relates to accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

C. Subsequent Event

On August 31, 2014, Ernest Garrison left the Office of Road Superintendent and was succeeded by Jason Browning.

D. 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.

E. Joint Venture

The Thirteenth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Thirteenth Judicial District and participating municipalities within the district. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors including the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within each judicial district. Clay County did not make appropriations to the DTF for the year ended June 30, 2014. Clay County does not have an equity interest in the DTF. Complete financial statements for the DTF can be obtained from its administrative office at the following address:

Administrative Office:

Office of District Attorney General
Thirteenth Judicial District Drug Task Force
1519A East Spring Street
Cookeville, TN 38506

F. Jointly Governed Organization

The Joint Industrial Development Board of Celina and Clay County is a corporate entity formed in 1997 to promote local industry development for the benefit of the residents of Celina and Clay County. Clay County is responsible for appointing four of the organization's board members, and the Town of Celina is responsible for appointing three members. Clay County's accountability for this organization does not extend beyond making the appointments.

G. 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 to the plan. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2014, was 7.22 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, 2014, Clay County's annual pension cost of \$247,061 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2011, 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, 2011, was nine years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6-30-14	\$247,061	100%	\$0
6-30-13	242,481	100	0
6-30-12	235,103	100	0

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was 91.81 percent funded. The actuarial accrued liability for benefits was \$7.38 million, and the actuarial value of assets was \$6.78 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$.6 million. The covered payroll (annual payroll of active employees covered by the plan) was \$3.03 million, and the ratio of the UAAL to the covered payroll was 19.93 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. A cost of living adjustment (COLA) is provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEPP. 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, 2014, was 8.88 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, 2014, 2013, and 2012, were \$366,063, \$384,355, and \$411,150, 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.

H. Other Postemployment Benefits (OPEB)

Plan Description

The Clay County School Department participates in the state-administered Local Education Group Insurance and Medicare Supplement plans 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 local education employees and Section 8-27-701, *TCA*, for the Medicare Supplement Plan. 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://tn.gov/finance/act/cafr.html>.

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The 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 employers in each plan develop a 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. During the year, the discretely presented Clay County School Department contributed \$36,468 for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan	Medicare Supplement Plan
ARC	\$ 63,000	\$ 25,000
Interest on the NOPEBO	13,706	2,915
Adjustment to the ARC	(13,353)	(2,840)
Annual OPEB cost	\$ 63,353	\$ 25,075
Amount of contribution	(33,868)	(2,600)
Increase/decrease in NOPEBO	\$ 29,485	\$ 22,475
Net OPEB obligation, 7-1-13	342,662	72,889
Net OPEB obligation, 6-30-14	\$ 372,147	\$ 95,364

Fiscal Year Ended	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-12	Local Education Group	\$ 106,530	29 %	\$ 266,816
6-30-13	"	107,343	29	342,662
6-30-14	"	63,353	53	372,147
6-30-12	Medicare Supplement	0	0	70,983
6-30-13	"	7,000	73	72,889
6-30-14	"	25,075	10	95,364

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2013, was as follows:

	Local Education Group Plan	Medicare Supplement Plan
Actuarial valuation date	7-1-13	7-1-13
Actuarial accrued liability (AAL)	\$ 774,000	\$ 486,000
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 774,000	\$ 486,000
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 3,881,697	\$ N/A
UAAL as a % of covered payroll	20%	N/A

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

Actuarial Methods and Assumptions

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

In the July 1, 2013, actuarial valuation for the Local Education 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 7.5 percent for fiscal year 2014. The trend rate will decrease to seven percent in fiscal year 2015 and then be reduced by decrements to an ultimate rate of 4.7 percent by fiscal year 2044. The annual healthcare cost trend rate for the Medicare Supplement Plan was two percent for fiscal year 2014. The trend will increase to six percent in fiscal year 2015 and then will be reduced by decrements to an ultimate rate of 4.2 percent by fiscal year 2044. 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 July 1, 2007.

I. Purchasing Laws

Office of County Mayor

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

Office of Road Superintendent

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

Office of Director of Schools

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit E-1

Clay County, Tennessee
Schedule of Funding Progress – Pension Plan
Primary Government and Discretely Presented Clay County School Department
June 30, 2014

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Liability (AAL) Frozen 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)
7-1-13	\$ 6,778	\$ 7,383	\$ 604	91.81 %	\$ 3,034	19.93 %
7-1-11	5,837	6,657	821	87.67	3,016	27.21
7-1-09	4,703	5,565	862	84.51	2,765	31.16

Exhibit E-2

Clay County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plans
Discretely Presented Clay County School Department
June 30, 2014

(Dollar amounts in thousands)

Plans	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Local Education Group	7-1-10	\$ 0	\$ 956	\$ 956	0 %	\$ 4,064	24 %
"	7-1-11	0	1,128	1,128	0	4,170	27
"	7-1-13	0	774	774	0	3,882	20
Medicare Supplement	7-1-10	0	531	531	0	N/A	N/A
"	7-1-11	0	74	74	0	N/A	N/A
"	7-1-13	0	486	486	0	N/A	N/A

CLAY COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2014

NONE

**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 of deeds, and sheriff.

Clay County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2014

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Drug Control	Constitu- tional Officers - Fees	
<u>Revenues</u>				
Local Taxes	\$ 19,218	\$ 0	\$ 0	\$ 19,218
Fines, Forfeitures, and Penalties	0	13,476	0	13,476
Charges for Current Services	0	0	87,900	87,900
Other Local Revenues	0	1,580	0	1,580
Other Governments and Citizens Groups	0	1,000	0	1,000
Total Revenues	\$ 19,218	\$ 16,056	\$ 87,900	\$ 123,174
<u>Expenditures</u>				
Current:				
General Government	\$ 1,560	\$ 0	\$ 0	\$ 1,560
Finance	0	0	85,117	85,117
Administration of Justice	0	0	4,410	4,410
Public Safety	0	18,707	0	18,707
Other Operations	190	133	0	323
Total Expenditures	\$ 1,750	\$ 18,840	\$ 89,527	\$ 110,117
Excess (Deficiency) of Revenues Over Expenditures	\$ 17,468	\$ (2,784)	\$ (1,627)	\$ 13,057
Net Change in Fund Balances	\$ 17,468	\$ (2,784)	\$ (1,627)	\$ 13,057
Fund Balance, July 1, 2013	66,719	94,679	18,348	179,746
Fund Balance, June 30, 2014	\$ 84,187	\$ 91,895	\$ 16,721	\$ 192,803

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, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 19,218	\$ 9,100	\$ 9,100	\$ 10,118
Total Revenues	\$ 19,218	\$ 9,100	\$ 9,100	\$ 10,118
<u>Expenditures</u>				
<u>General Government</u>				
County Buildings	\$ 1,560	\$ 3,200	\$ 3,200	\$ 1,640
<u>Other Operations</u>				
Other Charges	190	200	200	10
Total Expenditures	\$ 1,750	\$ 3,400	\$ 3,400	\$ 1,650
Excess (Deficiency) of Revenues Over Expenditures	\$ 17,468	\$ 5,700	\$ 5,700	\$ 11,768
Net Change in Fund Balance	\$ 17,468	\$ 5,700	\$ 5,700	\$ 11,768
Fund Balance, July 1, 2013	66,719	64,220	64,220	2,499
Fund Balance, June 30, 2014	\$ 84,187	\$ 69,920	\$ 69,920	\$ 14,267

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, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 13,476	\$ 4,000	\$ 4,000	\$ 9,476
Charges for Current Services	0	100	100	(100)
Other Local Revenues	1,580	100	100	1,480
Other Governments and Citizens Groups	1,000	0	1,000	0
Total Revenues	<u>\$ 16,056</u>	<u>\$ 4,200</u>	<u>\$ 5,200</u>	<u>\$ 10,856</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 18,707	\$ 42,000	\$ 43,000	\$ 24,293
<u>Other Operations</u>				
Other Charges	133	500	500	367
Total Expenditures	<u>\$ 18,840</u>	<u>\$ 42,500</u>	<u>\$ 43,500</u>	<u>\$ 24,660</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (2,784)</u>	<u>\$ (38,300)</u>	<u>\$ (38,300)</u>	<u>\$ 35,516</u>
Net Change in Fund Balance	\$ (2,784)	\$ (38,300)	\$ (38,300)	\$ 35,516
Fund Balance, July 1, 2013	<u>94,679</u>	<u>86,128</u>	<u>86,128</u>	<u>8,551</u>
Fund Balance, June 30, 2014	<u>\$ 91,895</u>	<u>\$ 47,828</u>	<u>\$ 47,828</u>	<u>\$ 44,067</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, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 116,410	\$ 93,650	\$ 93,650	\$ 22,760
Other Local Revenues	22,652	30,000	30,000	(7,348)
Other Governments and Citizens Groups	346,849	0	346,849	0
Total Revenues	\$ 485,911	\$ 123,650	\$ 470,499	\$ 15,412
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 307,848	\$ 8,000	\$ 308,000	\$ 152
Education	249,000	0	249,000	0
<u>Interest on Debt</u>				
General Government	22,779	23,000	23,000	221
Education	15,319	0	15,319	0
<u>Other Debt Service</u>				
General Government	2,124	3,000	3,000	876
Education	82,530	0	82,530	0
Total Expenditures	\$ 679,600	\$ 34,000	\$ 680,849	\$ 1,249
Excess (Deficiency) of Revenues Over Expenditures	\$ (193,689)	\$ 89,650	\$ (210,350)	\$ 16,661
Net Change in Fund Balance	\$ (193,689)	\$ 89,650	\$ (210,350)	\$ 16,661
Fund Balance, July 1, 2013	1,126,967	1,117,761	1,117,761	9,206
Fund Balance, June 30, 2014	\$ 933,278	\$ 1,207,411	\$ 907,411	\$ 25,867

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 of deeds, 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, 2014

	<u>Agency Funds</u>		
	Cities- Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 456,268	\$ 456,268
Due from Other Governments	55,188	0	55,188
Total Assets	<u>\$ 55,188</u>	<u>\$ 456,268</u>	<u>\$ 511,456</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 55,188	\$ 0	\$ 55,188
Due to Litigants, Heirs, and Others	0	456,268	456,268
Total Liabilities	<u>\$ 55,188</u>	<u>\$ 456,268</u>	<u>\$ 511,456</u>

Exhibit H-2

Clay County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2014

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 274,133	\$ 274,133	\$ 0
Due from Other Governments	49,554	55,188	49,554	55,188
Total Assets	\$ 49,554	\$ 329,321	\$ 323,687	\$ 55,188
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 49,554	\$ 329,321	\$ 323,687	\$ 55,188
Total Liabilities	\$ 49,554	\$ 329,321	\$ 323,687	\$ 55,188
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 553,067	\$ 4,855,046	\$ 4,951,845	\$ 456,268
Total Assets	\$ 553,067	\$ 4,855,046	\$ 4,951,845	\$ 456,268
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 553,067	\$ 4,855,046	\$ 4,951,845	\$ 456,268
Total Liabilities	\$ 553,067	\$ 4,855,046	\$ 4,951,845	\$ 456,268
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 553,067	\$ 4,855,046	\$ 4,951,845	\$ 456,268
Equity in Pooled Cash and Investments	0	274,133	274,133	0
Due from Other Governments	49,554	55,188	49,554	55,188
Total Assets	\$ 602,621	\$ 5,184,367	\$ 5,275,532	\$ 511,456
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 49,554	\$ 329,321	\$ 323,687	\$ 55,188
Due to Litigants, Heirs, and Others	553,067	4,855,046	4,951,845	456,268
Total Liabilities	\$ 602,621	\$ 5,184,367	\$ 5,275,532	\$ 511,456

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, 2014

Functions/Programs	Program Revenues			Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
	Charges for Services	Operating Grants and Contributions	Total Governmental Activities				
Governmental Activities:							
Instruction	\$ 4,947,197	\$ 0	\$ 405,287	\$			(4,541,910)
Support Services	3,732,136	31,903	251,322				(3,448,911)
Operation of Non-instructional Services	985,691	110,362	464,569				(410,760)
Interest on Long-term Debt	15,319	0	0				(15,319)
Total Governmental Activities	\$ 9,680,343	\$ 142,265	\$ 1,121,178	\$			\$ (8,416,900)
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes							\$ 1,147,156
Local Option Sales Taxes							504,610
Other Local Taxes							1,130
Grants and Contributions Not Restricted to Specific Programs							6,629,980
Unrestricted Investment Earnings							563
Miscellaneous							43,043
Total General Revenues							\$ 8,326,482
Insurance Recovery							\$ 315
Change in Net Position							\$ (90,103)
Net Position, July 1, 2013							3,799,794
Net Position, June 30, 2014							\$ 3,709,691

Exhibit I-2

Clay County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Clay County School Department
June 30, 2014

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash	\$ 0	\$ 1,830	\$ 1,830
Equity in Pooled Cash and Investments	1,800,421	195,109	1,995,530
Accounts Receivable	1,293	0	1,293
Due from Other Governments	241,287	22,394	263,681
Property Taxes Receivable	1,349,715	0	1,349,715
Allowance for Uncollectible Property Taxes	(142,281)	0	(142,281)
Total Assets	<u>\$ 3,250,435</u>	<u>\$ 219,333</u>	<u>\$ 3,469,768</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 533	\$ 0	\$ 533
Cash Overdraft	0	2,294	2,294
Total Liabilities	<u>\$ 533</u>	<u>\$ 2,294</u>	<u>\$ 2,827</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Current Property Taxes	\$ 1,197,526	\$ 0	\$ 1,197,526
Deferred Delinquent Property Taxes	5,991	0	5,991
Other Deferred/Unavailable Revenue	51,598	0	51,598
Total Deferred Inflows of Resources	<u>\$ 1,255,115</u>	<u>\$ 0</u>	<u>\$ 1,255,115</u>
<u>FUND BALANCES</u>			
Restricted:			
Restricted for Education	\$ 0	\$ 197,039	\$ 197,039
Committed:			
Committed for Education	1,641,036	20,000	1,661,036
Unassigned	353,751	0	353,751
Total Fund Balances	<u>\$ 1,994,787</u>	<u>\$ 217,039</u>	<u>\$ 2,211,826</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 3,250,435</u>	<u>\$ 219,333</u>	<u>\$ 3,469,768</u>

Exhibit I-3

Clay County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
Discretely Presented Clay County School Department
June 30, 2014

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

Total fund balances - balance sheet - governmental funds (Exhibit I-2)		\$ 2,211,826	
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$ 338,698		
Add: buildings and improvements net of accumulated depreciation	6,238,264		
Add: infrastructure net of accumulated depreciation	358,560		
Add: other capital assets net of accumulated depreciation	<u>951,688</u>	7,887,210	
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: contributions due on primary government debt for other loans	\$ (5,979,000)		
Less: other postemployment benefits liability	(467,511)		
Less: compensated absences payable	<u>(423)</u>	(6,446,934)	
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>57,589</u>
Net position of governmental activities (Exhibit A)			<u>\$ 3,709,691</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, 2014

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Funds</u>	
	General	Other	Total
	Purpose	Govern-	Governmental
	School	mental	Funds
		Funds	
<u>Revenues</u>			
Local Taxes	\$ 1,782,660	\$ 0	\$ 1,782,660
Licenses and Permits	674	0	674
Charges for Current Services	30,033	112,108	142,141
Other Local Revenues	43,043	563	43,606
State of Tennessee	6,321,473	0	6,321,473
Federal Government	93,813	1,222,830	1,316,643
Total Revenues	<u>\$ 8,271,696</u>	<u>\$ 1,335,501</u>	<u>\$ 9,607,197</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 3,994,087	\$ 549,303	\$ 4,543,390
Support Services	3,343,920	210,153	3,554,073
Operation of Non-instructional Services	429,614	540,599	970,213
Capital Outlay	272,937	0	272,937
Debt Service:			
Principal on Debt	249,000	0	249,000
Interest on Debt	15,319	0	15,319
Other Debt Service	82,530	0	82,530
Total Expenditures	<u>\$ 8,387,407</u>	<u>\$ 1,300,055</u>	<u>\$ 9,687,462</u>
Excess (Deficiency) of Revenues			
Over Expenditures	<u>\$ (115,711)</u>	<u>\$ 35,446</u>	<u>\$ (80,265)</u>
<u>Other Financing Sources (Uses)</u>			
Insurance Recovery	\$ 315	\$ 0	\$ 315
Transfers In	15,324	0	15,324
Transfers Out	0	(15,324)	(15,324)
Total Other Financing Sources (Uses)	<u>\$ 15,639</u>	<u>\$ (15,324)</u>	<u>\$ 315</u>
Net Change in Fund Balances	\$ (100,072)	\$ 20,122	\$ (79,950)
Fund Balance, July 1, 2013	2,094,859	196,917	2,291,776
Fund Balance, June 30, 2014	<u>\$ 1,994,787</u>	<u>\$ 217,039</u>	<u>\$ 2,211,826</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, 2014

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)		\$	(79,950)
(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	\$	149,350	
Less: current-year depreciation expense		<u>(338,922)</u>	(189,572)
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Add: deferred delinquent property taxes and other deferred June 30, 2014	\$	57,589	
Less: deferred delinquent property taxes and other deferred June 30, 2013		<u>(74,861)</u>	(17,272)
(3) The contributions of long-term debt (e.g., notes, bonds, leases) by the primary government provides current financial resources to governmental funds, while the contributions by the School Department of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.			
Add: principal contributions on other loans to primary government			249,000
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.			
Change in other postemployment benefits liability	\$	(51,960)	
Change in compensated absences payable		<u>(349)</u>	<u>(52,309)</u>
Change in net position of governmental activities (Exhibit B)			<u>\$ (90,103)</u>

Exhibit I-6

Clay County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Clay County School Department
June 30, 2014

	<u>Special Revenue Funds</u>		<u>Total</u>
	<u>School</u>	<u>Central</u>	<u>Nonmajor</u>
	<u>Federal</u>	<u>Cafeteria</u>	<u>Governmental</u>
	<u>Projects</u>		<u>Funds</u>
<u>ASSETS</u>			
Cash	\$ 0	\$ 1,830	\$ 1,830
Equity in Pooled Cash and Investments	0	195,109	195,109
Due from Other Governments	22,394	0	22,394
Total Assets	<u>\$ 22,394</u>	<u>\$ 196,939</u>	<u>\$ 219,333</u>
<u>LIABILITIES</u>			
Cash Overdraft	\$ 2,294	\$ 0	\$ 2,294
Total Liabilities	<u>\$ 2,294</u>	<u>\$ 0</u>	<u>\$ 2,294</u>
<u>FUND BALANCES</u>			
Restricted:			
Restricted for Education	\$ 100	\$ 196,939	\$ 197,039
Committed:			
Committed for Education	20,000	0	20,000
Total Fund Balances	<u>\$ 20,100</u>	<u>\$ 196,939</u>	<u>\$ 217,039</u>
Total Liabilities and Fund Balances	<u>\$ 22,394</u>	<u>\$ 196,939</u>	<u>\$ 219,333</u>

Exhibit I-7

Clay County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Nonmajor Governmental Funds
Discretely Presented Clay County School Department
For the Year Ended June 30, 2014

	<u>Special Revenue Funds</u>		Total
	School	Central	Nonmajor
	Federal	Cafeteria	Governmental
	Projects		Funds
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 112,108	\$ 112,108
Other Local Revenues	0	563	563
Federal Government	764,224	458,606	1,222,830
Total Revenues	<u>\$ 764,224</u>	<u>\$ 571,277</u>	<u>\$ 1,335,501</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 549,303	\$ 0	\$ 549,303
Support Services	210,153	0	210,153
Operation of Non-instructional Services	0	540,599	540,599
Total Expenditures	<u>\$ 759,456</u>	<u>\$ 540,599</u>	<u>\$ 1,300,055</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 4,768</u>	<u>\$ 30,678</u>	<u>\$ 35,446</u>
<u>Other Financing Sources (Uses)</u>			
Transfers Out	\$ (15,324)	\$ 0	\$ (15,324)
Total Other Financing Sources (Uses)	<u>\$ (15,324)</u>	<u>\$ 0</u>	<u>\$ (15,324)</u>
Net Change in Fund Balances	\$ (10,556)	\$ 30,678	\$ 20,122
Fund Balance, July 1, 2013	<u>30,656</u>	<u>166,261</u>	<u>196,917</u>
Fund Balance, June 30, 2014	<u><u>\$ 20,100</u></u>	<u><u>\$ 196,939</u></u>	<u><u>\$ 217,039</u></u>

Exhibit I-8

Clay County, Tennessee
 Schedule of Revenues, Expenditures, and Changes
 in Fund Balance - Actual and Budget
 Discretely Presented Clay County School Department
 General Purpose School Fund
 For the Year Ended June 30, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,782,660	\$ 1,822,304	\$ 1,822,304	\$ (39,644)
Licenses and Permits	674	860	860	(186)
Charges for Current Services	30,033	27,545	27,545	2,488
Other Local Revenues	43,043	36,100	36,100	6,943
State of Tennessee	6,321,473	6,366,632	6,453,006	(131,533)
Federal Government	93,813	84,800	84,800	9,013
Total Revenues	\$ 8,271,696	\$ 8,338,241	\$ 8,424,615	\$ (152,919)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 3,212,210	\$ 3,411,951	\$ 3,411,951	\$ 199,741
Alternative Instruction Program	33,810	35,137	35,137	1,327
Special Education Program	486,334	531,391	531,391	45,057
Vocational Education Program	261,733	273,799	273,799	12,066
<u>Support Services</u>				
Attendance	88,108	91,099	91,099	2,991
Health Services	195,800	201,756	201,756	5,956
Other Student Support	208,388	176,740	214,740	6,352
Regular Instruction Program	265,072	281,165	281,165	16,093
Special Education Program	80,569	91,633	91,633	11,064
Vocational Education Program	26,257	27,471	27,471	1,214
Other Programs	86,374	0	86,374	0
Board of Education	172,246	176,007	179,107	6,861
Director of Schools	146,345	151,210	151,210	4,865
Office of the Principal	437,896	450,349	450,349	12,453
Fiscal Services	138,212	142,683	142,683	4,471
Operation of Plant	747,993	822,999	822,999	75,006
Maintenance of Plant	144,975	170,526	170,526	25,551
Transportation	605,685	704,444	704,444	98,759
<u>Operation of Non-instructional Services</u>				
Food Service	82,460	84,213	84,213	1,753
Community Services	36,753	37,326	37,326	573
Early Childhood Education	310,401	310,403	310,403	2
<u>Capital Outlay</u>				
Regular Capital Outlay	272,937	275,000	322,300	49,363
<u>Principal on Debt</u>				
Education	249,000	251,000	251,000	2,000
<u>Interest on Debt</u>				
Education	15,319	290,661	240,261	224,942
<u>Other Debt Service</u>				
Education	82,530	115,942	115,942	33,412
Total Expenditures	\$ 8,387,407	\$ 9,104,905	\$ 9,229,279	\$ 841,872
Excess (Deficiency) of Revenues Over Expenditures	\$ (115,711)	\$ (766,664)	\$ (804,664)	\$ 688,953

(Continued)

Exhibit I-8

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 315	\$ 500	\$ 500	\$ (185)
Transfers In	15,324	11,160	11,160	4,164
Transfers Out	0	(38,000)	0	0
Total Other Financing Sources	\$ 15,639	\$ (26,340)	\$ 11,660	\$ 3,979
Net Change in Fund Balance	\$ (100,072)	\$ (793,004)	\$ (793,004)	\$ 692,932
Fund Balance, July 1, 2013	2,094,859	2,085,633	2,085,633	9,226
Fund Balance, June 30, 2014	\$ 1,994,787	\$ 1,292,629	\$ 1,292,629	\$ 702,158

Exhibit I-9

Clay County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Clay County School Department
School Federal Projects Fund
For the Year Ended June 30, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 764,224	\$ 839,632	\$ 839,632	\$ (75,408)
Total Revenues	\$ 764,224	\$ 839,632	\$ 839,632	\$ (75,408)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 376,544	\$ 442,180	\$ 442,180	\$ 65,636
Special Education Program	161,650	180,826	171,226	9,576
Vocational Education Program	11,109	11,109	11,109	0
<u>Support Services</u>				
Other Student Support	7,987	9,037	9,037	1,050
Regular Instruction Program	100,398	127,413	127,413	27,015
Special Education Program	95,396	91,879	101,479	6,083
Vocational Education Program	950	950	950	0
Transportation	5,422	5,816	5,816	394
Total Expenditures	\$ 759,456	\$ 869,210	\$ 869,210	\$ 109,754
Excess (Deficiency) of Revenues Over Expenditures	\$ 4,768	\$ (29,578)	\$ (29,578)	\$ 34,346
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 45,579	\$ 45,579	\$ (45,579)
Transfers Out	(15,324)	(16,001)	(16,001)	677
Total Other Financing Sources	\$ (15,324)	\$ 29,578	\$ 29,578	\$ (44,902)
Net Change in Fund Balance	\$ (10,556)	\$ 0	\$ 0	\$ (10,556)
Fund Balance, July 1, 2013	30,656	0	0	30,656
Fund Balance, June 30, 2014	\$ 20,100	\$ 0	\$ 0	\$ 20,100

Exhibit I-10

Clay County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Clay County School Department
Central Cafeteria Fund
For the Year Ended June 30, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 112,108	\$ 133,500	\$ 133,500	\$ (21,392)
Other Local Revenues	563	2,200	2,200	(1,637)
Federal Government	458,606	502,000	502,000	(43,394)
Total Revenues	<u>\$ 571,277</u>	<u>\$ 637,700</u>	<u>\$ 637,700</u>	<u>\$ (66,423)</u>
<u>Expenditures</u>				
<u>Operation of Non-instructional Services</u>				
Food Service	\$ 540,599	\$ 651,849	\$ 651,849	\$ 111,250
Total Expenditures	<u>\$ 540,599</u>	<u>\$ 651,849</u>	<u>\$ 651,849</u>	<u>\$ 111,250</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 30,678</u>	<u>\$ (14,149)</u>	<u>\$ (14,149)</u>	<u>\$ 44,827</u>
Net Change in Fund Balance	\$ 30,678	\$ (14,149)	\$ (14,149)	\$ 44,827
Fund Balance, July 1, 2013	166,261	141,132	141,132	25,129
Fund Balance, June 30, 2014	<u>\$ 196,939</u>	<u>\$ 126,983</u>	<u>\$ 126,983</u>	<u>\$ 69,956</u>

MISCELLANEOUS SCHEDULES

Exhibit J-1

Clay County, Tennessee
Schedule of Changes in Other Loans
For the Year Ended June 30, 2014

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-13	Paid and/or Matured During Period	Outstanding 6-30-14
<u>Payable through General Debt Service Fund</u>							
Senior Center Courtroom Renovation	\$ 615,000	3.75	12-14-10	6-30-27 (1)	\$ 607,435	\$ 307,848	\$ 299,587
<u>Contributions Due by School Department from the General Purpose School Fund to the General Debt Service Fund</u>							
School Construction	6,900,000	Variable	6-28-02	5-25-31	\$ 5,113,000	\$ 203,000	\$ 4,910,000
Athletic Facilities	1,500,000	Variable	9-29-03	5-25-31	1,115,000	46,000	1,069,000
<u>Total Contributions Due by School Department from the General Purpose School Fund to the General Debt Service Fund</u>					\$ 6,228,000	\$ 249,000	\$ 5,979,000
<u>Total Other Loans Payable</u>					\$ 6,835,435	\$ 556,848	\$ 6,278,587

(1) During the year, the county paid additional principal of \$300,000 on this loan. As a result, the amortization of this loan has been recalculated, and the new estimated maturity date is now June 30, 2027.

Exhibit J-2

Clay County, Tennessee
Schedule of Long-term Debt Requirements by Year

Year Ending June 30	Other Loans			Total
	Principal	Interest	Other Fees	
2015	\$ 278,392	\$ 27,976	\$ 78,571	\$ 384,939
2016	288,120	26,523	75,256	389,899
2017	298,874	25,019	71,826	395,719
2018	310,657	23,457	68,267	402,381
2019	321,469	21,836	64,568	407,873
2020	333,312	20,156	60,741	414,209
2021	346,186	18,413	56,772	421,371
2022	359,093	16,605	52,651	428,349
2023	372,034	14,729	48,376	435,139
2024	386,010	12,784	43,947	442,741
2025	400,023	10,766	39,352	450,141
2026	416,074	8,673	34,590	459,337
2027	413,343	6,500	29,637	449,480
2028	415,000	4,914	24,504	444,418
2029	431,000	3,752	19,192	453,944
2030	446,000	2,545	13,675	462,220
2031	463,000	1,297	7,967	472,264
Total	\$ 6,278,587	\$ 245,945	\$ 789,892	\$ 7,314,424

Exhibit J-3

Clay County, Tennessee
Schedule of Transfers
Discretely Presented Clay County School Department
For the Year Ended June 30, 2014

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
School Federal Projects	General Purpose School	Indirect costs	\$ <u>15,324</u>
Total Transfers Discretely Presented Clay County School Department			\$ <u><u>15,324</u></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, 2014

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, TCA	\$ 64,832	\$ 25,000	RLI Insurance Company
Road Superintendent	Section 8-24-102, TCA	61,745	100,000	"
Director of Schools	State Board of Education and County Board of Education	74,320 (1)	50,000	"
Trustee	Section 8-24-102, TCA	56,132	400,800	"
Assessor of Property	Section 8-24-102, TCA	56,132	10,000	"
County Clerk	Section 8-24-102, TCA	56,132	35,000	"
Circuit and General Sessions Courts Clerk	Section 8-24-102, TCA	56,132	50,000	"
Clerk and Master	Section 8-24-102, TCA, and Chancery Court Judge	56,132 (2)	75,000	"
Register of Deeds	Section 8-24-102, TCA	56,132	15,000	"
Sheriff	Section 8-24-102, TCA	61,745	25,000	"
Employee Blanket Bonds				
Public Employee Dishonesty - County Departments			150,000	Local Government Insurance Pool
Public Employee Dishonesty - School Department			150,000	Tennessee Risk Management Trust

(1) Includes a chief executive officer training supplement of \$1,000.

(2) Does not include special commissioner fees of \$4,410.

Exhibit J-5

Clay County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2014

	Special Revenue Funds						Highway / Public Works
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees		
<u>Local Taxes</u>							
<u>County Property Taxes</u>							
Current Property Tax	\$ 1,453,980	\$ 0	\$ 365,958	\$ 0	\$ 0	\$ 0	0
Trustee's Collections - Prior Year	65,901	0	16,587	0	0	0	0
Circuit/Clerk and Master Collections - Prior Years	21,502	0	5,415	0	0	0	0
Interest and Penalty	12,917	0	3,251	0	0	0	0
Payments in-Lieu-of Taxes - Local Utilities	133,516	0	33,605	0	0	0	0
Payments in-Lieu-of Taxes - Other	70,441	0	0	0	0	0	0
<u>County Local Option Taxes</u>							
Local Option Sales Tax	257,730	0	0	0	0	0	0
Hotel/Motel Tax	47,708	0	0	0	0	0	0
Wheel Tax	187,158	0	0	0	0	0	0
Litigation Tax - General	52,740	0	0	0	0	0	0
Litigation Tax - Special Purpose	3,595	1,557	0	0	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	0	17,661	0	0	0	0	0
Business Tax	971	0	0	0	0	0	0
Mixed Drink Tax	382	0	0	0	0	0	0
Mineral Severance Tax	0	0	0	0	0	0	1,462
<u>Statutory Local Taxes</u>							
Bank Excise Tax	16,813	0	4,232	0	0	0	0
Wholesale Beer Tax	214,222	0	0	0	0	0	0
Beer Privilege Tax	1,235	0	0	0	0	0	0
Interstate Telecommunications Tax	698	0	0	0	0	0	0
Total Local Taxes	\$ 2,541,509	\$ 19,218	\$ 429,048	\$ 0	\$ 0	\$ 0	1,462

(Continued)

Exhibit J-5

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

	Special Revenue Funds					
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	Highway / Public Works
<u>Licenses and Permits</u>						
<u>Permits</u>						
Beer Permits	\$ 1,188	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Licenses and Permits	\$ 1,188	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Fines, Forfeitures, and Penalties</u>						
<u>Circuit Court</u>						
Fines	\$ 11,538	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Officers Costs	10,779	0	0	0	0	0
Drug Control Fines	0	0	0	6,246	0	0
Drug Court Fees	2,677	0	0	0	0	0
Jail Fees	1,599	0	0	0	0	0
DUI Treatment Fines	428	0	0	0	0	0
Data Entry Fee - Circuit Court	618	0	0	0	0	0
Courtroom Security Fee	2,580	0	0	0	0	0
<u>General Sessions Court</u>						
Fines	7,815	0	0	0	0	0
Fines for Littering	38	0	0	0	0	0
Officers Costs	12,944	0	0	0	0	0
Game and Fish Fines	740	0	0	0	0	0
Drug Control Fines	0	0	0	2,549	0	0
Drug Court Fees	4,339	0	0	0	0	0
Jail Fees	5,106	0	0	0	0	0
DUI Treatment Fines	4,339	0	0	0	0	0
Data Entry Fee - General Sessions Court	3,364	0	0	0	0	0
Courtroom Security Fee	14,706	0	0	0	0	0

(Continued)

Exhibit J-5

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

	Special Revenue Funds					
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	Highway / Public Works
<u>Fines, Forfeitures, and Penalties (Cont.)</u>						
<u>Chancery Court</u>						
Data Entry Fee - Chancery Court	\$ 796	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Other Courts - In-county</u>						
Drug Control Fines	0	0	0	190	0	0
<u>Other Fines, Forfeitures, and Penalties</u>						
Proceeds from Confiscated Property	0	0	0	4,443	0	0
Other Fines, Forfeitures, and Penalties	3	0	0	48	0	0
Total Fines, Forfeitures, and Penalties	\$ 84,409	\$ 0	\$ 0	\$ 13,476	\$ 0	\$ 0
<u>Charges for Current Services</u>						
<u>General Service Charges</u>						
Tipping Fees	\$ 0	\$ 0	\$ 86,506	\$ 0	\$ 0	\$ 0
Other General Service Charges	2,310	0	0	0	0	0
<u>Fees</u>						
Recreation Fees	5,665	0	0	0	0	0
Copy Fees	377	0	0	0	0	0
Greenbelt Late Application Fee	200	0	0	0	0	0
Telephone Commissions	12,471	0	0	0	0	0
Vending Machine Collections	3,803	0	0	0	0	0
Constitutional Officers' Fees and Commissions	0	0	0	0	83,490	0
Special Commissioner Fees/Special Master Fees	0	0	0	0	4,410	0
Data Processing Fee - Register	2,726	0	0	0	0	0
Sexual Offender Registration Fee - Sheriff	1,500	0	0	0	0	0
Total Charges for Current Services	\$ 29,052	\$ 0	\$ 86,506	\$ 0	\$ 87,900	\$ 0

(Continued)

Exhibit J-5

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

	Special Revenue Funds					
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	Highway / Public Works
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	0 \$	0 \$	0 \$	0 \$	0 \$	0
Sale of Recycled Materials	0	0	30,136	0	0	0
Miscellaneous Refunds	6,434	0	0	0	0	13,113
<u>Nonrecurring Items</u>						
Sale of Equipment	5,504	0	1,500	0	0	0
Contributions and Gifts	4,972	0	0	1,580	0	0
Total Other Local Revenues	16,910 \$	0 \$	31,636 \$	1,580 \$	0 \$	13,113
<u>Fees Received from County Officials</u>						
<u>Excess Fees</u>						
Trustee	46,850 \$	0 \$	0 \$	0 \$	0 \$	0
<u>Fees in-Lieu-of Salary</u>						
County Clerk	100,294	0	0	0	0	0
Circuit Court Clerk	43,066	0	0	0	0	0
General Sessions Court Clerk	68,591	0	0	0	0	0
Clerk and Master	26,329	0	0	0	0	0
Register	27,244	0	0	0	0	0
Sheriff	7,010	0	0	0	0	0
Total Fees Received from County Officials	319,384 \$	0 \$	0 \$	0 \$	0 \$	0
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
Juvenile Services Program	9,000 \$	0 \$	0 \$	0 \$	0 \$	0
Aging Programs	15,324	0	0	0	0	0
Solid Waste Grants	0	0	11,800	0	0	0

(Continued)

Exhibit J-5

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

	Special Revenue Funds					
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	Highway / Public Works
<u>State of Tennessee (Cont.)</u>						
<u>Public Safety Grants</u>						
Law Enforcement Training Programs	\$ 7,800	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Health and Welfare Grants</u>						
Other Health and Welfare Grants	25,301	0	0	0	0	0
<u>Public Works Grants</u>						
State Aid Program	0	0	0	0	0	132,475
Litter Program	33,529	0	0	0	0	0
<u>Other State Revenues</u>						
Income Tax	6,944	0	0	0	0	0
Beer Tax	17,806	0	0	0	0	0
Alcoholic Beverage Tax	21,518	0	0	0	0	0
State Revenue Sharing - T.V.A.	260,166	0	0	0	0	7,000
Contracted Prisoner Boarding	116,291	0	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	0	1,301,137
Petroleum Special Tax	0	0	0	0	0	5,672
Registrar's Salary Supplement	15,164	0	0	0	0	0
Other State Grants	16,011	0	0	0	0	0
Other State Revenues	13,920	0	0	0	0	0
Total State of Tennessee	\$ 558,774	\$ 0	\$ 11,800	\$ 0	\$ 0	\$ 1,446,284
<u>Federal Government</u>						
<u>Federal through State</u>						
Community Development	\$ 606,844	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Federal through State	69,192	0	0	0	0	0
<u>Direct Federal Revenue</u>						
Police Service (Lake Area)	26,742	0	0	0	0	0

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Highway / Public Works
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	
<u>Federal Government (Cont.)</u>						
<u>Direct Federal Revenue (Cont.)</u>						
Other Direct Federal Revenue	\$ 16,496	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Federal Government	\$ 719,274	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Contributions	\$ 66,315	\$ 0	\$ 0	\$ 1,000	\$ 0	\$ 0
Citizens Groups						
Donations	33	0	0	0	0	0
Other						
Other	113,163	0	0	0	0	0
Total Other Governments and Citizens Groups	\$ 179,511	\$ 0	\$ 0	\$ 1,000	\$ 0	\$ 0
Total	\$ 4,450,011	\$ 19,218	\$ 558,990	\$ 16,056	\$ 87,900	\$ 1,460,859

(Continued)

Exhibit J-5

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

	Debt Service		Total
	Fund	Debt	
	General	Service	
<u>Local Taxes</u>			
<u>County Property Taxes</u>			
Current Property Tax	\$ 77,009	\$	1,896,947
Trustee's Collections - Prior Year	3,490		85,978
Circuit/Clerk and Master Collections - Prior Years	1,139		28,056
Interest and Penalty	684		16,852
Payments in-Lieu-of Taxes - Local Utilities	7,072		174,193
Payments in-Lieu-of Taxes - Other	0		70,441
<u>County Local Option Taxes</u>			
Local Option Sales Tax	0		257,730
Hotel/Motel Tax	0		47,708
Wheel Tax	0		187,158
Litigation Tax - General	71		52,811
Litigation Tax - Special Purpose	2,251		7,403
Litigation Tax - Jail, Workhouse, or Courthouse	0		17,661
Business Tax	0		971
Mixed Drink Tax	0		382
Mineral Severance Tax	0		1,462
<u>Statutory Local Taxes</u>			
Bank Excise Tax	891		21,936
Wholesale Beer Tax	23,803		238,025
Beer Privilege Tax	0		1,235
Interstate Telecommunications Tax	0		698
Total Local Taxes	\$ 116,410	\$	3,107,647

(Continued)

Exhibit J-5

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

	Debt Service		
	Fund	Debt	Total
	General	Service	
<u>Licenses and Permits</u>			
<u>Permits</u>			
Beer Permits	0	\$	1,188
Total Licenses and Permits	0	\$	1,188
<u>Fines, Forfeitures, and Penalties</u>			
<u>Circuit Court</u>			
Fines	0	\$	11,538
Officers Costs	0		10,779
Drug Control Fines	0		6,246
Drug Court Fees	0		2,677
Jail Fees	0		1,599
DUI Treatment Fines	0		428
Data Entry Fee - Circuit Court	0		618
Courtroom Security Fee	0		2,580
<u>General Sessions Court</u>			
Fines	0		7,815
Fines for Littering	0		38
Officers Costs	0		12,944
Game and Fish Fines	0		740
Drug Control Fines	0		2,549
Drug Court Fees	0		4,339
Jail Fees	0		5,106
DUI Treatment Fines	0		4,339
Data Entry Fee - General Sessions Court	0		3,364
Courtroom Security Fee	0		14,706

(Continued)

Exhibit J-5

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

	Debt Service		Total
	General	Debt	
	Fund	Service	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>			
<u>Chancery Court</u>			
Data Entry Fee - Chancery Court	\$	0 \$	796
<u>Other Courts - In-county</u>			
Drug Control Fines		0	190
<u>Other Fines, Forfeitures, and Penalties</u>			
Proceeds from Confiscated Property		0	4,443
Other Fines, Forfeitures, and Penalties		0	51
Total Fines, Forfeitures, and Penalties	\$	0 \$	97,885
<u>Charges for Current Services</u>			
<u>General Service Charges</u>			
Tipping Fees	\$	0 \$	86,506
Other General Service Charges		0	2,310
<u>Fees</u>			
Recreation Fees		0	5,665
Copy Fees		0	377
Greenbelt Late Application Fee		0	200
Telephone Commissions		0	12,471
Vending Machine Collections		0	3,803
Constitutional Officers' Fees and Commissions		0	83,490
Special Commissioner Fees/Special Master Fees		0	4,410
Data Processing Fee - Register		0	2,726
Sexual Offender Registration Fee - Sheriff		0	1,500
Total Charges for Current Services	\$	0 \$	203,458

(Continued)

Exhibit J-5

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

	Debt Service		
	Fund		Total
	General	Debt	
	Service	Service	
<u>Other Local Revenues</u>			
<u>Recurring Items</u>			
Investment Income	\$ 22,652	\$	22,652
Sale of Recycled Materials	0	0	30,136
Miscellaneous Refunds	0	0	19,547
<u>Nonrecurring Items</u>			
Sale of Equipment	0	0	7,004
Contributions and Gifts	0	0	6,552
Total Other Local Revenues	\$ 22,652	\$	85,891
<u>Fees Received from County Officials</u>			
<u>Excess Fees</u>			
Trustee	\$	0 \$	46,850
<u>Fees in-Lieu-of Salary</u>			
County Clerk	0	0	100,294
Circuit Court Clerk	0	0	43,066
General Sessions Court Clerk	0	0	68,591
Clerk and Master	0	0	26,329
Register	0	0	27,244
Sheriff	0	0	7,010
Total Fees Received from County Officials	\$	0 \$	319,384
<u>State of Tennessee</u>			
<u>General Government Grants</u>			
Juvenile Services Program	\$	0 \$	9,000
Aging Programs	0	0	15,324
Solid Waste Grants	0	0	11,800

(Continued)

Exhibit J-5

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

	Debt Service	Total
	<u>Fund</u>	
	General	
	Debt	
	Service	
<u>State of Tennessee (Cont.)</u>		
<u>Public Safety Grants</u>		
Law Enforcement Training Programs	0 \$	7,800
Health and Welfare Grants		
Other Health and Welfare Grants	0	25,301
<u>Public Works Grants</u>		
State Aid Program	0	132,475
Litter Program	0	33,529
<u>Other State Revenues</u>		
Income Tax	0	6,944
Beer Tax	0	17,806
Alcoholic Beverage Tax	0	21,518
State Revenue Sharing - T.V.A.	0	267,166
Contracted Prisoner Boarding	0	116,291
Gasoline and Motor Fuel Tax	0	1,301,137
Petroleum Special Tax	0	5,672
Registrar's Salary Supplement	0	15,164
Other State Grants	0	16,011
Other State Revenues	0	13,920
Total State of Tennessee	<u>0 \$</u>	<u>2,016,858</u>
<u>Federal Government</u>		
<u>Federal through State</u>		
Community Development	0 \$	606,844
Other Federal through State	0	69,192
<u>Direct Federal Revenue</u>		
Police Service (Lake Area)	0	26,742

(Continued)

Exhibit J-5

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

	Debt Service Fund	General Debt Service	Total
<u>Federal Government (Cont.)</u>			
Direct Federal Revenue (Cont.)			
Other Direct Federal Revenue	0	\$ 16,496	
Total Federal Government	\$ 0	\$ 16,496	\$ 16,496
<u>Other Governments and Citizens Groups</u>			
<u>Other Governments</u>			
Contributions	\$ 346,849	\$ 414,164	
Citizens Groups			
Donations	0	33	
Other			
Total Other Governments and Citizens Groups	\$ 346,849	\$ 414,163	
Total	\$ 485,911	\$ 7,078,945	\$ 7,078,945

Clay County, Tennessee
 Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented Clay County School Department
For the Year Ended June 30, 2014

	General Purpose School	Special Revenue Funds			Total
		School Federal Projects	Central Cafeteria		
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 1,084,378	\$ 0	\$ 0	\$ 0	1,084,378
Trustee's Collections - Prior Year	53,695	0	0	0	53,695
Circuit/Clerk and Master Collections - Prior Years	16,090	0	0	0	16,090
Interest and Penalty	9,666	0	0	0	9,666
Payments in-Lieu-of Taxes - Local Utilities	99,911	0	0	0	99,911
<u>County Local Option Taxes</u>					
Local Option Sales Tax	505,209	0	0	0	505,209
Mixed Drink Tax	382	0	0	0	382
<u>Statutory Local Taxes</u>					
Bank Excise Tax	12,581	0	0	0	12,581
Interstate Telecommunications Tax	748	0	0	0	748
Total Local Taxes	\$ 1,782,660	\$ 0	\$ 0	\$ 0	1,782,660
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 550	\$ 0	\$ 0	\$ 0	550
<u>Permits</u>					
Other Permits	124	0	0	0	124
Total Licenses and Permits	\$ 674	\$ 0	\$ 0	\$ 0	674
<u>Charges for Current Services</u>					
<u>Education Charges</u>					
Lunch Payments - Children	\$ 0	\$ 0	\$ 57,364	\$ 0	57,364
Lunch Payments - Adults	0	0	22,987	0	22,987

(Continued)

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

	General Purpose School	Special Revenue Funds			Total
		School Federal Projects	Central Cafeteria		
<u>Charges for Current Services (Cont.)</u>					
<u>Education Charges (Cont.)</u>					
Income from Breakfast	\$ 0	\$ 0	\$ 0	\$ 15,317	\$ 15,317
A la carte Sales	0	0	0	14,694	14,694
Contract for Student Support Services with Other LEAs	12,300	0	0	0	12,300
Receipts from Individual Schools	17,643	0	0	0	17,643
Community Service Fees - Adults	0	0	0	1,746	1,746
<u>Other Charges for Services</u>	90	0	0	0	90
Other Charges for Services	30,033	0	0	112,108	142,141
Total Charges for Current Services	\$ 30,033	\$ 0	\$ 0	\$ 112,108	\$ 142,141
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 0	\$ 0	\$ 563	\$ 563
Sale of Materials and Supplies	21	0	0	0	21
E-Rate Funding	26,493	0	0	0	26,493
Miscellaneous Refunds	15,654	0	0	0	15,654
<u>Nonrecurring Items</u>	415	0	0	0	415
Damages Recovered from Individuals	460	0	0	0	460
<u>Other Local Revenues</u>	43,043	0	0	563	43,606
Total Other Local Revenues	\$ 43,043	\$ 0	\$ 0	\$ 563	\$ 43,606
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
On-behalf Contributions for OPEB	\$ 86,374	\$ 0	\$ 0	\$ 0	\$ 86,374

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

	General Purpose School	Special Revenue Funds				Total
		School Federal Projects	Central Cafeteria			
State of Tennessee (Cont.)						
State Education Funds						
Basic Education Program	\$ 5,634,000	\$ 0	\$ 0	\$ 0	\$ 5,634,000	
Early Childhood Education	310,403	0	0	0	310,403	
School Food Service	5,963	0	0	0	5,963	
Energy Efficient School Initiative	8,950	0	0	0	8,950	
Other State Education Funds	228,402	0	0	0	228,402	
Career Ladder Program	28,591	0	0	0	28,591	
Career Ladder - Extended Contract	15,820	0	0	0	15,820	
Other State Revenues						
Other State Grants	1,970	0	0	0	1,970	
Other State Revenues	1,000	0	0	0	1,000	
Total State of Tennessee	\$ 6,321,473	\$ 0	\$ 0	\$ 0	\$ 6,321,473	
Federal Government						
Federal through State						
USDA School Lunch Program	\$ 0	\$ 0	\$ 295,503	\$ 0	295,503	
USDA - Commodities	0	0	45,286	0	45,286	
Breakfast	0	0	117,817	0	117,817	
Vocational Education - Basic Grants to States	0	19,746	0	0	19,746	
Title I Grants to Local Education Agencies	0	403,348	0	0	403,348	
Special Education - Grants to States	0	257,505	0	0	257,505	
Special Education Preschool Grants	0	10,265	0	0	10,265	
Rural Education	0	16,320	0	0	16,320	
Eisenhower Professional Development State Grants	0	42,949	0	0	42,949	
Job Training Partnership Act	11,000	0	0	0	11,000	
Race-to-the-Top - ARRA	0	14,091	0	0	14,091	

(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	Special Revenue Funds			Total
		School Federal Projects	Central Cafeteria		
Federal Government (Cont.)					
Direct Federal Revenue					
Public Law 874 - Maintenance and Operation	\$ 82,813 \$	0 \$	0 \$	0 \$	82,813
Total Federal Government	\$ 93,813 \$	764,224 \$	458,606 \$	458,606 \$	1,316,643
Total	\$ 8,271,696 \$	764,224 \$	571,277 \$	571,277 \$	9,607,197

Exhibit J-7

Clay County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2014

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	16,405	
Audit Services		2,692	
Dues and Memberships		1,050	
Legal Services		99	
Other Contracted Services		170	
Other Charges		673	
Total County Commission			\$ 21,089

Board of Equalization

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

Beer Board

Legal Notices, Recording, and Court Costs	\$	292	
Total Beer Board			292

County Mayor/Executive

County Official/Administrative Officer	\$	64,832	
Accountants/Bookkeepers		25,553	
Clerical Personnel		18,104	
Communication		2,687	
Data Processing Services		4,677	
Dues and Memberships		3,326	
Maintenance Agreements		372	
Postal Charges		1,824	
Printing, Stationery, and Forms		1,210	
Travel		1,431	
Office Supplies		1,254	
Premiums on Corporate Surety Bonds		75	
Office Equipment		50	
Total County Mayor/Executive			125,395

County Attorney

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

Election Commission

County Official/Administrative Officer	\$	44,906	
Other Salaries and Wages		18,632	
Election Commission		5,957	
Election Workers		7,727	
In-service Training		369	
Communication		2,191	
Dues and Memberships		175	
Legal Services		268	
Legal Notices, Recording, and Court Costs		948	
Maintenance and Repair Services - Buildings		325	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Maintenance and Repair Services - Equipment	\$	17,363	
Postal Charges		672	
Printing, Stationery, and Forms		857	
Travel		5,729	
Office Supplies		1,831	
Other Charges		18,674	
Office Equipment		5,460	
Total Election Commission			\$ 132,084

Register of Deeds

County Official/Administrative Officer	\$	56,132	
Deputy(ies)		17,131	
Communication		1,460	
Data Processing Services		2,326	
Dues and Memberships		432	
Maintenance Agreements		700	
Postal Charges		86	
Printing, Stationery, and Forms		1,000	
Travel		333	
Duplicating Supplies		704	
Office Supplies		449	
Premiums on Corporate Surety Bonds		75	
Office Equipment		327	
Total Register of Deeds			81,155

County Buildings

Custodial Personnel	\$	53,586	
Communication		586	
Evaluation and Testing		160	
Maintenance and Repair Services - Buildings		32,029	
Maintenance and Repair Services - Vehicles		3,429	
Pest Control		495	
Custodial Supplies		5,951	
Electricity		9,821	
Gasoline		5,983	
Natural Gas		4,369	
Uniforms		546	
Water and Sewer		1,841	
Total County Buildings			118,796

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	56,132	
Deputy(ies)		20,696	
Part-time Personnel		3,388	
Communication		1,490	
Contracts with Private Agencies		2,450	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Data Processing Services	\$	4,112	
Dues and Memberships		800	
Postal Charges		695	
Printing, Stationery, and Forms		189	
Travel		2,238	
Office Supplies		644	
Premiums on Corporate Surety Bonds		17	
Office Equipment		758	
Total Property Assessor's Office			\$ 93,609

County Trustee's Office

Data Processing Services	\$	1,621	
Dues and Memberships		337	
Legal Notices, Recording, and Court Costs		120	
Maintenance and Repair Services - Equipment		9,329	
Postal Charges		2,600	
Printing, Stationery, and Forms		303	
Office Supplies		1,900	
Premiums on Corporate Surety Bonds		1,268	
Office Equipment		326	
Total County Trustee's Office			17,804

County Clerk's Office

County Official/Administrative Officer	\$	56,132	
Deputy(ies)		45,864	
Communication		3,091	
Data Processing Services		2,000	
Dues and Memberships		337	
Maintenance and Repair Services - Equipment		468	
Postal Charges		2,123	
Rentals		4,400	
Office Supplies		2,939	
Premiums on Corporate Surety Bonds		150	
Total County Clerk's Office			117,504

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	56,132	
Deputy(ies)		26,250	
Clerical Personnel		38,336	
Other Salaries and Wages		3,000	
Jury and Witness Expense		4,839	
In-service Training		340	
Communication		2,581	
Dues and Memberships		397	
Legal Notices, Recording, and Court Costs		108	
Maintenance Agreements		9,386	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court (Cont.)

Postal Charges	\$	1,050	
Printing, Stationery, and Forms		1,089	
Travel		133	
Remittance of Revenue Collected		16,460	
Office Supplies		1,840	
Premiums on Corporate Surety Bonds		150	
Office Equipment		2,500	
Total Circuit Court			\$ 164,591

General Sessions Court

Judge(s)	\$	72,451	
Total General Sessions Court			72,451

Chancery Court

County Official/Administrative Officer	\$	56,132	
Deputy(ies)		16,973	
Communication		1,515	
Dues and Memberships		457	
Maintenance Agreements		252	
Postal Charges		243	
Office Supplies		2,510	
Total Chancery Court			78,082

Juvenile Court

Supervisor/Director	\$	9,000	
Social Security		663	
Unemployment Compensation		138	
Travel		258	
Other Contracted Services		300	
Total Juvenile Court			10,359

Judicial Commissioners

County Official/Administrative Officer	\$	10,953	
Other Salaries and Wages		300	
Office Supplies		40	
Premiums on Corporate Surety Bonds		100	
Total Judicial Commissioners			11,393

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	61,745	
Assistant(s)		32,668	
Deputy(ies)		323,227	
Accountants/Bookkeepers		22,963	
Dispatchers/Radio Operators		189,671	
Cafeteria Personnel		31,158	
Other Salaries and Wages		25,082	

(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.)

In-service Training	\$	5,025	
Other Per Diem and Fees		470	
Communication		9,682	
Contracts with Government Agencies		300	
Dues and Memberships		1,200	
Evaluation and Testing		1,030	
Licenses		266	
Maintenance and Repair Services - Equipment		6,946	
Maintenance and Repair Services - Vehicles		21,384	
Pest Control		330	
Postal Charges		1,027	
Printing, Stationery, and Forms		2,103	
Travel		8,320	
Custodial Supplies		64	
Gasoline		65,169	
Law Enforcement Supplies		4,995	
Office Supplies		3,647	
Tires and Tubes		6,301	
Uniforms		5,014	
Other Supplies and Materials		159	
Premiums on Corporate Surety Bonds		514	
Other Charges		700	
Other Equipment		15,780	
Total Sheriff's Department			\$ 846,940

Drug Enforcement

Motor Vehicles	\$	44,322	
Total Drug Enforcement			44,322

Jail

Guards	\$	25,755	
Communication		4,950	
Contracts with Government Agencies		150,466	
Maintenance and Repair Services - Buildings		12,768	
Maintenance and Repair Services - Vehicles		185	
Other Contracted Services		8,277	
Custodial Supplies		2,431	
Drugs and Medical Supplies		71,475	
Electricity		17,664	
Food Preparation Supplies		137	
Food Supplies		30,975	
Gasoline		6,985	
Water and Sewer		1,110	
Other Supplies and Materials		911	
Other Charges		532	
Total Jail			334,621

(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

Juvenile Services

School Resource Officer	\$ 54,469	
In-service Training	2,455	
Total Juvenile Services		56,924

Fire Prevention and Control

Disability Insurance	\$ 15,256	
Contributions	20,000	
Total Fire Prevention and Control		35,256

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	25,649	
Office Supplies	585	
Road Signs	3,344	
Other Equipment	7,805	
Total Other Emergency Management		61,983

County Coroner/Medical Examiner

Other Salaries and Wages	\$ 1,200	
Other Per Diem and Fees	11,870	
Total County Coroner/Medical Examiner		13,070

Other Public Safety

Guards	\$ 47,294	
Total Other Public Safety		47,294

Public Health and Welfare

Local Health Center

Other Salaries and Wages	\$ 6,000	
Communication	2,825	
Maintenance and Repair Services - Buildings	10,899	
Custodial Supplies	430	
Drugs and Medical Supplies	995	
Instructional Supplies and Materials	1,174	
Office Supplies	1,500	
Utilities	15,606	
Total Local Health Center		39,429

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services

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

Alcohol and Drug Programs

Other Salaries and Wages	\$ 38,000	
Postal Charges	112	
Travel	324	
Office Supplies	1,545	
Other Charges	3,663	
Total Alcohol and Drug Programs		43,644

Other Local Health Services

Temporary Personnel	\$ 3,790	
Other Salaries and Wages	8,931	
Unemployment Compensation	231	
Travel	3,531	
Other Supplies and Materials	7,000	
Total Other Local Health Services		23,483

Appropriation to State

Other Contracted Services	\$ 11,300	
Total Appropriation to State		11,300

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Supervisor/Director	\$ 17,855	
Social Security	1,307	
Unemployment Compensation	209	
Communication	1,433	
Travel	79	
Utilities	26,821	
Other Supplies and Materials	148	
Other Charges	1,974	
Total Senior Citizens Assistance		49,826

Libraries

Supervisor/Director	\$ 22,110	
Part-time Personnel	8,055	
Other Salaries and Wages	18,179	
Communication	1,937	
Dues and Memberships	562	
Postal Charges	424	
Travel	907	
Other Contracted Services	525	
Custodial Supplies	1,572	
Electricity	8,675	
Library Books/Media	9,682	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Libraries (Cont.)

Office Supplies	\$	4,695	
Periodicals		385	
Water and Sewer		514	
Other Supplies and Materials		7,876	
Other Charges		832	
Office Equipment		3,967	
Total Libraries			\$ 90,897

Parks and Fair Boards

Other Salaries and Wages	\$	9,600	
Maintenance and Repair Services - Buildings		14,912	
Custodial Supplies		2,332	
Electricity		12,916	
Natural Gas		5,351	
Water and Sewer		1,014	
Total Parks and Fair Boards			46,125

Other Social, Cultural, and Recreational

Contributions	\$	13,426	
Total Other Social, Cultural, and Recreational			13,426

Agriculture and Natural Resources

Agricultural Extension Service

Salary Supplements	\$	67,150	
Social Security		7,010	
Extension Service Medicare		681	
Communication		1,966	
Contributions		7,388	
Travel		7,160	
Other Charges		6,519	
Data Processing Equipment		4,383	
Total Agricultural Extension Service			102,257

Forest Service

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

Soil Conservation

Secretary(ies)	\$	19,126	
Other Salaries and Wages		29,994	
Communication		1,594	
Utilities		1,319	
Total Soil Conservation			52,033

Other Operations

Tourism

Clerical Personnel	\$	6,687	
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(Continued)

Exhibit J-7

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

General Fund (Cont.)

Other Operations (Cont.)

Tourism (Cont.)

Advertising	\$	26,249	
Communication		3,244	
Contributions		850	
Dues and Memberships		200	
Postal Charges		244	
Travel		132	
Office Supplies		916	
Other Charges		13,679	
Total Tourism			\$ 52,201

Industrial Development

Advertising	\$	7,856	
Consultants		25,200	
Instructional Supplies and Materials		1,697	
Office Supplies		804	
Other Charges		20,830	
Total Industrial Development			56,387

Other Economic and Community Development

Other Construction	\$	202,766	
Other Capital Outlay		404,178	
Total Other Economic and Community Development			606,944

Veterans' Services

Other Salaries and Wages	\$	16,640	
In-service Training		2,158	
Total Veterans' Services			18,798

Other Charges

Liability Insurance	\$	69,388	
Trustee's Commission		49,122	
Workers' Compensation Insurance		67,261	
Other Charges		3,269	
Other Debt Issuance Charges		1,594	
Total Other Charges			190,634

Employee Benefits

Social Security	\$	141,955	
State Retirement		131,120	
Unemployment Compensation		11,556	
Total Employee Benefits			284,631

Highways

Litter and Trash Collection

Supervisor/Director	\$	29,120	
Laborers		8,138	
Other Charges		478	
Total Litter and Trash Collection			37,736

Total General Fund \$ 4,577,995

(Continued)

Exhibit J-7

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

Courthouse and Jail Maintenance Fund

General Government

County Buildings

Maintenance and Repair Services - Buildings	\$ 1,560	
Total County Buildings		\$ 1,560

Other Operations

Other Charges

Trustee's Commission	\$ 190	
Total Other Charges		190

Total Courthouse and Jail Maintenance Fund		\$ 1,750
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Solid Waste/Sanitation Fund

Public Health and Welfare

Waste Pickup

Truck Drivers	\$ 41,310	
Laborers	99,252	
Clerical Personnel	10,527	
Social Security	11,116	
Unemployment Compensation	1,695	
Communication	1,785	
Contracts with Private Agencies	143,079	
Evaluation and Testing	415	
Maintenance and Repair Services - Buildings	943	
Maintenance and Repair Services - Equipment	1,232	
Maintenance and Repair Services - Vehicles	8,194	
Rentals	1,400	
Travel	351	
Electricity	5,291	
Gasoline	28,837	
Natural Gas	1,002	
Office Supplies	680	
Tires and Tubes	7,029	
Uniforms	2,163	
Water and Sewer	358	
Other Charges	1,812	
Site Development	17,491	
Solid Waste Equipment	8,000	
Total Waste Pickup		\$ 393,962

Other Operations

Other Charges

Trustee's Commission	\$ 9,389	
Total Other Charges		9,389

Total Solid Waste/Sanitation Fund		403,351
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(Continued)

Exhibit J-7

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

Drug Control Fund

Public Safety

Drug Enforcement

Contributions	\$	1,000	
Confidential Drug Enforcement Payments		4,000	
Other Supplies and Materials		4,885	
Other Charges		3,322	
Law Enforcement Equipment		1,500	
Motor Vehicles		4,000	
Total Drug Enforcement			\$ 18,707

Other Operations

Other Charges

Trustee's Commission	\$	133	
Total Other Charges			133

Total Drug Control Fund \$ 18,840

Constitutional Officers - Fees Fund

Finance

County Trustee's Office

County Official/Administrative Officer	\$	56,132	
Deputy(ies)		28,305	
Constitutional Officers' Operating Expenses		680	
Total County Trustee's Office			\$ 85,117

Administration of Justice

Chancery Court

Special Commissioner Fees/Special Master Fees	\$	4,410	
Total Chancery Court			4,410

Total Constitutional Officers - Fees Fund 89,527

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	61,745	
Accountants/Bookkeepers		30,509	
Advertising		80	
Communication		2,490	
Data Processing Services		5,628	
Dues and Memberships		2,032	
Postal Charges		110	
Other Contracted Services		11,682	
Other Charges		3,491	
Total Administration			\$ 117,767

Highway and Bridge Maintenance

Equipment Operators	\$	131,194	
Truck Drivers		104,886	

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

Laborers	\$	203,578	
Rentals		1,878	
Asphalt - Hot Mix		179,661	
Asphalt - Liquid		124,895	
Concrete		13	
Crushed Stone		67,890	
Pipe		12,644	
Road Signs		995	
Wood Products		1,722	
Other Supplies and Materials		642	
Other Charges		23,674	
Highway Construction		132	
Other Construction		603	
Total Highway and Bridge Maintenance			\$ 854,407

Operation and Maintenance of Equipment

Mechanic(s)	\$	25,254	
Maintenance and Repair Services - Equipment		6,512	
Diesel Fuel		79,913	
Equipment and Machinery Parts		34,176	
Gasoline		19,286	
Lubricants		4,615	
Natural Gas		2,093	
Small Tools		319	
Tires and Tubes		9,503	
Other Supplies and Materials		2,354	
Other Charges		809	
Total Operation and Maintenance of Equipment			184,834

Other Charges

Electricity	\$	4,033	
Water and Sewer		1,318	
Premiums on Corporate Surety Bonds		289	
Trustee's Commission		13,098	
Vehicle and Equipment Insurance		15,920	
Workers' Compensation Insurance		89,078	
Total Other Charges			123,736

Employee Benefits

Social Security	\$	37,391	
State Retirement		33,407	
Unemployment Compensation		8,715	
Employer Medicare		8,092	
Total Employee Benefits			87,605

Capital Outlay

Highway Equipment	\$	18,690	
Total Capital Outlay			18,690

Total Highway/Public Works Fund \$ 1,387,039

(Continued)

Exhibit J-7

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

General Debt Service Fund

Principal on Debt

General Government

Principal on Other Loans	<u>\$ 307,848</u>	
Total General Government		\$ 307,848

Education

Principal on Other Loans	<u>\$ 249,000</u>	
Total Education		249,000

Interest on Debt

General Government

Interest on Other Loans	<u>\$ 22,779</u>	
Total General Government		22,779

Education

Interest on Other Loans	<u>\$ 15,319</u>	
Total Education		15,319

Other Debt Service

General Government

Trustee's Commission	<u>\$ 2,124</u>	
Total General Government		2,124

Education

Other Debt Service	<u>\$ 82,530</u>	
Total Education		<u>82,530</u>

Total General Debt Service Fund		<u>\$ 679,600</u>
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Total Governmental Funds - Primary Government		<u>\$ 7,158,102</u>
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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, 2014

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	2,239,181	
Career Ladder Program		12,000	
Career Ladder Extended Contracts		14,450	
Educational Assistants		111,293	
Longevity Pay		4,200	
Certified Substitute Teachers		50,903	
Non-certified Substitute Teachers		9,700	
Social Security		134,013	
State Retirement		206,405	
Medical Insurance		207,643	
Unemployment Compensation		5,912	
Employer Medicare		32,204	
Maintenance and Repair Services - Equipment		22	
Other Contracted Services		35,114	
Instructional Supplies and Materials		54,419	
Textbooks		65,629	
Other Charges		884	
Regular Instruction Equipment		28,238	
Total Regular Instruction Program			\$ 3,212,210

Alternative Instruction Program

Teachers	\$	28,490	
Certified Substitute Teachers		240	
Non-certified Substitute Teachers		275	
Social Security		1,710	
State Retirement		2,541	
Unemployment Compensation		44	
Employer Medicare		402	
Instructional Supplies and Materials		108	
Total Alternative Instruction Program			33,810

Special Education Program

Teachers	\$	278,066	
Career Ladder Program		4,000	
Homebound Teachers		25,988	
Educational Assistants		24,560	
Longevity Pay		200	
Certified Substitute Teachers		15,269	
Non-certified Substitute Teachers		1,225	
Social Security		18,789	
State Retirement		28,188	
Medical Insurance		32,718	
Unemployment Compensation		762	
Employer Medicare		4,568	
Contracts with Other Public Agencies		610	
Other Contracted Services		47,792	

(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.)

Instructional Supplies and Materials	\$	504	
Special Education Equipment		3,095	
Total Special Education Program			\$ 486,334

Vocational Education Program

Teachers	\$	158,693	
Career Ladder Program		2,000	
Certified Substitute Teachers		4,000	
Non-certified Substitute Teachers		840	
Social Security		9,304	
State Retirement		14,270	
Medical Insurance		14,263	
Unemployment Compensation		253	
Employer Medicare		2,201	
Travel		4,313	
Other Contracted Services		39,948	
Instructional Supplies and Materials		6,662	
Vocational Instruction Equipment		4,986	
Total Vocational Education Program			261,733

Support Services

Attendance

Supervisor/Director	\$	62,283	
Career Ladder Program		1,000	
Social Security		3,523	
State Retirement		5,620	
Medical Insurance		6,486	
Unemployment Compensation		72	
Employer Medicare		824	
Travel		4,849	
Other Contracted Services		2,792	
Other Supplies and Materials		462	
Other Charges		197	
Total Attendance			88,108

Health Services

Medical Personnel	\$	87,980	
Longevity Pay		550	
Other Salaries and Wages		64,781	
Social Security		8,783	
State Retirement		12,698	
Medical Insurance		8,910	
Unemployment Compensation		291	
Employer Medicare		2,054	
Contributions		100	
Licenses		200	

(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.)

Health Services (Cont.)

Medical and Dental Services	\$	180	
Travel		2,803	
Drugs and Medical Supplies		607	
Other Supplies and Materials		5,863	
Total Health Services			\$ 195,800

Other Student Support

Guidance Personnel	\$	126,274	
Social Security		6,835	
State Retirement		11,213	
Medical Insurance		15,514	
Unemployment Compensation		285	
Employer Medicare		1,599	
Evaluation and Testing		4,393	
Travel		2,320	
Other Contracted Services		36,281	
Other Charges		3,674	
Total Other Student Support			208,388

Regular Instruction Program

Supervisor/Director	\$	48,281	
Career Ladder Program		2,000	
Librarians		118,605	
Education Media Personnel		27,504	
Longevity Pay		200	
Social Security		11,858	
State Retirement		16,997	
Medical Insurance		2,632	
Unemployment Compensation		303	
Employer Medicare		2,773	
Travel		4,606	
Library Books/Media		7,975	
Other Supplies and Materials		1,916	
In Service/Staff Development		19,422	
Total Regular Instruction Program			265,072

Special Education Program

Supervisor/Director	\$	30,824	
Clerical Personnel		14,625	
Longevity Pay		1,167	
Other Salaries and Wages		14,064	
Social Security		3,666	
State Retirement		4,893	
Unemployment Compensation		170	
Employer Medicare		857	
Maintenance and Repair Services - Equipment		132	

(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.)

Special Education Program (Cont.)

Travel	\$	223	
Other Contracted Services		9,648	
In Service/Staff Development		300	
Total Special Education Program			\$ 80,569

Vocational Education Program

Supervisor/Director	\$	22,227	
Social Security		1,153	
State Retirement		1,974	
Unemployment Compensation		36	
Employer Medicare		270	
Travel		427	
Instructional Supplies and Materials		170	
Total Vocational Education Program			26,257

Other Programs

On-behalf Payments to OPEB	\$	86,374	
Total Other Programs			86,374

Board of Education

Other Salaries and Wages	\$	2,300	
Board and Committee Members Fees		11,100	
In-service Training		125	
Social Security		688	
State Retirement		79	
Life Insurance		3,589	
Unemployment Compensation		96	
Employer Medicare		194	
Advertising		1,880	
Audit Services		4,000	
Dues and Memberships		14,190	
Legal Services		12,581	
Food Supplies		835	
Trustee's Commission		53,543	
Workers' Compensation Insurance		64,631	
Refund to Applicant for Criminal Investigation		1,176	
Other Charges		1,239	
Total Board of Education			172,246

Director of Schools

County Official/Administrative Officer	\$	73,320	
Career Ladder Program		1,000	
Social Security		4,207	
State Retirement		6,600	
Medical Insurance		6,486	
Unemployment Compensation		72	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools (Cont.)

Employer Medicare	\$	984	
Communication		46,086	
Dues and Memberships		327	
Postal Charges		2,812	
Travel		3,642	
Office Supplies		809	
Total Director of Schools			\$ 146,345

Office of the Principal

Principals	\$	183,193	
Career Ladder Program		2,000	
Assistant Principals		92,317	
Secretary(ies)		51,718	
Clerical Personnel		15,820	
Longevity Pay		800	
Social Security		19,470	
State Retirement		29,186	
Medical Insurance		26,993	
Unemployment Compensation		705	
Employer Medicare		4,632	
Communication		4,211	
Travel		1,671	
Other Contracted Services		3,210	
Other Charges		1,970	
Total Office of the Principal			437,896

Fiscal Services

Accountants/Bookkeepers	\$	56,151	
Secretary(ies)		50,618	
Longevity Pay		883	
Social Security		5,379	
State Retirement		6,416	
Medical Insurance		3,050	
Unemployment Compensation		330	
Employer Medicare		1,514	
Travel		2,660	
Other Contracted Services		6,929	
Data Processing Supplies		1,487	
Office Supplies		2,487	
Other Charges		308	
Total Fiscal Services			138,212

Operation of Plant

Custodial Personnel	\$	132,100	
Longevity Pay		2,590	
Social Security		8,300	

(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.)

Support Services (Cont.)

Operation of Plant (Cont.)

State Retirement	\$	8,907	
Medical Insurance		2,333	
Unemployment Compensation		608	
Employer Medicare		1,941	
Maintenance and Repair Services - Equipment		4,608	
Travel		630	
Contracts for Landfill Facilities		6,692	
Other Contracted Services		99,011	
Custodial Supplies		22,935	
Electricity		354,962	
Fuel Oil		9,738	
Water and Sewer		22,517	
Building and Contents Insurance		59,390	
Other Charges		630	
Plant Operation Equipment		10,101	
Total Operation of Plant			\$ 747,993

Maintenance of Plant

Longevity Pay	\$	250	
Other Salaries and Wages		96,748	
Social Security		5,102	
State Retirement		6,066	
Medical Insurance		2,833	
Unemployment Compensation		360	
Employer Medicare		1,395	
Maintenance and Repair Services - Buildings		5,217	
Maintenance and Repair Services - Equipment		4,723	
Rentals		1,288	
Food Supplies		1,613	
General Construction Materials		1,538	
Other Supplies and Materials		15,600	
Other Charges		340	
Maintenance Equipment		1,902	
Total Maintenance of Plant			144,975

Transportation

Mechanic(s)	\$	30,186	
Bus Drivers		193,386	
Longevity Pay		5,350	
Other Salaries and Wages		30	
Social Security		14,032	
State Retirement		15,201	
Medical Insurance		3,631	
Unemployment Compensation		1,341	
Employer Medicare		3,300	
Communication		5,245	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Contracts with Parents	\$	290	
Licenses		740	
Maintenance and Repair Services - Vehicles		2,909	
Medical and Dental Services		4,706	
Travel		2,408	
Other Contracted Services		1,400	
Diesel Fuel		108,516	
Gasoline		5,369	
Lubricants		3,336	
Tires and Tubes		12,576	
Vehicle Parts		12,846	
Other Supplies and Materials		970	
Vehicle and Equipment Insurance		21,977	
Other Charges		1,257	
Transportation Equipment		154,683	
Total Transportation			\$ 605,685

Operation of Non-instructional Services

Food Service

Supervisor/Director	\$	59,817	
Career Ladder Program		1,000	
Social Security		3,276	
State Retirement		5,401	
Medical Insurance		8,648	
Unemployment Compensation		72	
Employer Medicare		766	
Communication		995	
Travel		2,351	
Remittance of Revenue Collected		134	
Total Food Service			82,460

Community Services

Supervisor/Director	\$	21,748	
Other Salaries and Wages		3,366	
Social Security		1,319	
State Retirement		2,230	
Medical Insurance		6,486	
Unemployment Compensation		45	
Employer Medicare		308	
Travel		279	
Other Supplies and Materials		722	
Other Charges		250	
Total Community Services			36,753

Early Childhood Education

Supervisor/Director	\$	15,002	
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(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Operation of Non-instructional Services (Cont.)

Early Childhood Education (Cont.)

Teachers	\$	124,926	
Accountants/Bookkeepers		6,001	
Educational Assistants		46,278	
Longevity Pay		650	
Certified Substitute Teachers		1,760	
Non-certified Substitute Teachers		880	
Social Security		11,849	
State Retirement		16,039	
Medical Insurance		1,825	
Unemployment Compensation		488	
Employer Medicare		2,794	
Dues and Memberships		80	
Postal Charges		300	
Travel		5,768	
Instructional Supplies and Materials		21,017	
Regular Instruction Equipment		54,744	
Total Early Childhood Education	\$		310,401

Capital Outlay

Regular Capital Outlay

Building Improvements	\$	74,660	
Communication Equipment		132,778	
Heating and Air Conditioning Equipment		648	
Site Development		52,835	
Other Capital Outlay		12,016	
Total Regular Capital Outlay			272,937

Principal on Debt

Education

Debt Service Contribution to Primary Government	\$	249,000	
Total Education			249,000

Interest on Debt

Education

Debt Service Contribution to Primary Government	\$	15,319	
Total Education			15,319

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$	82,530	
Total Education			82,530

Total General Purpose School Fund \$ 8,387,407

(Continued)

Exhibit J-8

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

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	160,795	
Educational Assistants		59,435	
Other Salaries and Wages		9,040	
Certified Substitute Teachers		2,000	
Non-certified Substitute Teachers		2,500	
Social Security		12,405	
State Retirement		18,871	
Medical Insurance		25,209	
Unemployment Compensation		890	
Employer Medicare		2,977	
Other Contracted Services		22,423	
Instructional Supplies and Materials		46,490	
Regular Instruction Equipment		13,509	
Total Regular Instruction Program			\$ 376,544

Special Education Program

Teachers	\$	35,322	
Educational Assistants		70,116	
Social Security		6,290	
State Retirement		6,905	
Medical Insurance		6,009	
Unemployment Compensation		648	
Employer Medicare		1,480	
Other Contracted Services		20,153	
Instructional Supplies and Materials		3,958	
Other Supplies and Materials		500	
Special Education Equipment		10,269	
Total Special Education Program			161,650

Vocational Education Program

Other Supplies and Materials	\$	667	
Vocational Instruction Equipment		10,442	
Total Vocational Education Program			11,109

Support Services

Other Student Support

Other Salaries and Wages	\$	946	
Social Security		59	
State Retirement		84	
Unemployment Compensation		8	
Employer Medicare		14	
Travel		5,949	
Other Contracted Services		627	
Other Charges		300	
Total Other Student Support			7,987

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program

Supervisor/Director	\$	28,275	
Secretary(ies)		8,758	
Other Salaries and Wages		33,105	
Social Security		2,588	
State Retirement		3,572	
Unemployment Compensation		212	
Employer Medicare		1,015	
Postal Charges		500	
Travel		7,573	
Other Supplies and Materials		1,234	
In Service/Staff Development		10,012	
Other Charges		1,298	
Other Equipment		2,256	
Total Regular Instruction Program			\$ 100,398

Special Education Program

Psychological Personnel	\$	27,598	
Assessment Personnel		25,105	
Social Security		3,260	
State Retirement		4,680	
Unemployment Compensation		108	
Employer Medicare		762	
Maintenance and Repair Services - Equipment		132	
Travel		4,488	
Other Contracted Services		22,162	
Other Supplies and Materials		988	
In Service/Staff Development		6,113	
Total Special Education Program			95,396

Vocational Education Program

Travel	\$	950	
Total Vocational Education Program			950

Transportation

Bus Drivers	\$	5,000	
Social Security		310	
Unemployment Compensation		40	
Employer Medicare		72	
Total Transportation			5,422

Total School Federal Projects Fund \$ 759,456

Central Cafeteria Fund

Operation of Non-instructional Services

Food Service

Cafeteria Personnel	\$	186,685	
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(Continued)

Exhibit J-8

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

Central Cafeteria Fund (Cont.)

Operation of Non-instructional Services (Cont.)

Food Service (Cont.)

Longevity Pay	\$	4,000	
In-service Training		600	
Social Security		11,704	
State Retirement		13,564	
Medical Insurance		5,834	
Unemployment Compensation		1,086	
Employer Medicare		2,737	
Communication		1,516	
Maintenance and Repair Services - Equipment		7,938	
Postal Charges		120	
Transportation - Other than Students		2,811	
Other Contracted Services		2,905	
Food Preparation Supplies		3,594	
Food Supplies		217,239	
Office Supplies		4,097	
USDA - Commodities		45,286	
Other Supplies and Materials		11,016	
Workers' Compensation Insurance		8,488	
In Service/Staff Development		586	
Food Service Equipment		8,793	
Total Food Service			\$ 540,599

Total Central Cafeteria Fund \$ 540,599

Total Governmental Funds - Clay County School Department \$ 9,687,462

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, 2014

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 274,133
Total Cash Receipts	<u>\$ 274,133</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 271,392
Trustee's Commission	2,741
Total Cash Disbursements	<u>\$ 274,133</u>
 Excess of Cash Receipts Over (Under) Cash Disbursements	 \$ 0
Cash Balance, July 1, 2013	<u>0</u>
 Cash Balance, June 30, 2014	 <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***

Independent Auditor's Report

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

To the County Mayor and Board of County Commissioners:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, 2014, and the related notes to the financial statements, which collectively comprise Clay County's basic financial statements, and have issued our report thereon dated November 14, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Clay County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of Clay County's internal control.

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 a 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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies: 2014-001, 2014-003, 2014-004, 2014-007, and 2014-008.

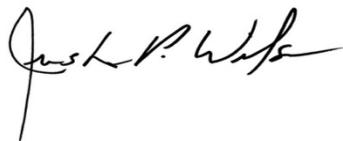
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clay County's financial statements are free from 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: 2014-002, 2014-005, and 2014-006.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Clay County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

November 14, 2014

JPW/yu



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 For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Independent Auditor's Report

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

To the County Mayor and Board of County Commissioners:

Report on Compliance for Each Major Federal Program

We have audited Clay County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Clay County's major federal programs for the year ended

June 30, 2014. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Clay County's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Clay County's compliance.

Opinion on Each Major Federal Program

In our opinion, Clay County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of Clay County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Clay County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we

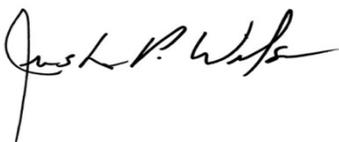
consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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, 2014, and the related notes to the financial statements, which collectively comprise Clay County's basic financial statements. We issued our report thereon dated November 14, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditure of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

November 14, 2014

JPW/yu

Clay County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2014

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Passed-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Direct Program:			
Environmental Quality Incentives Programs	10.912	N/A	\$ 4,809
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	117,817
National School Lunch Program	10.555	N/A	295,503 (3)
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	45,286 (3)
Total U.S. Department of Agriculture			<u>\$ 463,415</u>
U.S. Department of Defense:			
Passed-through State Department of General Services:			
Donations/Loans of Obsolete DOD Property	12.700	N/A	<u>\$ 16,028</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants/State's Program	14.228	(2)	<u>\$ 606,844</u>
U.S. Department of the Interior:			
Direct Program:			
Payments in-Lieu-of Taxes	15.226	N/A	<u>\$ 70,441</u>
U.S. Department of Labor:			
Passed-through Upper Cumberland Human Resource Agency:			
WIA Youth Activities	17.259	(2)	<u>\$ 11,000</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Alcohol Open Container Requirements	20.607	Z-14-GHS065-00	<u>\$ 4,995</u>
Institute of Museum and Library Services :			
Passed-through Tennessee Secretary of State:			
Grants to States	45.310	(2)	<u>\$ 1,050</u>
U.S. Department of Education:			
Direct Program:			
Impact Aid	84.041	N/A	\$ 82,813
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	403,349
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	257,493
Special Education - Preschool Grants	84.173	N/A	10,265
Career and Technical Education - Basic Grants to States	84.048	N/A	19,746
Rural Education	84.358	N/A	16,320
Improving Teacher Quality State Grants	84.367	N/A	50,713
State Fiscal Stabilization Fund (SFSP) - Race-to-the-Top Incentive Grants - Recovery Act	84.395	N/A	16,892
Total U.S. Department of Education			<u>\$ 857,591</u>
U.S. Election Assistance Commission:			
Passed-through Tennessee Secretary of State:			
Help America Vote Act Requirements Payments	90.401	N/A	<u>\$ 19,203</u>

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Passed-through Entity Identifying Number	Expenditures
U.S. Department of Health and Human Services:			
Passed-through State Department of Mental Health and Substance Abuse Services:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	GG-13-39507-00	\$ 43,944
Total Expenditures of Federal Awards			<u>\$ 2,094,511</u>

<u>State Grants</u>		Contract Number	
Juvenile Justice - State Commission on Children and Youth	N/A	GG-10-29422-00	\$ 9,000
Aging Program - Upper Cumberland Development District	N/A	(2)	15,324
Three Star Program - State Department of Economic and Community Development	N/A	(2)	15,000
Law Enforcement Training - State Department of Safety	N/A	(2)	7,800
Rural Local Health Services - State Department of Health	N/A	(2)	25,301
Litter Program - State Department of Transportation	N/A	(2)	33,529
Help America Vote Requirements Payments - Tennessee Secretary of State	N/A	(2)	1,011
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	555
Used Oil Grant - State Department of Environment and Conservation	N/A	(2)	11,245
Pilot/State -Early Childhood Education - PreK - State Department of Education	N/A	(2)	310,403
Coordinated School Health - State Department of Education	N/A	(2)	90,003
Family Resource Center - State Department of Education	N/A	(2)	29,610
Safe Schools Act - State Department of Education	N/A	(2)	6,900
ConnectTN - State Department of Education	N/A	(2)	3,001
TN Arts Commission STS - State Department of Education	N/A	(2)	1,970
Statewide Student Management System - State Department of Education	N/A	(2)	<u>2,792</u>
Total State Grants			<u>\$ 563,444</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) Total for CFDA No. 10.555 is \$340,789.

Clay County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2014

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, 2013, which have not been corrected.

OFFICES OF COUNTY MAYOR AND ROAD SUPERINTENDENT

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
2013-001	138	The offices had not established formal purchase order systems

OFFICE OF ROAD SUPERINTENDENT

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
2013-002	138	Appropriations exceeded estimated available funding in the Highway/Public Works Fund

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
2013-005	140	Execution docket trial balances did not reconcile with general ledger accounts
2013-006	140	Unclaimed funds were not reported and paid to the state

OFFICES OF COUNTY CLERK AND SHERIFF

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
2013-007	141	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>
2013-008	141	Duties were not segregated adequately

CLAY COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2014

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the financial statements of Clay County is unmodified.
2. The audit of the financial statements of Clay County disclosed significant deficiencies in internal control. None of these conditions was considered to be a material weakness.
3. The audit did not disclose any instances of noncompliance that are material to the financial statements of Clay County.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. An unmodified 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) and the Community Development Block Grants/State's Program (CFDA No. 14.228) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Clay County did not qualify as a low-risk auditee.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our examination are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response; however, management did not provide responses for inclusion in this report.

OFFICES OF COUNTY MAYOR AND ROAD SUPERINTENDENT

FINDING 2014-001 **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 2014-002 **APPROPRIATIONS EXCEEDED ESTIMATED AVAILABLE FUNDING IN THE HIGHWAY/PUBLIC WORKS FUND**
(Noncompliance Under *Government Auditing Standards*)

The budget and subsequent amendments approved by the County Commission for the Highway/Public Works Fund resulted in appropriations exceeding estimated available funding by \$70,016. Sound budgetary principles dictate that appropriations be held within estimated available funding. This deficiency was the result of a lack of management oversight and management's failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

Appropriations that exceed estimated available funding should not be submitted to the County Commission, and the County Commission should not approve such appropriations.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 2014-003

THE SCHOOL FEDERAL PROJECTS FUND HAD A CASH OVERDRAFT AT JUNE 30, 2014

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

The School Federal Projects Fund had a cash overdraft of \$2,294 at June 30, 2014. Sound business practices dictate that expenditures be held within available funds. This overdraft resulted from the issuance of warrants exceeding cash on deposit with the county trustee. The cash overdraft was liquidated subsequent to June 30, 2014.

RECOMMENDATION

Officials should not issue warrants in excess of cash on deposit with the county trustee.

OFFICE OF COUNTY CLERK

FINDING 2014-004

THE OFFICE DID NOT REVIEW ITS SOFTWARE AUDIT LOGS

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

The software application used by the office generates various daily logs that display transaction changes made by users. Because these logs provide the only audit trail of these changes, they should be reviewed daily. During the prior audit period, we informed management of the importance of these logs, and management began reviewing the logs. However, during the current period, management chose to discontinue their review. When the importance of these logs was again brought to management’s attention in June 2014, they resumed the review process. Without knowledge of system activity, errors and improper changes could occur and go undetected.

RECOMMENDATION

Management should review its software audit logs on a daily basis. Any unusual transactions should be investigated.

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

FINDING 2014-005

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

At June 30, 2014, 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 \$17,722 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 the prior-year audit report.

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.

OFFICES OF COUNTY CLERK AND CIRCUIT AND GENERAL SESSIONS COURTS CLERK

FINDING 2014-006

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

The county clerk and the circuit and general sessions courts clerk did not report and pay to the state unclaimed funds (old outstanding checks) totaling \$6,779 and \$2,210, respectively. At June 30, 2014, the county clerk had ten outstanding checks issued before July 1, 2013, in amounts ranging from \$158 to \$1,892. Also at June 30, 2014, Circuit Court had 16 outstanding checks totaling \$719, and General Sessions Court had 17 outstanding checks totaling \$1,491 that were all issued before July 1, 2013. 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 exists as a result of management's failure to review and monitor outstanding checks, and because the circuit and general sessions courts clerk failed to correct the finding noted in the prior-year audit report.

RECOMMENDATION

All unclaimed funds held for more than one year should be reported and paid to the state as required by state statute.

OFFICES OF COUNTY CLERK AND SHERIFF

FINDING 2014-007

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. Good 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 has been a management decision by the officials resulting in a loss of control over assets. Also, this deficiency is the result of management'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 2014-008

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.

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

There were no findings and questioned costs for federal awards.

BEST PRACTICE

Accounting literature describes a best practice as a recommended policy, procedure, or technique that aids management in improving financial performance. Historically, a best practice has consistently shown superior results over conventional methods.

The Division of Local Government Audit strongly believes that the item noted below is a best practice 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 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. The Division of Local Government Audit strongly believes that the adoption of a central system of accounting, budgeting, and purchasing is a best practice that would significantly improve accountability and the quality of services provided to the citizens of Clay County. Therefore, 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.

CLAY COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2014

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