

ANNUAL FINANCIAL REPORT

CLAY COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2015



DIVISION OF LOCAL GOVERNMENT AUDIT



**ANNUAL FINANCIAL REPORT
CLAY COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2015**

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

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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, 2015

Scope

We have audited the basic financial statements of Clay County as of and for the year ended June 30, 2015.

Results

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

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

Findings

The following are summaries of the audit findings:

CLAY COUNTY

- ◆ The county had deficiencies in its budget approval process for the 2016 budget.
-

OFFICES OF COUNTY MAYOR AND ROAD SUPERINTENDENT

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

OFFICE OF ROAD SUPERINTENDENT

- ◆ A cash shortage of \$3,911.36 existed from the fraudulent use of a Highway Department fuel card by a former employee.
-

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ Longevity payments were made to employees without County Commission approval.
-

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

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

OFFICES OF COUNTY CLERK AND SHERIFF

- ◆ Multiple employees operated from the same cash drawer.
- ◆ Duties were not segregated adequately.

INTRODUCTORY SECTION

Clay County Officials

June 30, 2015

Officials

Dale Reagan, County Mayor
Jason Browning, 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
Elizabeth Jenkins Boles
Timmy Boles
Denzil Cherry
Bryan Coons
Dorothy Forney

Billy Maxwell
Jerry Rhoton
Timmie Scott
Parrish Wright
Winton Young

Board of Education

David West, Chairman
Benji Bailey
Christina Crawford
Veda Hix
Todd Lynn

Chris McClerran
Nathan Sherrell
Anthony Smith
Todd Upton
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, 2015, 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, 2015, 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. 68, *Accounting and Financial Reporting for Pensions*; GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*; and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to these matters.

Emphasis of Matter

We draw attention to Note I.D.8. to the financial statements, which describes a restatement decreasing the beginning Governmental Activities net position by \$292,189 and the discretely presented Clay County School Department's net position by \$1,754,802 on the Government-wide Statement of Activities. These restatements were necessary because of the transitional requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to these matters.

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 schedule of changes in the county's net pension liability and related ratios, schedule of county contributions, schedule of school's proportionate share of the net pension liability, and schedule of funding progress - other postemployment benefits plan on pages 76-82 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

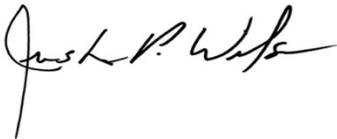
School Department (a discretely presented component unit), and miscellaneous schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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 25, 2015, 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,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

November 25, 2015

JPW/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

Clay County, Tennessee
Statement of Net Position
June 30, 2015

	<u>Primary Governmental Activities</u>	<u>Component Unit Clay County School Department</u>
<u>ASSETS</u>		
Cash	\$ 18,389	\$ 1,723
Equity in Pooled Cash and Investments	3,937,527	2,389,795
Accounts Receivable	21,489	0
Due from Other Governments	376,885	279,087
Due from Component Unit	5,720,000	0
Property Taxes Receivable	2,364,472	1,356,237
Allowance for Uncollectible Property Taxes	(80,380)	(52,220)
Net Pension Asset - Cost-share Plan	0	17,067
Capital Assets:		
Assets Not Depreciated:		
Land	95,000	338,398
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	2,439,570	6,020,232
Infrastructure	8,704,785	337,807
Other Capital Assets	1,008,369	1,054,369
Total Assets	<u>\$ 24,606,106</u>	<u>\$ 11,742,495</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Pension Changes in Experience	\$ 0	\$ 41,433
Pension Changes in Contributions after Measurement Date	163,917	462,428
Total Deferred Outflows of Resources	<u>\$ 163,917</u>	<u>\$ 503,861</u>
<u>LIABILITIES</u>		
Accrued Interest Payable	\$ 3,107	\$ 3,518
Due to Primary Government	0	5,720,000
Noncurrent Liabilities:		
Due Within One Year	409,318	91
Due in More Than One Year	5,736,371	560,027
Total Liabilities	<u>\$ 6,148,796</u>	<u>\$ 6,283,636</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred Current Property Taxes	\$ 2,201,947	\$ 1,259,918
Pension Changes in Experience	20,452	19,951
Pension Changes in Investment Earnings	236,277	1,636,663
Pension Other Deferrals	0	92,109
Total Deferred Inflow of Resources	<u>\$ 2,458,676</u>	<u>\$ 3,008,641</u>

(Continued)

Exhibit A

Clay County, Tennessee
Statement of Net Position (Cont.)

	<u>Primary Government Governmental Activities</u>	<u>Component Unit Clay County School Department</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	\$ 11,986,858	\$ 7,750,806
Restricted for:		
General Government	136,282	0
Administration of Justice	24,830	0
Public Safety	117,616	0
Highways	689,798	0
Education	0	176,307
Unrestricted	<u>3,207,167</u>	<u>(4,973,034)</u>
Total Net Position	<u>\$ 16,162,551</u>	<u>\$ 2,954,079</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, 2015

Functions/Programs	Expenses	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 Governmental Activities	Unit Clay County School Department
Primary Government:						
Governmental Activities:						
General Government	\$ 824,329	\$ 37,736	\$ 15,164	\$ 0	\$ (771,429)	\$ 0
Finance	349,082	243,148	0	0	(105,934)	0
Administration of Justice	385,071	282,541	9,000	0	(93,530)	0
Public Safety	1,550,268	225,422	24,520	0	(1,300,326)	0
Public Health and Welfare	1,224,511	121,570	449,331	384,855	(268,755)	0
Social, Cultural, and Recreational Services	356,700	13,036	28,042	0	(315,622)	0
Agriculture and Natural Resources	151,665	0	16,691	0	(134,974)	0
Highways	1,342,562	5,196	1,321,702	0	(15,664)	0
Interest on Long-term Debt	23,058	0	0	0	(23,058)	0
Total Governmental Activities	\$ 6,207,246	\$ 928,649	\$ 1,864,450	\$ 384,855	\$ (3,029,292)	\$ 0
Total Primary Government	\$ 6,207,246	\$ 928,649	\$ 1,864,450	\$ 384,855	\$ (3,029,292)	\$ 0
Component Unit:						
Clay County School Department	\$ 9,463,332	\$ 335,110	\$ 1,217,322	\$ 0	\$ 0	\$ (7,910,900)
Total Component Unit	\$ 9,463,332	\$ 335,110	\$ 1,217,322	\$ 0	\$ 0	\$ (7,910,900)

(Continued)

Exhibit B

Clay County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary	Component
					Governmental Total Activities	Unit Clay County School Department
General Revenues:						
Taxes:						
Property Taxes Levied for General Purposes					\$ 2,050,803	\$ 1,222,977
Property Taxes Levied for Debt Service					86,775	0
Local Option Sales Taxes					318,147	576,111
Wheel Tax					189,728	0
Wholesale Beer Tax					223,584	0
Hotel/Motel Tax					22,057	0
Litigation Tax - General					76,306	0
Other Local Taxes					24,854	1,425
Grants and Contributions Not Restricted to Specific Programs					723,610	7,022,303
Unrestricted Investment Earnings					18,463	739
Miscellaneous					116,199	56,547
Pension Income					0	29,988
Total General Revenues					<u>\$ 3,850,526</u>	<u>\$ 8,910,090</u>
Insurance Recovery					\$ 1,640	\$ 0
Change in Net Position					\$ 822,874	\$ 999,190
Net Position, July 1, 2014					15,631,866	3,709,691
Restatement - Pension Liability (see Note I.D.8)					(292,189)	(1,754,802)
Net Position, June 30, 2015					<u>\$ 16,162,551</u>	<u>\$ 2,954,079</u>

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, 2015

	Major Funds				Nonmajor Funds	Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 18,389	\$ 18,389
Equity in Pooled Cash and Investments	1,287,795	1,004,328	453,938	985,302	206,164	3,937,527
Accounts Receivable	750	20,715	0	0	24	21,489
Due from Other Governments	116,198	24,827	235,860	0	0	376,885
Due from Other Funds	724	0	0	0	0	724
Property Taxes Receivable	1,812,328	456,151	0	95,993	0	2,364,472
Allowance for Uncollectible Property Taxes	(61,609)	(15,507)	0	(3,264)	0	(80,380)
Total Assets	\$ 3,156,186	\$ 1,490,514	\$ 689,798	\$ 1,078,031	\$ 224,577	\$ 6,639,106
<u>LIABILITIES</u>						
Due to Other Funds	\$ 0	\$ 0	\$ 0	\$ 0	\$ 724	\$ 724
Total Liabilities	\$ 0	\$ 0	\$ 0	\$ 0	\$ 724	\$ 724
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Deferred Current Property Taxes	\$ 1,687,756	\$ 424,797	\$ 0	\$ 89,394	\$ 0	\$ 2,201,947
Deferred Delinquent Property Taxes	58,092	14,621	0	3,077	0	75,790
Other Deferred/Unavailable Revenue	34,724	0	117,473	0	0	152,197
Total Deferred Inflows of Resources	\$ 1,780,572	\$ 439,418	\$ 117,473	\$ 92,471	\$ 0	\$ 2,429,934
<u>FUND BALANCES</u>						
Restricted:						
Restricted for General Government	\$ 38,044	\$ 0	\$ 0	\$ 0	\$ 98,238	\$ 136,282

(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 Govern- mental Funds	
<u>FUND BALANCES (CONT.)</u>						
Restricted (Cont.):						
Restricted for Administration of Justice	\$ 24,830	\$ 0	\$ 0	\$ 0	\$ 0	\$ 24,830
Restricted for Public Safety	9,690	0	0	0	107,926	117,616
Restricted for Highways/Public Works	0	0	572,325	0	0	572,325
Committed:						
Committed for Finance	0	0	0	0	17,689	17,689
Committed for Public Health and Welfare	0	1,051,096	0	0	0	1,051,096
Committed for Debt Service	0	0	0	985,560	0	985,560
Unassigned	1,303,050	0	0	0	0	1,303,050
Total Fund Balances	<u>\$ 1,375,614</u>	<u>\$ 1,051,096</u>	<u>\$ 572,325</u>	<u>\$ 985,560</u>	<u>\$ 223,853</u>	<u>\$ 4,208,448</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 3,156,186</u>	<u>\$ 1,490,514</u>	<u>\$ 689,798</u>	<u>\$ 1,078,031</u>	<u>\$ 224,577</u>	<u>\$ 6,639,106</u>

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

Exhibit C-2

Clay County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2015

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)		\$	4,208,448
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	95,000	
Add: buildings and improvements net of accumulated depreciation		2,439,570	
Add: infrastructure net of accumulated depreciation		8,704,785	
Add: other capital assets net of accumulated depreciation		<u>1,008,369</u>	12,247,724
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: note payable	\$	(30,671)	
Less: other loans payable		(5,950,195)	
Add: debt to be contributed by the School Department		5,720,000	
Less: accrued interest on note and other loans		(3,107)	
Less: compensated absences payable		<u>(118,202)</u>	(382,175)
(3) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years:			
Add: deferred outflows of resources related to pensions	\$	163,917	
Less: deferred inflows of resources related to pensions		<u>(256,729)</u>	(92,812)
(4) Net pension liabilities are not current financial uses and therefore are not reported in the governmental funds.			(46,621)
(5) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>227,987</u>
Net position of governmental activities (Exhibit A)		\$	<u><u>16,162,551</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, 2015

	Major Funds				Nonmajor Funds	Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
Revenues						
Local Taxes	\$ 2,605,947	\$ 438,568	\$ 463	\$ 116,558	\$ 19,446	\$ 3,180,982
Licenses and Permits	736	0	0	0	0	736
Fines, Forfeitures, and Penalties	93,727	0	0	0	32,549	126,276
Charges for Current Services	58,494	96,996	0	0	91,542	247,032
Other Local Revenues	105,319	36,663	18,050	18,463	1,115	179,610
Fees Received from County Officials	332,518	0	0	0	0	332,518
State of Tennessee	623,203	25,424	1,330,702	0	0	1,979,329
Federal Government	679,686	0	0	0	0	679,686
Other Governments and Citizens Groups	184,241	0	0	312,698	0	496,939
Total Revenues	\$ 4,683,871	\$ 597,651	\$ 1,349,215	\$ 447,719	\$ 144,652	\$ 7,223,108
Expenditures						
Current:						
General Government	\$ 511,371	\$ 0	\$ 0	\$ 0	\$ 5,274	\$ 516,645
Finance	245,481	0	0	0	88,220	333,701
Administration of Justice	363,165	0	0	0	2,280	365,445
Public Safety	1,613,261	0	0	0	17,314	1,630,575
Public Health and Welfare	605,525	428,069	0	0	0	1,033,594
Social, Cultural, and Recreational Services	217,879	0	0	0	0	217,879
Agriculture and Natural Resources	142,507	0	0	0	0	142,507
Other Operations	1,064,417	9,521	0	0	514	1,074,452
Highways	39,074	0	1,146,221	0	0	1,185,295
Debt Service:						
Principal on Debt	0	0	0	328,392	0	328,392
Interest on Debt	0	0	0	23,696	0	23,696
Other Debt Service	0	0	0	43,349	0	43,349
Total Expenditures	\$ 4,802,680	\$ 437,590	\$ 1,146,221	\$ 395,437	\$ 113,602	\$ 6,895,530

(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 Govern- mental Funds	
Excess (Deficiency) of Revenues Over Expenditures	\$ (118,809)	\$ 160,061	\$ 202,994	\$ 52,282	\$ 31,050	\$ 327,578
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 30,671	\$ 0	\$ 0	\$ 0	\$ 0	\$ 30,671
Insurance Recovery	0	0	1,640	0	0	1,640
Total Other Financing Sources (Uses)	\$ 30,671	\$ 0	\$ 1,640	\$ 0	\$ 0	\$ 32,311
Net Change in Fund Balances	\$ (88,138)	\$ 160,061	\$ 204,634	\$ 52,282	\$ 31,050	\$ 359,889
Fund Balance, July 1, 2014	1,463,752	891,035	367,691	933,278	192,803	3,848,559
Fund Balance, June 30, 2015	\$ 1,375,614	\$ 1,051,096	\$ 572,325	\$ 985,560	\$ 223,853	\$ 4,208,448

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, 2015

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)		\$ 359,889
<p>(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:</p>		
Add: capital assets purchased in the current period	\$ 591,405	
Less: current-year depreciation expense	<u>(355,496)</u>	235,909
<p>(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position.</p>		
Less: book value of capital assets disposed		(7,487)
<p>(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Add: deferred delinquent property taxes and other deferred June 30, 2015	\$ 227,987	
Less: deferred delinquent property taxes and other deferred June 30, 2014	<u>(153,115)</u>	74,872
<p>(4) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net 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:</p>		
Add: principal payments on other loans	\$ 328,392	
Less: note proceeds	(30,671)	
Less: contributions from the School Department for other loans	<u>(259,000)</u>	38,721
<p>(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.</p>		
Change in accrued interest payable	\$ 638	
Change in compensated absences payable	(32,424)	
Change in pension liability/asset	245,568	
Change in deferred outflows related to pensions	163,917	
Change in deferred inflows related to pensions	<u>(256,729)</u>	120,970
Change in net position of governmental activities (Exhibit B)		<u>\$ 822,874</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, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,605,947	\$ 2,620,780	\$ 2,620,780	\$ (14,833)
Licenses and Permits	736	500	500	236
Fines, Forfeitures, and Penalties	93,727	75,900	75,900	17,827
Charges for Current Services	58,494	24,300	32,702	25,792
Other Local Revenues	105,319	16,000	92,485	12,834
Fees Received from County Officials	332,518	276,000	276,000	56,518
State of Tennessee	623,203	1,056,882	541,737	81,466
Federal Government	679,686	70,000	702,502	(22,816)
Other Governments and Citizens Groups	184,241	133,300	184,703	(462)
Total Revenues	\$ 4,683,871	\$ 4,273,662	\$ 4,527,309	\$ 156,562
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 29,722	\$ 36,050	\$ 36,980	\$ 7,258
Board of Equalization	1,039	1,300	1,300	261
Beer Board	254	500	500	246
County Mayor/Executive	129,632	131,999	132,548	2,916
County Attorney	6,000	6,000	6,000	0
Election Commission	128,790	185,349	185,349	56,559
Register of Deeds	87,516	89,585	89,834	2,318
County Buildings	127,518	150,155	156,378	28,860
Other General Administration	900	0	900	0
Preservation of Records	0	811	811	811
<u>Finance</u>				
Property Assessor's Office	99,756	99,989	99,989	233
County Trustee's Office	23,849	22,260	25,160	1,311
County Clerk's Office	121,876	122,644	123,361	1,485
<u>Administration of Justice</u>				
Circuit Court	157,154	170,074	170,464	13,310
General Sessions Court	73,538	73,538	73,538	0
Chancery Court	96,087	98,649	98,649	2,562
Juvenile Court	23,355	15,375	32,797	9,442
Judicial Commissioners	13,031	12,153	13,130	99
<u>Public Safety</u>				
Sheriff's Department	864,424	923,956	940,072	75,648
Drug Enforcement	59,372	40,000	69,356	9,984
Jail	455,537	374,588	520,442	64,905
Correctional Incentive Program Improvements	2,680	2,680	2,680	0
Juvenile Services	59,220	88,500	88,500	29,280
Fire Prevention and Control	35,598	40,268	40,268	4,670
Rescue Squad	2,500	2,500	2,500	0
Other Emergency Management	81,735	85,600	102,600	20,865
County Coroner/Medical Examiner	19,300	17,250	22,620	3,320
Other Public Safety	32,895	55,833	55,833	22,938

(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>Public Health and Welfare</u>				
Local Health Center	\$ 54,469	\$ 52,807	\$ 55,632	\$ 1,163
Ambulance/Emergency Medical Services	360,000	360,000	360,000	0
Alcohol and Drug Programs	135,577	8,939	180,742	45,165
Other Local Health Services	47,004	65,500	65,500	18,496
Appropriation to State	8,475	11,300	8,475	0
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	40,469	54,655	54,655	14,186
Libraries	96,310	91,071	96,331	21
Parks and Fair Boards	72,231	47,000	84,642	12,411
Other Social, Cultural, and Recreational	8,869	15,000	15,000	6,131
<u>Agriculture and Natural Resources</u>				
Agricultural Extension Service	89,461	89,322	89,572	111
Forest Service	1,000	1,000	1,000	0
Soil Conservation	52,046	53,190	53,190	1,144
<u>Other Operations</u>				
Tourism	49,540	59,337	60,337	10,797
Industrial Development	60,399	86,956	86,956	26,557
Other Economic and Community Development	454,226	526,330	526,330	72,104
Veterans' Services	17,339	18,800	18,800	1,461
Other Charges	198,118	195,766	203,201	5,083
Employee Benefits	284,795	327,000	327,000	42,205
<u>Highways</u>				
Litter and Trash Collection	39,074	41,930	41,930	2,856
Total Expenditures	\$ 4,802,680	\$ 4,953,509	\$ 5,421,852	\$ 619,172
Excess (Deficiency) of Revenues Over Expenditures				
	\$ (118,809)	\$ (679,847)	\$ (894,543)	\$ 775,734
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 30,671	\$ 0	\$ 30,671	\$ 0
Total Other Financing Sources	\$ 30,671	\$ 0	\$ 30,671	\$ 0
Net Change in Fund Balance				
Fund Balance, July 1, 2014	\$ (88,138)	\$ (679,847)	\$ (863,872)	\$ 775,734
	1,463,752	1,532,030	1,532,030	(68,278)
Fund Balance, June 30, 2015				
	\$ 1,375,614	\$ 852,183	\$ 668,158	\$ 707,456

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, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 438,568	\$ 415,000	\$ 415,000	\$ 23,568
Charges for Current Services	96,996	70,000	70,000	26,996
Other Local Revenues	36,663	25,000	25,000	11,663
State of Tennessee	25,424	0	24,827	597
Total Revenues	<u>\$ 597,651</u>	<u>\$ 510,000</u>	<u>\$ 534,827</u>	<u>\$ 62,824</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Waste Pickup	\$ 428,069	\$ 510,880	\$ 535,707	\$ 107,638
<u>Other Operations</u>				
Other Charges	9,521	10,000	12,000	2,479
Total Expenditures	<u>\$ 437,590</u>	<u>\$ 520,880</u>	<u>\$ 547,707</u>	<u>\$ 110,117</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 160,061</u>	<u>\$ (10,880)</u>	<u>\$ (12,880)</u>	<u>\$ 172,941</u>
Net Change in Fund Balance	\$ 160,061	\$ (10,880)	\$ (12,880)	\$ 172,941
Fund Balance, July 1, 2014	<u>891,035</u>	<u>890,613</u>	<u>890,613</u>	<u>422</u>
Fund Balance, June 30, 2015	<u>\$ 1,051,096</u>	<u>\$ 879,733</u>	<u>\$ 877,733</u>	<u>\$ 173,363</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, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 463	\$ 2,000	\$ 2,000	\$ (1,537)
Other Local Revenues	18,050	0	0	18,050
State of Tennessee	1,330,702	1,331,647	1,331,647	(945)
Total Revenues	<u>\$ 1,349,215</u>	<u>\$ 1,333,647</u>	<u>\$ 1,333,647</u>	<u>\$ 15,568</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 119,437	\$ 123,987	\$ 124,447	\$ 5,010
Highway and Bridge Maintenance	614,529	909,000	909,000	294,471
Operation and Maintenance of Equipment	164,533	214,782	214,782	50,249
Other Charges	127,799	130,607	131,017	3,218
Employee Benefits	83,669	97,375	97,375	13,706
Capital Outlay	36,254	50,000	50,000	13,746
Total Expenditures	<u>\$ 1,146,221</u>	<u>\$ 1,525,751</u>	<u>\$ 1,526,621</u>	<u>\$ 380,400</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 202,994</u>	<u>\$ (192,104)</u>	<u>\$ (192,974)</u>	<u>\$ 395,968</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 1,640	\$ 0	\$ 0	\$ 1,640
Total Other Financing Sources	<u>\$ 1,640</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,640</u>
Net Change in Fund Balance	\$ 204,634	\$ (192,104)	\$ (192,974)	\$ 397,608
Fund Balance, July 1, 2014	<u>367,691</u>	<u>361,975</u>	<u>361,975</u>	<u>5,716</u>
Fund Balance, June 30, 2015	<u>\$ 572,325</u>	<u>\$ 169,871</u>	<u>\$ 169,001</u>	<u>\$ 403,324</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, 2015

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 437,177
Accounts Receivable	261
Due from Other Governments	<u>48,403</u>
Total Assets	<u>\$ 485,841</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 48,403
Due to Litigants, Heirs, and Others	<u>437,438</u>
Total Liabilities	<u>\$ 485,841</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, 2015

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, 2015.

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 2.04 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. Deferred outflows of resources represent 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 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 items are for pension changes in experience and employer contributions made to the pension plan after the measurement date.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources, represent 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 items are from the following sources: current and delinquent property taxes, pension changes in experience, changes in investment earnings, changes in proportionate share of contributions, 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, 2015, Clay County had \$5,720,000 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.

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.

8. Restatement

In prior years, the government was not required to recognize a liability for its defined benefit pension plans. However, with the implementation of GASB Statement No. 68, government employers are required to recognize a net pension liability in their Statement of Net Position. Therefore, a restatement decreasing Clay County's and the Clay County School Department's beginning net position has been recognized on the Statement of Activities totaling \$292,189 and \$1,754,802, respectively.

E. Pension Plans

Primary Government

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Clay County's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Clay County's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

Discretely Presented Clay County School Department

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teacher Retirement Plan and the Teacher Legacy Pension Plan in the Tennessee Consolidated Retirement System, and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the TCRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Teacher Retirement Plan and the Teacher Legacy Pension Plan. Investments are reported at fair value.

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.

At June 30, 2015, Clay County School Department reported a significant encumbrance of \$312,600 in the General Purpose School Fund for roofing.

B. Cash Shortage

The Highway/Public Works Fund had a cash shortage of \$3,911.36 at June 30, 2015. This cash shortage resulted from a former employee using a Highway Department fuel card to purchase fuel for private vehicles. The former employee was indicted on theft over \$1,000 on June 22, 2015.

C. Longevity Payments Were Made to School Department Employees Without County Commission Approval

The discretely presented Clay County School Department made longevity payments to employees totaling \$22,205; however, the payments were not appropriated by the County Commission. Expenditures that were not appropriated are a violation of state statutes. These expenditures were funded by appropriations within each major appropriation category that were not spent during the year.

D. The County Had Deficiencies in Its Budget Approval Process for the 2016 Budget

On August 31, 2015, the County Commission approved an appropriating resolution for the county's budget for the year ending June 30, 2016; however, the budget was not submitted in the prescribed format and was not approved in compliance with state statutes. Details of the budget deficiencies are discussed in the Schedule of Findings and Questioned Costs section of this report.

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, 2015.

B. Capital Assets

Capital assets activity for the year ended June 30, 2015, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-14	Increases	Decreases	Balance 6-30-15
Capital Assets Not Depreciated:				
Land	\$ 95,000	\$ 0	\$ 0	\$ 95,000
Construction in Progress	202,766	0	(202,766)	0
Total Capital Assets Not Depreciated	<u>\$ 297,766</u>	<u>\$ 0</u>	<u>\$ (202,766)</u>	<u>\$ 95,000</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 2,640,813	\$ 551,006	\$ 0	\$ 3,191,819
Roads and Bridges	11,329,833	0	0	11,329,833
Other Capital Assets	2,828,646	243,165	(149,750)	2,922,061
Total Capital Assets Depreciated	<u>\$ 16,799,292</u>	<u>\$ 794,171</u>	<u>\$ (149,750)</u>	<u>\$ 17,443,713</u>

Governmental Activities (Cont.):

	Balance 7-1-14	Increases	Decreases	Balance 6-30-15
Less Accumulated Depreciation For: Buildings and Improvements	\$ 706,226	\$ 46,023	\$ 0	\$ 752,249
Roads and Bridges	2,525,273	99,775	0	2,625,048
Other Capital Assets	1,846,257	209,698	(142,263)	1,913,692
 Total Accumulated Depreciation	 \$ 5,077,756	 \$ 355,496	 \$ (142,263)	 \$ 5,290,989
 Total Capital Assets Depreciated, Net	 \$ 11,721,536	 \$ 438,675	 \$ (7,487)	 \$ 12,152,724
 Governmental Activities Capital Assets, Net	 \$ 12,019,302	 \$ 438,675	 \$ (210,253)	 \$ 12,247,724

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

Governmental Activities:

General Government	\$ 17,465
Public Safety	50,861
Public Health and Welfare	88,570
Social, Cultural, and Recreational Services	8,909
Agriculture and Natural Resources	1,673
Highways/Public Works	<u>188,018</u>
 Total Depreciation Expense - Governmental Activities	 <u>\$ 355,496</u>

Discretely Presented Clay County School Department

Governmental Activities:

	Balance 7-1-14	Increases	Decreases	Balance 6-30-15
Capital Assets Not Depreciated:				
Land	\$ 338,698	\$ 0	\$ (300)	\$ 338,398
Total Capital Assets Not Depreciated	<u>\$ 338,698</u>	<u>\$ 0</u>	<u>\$ (300)</u>	<u>\$ 338,398</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 10,901,368	\$ 0	\$ (50,000)	\$ 10,851,368
Roads and Bridges	648,860	0	0	648,860
Other Capital Assets	1,903,781	222,012	(115,661)	2,010,132
Total Capital Assets Depreciated	<u>\$ 13,454,009</u>	<u>\$ 222,012</u>	<u>\$ (165,661)</u>	<u>\$ 13,510,360</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 4,663,104	\$ 218,032	\$ (50,000)	\$ 4,831,136
Roads and Bridges	290,300	20,753	0	311,053
Other Capital Assets	952,093	107,052	(103,382)	955,763
Total Accumulated Depreciation	<u>\$ 5,905,497</u>	<u>\$ 345,837</u>	<u>\$ (153,382)</u>	<u>\$ 6,097,952</u>
Total Capital Assets Depreciated, Net	<u>\$ 7,548,512</u>	<u>\$ (123,825)</u>	<u>\$ (12,279)</u>	<u>\$ 7,412,408</u>
Governmental Activities Capital Assets, Net	<u>\$ 7,887,210</u>	<u>\$ (123,825)</u>	<u>\$ (12,579)</u>	<u>\$ 7,750,806</u>

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

Governmental Activities:

Instruction	\$ 217,157
Support Services	111,525
Operation of Non-instructional Services	<u>17,155</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 345,837</u>

C. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2015, 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:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government	Component Unit: School Department	\$ 5,720,000

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, 2015, consisted of the following amount:

Discretely Presented Clay County School Department

	Transfer In
	<hr/> General Purpose School Fund
<hr/> Transfer Out	
School Federal Projects Fund	\$ 17,981

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.

D. Long-term Obligations

Primary Government

Notes and 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. Capital outlay notes are also issued to fund capital facilities and other capital outlay purchases, such as equipment.

Capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. The capital outlay note and other loans outstanding were issued for original terms of one year for the note and up to 29 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. The note and other loans included in long-term debt at June 30, 2015, will be retired from the General Debt Service Fund.

The capital outlay note and other loans outstanding as of June 30, 2015, for governmental activities are as follows:

Type	Interest Rate		Final Maturity	Original Amount of Issue	Balance 6-30-15
Capital Outlay Note	1.5	%	12-9-15	\$ 30,671	\$ 30,671
Other Loans	3.75		6-30-24	615,000	230,195
"	Variable		5-25-31	8,400,000	5,720,000

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 the year, Clay County elected to pay an additional principle of \$50,000 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, 2024.

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, 2015, the variable interest rate was .26 percent, and other fees totaled approximately .57 percent (letter of credit), .08 percent (remarketing), and a trustee fee of \$85 per month.

The annual requirements to amortize the county's note and other loans outstanding as of June 30, 2015, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Note		
	Principal	Interest	Total
2016	\$ 30,671	\$ 460	\$ 31,131

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2016	\$ 289,995	\$ 23,504	\$ 39,221	\$ 352,720
2017	300,819	21,983	37,478	360,280
2018	312,675	20,405	35,672	368,752
2019	323,563	18,765	33,793	376,121
2020	335,484	17,066	31,849	384,399
2021-2025	1,844,659	57,552	127,454	2,029,665
2026-2030	2,080,000	22,627	66,773	2,169,400
2031	463,000	1,204	5,050	469,254
Total	\$ 5,950,195	\$ 183,106	\$ 377,290	\$ 6,510,591

There is \$985,560 available in the General Debt Service Fund to service long-term debt. Debt per capita totaled \$761, 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.

<u>Description of Indebtedness</u>	<u>Outstanding 6-30-15</u>
Other Loans:	
Contributions from General Purpose School Fund:	
School Construction	\$ 4,699,000
Athletic Facilities	<u>1,021,000</u>
Total	<u>\$ 5,720,000</u>

Changes in Long-term Obligations

Long-term obligations activity for the year ended June 30, 2015, was as follows:

Governmental Activities:

	<u>Note</u>	<u>Other Loans</u>	<u>Compensated Absences</u>
Balance, July 1, 2014	\$ 0	\$ 6,278,587	\$ 85,778
Additions	30,671	0	107,176
Reductions	0	(328,392)	(74,752)
Balance, June 30, 2015	<u>\$ 30,671</u>	<u>\$ 5,950,195</u>	<u>\$ 118,202</u>
Balance Due Within One Year	<u>\$ 30,671</u>	<u>\$ 289,995</u>	<u>\$ 88,652</u>

Governmental Activities:

	<u>*Restated Net Pension Liability - Agent Plan</u>
Balance, July 1, 2014	\$ 292,189
Additions	74,321
Reductions	<u>(319,889)</u>
Balance, June 30, 2015	<u>\$ 46,621</u>
Balance Due Within One Year	<u>\$ 0</u>

*See Note I.D.8 for restatement. The restatement in Note I.D.8 is comprised of a decrease for the beginning net pension liability of \$417,251 and an increase for employer contributions made during the year ended June 30, 2014, of \$125,062.

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2015	\$ 6,145,689
Less: Balance Due Within One Year	<u>(409,318)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 5,736,371</u>

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, 2015, was as follows:

Governmental Activities:

	Compensated Absences	Other Post- employment Benefits	*Restated Net Pension Liability - Agent Plan
Balance, July 1, 2014	\$ 423	\$ 467,511	\$ 285,031
Additions	3,164	91,482	72,501
Reductions	(3,496)	(44,445)	(312,053)
Balance, June 30, 2015	\$ 91	\$ 514,548	\$ 45,479
Balance Due Within One Year	\$ 91	\$ 0	\$ 0

* See Note I.D.8 for restatement. The restatement in Note I.D.8. is comprised of a decrease for the beginning net pension liability of \$417,251 and an increase for employer contributions made during the year ended June 30, 2014, of \$125,062.

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2015	\$ 560,118
Less: Balance Due Within One Year	<u>(91)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 560,027</u>

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

E. On-Behalf Payments

Primary Government

The State of Tennessee pays health insurance premiums for retired employees on-behalf of Clay County. These payments are made by the state to the Medicare Supplement Plan. This plan is administered by the State of Tennessee and reported in the State's Comprehensive Annual Financial Report. Payments by the State to the Medicare Supplement Plan for the year ended June 30, 2015, were \$900. The county has recognized these on-behalf payments as revenues and expenditures in the General Fund.

Discretely Presented Clay County School Department

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Clay County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2015, were \$65,771 and \$19,888, 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. 68, *Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement No. 27*; Statement No. 69, *Government Combinations and Disposals of Government Operations*; and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an Amendment of GASB Statement No. 68* became effective for the year ended June 30, 2015.

GASB Statement No. 68, replaces the requirements of Statements No. 27 and No. 50 as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this statement. This statement establishes standards for measuring and recognizing liabilities, deferred outflows/inflows, and expenses/expenditures.

GASB Statement No. 69, establishes accounting and financial reporting standards related to government combinations and disposals of government operations such as mergers, acquisitions, and transfer of operations.

GASB Statement No. 71, addresses issues related to amounts of contributions made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

C. Contingent Liabilities

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

D. Change in Administration

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

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, Clay, Cumberland, DeKalb, Overton, Pickett,

Putnam, and White counties, 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, 2015. 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)

Primary Government

General Information About the Pension Plan

Plan Description. Employees of Clay County and non-certified employees of the discretely presented Clay County School Department are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprise 50.62 percent and the non-certified employees of the discretely presented School Department comprise 49.38 percent of the plan based on census data. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an

agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided. TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available to vested members at age 55. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria.

Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPA is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees Covered by Benefit Terms. At the measurement date of June 30, 2014, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	68
Inactive Employees Entitled to But Not Yet Receiving Benefits	100
Active Employees	160
Total	328

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute five percent of salary. Clay County makes employer contributions at the rate set by

the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for Clay County were \$248,779 based on a rate of 6.22 percent of pensionable payroll. By law, employer contributions are required to be paid. The TCRS may intercept Clay County's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

Clay County's net pension liability (asset) was measured as of June 30, 2014, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability as of the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation, Averaging 4.25%
Investment Rate of Return	7.5%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.5%

Mortality rates were based on actual experience from the June 30, 2012, actuarial experience study, adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012, actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset

allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding inflation of three percent. The target allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Percentage Long-term Expected Real Rate of Return	Percentage Target Allocations
U.S. Equity Developed Market	6.46 %	33 %
International Equity Emerging Market	6.26	17
International Equity Private Equity and Strategic Lending	6.40	5
U.S. Fixed Income	4.61	8
Real Estate	0.98	29
Short-term Securities	4.73	7
	0.00	1
Total		100 %

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount Rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current rate and that contributions from Clay County will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was

applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance, July 1, 2013	\$ 7,205,213	\$ 6,380,932	\$ 824,281
Changes for the year:			
Service Cost	\$ 250,001	\$ 0	\$ 250,001
Interest	547,223	0	547,223
Differences Between Expected and Actual Experience	(48,484)	0	(48,484)
Contributions-Employer	0	247,061	(247,061)
Contributions-Employees	0	173,950	(173,950)
Net Investment Income	0	1,065,682	(1,065,682)
Benefit Payments, Including Refunds of Employee Contributions	(317,800)	(317,800)	0
Administrative Expense	0	(5,772)	5,772
Other Changes	0	0	0
Net Changes	<u>\$ 430,940</u>	<u>\$ 1,163,121</u>	<u>\$ (732,181)</u>
Balance, June 30, 2014	<u>\$ 7,636,153</u>	<u>\$ 7,544,053</u>	<u>\$ 92,100</u>

Allocation of Agent Plan Changes in the Net Pension Liability (Asset)

		Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Primary Government	50.62%	\$ 3,865,421	\$ 3,818,800	\$ 46,621
School Department	49.38%	<u>3,770,732</u>	<u>3,725,253</u>	<u>45,479</u>
Total		<u>\$ 7,636,153</u>	<u>\$ 7,544,053</u>	<u>\$ 92,100</u>

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the net pension liability (asset) of Clay County calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

Clay County	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
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Net Pension Liability \$ 1,058,204 \$ 92,100 \$ (712,657)

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions

Pension Expense. For the year ended June 30, 2015, Clay County recognized pension expense of \$22,049.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2015, Clay County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 0	\$ 40,403
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	466,766
Contributions Subsequent to the Measurement Date of June 30, 2014 (1)	<u>248,779</u>	<u>N/A</u>
Total	<u>\$ 248,779</u>	<u>\$ 507,169</u>

(1) The amount shown above for “Contributions Subsequent to the Measurement Date of June 30, 2014,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

Allocation of Agent Plan Deferred Outflows of Resources and
Deferred Inflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Primary Government	\$ 163,917	\$ 256,729
School Department	84,862	250,440
Total	<u>\$ 248,779</u>	<u>\$ 507,169</u>

Amounts reported as deferred outflows of resources, with the exception of contributions after the measurement date, and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2016	\$ (124,773)
2017	(124,773)
2018	(124,773)
2019	(124,773)
2020	(8,081)
Thereafter	0

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

Discretely Presented Clay County School Department

Non-certified Employees

General Information About the Pension Plan

Plan Description. As noted above under the primary government, employees of Clay County and non-certified employees of the discretely presented Clay County School Department are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprise 50.62 percent and the non-certified employees of the discretely present School Department comprise 49.38 percent of the plan based on census data.

Certified Employees

Teacher Retirement Plan

General Information About the Pension Plan

Plan Description. Teachers of the Clay County School Department with membership in the TCRS before July 1, 2014, are provided with pensions through the Teacher Legacy Pension Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan is closed to new membership. Teachers with membership in the TCRS after June 30, 2014, are provided with pensions through a legally separate plan referred to as the Teacher Retirement Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided. TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. Members are eligible to retire at age 65 with five years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Members of the Teachers Retirement Plan are entitled to receive unreduced service retirement benefits, which are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria. Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLA, can be adjusted on a prospective basis. Moreover, there are

defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute five percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing TCRS, the employer contribution rate cannot be less than four percent, except for in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2015, to the Teacher Retirement Plan were \$8,681, which is four percent of pensionable payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Liabilities. Since the measurement date is June 30, 2014, which is prior to the July 1, 2014, inception of the Teacher Retirement Plan, there is no net pension liability to report at June 30, 2015.

Pension Expense. Since the measurement date is June 30, 2014, the Clay County School Department did not recognize any pension expense at June 30, 2015.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2015, the Clay County School Department reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
LEAs Contributions Subsequent to the Measurement Date of June 30, 2014	\$ 8,681	N/A

The Clay County School Department's employer contributions of \$8,681 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as a reduction of net pension liability in the year ending June 30, 2016.

Teacher Legacy Pension Plan

General Information About the Pension Plan

Plan Description. Teachers of the Clay County School Department with membership in the TCRS before July 1, 2014, are provided with pensions through the Teacher Legacy Pension Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by LEAs after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided. TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available to vested members at age 55. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria. Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent

COLA is granted if the CPI change is between one-half and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute five percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by the Clay County School Department for the year ended June 30, 2015, to the Teacher Legacy Pension Plan were \$368,885, which is 9.04 percent of pensionable payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Assets. At June 30, 2015, the Clay County School Department reported an asset of \$17,067 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The Clay County School Department's proportion of the net pension asset was based on the Clay County School Department's employer contributions to the pension plan during the year ended June 30, 2014, relative to the contributions of all LEAs for the year ended June 30, 2014. At the June 30, 2014, measurement date, the Clay County School Department's proportion was .105028 percent. The proportion measured as of June 30, 2013, was .111558 percent.

Pension Income. For the year ended June 30, 2015, the Clay County School Department recognized a pension income of \$29,988.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2015, the Clay County School Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 41,433	\$ 0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	1,406,173
Changes in Proportion and Differences Between LEAs Contributions and Proportionate Share of Contributions	0	92,109
LEAs Contributions Subsequent to the Measurement Date of June 30, 2014	<u>368,885</u>	<u>N/A</u>
Total	<u>\$ 410,318</u>	<u>\$ 1,498,282</u>

The Clay County School Department's employer contributions of \$368,885 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase in net pension asset in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2016	\$ (359,989)
2017	(359,989)
2018	(359,989)
2019	(359,989)
2020	(8,446)
Thereafter	(8,446)

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

Actuarial Assumptions. The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation, Averaging 4.25%
Investment Rate of Return	7.5%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.5%

Mortality rates are customized based on the June 30, 2012, actuarial experience study and some included adjustment for expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012, actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding inflation of three percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Percentage Long-term Expected Real Rate of Return	Percentage Target Allocations
U.S. Equity Developed Market	6.46 %	33 %
International Equity Emerging Market	6.26	17
International Equity Private Equity and Strategic Lending	6.40	5
U.S. Fixed Income Real Estate	4.61	8
	0.98	29
	4.73	7
Short-term Securities	0.00	1
Total		100 %

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the four factors described above.

Discount Rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all the LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the Clay County School Department's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what the Clay County School Department's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

School Department's Proportionate Share of the Net Pension Liability (Asset)	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
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Net Pension Liability \$ 2,878,462 \$ (17,067) \$ (2,414,251)

Pension Plan Fiduciary Net Position. Detailed information about the pension plan’s fiduciary net position is available in a separately issued TCRS financial report.

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 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 \$44,445 for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan	Medicare Supplement Plan
ARC	\$ 65,000	\$ 26,000
Interest on the NOPEBO	14,886	3,814
Adjustment to the ARC	(14,502)	(3,716)
Annual OPEB cost	\$ 65,384	\$ 26,098
Amount of contribution	(43,395)	(1,050)
Increase/decrease in NOPEBO	\$ 21,989	\$ 25,048
Prior-period Adjustment	0	0
Net OPEB obligation, 7-1-14	372,147	95,364
Net OPEB obligation, 6-30-15	\$ 394,136	\$ 120,412

Fiscal Year Ended	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-13	Local Education Group	\$ 107,343	29	% \$ 342,662
6-30-14	"	63,353	53	372,147
6-30-15	"	65,384	66	394,136
6-30-13	Medicare Supplement	7,000	73	72,889
6-30-14	"	25,075	10	95,364
6-30-15	"	26,098	4	120,412

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 seven percent for fiscal year 2015. The trend rate will decrease to 6.5 percent in fiscal year 2016 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 six percent for 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 Changes in Net Pension Liability (Asset) and Related Ratios Based on
Participation in the Public Employee Pension Plan of TCRS
Primary Government
For the Fiscal Year Ended June 30

	<u>2014</u>
Total Pension Liability (Asset)	
Service Cost	\$ 250,001
Interest	547,223
Changes in Benefit Terms	0
Differences Between Actual and Expected Experience	(48,484)
Changes in Assumptions	0
Benefit Payments, Including Refunds of Employee Contributions	<u>(317,800)</u>
Net Change in Total Pension Liability (Asset)	\$ 430,940
Total Pension Liability (Asset), Beginning	<u>7,205,213</u>
Total Pension Liability (Asset), Ending (a)	<u>\$ 7,636,153</u>
Plan Fiduciary Net Position	
Contributions - Employer	\$ 247,061
Contributions - Employee	173,950
Net Investment Income	1,065,682
Benefit Payments, Including Refunds of Employee Contributions	(317,800)
Administrative Expense	<u>(5,772)</u>
Net Change in Plan Fiduciary Net Position	\$ 1,163,121
Plan Fiduciary Net Position, Beginning	<u>6,380,932</u>
Plan Fiduciary Net Position, Ending (b)	<u>\$ 7,544,053</u>
Net Pension Liability (Asset), Ending (a - b)	<u>\$ 92,100</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	98.79%
Covered Employee Payroll	\$ 3,421,710
Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	2.69%

Note: ten years of data will be presented when available.

Note: data presented includes primary government and discretely presented non-certified employees of the School Department.

Exhibit E-2

Clay County, Tennessee
Schedule of Contributions Based on Participation in the Public
Employee Pension Plan of TCRS
Primary Government
For the Fiscal Year Ended June 30

	<u>2014</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 247,061	\$ 248,779
Less Contributions in Relation to the Actuarially Determined Contribution	<u>(247,061)</u>	<u>(248,779)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>
Covered Employee Payroll	\$ 3,421,710	\$ 4,000,559
Contributions as a Percentage of Covered Employee Payroll	7.22%	6.22%

Note: ten years of data will be presented when available.

Note: data presented includes primary government and discretely presented non-certified employees of the School Department.

Exhibit E-3

Clay County, Tennessee
Schedule of Contributions Based on Participation in the Teacher
Retirement Plan of TCRS
Discretely Presented Clay County School Department
For the Fiscal Year Ended June 30

	<u>2015</u>
Actuarially Determined Contribution	\$ 5,426
Less Contributions in Relation to the Actuarially Determined Contribution	<u>(8,681)</u>
Contribution Deficiency (Excess)	<u><u>\$ (3,255)</u></u>
Covered Employee Payroll	\$ 213,156
Contributions as a Percentage of Covered Employee Payroll	4.00%

Note: ten years of data will be presented when available.

Exhibit E-4

Clay County, Tennessee
Schedule of Contributions Based on Participation in the Teacher
Legacy Pension Plan of TCRS
Discretely Presented Clay County School Department
For the Fiscal Year Ended June 30

	<u>2014</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 366,063	\$ 368,885
Less Contributions in Relation to the Actuarially Determined Contribution	<u>(366,063)</u>	<u>(368,885)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>
Covered Employee Payroll	\$ 4,122,328	\$ 4,163,157
Contributions as a Percentage of Covered Employee Payroll	8.88%	8.86%

Note: ten years of data will be presented when available.

Exhibit E-5

Clay County, Tennessee
Schedule of Proportionate Share of the Net Pension Asset
in the Teacher Legacy Pension Plan of TCRS
Discretely Presented Clay County School Department
For the Fiscal Year Ended June 30 *

	<u>2014</u>
School Department's Proportion of the Net Pension Asset	0.105028%
School Department's Proportionate Share of the Net Pension Asset	\$ 17,067
Covered Employee Payroll	\$ 4,122,328
School Department's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Employee Payroll	0.41%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	100.08%

* The amounts presented were determined as of June 30 of the prior fiscal year.

Note: ten years of data will be presented when available.

Exhibit E-6

Clay County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plans
Discretely Presented Clay County School Department
June 30, 2015

(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, 2015

TENNESSEE CONSOLIDATED RETIREMENT SYSTEM

Valuation Date: Actuarially determined contribution rates for 2015 were calculated based on the July 1, 2013, actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Frozen Initial Liability
Amortization Method	Level Dollar, Closed (Not to Exceed 20 Years)
Remaining Amortization Period	Six Years
Asset Valuation	10-Year Smoothed Within a 20% Corridor to Market Value
Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation, Averaging 4.25%
Investment Rate of Return	7.5%, Net of Investment Expense, Including Inflation
Retirement Age	Pattern of Retirement Determined by Experience Study
Mortality	Customized Table Based on Actual Experience Including an Adjustment for Some Anticipated Improvement
Cost of Living Adjustment	2.5%

**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.

Exhibit F-1

Clay County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015

	<u>Special Revenue Funds</u>			Total
	Courthouse and Jail Maintenance	Drug Control	Constitu- tional Officers - Fees	Nonmajor Governmental Funds
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 18,389	\$ 18,389
Equity in Pooled Cash and Investments	98,238	107,926	0	206,164
Accounts Receivable	0	0	24	24
Total Assets	<u>\$ 98,238</u>	<u>\$ 107,926</u>	<u>\$ 18,413</u>	<u>\$ 224,577</u>
<u>LIABILITIES</u>				
Due to Other Funds	\$ 0	\$ 0	\$ 724	\$ 724
Total Liabilities	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 724</u>	<u>\$ 724</u>
<u>FUND BALANCES</u>				
Restricted:				
Restricted for General Government	\$ 98,238	\$ 0	\$ 0	\$ 98,238
Restricted for Public Safety	0	107,926	0	107,926
Committed:				
Committed for Finance	0	0	17,689	17,689
Total Fund Balances	<u>\$ 98,238</u>	<u>\$ 107,926</u>	<u>\$ 17,689</u>	<u>\$ 223,853</u>
Total Liabilities and Fund Balances	<u>\$ 98,238</u>	<u>\$ 107,926</u>	<u>\$ 18,413</u>	<u>\$ 224,577</u>

Exhibit F-2

Clay County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2015

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Drug Control	Constitu- tional Officers - Fees	
<u>Revenues</u>				
Local Taxes	\$ 19,446	\$ 0	\$ 0	\$ 19,446
Fines, Forfeitures, and Penalties	0	32,549	0	32,549
Charges for Current Services	0	0	91,542	91,542
Other Local Revenues	0	1,115	0	1,115
Total Revenues	\$ 19,446	\$ 33,664	\$ 91,542	\$ 144,652
<u>Expenditures</u>				
Current:				
General Government	\$ 5,200	\$ 0	\$ 74	\$ 5,274
Finance	0	0	88,220	88,220
Administration of Justice	0	0	2,280	2,280
Public Safety	0	17,314	0	17,314
Other Operations	195	319	0	514
Total Expenditures	\$ 5,395	\$ 17,633	\$ 90,574	\$ 113,602
Excess (Deficiency) of Revenues Over Expenditures	\$ 14,051	\$ 16,031	\$ 968	\$ 31,050
Net Change in Fund Balances	\$ 14,051	\$ 16,031	\$ 968	\$ 31,050
Fund Balance, July 1, 2014	84,187	91,895	16,721	192,803
Fund Balance, June 30, 2015	\$ 98,238	\$ 107,926	\$ 17,689	\$ 223,853

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, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 19,446	\$ 13,200	\$ 13,200	\$ 6,246
State of Tennessee	0	7,200	7,200	(7,200)
Total Revenues	<u>\$ 19,446</u>	<u>\$ 20,400</u>	<u>\$ 20,400</u>	<u>\$ (954)</u>
<u>Expenditures</u>				
<u>General Government</u>				
County Buildings	\$ 5,200	\$ 5,200	\$ 5,200	0
<u>Other Operations</u>				
Other Charges	195	200	400	205
Total Expenditures	<u>\$ 5,395</u>	<u>\$ 5,400</u>	<u>\$ 5,600</u>	<u>\$ 205</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 14,051</u>	<u>\$ 15,000</u>	<u>\$ 14,800</u>	<u>\$ (749)</u>
Net Change in Fund Balance	\$ 14,051	\$ 15,000	\$ 14,800	(749)
Fund Balance, July 1, 2014	<u>84,187</u>	<u>84,187</u>	<u>84,187</u>	<u>0</u>
Fund Balance, June 30, 2015	<u>\$ 98,238</u>	<u>\$ 99,187</u>	<u>\$ 98,987</u>	<u>\$ (749)</u>

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, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 32,549	\$ 5,000	\$ 5,000	\$ 27,549
Other Local Revenues	1,115	0	0	1,115
Total Revenues	<u>\$ 33,664</u>	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 28,664</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 17,314	\$ 42,000	\$ 42,000	\$ 24,686
<u>Other Operations</u>				
Other Charges	319	300	600	281
Total Expenditures	<u>\$ 17,633</u>	<u>\$ 42,300</u>	<u>\$ 42,600</u>	<u>\$ 24,967</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 16,031</u>	<u>\$ (37,300)</u>	<u>\$ (37,600)</u>	<u>\$ 53,631</u>
Net Change in Fund Balance	\$ 16,031	\$ (37,300)	\$ (37,600)	\$ 53,631
Fund Balance, July 1, 2014	91,895	91,896	91,896	(1)
Fund Balance, June 30, 2015	<u>\$ 107,926</u>	<u>\$ 54,596</u>	<u>\$ 54,296</u>	<u>\$ 53,630</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, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 116,558	\$ 109,500	\$ 109,500	\$ 7,058
Other Local Revenues	18,463	20,000	20,000	(1,537)
Other Governments and Citizens Groups	312,698	0	312,698	0
Total Revenues	\$ 447,719	\$ 129,500	\$ 442,198	\$ 5,521
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 69,392	\$ 58,200	\$ 69,400	\$ 8
Education	259,000	0	259,000	0
<u>Interest on Debt</u>				
General Government	11,235	22,500	11,300	65
Education	12,461	0	12,461	0
<u>Other Debt Service</u>				
General Government	2,112	3,000	3,000	888
Education	41,237	0	41,237	0
Total Expenditures	\$ 395,437	\$ 83,700	\$ 396,398	\$ 961
Excess (Deficiency) of Revenues Over Expenditures	\$ 52,282	\$ 45,800	\$ 45,800	\$ 6,482
Net Change in Fund Balance	\$ 52,282	\$ 45,800	\$ 45,800	\$ 6,482
Fund Balance, July 1, 2014	933,278	933,277	933,277	1
Fund Balance, June 30, 2015	\$ 985,560	\$ 979,077	\$ 979,077	\$ 6,483

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, 2015

	<u>Agency Funds</u>		
	Cities- Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 437,177	\$ 437,177
Accounts Receivable	0	261	261
Due from Other Governments	48,403	0	48,403
Total Assets	<u>\$ 48,403</u>	<u>\$ 437,438</u>	<u>\$ 485,841</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 48,403	\$ 0	\$ 48,403
Due to Litigants, Heirs, and Others	0	437,438	437,438
Total Liabilities	<u>\$ 48,403</u>	<u>\$ 437,438</u>	<u>\$ 485,841</u>

Exhibit H-2

Clay County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2015

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 273,726	\$ 273,726	\$ 0
Due from Other Governments	55,188	48,403	55,188	48,403
Total Assets	\$ 55,188	\$ 322,129	\$ 328,914	\$ 48,403
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 55,188	\$ 322,129	\$ 328,914	\$ 48,403
Total Liabilities	\$ 55,188	\$ 322,129	\$ 328,914	\$ 48,403
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 456,268	\$ 5,814,375	\$ 5,833,466	\$ 437,177
Accounts Receivable	0	261	0	261
Total Assets	\$ 456,268	\$ 5,814,636	\$ 5,833,466	\$ 437,438
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 456,268	\$ 5,814,636	\$ 5,833,466	\$ 437,438
Total Liabilities	\$ 456,268	\$ 5,814,636	\$ 5,833,466	\$ 437,438
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 456,268	\$ 5,814,375	\$ 5,833,466	\$ 437,177
Equity in Pooled Cash and Investments	0	273,726	273,726	0
Accounts Receivable	0	261	0	261
Due from Other Governments	55,188	48,403	55,188	48,403
Total Assets	\$ 511,456	\$ 6,136,765	\$ 6,162,380	\$ 485,841
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 55,188	\$ 322,129	\$ 328,914	\$ 48,403
Due to Litigants, Heirs, and Others	456,268	5,814,636	5,833,466	437,438
Total Liabilities	\$ 511,456	\$ 6,136,765	\$ 6,162,380	\$ 485,841

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, 2015

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position Total Governmental Activities
Governmental Activities:				
Instruction	\$ 4,703,436	\$ 0	\$ 595,996	\$ (4,107,440)
Support Services	3,714,386	236,173	145,995	(3,332,218)
Operation of Non-instructional Services	1,033,049	98,937	475,331	(458,781)
Interest on Long-term Debt	12,461	0	0	(12,461)
Total Governmental Activities	\$ 9,463,332	\$ 335,110	\$ 1,217,322	\$ (7,910,900)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 1,222,977
Local Option Sales Taxes				576,111
Other Local Taxes				1,425
Grants and Contributions Not Restricted to Specific Programs				7,022,303
Unrestricted Investment Earnings				739
Miscellaneous				56,547
Pension Income				29,988
Total General Revenues				\$ 8,910,090
Change in Net Position				\$ 999,190
Net Position, July 1, 2014				3,709,691
Restatement - Pension Liability (see Note I.D.8.)				(1,754,802)
Net Position, June 30, 2015				\$ 2,954,079

Exhibit I-2

Clay County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Clay County School Department
June 30, 2015

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash	\$ 0	\$ 1,723	\$ 1,723
Equity in Pooled Cash and Investments	2,202,664	187,131	2,389,795
Due from Other Governments	273,666	5,421	279,087
Property Taxes Receivable	1,356,237	0	1,356,237
Allowance for Uncollectible Property Taxes	(52,220)	0	(52,220)
Total Assets	<u>\$ 3,780,347</u>	<u>\$ 194,275</u>	<u>\$ 3,974,622</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 3,231	\$ 287	\$ 3,518
Total Liabilities	<u>\$ 3,231</u>	<u>\$ 287</u>	<u>\$ 3,518</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Current Property Taxes	\$ 1,259,918	\$ 0	\$ 1,259,918
Deferred Delinquent Property Taxes	39,236	0	39,236
Other Deferred/Unavailable Revenue	54,360	0	54,360
Total Deferred Inflows of Resources	<u>\$ 1,353,514</u>	<u>\$ 0</u>	<u>\$ 1,353,514</u>
<u>FUND BALANCES</u>			
Restricted:			
Restricted for Education	\$ 2,319	\$ 173,988	\$ 176,307
Committed:			
Committed for Education	1,693,338	20,000	1,713,338
Assigned:			
Assigned for Education	312,600	0	312,600
Unassigned	415,345	0	415,345
Total Fund Balances	<u>\$ 2,423,602</u>	<u>\$ 193,988</u>	<u>\$ 2,617,590</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 3,780,347</u>	<u>\$ 194,275</u>	<u>\$ 3,974,622</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, 2015

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)		\$ 2,617,590	
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$ 338,398		
Add: buildings and improvements net of accumulated depreciation	6,020,232		
Add: infrastructure net of accumulated depreciation	337,807		
Add: other capital assets net of accumulated depreciation	<u>1,054,369</u>	7,750,806	
(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	\$ (5,720,000)		
Less: other postemployment benefits liability	(514,548)		
Less: compensated absences payable	(91)		
Less: net pension liability - agent plan	<u>(45,479)</u>	(6,280,118)	
(3) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years:			
Add: deferred outflows of resources related to pensions	\$ 503,861		
Less: deferred inflows of resources related to pensions	<u>(1,748,723)</u>	(1,244,862)	
(4) Net pension assets of the cost-sharing plan are not current financial resources and therefore are not reported in the governmental funds.			17,067
(5) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>93,596</u>
Net position of governmental activities (Exhibit A)			<u>\$ 2,954,079</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, 2015

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Funds</u>	
	General	Other	Total
	Purpose	Govern- mental	Governmental
	School	Funds	Funds
<u>Revenues</u>			
Local Taxes	\$ 1,879,631	\$ 0	\$ 1,879,631
Licenses and Permits	656	0	656
Charges for Current Services	31,932	100,736	132,668
Other Local Revenues	260,276	2,028	262,304
State of Tennessee	6,617,198	0	6,617,198
Federal Government	128,221	1,370,402	1,498,623
Other Governments and Citizens Groups	8,147	0	8,147
Total Revenues	<u>\$ 8,926,061</u>	<u>\$ 1,473,166</u>	<u>\$ 10,399,227</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 4,060,806	\$ 628,902	\$ 4,689,708
Support Services	3,455,247	253,962	3,709,209
Operation of Non-instructional Services	432,924	595,372	1,028,296
Capital Outlay	253,552	0	253,552
Debt Service:			
Principal on Debt	259,000	0	259,000
Interest on Debt	12,461	0	12,461
Other Debt Service	41,237	0	41,237
Total Expenditures	<u>\$ 8,515,227</u>	<u>\$ 1,478,236</u>	<u>\$ 9,993,463</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 410,834</u>	<u>\$ (5,070)</u>	<u>\$ 405,764</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In	\$ 17,981	\$ 0	\$ 17,981
Transfers Out	0	(17,981)	(17,981)
Total Other Financing Sources (Uses)	<u>\$ 17,981</u>	<u>\$ (17,981)</u>	<u>\$ 0</u>
Net Change in Fund Balances	\$ 428,815	\$ (23,051)	\$ 405,764
Fund Balance, July 1, 2014	1,994,787	217,039	2,211,826
Fund Balance, June 30, 2015	<u>\$ 2,423,602</u>	<u>\$ 193,988</u>	<u>\$ 2,617,590</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, 2015

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)		\$ 405,764
(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	\$ 222,012	
Less: current-year depreciation expense	<u>(345,837)</u>	(123,825)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position:		
Less: book value of capital assets disposed		(12,579)
(3) 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, 2015	\$ 93,596	
Less: deferred delinquent property taxes and other deferred June 30, 2014	<u>(57,589)</u>	36,007
(4) 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		259,000
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in other postemployment benefits liability	\$ (47,037)	
Change in compensated absences payable	332	
Change in net pension liability/asset	1,726,390	
Change in deferred outflows related to pensions	503,861	
Change in deferred inflows related to pensions	<u>(1,748,723)</u>	<u>434,823</u>
Change in net position of governmental activities (Exhibit B)		<u>\$ 999,190</u>

Exhibit I-6

Clay County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Clay County School Department
June 30, 2015

	Special Revenue Funds		Total
	School	Central	Nonmajor
	Federal	Cafeteria	Governmental
	Projects		Funds
<u>ASSETS</u>			
Cash	\$ 0	\$ 1,723	\$ 1,723
Equity in Pooled Cash and Investments	14,965	172,166	187,131
Due from Other Governments	5,421	0	5,421
Total Assets	<u>\$ 20,386</u>	<u>\$ 173,889</u>	<u>\$ 194,275</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 287	\$ 0	\$ 287
Total Liabilities	<u>\$ 287</u>	<u>\$ 0</u>	<u>\$ 287</u>
<u>FUND BALANCES</u>			
Restricted:			
Restricted for Education	\$ 99	\$ 173,889	\$ 173,988
Committed:			
Committed for Education	20,000	0	20,000
Total Fund Balances	<u>\$ 20,099</u>	<u>\$ 173,889</u>	<u>\$ 193,988</u>
Total Liabilities and Fund Balances	<u>\$ 20,386</u>	<u>\$ 173,889</u>	<u>\$ 194,275</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, 2015

	<u>Special Revenue Funds</u>		Total
	School Federal Projects	Central Cafeteria	Nonmajor Governmental Funds
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 100,736	\$ 100,736
Other Local Revenues	0	2,028	2,028
Federal Government	900,844	469,558	1,370,402
Total Revenues	<u>\$ 900,844</u>	<u>\$ 572,322</u>	<u>\$ 1,473,166</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 628,902	\$ 0	\$ 628,902
Support Services	253,962	0	253,962
Operation of Non-instructional Services	0	595,372	595,372
Total Expenditures	<u>\$ 882,864</u>	<u>\$ 595,372</u>	<u>\$ 1,478,236</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 17,980</u>	<u>\$ (23,050)</u>	<u>\$ (5,070)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers Out	\$ (17,981)	\$ 0	\$ (17,981)
Total Other Financing Sources (Uses)	<u>\$ (17,981)</u>	<u>\$ 0</u>	<u>\$ (17,981)</u>
Net Change in Fund Balances	\$ (1)	\$ (23,050)	\$ (23,051)
Fund Balance, July 1, 2014	20,100	196,939	217,039
Fund Balance, June 30, 2015	<u>\$ 20,099</u>	<u>\$ 173,889</u>	<u>\$ 193,988</u>

Exhibit I-8

Clay County, Tennessee
 Schedule of Revenues, Expenditures, and Changes
 in Fund Balance - Actual (Budgetary Basis) and Budget
 Discretely Presented Clay County School Department
 General Purpose School Fund
 For the Year Ended June 30, 2015

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2015	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 1,879,631	\$ 0	\$ 1,879,631	\$ 1,818,259	\$ 1,818,259	\$ 61,372
Licenses and Permits	656	0	656	700	700	(44)
Charges for Current Services	31,932	0	31,932	28,045	28,045	3,887
Other Local Revenues	260,276	0	260,276	49,700	250,618	9,658
State of Tennessee	6,617,198	0	6,617,198	6,388,895	6,474,554	142,644
Federal Government	128,221	0	128,221	91,000	91,000	37,221
Other Governments and Citizens Groups	8,147	0	8,147	0	8,148	(1)
Total Revenues	\$ 8,926,061	\$ 0	\$ 8,926,061	\$ 8,376,599	\$ 8,671,324	\$ 254,737
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 3,257,598	\$ 0	\$ 3,257,598	\$ 3,503,906	\$ 3,503,906	\$ 246,308
Alternative Instruction Program	34,976	0	34,976	36,195	36,195	1,219
Special Education Program	498,239	0	498,239	530,774	530,774	32,535
Vocational Education Program	269,993	0	269,993	273,496	273,496	3,503
<u>Support Services</u>						
Attendance	94,865	0	94,865	100,088	100,088	5,223
Health Services	199,061	0	199,061	199,448	199,448	387
Other Student Support	216,701	0	216,701	174,703	221,457	4,756
Regular Instruction Program	295,181	0	295,181	280,445	302,748	7,567
Special Education Program	100,799	0	100,799	115,628	115,628	14,829
Vocational Education Program	30,466	0	30,466	30,638	30,638	172
Other Programs	85,659	0	85,659	0	85,659	0
Board of Education	167,421	0	167,421	173,942	173,942	6,521
Director of Schools	149,398	0	149,398	151,716	151,716	2,318
Office of the Principal	448,464	0	448,464	463,782	463,782	15,318

(Continued)

Exhibit I-8

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2015	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Support Services (Cont.)</u>						
Fiscal Services	\$ 141,569	\$ 0	\$ 141,569	\$ 149,501	\$ 149,501	\$ 7,932
Operation of Plant	743,580	0	743,580	818,371	818,371	74,791
Maintenance of Plant	163,509	0	163,509	173,249	173,249	9,740
Transportation	618,574	0	618,574	705,858	705,858	87,284
<u>Operation of Non-instructional Services</u>						
Food Service	83,358	0	83,358	84,945	84,945	1,587
Community Services	39,163	0	39,163	34,625	40,595	1,432
Early Childhood Education	310,403	0	310,403	310,403	310,403	0
<u>Capital Outlay</u>						
Regular Capital Outlay	253,552	312,600	566,152	280,000	650,918	84,766
<u>Principal on Debt</u>						
Education	259,000	0	259,000	260,000	260,000	1,000
<u>Interest on Debt</u>						
Education	12,461	0	12,461	279,067	30,188	17,727
<u>Other Debt Service</u>						
Education	41,237	0	41,237	65,000	65,000	23,763
Total Expenditures	\$ 8,515,227	\$ 312,600	\$ 8,827,827	\$ 9,195,780	\$ 9,478,505	\$ 650,678
<u>Excess (Deficiency) of Revenues</u>						
Over Expenditures	\$ 410,834	\$ (312,600)	\$ 98,234	\$ (819,181)	\$ (807,181)	\$ 905,415
<u>Other Financing Sources (Uses)</u>						
Insurance Recovery	\$ 0	\$ 0	\$ 0	\$ 1,000	\$ 1,000	\$ (1,000)
Transfers In	17,981	0	17,981	19,290	19,290	(1,309)

(Continued)

Exhibit I-8

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2015	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Other Financing Sources (Uses) (Cont.)</u>						
Transfers Out	\$ 0	\$ 0	\$ 0	\$(38,000)	\$ 0	\$ 0
Total Other Financing Sources	\$ 17,981	\$ 0	\$ 17,981	\$(17,710)	\$ 20,290	\$(2,309)
Net Change in Fund Balance	\$ 428,815	\$ (312,600)	\$ 116,215	\$(836,891)	\$(786,891)	\$ 903,106
Fund Balance, July 1, 2014	1,994,787	0	1,994,787	1,989,053	1,989,053	5,734
Fund Balance, June 30, 2015	\$ 2,423,602	\$ (312,600)	\$ 2,111,002	\$ 1,152,162	\$ 1,202,162	\$ 908,840

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, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 900,844	\$ 958,989	\$ 986,707	\$ (85,863)
Total Revenues	\$ 900,844	\$ 958,989	\$ 986,707	\$ (85,863)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 373,328	\$ 406,088	\$ 404,865	\$ 31,537
Special Education Program	242,488	261,343	252,921	10,433
Vocational Education Program	13,086	13,086	13,086	0
<u>Support Services</u>				
Other Student Support	8,722	9,261	9,261	539
Regular Instruction Program	135,893	148,894	175,660	39,767
Special Education Program	102,845	94,211	104,808	1,963
Vocational Education Program	1,000	1,000	1,000	0
Transportation	5,502	5,816	5,816	314
Total Expenditures	\$ 882,864	\$ 939,699	\$ 967,417	\$ 84,553
Excess (Deficiency) of Revenues Over Expenditures	\$ 17,980	\$ 19,290	\$ 19,290	\$ (1,310)
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (17,981)	\$ (19,290)	\$ (19,290)	\$ 1,309
Total Other Financing Sources	\$ (17,981)	\$ (19,290)	\$ (19,290)	\$ 1,309
Net Change in Fund Balance	\$ (1)	\$ 0	\$ 0	\$ (1)
Fund Balance, July 1, 2014	20,100	0	0	20,100
Fund Balance, June 30, 2015	\$ 20,099	\$ 0	\$ 0	\$ 20,099

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, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 100,736	\$ 116,000	\$ 116,000	\$ (15,264)
Other Local Revenues	2,028	1,600	1,600	428
Federal Government	469,558	480,000	480,000	(10,442)
Total Revenues	<u>\$ 572,322</u>	<u>\$ 597,600</u>	<u>\$ 597,600</u>	<u>\$ (25,278)</u>
<u>Expenditures</u>				
<u>Operation of Non-instructional Services</u>				
Food Service	\$ 595,372	\$ 644,149	\$ 676,349	\$ 80,977
Total Expenditures	<u>\$ 595,372</u>	<u>\$ 644,149</u>	<u>\$ 676,349</u>	<u>\$ 80,977</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (23,050)</u>	<u>\$ (46,549)</u>	<u>\$ (78,749)</u>	<u>\$ 55,699</u>
Net Change in Fund Balance	\$ (23,050)	\$ (46,549)	\$ (78,749)	\$ 55,699
Fund Balance, July 1, 2014	<u>196,939</u>	<u>196,018</u>	<u>196,018</u>	<u>921</u>
Fund Balance, June 30, 2015	<u>\$ 173,889</u>	<u>\$ 149,469</u>	<u>\$ 117,269</u>	<u>\$ 56,620</u>

MISCELLANEOUS SCHEDULES

Exhibit J-1

Clay County, Tennessee
Schedule of Changes in Long-term Note and Other Loans
For the Year Ended June 30, 2015

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-14	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-15
<u>NOTE PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Park Lighting and Public Address System Improvements	\$ 30,671	1.5 %	12-9-14	12-9-15	\$ 0	\$ 30,671	\$ 0	\$ 30,671
<u>OTHER LOANS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Senior Center Courtroom Renovation	615,000	3.75	12-14-10	6-30-24 (1)	\$ 299,587	\$ 0	\$ 69,392	\$ 230,195
<u>Contributions Due by the 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	\$ 4,910,000	\$ 0	\$ 211,000	\$ 4,699,000
Athletic Facilities	1,500,000	Variable	9-29-03	5-25-31	1,069,000	0	48,000	1,021,000
Total Contributions Due by the School Department from the General Purpose School Fund to the General Debt Service Fund					\$ 5,979,000	\$ 0	\$ 259,000	\$ 5,720,000
Total Other Loans Payable					\$ 6,278,587	\$ 0	\$ 328,392	\$ 5,950,195

(1) During the year, the county paid additional principal of \$50,000 on this loan. As a result, the amortization of this loan has been recalculated and the new estimated maturity date is now 6-30-24.

Exhibit J-2

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

Year Ending June 30	Note		
	Principal	Interest	Total
2016	\$ 30,671	\$ 460	\$ 31,131

Year Ending June 30	Other Loans			Total
	Principal	Interest	Other Fees	
2016	\$ 289,995	\$ 23,504	\$ 39,221	\$ 352,720
2017	300,819	21,983	37,478	360,280
2018	312,675	20,405	35,672	368,752
2019	323,563	18,765	33,793	376,121
2020	335,484	17,066	31,849	384,399
2021	348,440	15,305	29,834	393,579
2022	361,431	13,476	27,741	402,648
2023	374,460	11,579	25,570	411,609
2024	388,328	9,613	23,321	421,262
2025	372,000	7,579	20,988	400,567
2026	387,000	6,612	18,570	412,182
2027	401,000	5,605	16,055	422,660
2028	415,000	4,563	13,448	433,011
2029	431,000	3,484	10,751	445,235
2030	446,000	2,363	7,949	456,312
2031	463,000	1,204	5,050	469,254
Total	\$ 5,950,195	\$ 183,106	\$ 377,290	\$ 6,510,591

Exhibit J-3

Clay County, Tennessee
Schedule of Transfers
Discretely Presented Clay County School Department
For the Year Ended June 30, 2015

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
School Federal Projects	General Purpose School	Indirect costs	<u>\$ 17,981</u>
Total Transfers Discretely Presented Clay County School Department			<u><u>\$ 17,981</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, 2015

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <i>TCA</i>	\$ 67,386	\$ 100,000	RLI Insurance Company
Road Superintendent:				
Ernest Garrison (7-1-14 through 8-31-14)	Section 8-24-102, <i>TCA</i>	10,698	100,000	"
Jason Browning (9-1-14 through 6-30-15)	Section 8-24-102, <i>TCA</i>	53,480	100,000	"
Director of Schools	State Board of Education and County Board of Education	74,715 (1)	50,000	"
Trustee	Section 8-24-102, <i>TCA</i>	58,343	400,800	"
Assessor of Property	Section 8-24-102, <i>TCA</i>	58,343	50,000	"
County Clerk	Section 8-24-102, <i>TCA</i>	58,343	75,000	"
Circuit and General Sessions Courts Clerk	Section 8-24-102, <i>TCA</i>	58,343	75,000	"
Clerk and Master	Section 8-24-102, <i>TCA</i> , and Chancery Court Judge	58,343 (2)	75,000	"
Register of Deeds	Section 8-24-102, <i>TCA</i>	58,343	50,000	"
Sheriff	Section 8-24-102, <i>TCA</i>	64,178	100,000	"
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 \$2,180.

Exhibit J-5

Clay County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
For the Year Ended June 30, 2015

	Special Revenue Funds					
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Drug Control	Constitu - tional Officers - Fees	Highway / Public Works
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 1,465,645	\$ 0	\$ 368,872	\$ 0	\$ 0	\$ 0
Trustee's Collections - Prior Year	78,830	0	19,841	0	0	0
Circuit/Clerk and Master Collections - Prior Years	31,347	0	7,887	0	0	0
Interest and Penalty	12,897	0	3,246	0	0	0
Payments in-Lieu-of Taxes - Local Utilities	141,446	0	35,601	0	0	0
Payments in-Lieu-of Taxes - Other	64,157	0	0	0	0	0
<u>County Local Option Taxes</u>						
Local Option Sales Tax	306,871	0	0	0	0	0
Hotel/Motel Tax	22,057	0	0	0	0	0
Wheel Tax	189,728	0	0	0	0	0
Litigation Tax - General	51,252	0	0	0	0	0
Litigation Tax - Special Purpose	3,716	1,388	0	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	0	18,058	0	0	0	0
Business Tax	21,417	0	0	0	0	0
Mixed Drink Tax	633	0	0	0	0	0
Mineral Severance Tax	0	0	0	0	0	463
<u>Statutory Local Taxes</u>						
Bank Excise Tax	12,402	0	3,121	0	0	0
Wholesale Beer Tax	201,208	0	0	0	0	0
Beer Privilege Tax	1,710	0	0	0	0	0
Interstate Telecommunications Tax	631	0	0	0	0	0
Total Local Taxes	\$ 2,605,947	\$ 19,446	\$ 438,568	\$ 0	\$ 0	\$ 463

(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	\$ 736	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Licenses and Permits	\$ 736	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Fines, Forfeitures, and Penalties</u>						
<u>Circuit Court</u>						
Fines	\$ 13,387	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Officers Costs	8,755	0	0	0	0	0
Drug Control Fines	0	0	0	9,318	0	0
Drug Court Fees	2,090	0	0	0	0	0
Jail Fees	1,303	0	0	0	0	0
DUI Treatment Fines	380	0	0	0	0	0
Data Entry Fee - Circuit Court	956	0	0	2,894	0	0
Courtroom Security Fee	1,895	0	0	0	0	0
<u>General Sessions Court</u>						
Fines	8,299	0	0	0	0	0
Fines for Littering	10	0	0	0	0	0
Officers Costs	12,277	0	0	0	0	0
Game and Fish Fines	274	0	0	0	0	0
Drug Control Fines	0	0	0	4,207	0	0
Drug Court Fees	5,004	0	0	0	0	0
Jail Fees	16,282	0	0	0	0	0
DUI Treatment Fines	3,871	0	0	0	0	0
Data Entry Fee - General Sessions Court	3,111	0	0	0	0	0
Courtroom Security Fee	14,814	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>Juvenile Court</u>						
Fines	\$ 447	\$ 0	\$ 0	\$ 0	\$ 0	0
<u>Chancery Court</u>						
Officers Costs	84	0	0	0	0	0
Data Entry Fee - Chancery Court	484	0	0	0	0	0
<u>Judicial District Drug Program</u>						
Drug Task Force Forfeitures and Seizures	0	0	0	426	0	0
<u>Other Fines, Forfeitures, and Penalties</u>						
Proceeds from Confiscated Property	0	0	0	14,862	0	0
Other Fines, Forfeitures, and Penalties	4	0	0	842	0	0
Total Fines, Forfeitures, and Penalties	\$ 93,727	\$ 0	\$ 0	\$ 32,549	\$ 0	0
<u>Charges for Current Services</u>						
<u>General Service Charges</u>						
Tipping Fees	\$ 0	\$ 0	\$ 96,996	\$ 0	\$ 0	0
Other General Service Charges	8,281	0	0	0	0	0
<u>Fees</u>						
Recreation Fees	6,065	0	0	0	0	0
Greenbelt Late Application Fee	250	0	0	0	0	0
Telephone Commissions	26,753	0	0	0	0	0
Vending Machine Collections	4,100	0	0	0	0	0
Constitutional Officers' Fees and Commissions	0	0	0	0	89,362	0
Special Commissioner Fees/Special Master Fees	0	0	0	0	2,180	0
Data Processing Fee - Register	2,522	0	0	0	0	0
Sexual Offender Registration Fee - Sheriff	1,200	0	0	0	0	0
Data Processing Fee - County Clerk	9,323	0	0	0	0	0
Total Charges for Current Services	\$ 58,494	\$ 0	\$ 96,996	\$ 0	\$ 91,542	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	24,574	0	0	0
Miscellaneous Refunds	66,714	0	729	0	0	18,050
<u>Nonrecurring Items</u>						
Sale of Equipment	29,356	0	11,360	490	0	0
Contributions and Gifts	2,278	0	0	625	0	0
<u>Other Local Revenues</u>						
Other Local Revenues	6,971	0	0	0	0	0
Total Other Local Revenues	<u>\$ 105,319</u>	<u>\$ 0</u>	<u>\$ 36,663</u>	<u>\$ 1,115</u>	<u>\$ 0</u>	<u>\$ 18,050</u>
<u>Fees Received from County Officials</u>						
<u>Excess Fees</u>						
Trustee	\$ 45,213	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Fees in-Lieu-of Salary</u>						
County Clerk	99,000	0	0	0	0	0
Circuit Court Clerk	59,349	0	0	0	0	0
General Sessions Court Clerk	66,707	0	0	0	0	0
Clerk and Master	28,029	0	0	0	0	0
Register	26,197	0	0	0	0	0
Sheriff	8,023	0	0	0	0	0
Total Fees Received from County Officials	<u>\$ 332,518</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
Juvenile Services Program	\$ 9,000	\$ 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>State of Tennessee (Cont.)</u>						
<u>General Government Grants (Cont.)</u>						
Aging Programs	\$ 6,342	\$ 0	\$ 0	\$ 0	\$ 0	0
Solid Waste Grants	0	0	25,424	0	0	0
On-behalf Contributions for OPEB	900	0	0	0	0	0
<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	52,170	0	0	0	0	0
<u>Public Works Grants</u>						
Litter Program	33,700	0	0	0	0	0
<u>Other State Revenues</u>						
Income Tax	2,182	0	0	0	0	0
Beer Tax	18,055	0	0	0	0	0
Alcoholic Beverage Tax	22,574	0	0	0	0	0
State Revenue Sharing - T.V.A.	273,766	0	0	0	0	7,000
Contracted Prisoner Boarding	159,063	0	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	0	1,318,030
Petroleum Special Tax	0	0	0	0	0	5,672
Registrar's Salary Supplement	15,164	0	0	0	0	0
Other State Grants	4,536	0	0	0	0	0
Other State Revenues	17,951	0	0	0	0	0
Total State of Tennessee	\$ 623,203	\$ 0	\$ 25,424	\$ 0	\$ 0	1,330,702
<u>Federal Government</u>						
<u>Federal Through State</u>						
Community Development	\$ 454,226	\$ 0	\$ 0	\$ 0	\$ 0	0
Other Federal through State	182,486	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>Federal Government (Cont.)</u>						
<u>Direct Federal Revenue</u>						
Police Service (Lake Area)	\$ 26,283	\$ 0	\$ 0	\$ 0	\$ 0	0
Other Direct Federal Revenue	16,691	0	0	0	0	0
Total Federal Government	<u>\$ 679,686</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>0</u>
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Contributions	\$ 64,177	\$ 0	\$ 0	\$ 0	\$ 0	0
<u>Citizens Groups</u>						
Donations	3,000	0	0	0	0	0
<u>Other</u>						
Other	117,064	0	0	0	0	0
Total Other Governments and Citizens Groups	<u>\$ 184,241</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>0</u>
Total	<u>\$ 4,683,871</u>	<u>\$ 19,446</u>	<u>\$ 597,651</u>	<u>\$ 33,664</u>	<u>\$ 91,542</u>	<u>\$ 1,349,215</u>

(Continued)

Exhibit J-5

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

	<u>Debt Service</u>		
	<u>Fund</u>		
	General		Total
	Debt		
	Service		
<u>Local Taxes</u>			
<u>County Property Taxes</u>			
Current Property Tax	\$ 77,881	\$	1,912,398
Trustee's Collections - Prior Year	3,917		102,588
Circuit/Clerk and Master Collections - Prior Years	1,660		40,894
Interest and Penalty	683		16,826
Payments in-Lieu-of Taxes - Local Utilities	7,492		184,539
Payments in-Lieu-of Taxes - Other	0		64,157
<u>County Local Option Taxes</u>			
Local Option Sales Tax	0		306,871
Hotel/Motel Tax	0		22,057
Wheel Tax	0		189,728
Litigation Tax - General	0		51,252
Litigation Tax - Special Purpose	1,892		6,996
Litigation Tax - Jail, Workhouse, or Courthouse	0		18,058
Business Tax	0		21,417
Mixed Drink Tax	0		633
Mineral Severance Tax	0		463
<u>Statutory Local Taxes</u>			
Bank Excise Tax	657		16,180
Wholesale Beer Tax	22,376		223,584
Beer Privilege Tax	0		1,710
Interstate Telecommunications Tax	0		631
Total Local Taxes	<u>\$ 116,558</u>	<u>\$</u>	<u>3,180,982</u>

(Continued)

Exhibit J-5

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

	<u>Debt Service Fund</u>		<u>General Debt Service</u>	<u>Total</u>
<u>Licenses and Permits</u>				
<u>Permits</u>				
Beer Permits	\$	0	\$	736
Total Licenses and Permits	<u>\$</u>	<u>0</u>	<u>\$</u>	<u>736</u>
<u>Fines, Forfeitures, and Penalties</u>				
<u>Circuit Court</u>				
Fines	\$	0	\$	13,387
Officers Costs		0		8,755
Drug Control Fines		0		9,318
Drug Court Fees		0		2,090
Jail Fees		0		1,303
DUI Treatment Fines		0		380
Data Entry Fee - Circuit Court		0		3,850
Courtroom Security Fee		0		1,895
<u>General Sessions Court</u>				
Fines		0		8,299
Fines for Littering		0		10
Officers Costs		0		12,277
Game and Fish Fines		0		274
Drug Control Fines		0		4,207
Drug Court Fees		0		5,004
Jail Fees		0		16,282
DUI Treatment Fines		0		3,871
Data Entry Fee - General Sessions Court		0		3,111
Courtroom Security Fee		0		14,814

(Continued)

Exhibit J-5

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

	<u>Debt Service</u> <u>Fund</u>	
	General Debt Service	Total
<u>Fines, Forfeitures, and Penalties (Cont.)</u>		
<u>Juvenile Court</u>		
Fines	\$ 0	\$ 447
<u>Chancery Court</u>		
Officers Costs	0	84
Data Entry Fee - Chancery Court	0	484
<u>Judicial District Drug Program</u>		
Drug Task Force Forfeitures and Seizures	0	426
<u>Other Fines, Forfeitures, and Penalties</u>		
Proceeds from Confiscated Property	0	14,862
Other Fines, Forfeitures, and Penalties	0	846
Total Fines, Forfeitures, and Penalties	<u>\$ 0</u>	<u>\$ 126,276</u>
<u>Charges for Current Services</u>		
<u>General Service Charges</u>		
Tipping Fees	\$ 0	\$ 96,996
Other General Service Charges	0	8,281
<u>Fees</u>		
Recreation Fees	0	6,065
Greenbelt Late Application Fee	0	250
Telephone Commissions	0	26,753
Vending Machine Collections	0	4,100
Constitutional Officers' Fees and Commissions	0	89,362
Special Commissioner Fees/Special Master Fees	0	2,180
Data Processing Fee - Register	0	2,522
Sexual Offender Registration Fee - Sheriff	0	1,200
Data Processing Fee - County Clerk	0	9,323
Total Charges for Current Services	<u>\$ 0</u>	<u>\$ 247,032</u>

(Continued)

Exhibit J-5

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

	<u>Debt Service Fund</u>	
	General Debt Service	Total
<u>Other Local Revenues</u>		
<u>Recurring Items</u>		
Investment Income	\$ 18,463	\$ 18,463
Sale of Recycled Materials	0	24,574
Miscellaneous Refunds	0	85,493
<u>Nonrecurring Items</u>		
Sale of Equipment	0	41,206
Contributions and Gifts	0	2,903
<u>Other Local Revenues</u>		
Other Local Revenues	0	6,971
Total Other Local Revenues	<u>\$ 18,463</u>	<u>\$ 179,610</u>
<u>Fees Received from County Officials</u>		
<u>Excess Fees</u>		
Trustee	\$ 0	\$ 45,213
<u>Fees in-Lieu-of Salary</u>		
County Clerk	0	99,000
Circuit Court Clerk	0	59,349
General Sessions Court Clerk	0	66,707
Clerk and Master	0	28,029
Register	0	26,197
Sheriff	0	8,023
Total Fees Received from County Officials	<u>\$ 0</u>	<u>\$ 332,518</u>
<u>State of Tennessee</u>		
<u>General Government Grants</u>		
Juvenile Services Program	\$ 0	\$ 9,000

(Continued)

Exhibit J-5

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

	<u>Debt Service</u> <u>Fund</u>	
	General Debt Service	Total
<u>State of Tennessee (Cont.)</u>		
<u>General Government Grants (Cont.)</u>		
Aging Programs	\$ 0	\$ 6,342
Solid Waste Grants	0	25,424
On-behalf Contributions for OPEB	0	900
<u>Public Safety Grants</u>		
Law Enforcement Training Programs	0	7,800
<u>Health and Welfare Grants</u>		
Other Health and Welfare Grants	0	52,170
<u>Public Works Grants</u>		
Litter Program	0	33,700
<u>Other State Revenues</u>		
Income Tax	0	2,182
Beer Tax	0	18,055
Alcoholic Beverage Tax	0	22,574
State Revenue Sharing - T.V.A.	0	280,766
Contracted Prisoner Boarding	0	159,063
Gasoline and Motor Fuel Tax	0	1,318,030
Petroleum Special Tax	0	5,672
Registrar's Salary Supplement	0	15,164
Other State Grants	0	4,536
Other State Revenues	0	17,951
Total State of Tennessee	<u>\$ 0</u>	<u>\$ 1,979,329</u>
<u>Federal Government</u>		
<u>Federal Through State</u>		
Community Development	\$ 0	\$ 454,226
Other Federal through State	0	182,486

(Continued)

Exhibit J-5

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

	<u>Debt Service</u> <u>Fund</u>		
	General Debt Service		Total
<hr/>			
<u>Federal Government (Cont.)</u>			
<u>Direct Federal Revenue</u>			
Police Service (Lake Area)	\$	0	\$ 26,283
Other Direct Federal Revenue		0	16,691
Total Federal Government	<u>\$</u>	<u>0</u>	<u>\$ 679,686</u>
<u>Other Governments and Citizens Groups</u>			
<u>Other Governments</u>			
Contributions	\$	312,698	\$ 376,875
<u>Citizens Groups</u>			
Donations		0	3,000
<u>Other</u>			
Other		0	117,064
Total Other Governments and Citizens Groups	<u>\$</u>	<u>312,698</u>	<u>\$ 496,939</u>
Total	<u>\$</u>	<u>447,719</u>	<u>\$ 7,223,108</u>

Exhibit J-6

Clay County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 Discretely Presented Clay County School Department
 For the Year Ended June 30, 2015

	General Purpose School	Special Revenue Funds		Total
		School Projects	Central Cafeteria	
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 1,096,689	\$ 0	\$ 0	\$ 1,096,689
Trustee's Collections - Prior Year	59,935	0	0	59,935
Circuit/Clerk and Master Collections - Prior Years	23,457	0	0	23,457
Interest and Penalty	9,651	0	0	9,651
Payments in-Lieu-of Taxes - Local Utilities	105,845	0	0	105,845
<u>County Local Option Taxes</u>				
Local Option Sales Tax	573,419	0	0	573,419
Mixed Drink Tax	587	0	0	587
<u>Statutory Local Taxes</u>				
Bank Excise Tax	9,280	0	0	9,280
Interstate Telecommunications Tax	768	0	0	768
Total Local Taxes	\$ 1,879,631	\$ 0	\$ 0	\$ 1,879,631
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 532	\$ 0	\$ 0	\$ 532
<u>Permits</u>				
Other Permits	124	0	0	124
Total Licenses and Permits	\$ 656	\$ 0	\$ 0	\$ 656
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Lunch Payments - Children	\$ 0	\$ 0	\$ 51,354	\$ 51,354
Lunch Payments - Adults	0	0	21,532	21,532
Income from Breakfast	0	0	11,731	11,731
A la carte Sales	0	0	14,320	14,320
Contract for Student Support Services with Other LEAs	10,700	0	0	10,700
Receipts from Individual Schools	21,182	0	0	21,182
Community Service Fees - Adults	0	0	1,799	1,799
<u>Other Charges for Services</u>				
Other Charges for Services	50	0	0	50
Total Charges for Current Services	\$ 31,932	\$ 0	\$ 100,736	\$ 132,668
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 0	\$ 0	\$ 739	\$ 739
Lease/Rentals	202,318	0	0	202,318
Sale of Materials and Supplies	163	0	0	163
E-Rate Funding	38,596	0	0	38,596
Commodity Rebates	0	0	1,289	1,289
Miscellaneous Refunds	12,866	0	0	12,866
<u>Nonrecurring Items</u>				
Sale of Equipment	5,280	0	0	5,280
Damages Recovered from Individuals	953	0	0	953

(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	
<u>Other Local Revenues (Cont.)</u>				
<u>Other Local Revenues</u>				
Other Local Revenues	\$ 100	\$ 0	\$ 0	\$ 100
Total Other Local Revenues	\$ 260,276	\$ 0	\$ 2,028	\$ 262,304
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-behalf Contributions for OPEB	\$ 85,659	\$ 0	\$ 0	\$ 85,659
<u>State Education Funds</u>				
Basic Education Program	5,663,000	0	0	5,663,000
Early Childhood Education	310,403	0	0	310,403
School Food Service	5,773	0	0	5,773
Energy Efficient School Initiative	1,050	0	0	1,050
Other State Education Funds	212,108	0	0	212,108
Career Ladder Program	30,339	0	0	30,339
Career Ladder - Extended Contract	15,820	0	0	15,820
<u>Other State Revenues</u>				
Flood Control	290,071	0	0	290,071
Other State Grants	2,975	0	0	2,975
Total State of Tennessee	\$ 6,617,198	\$ 0	\$ 0	\$ 6,617,198
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 303,651	\$ 303,651
USDA - Commodities	0	0	28,056	28,056
Breakfast	0	0	136,307	136,307
USDA - Other	0	0	1,544	1,544
Vocational Education - Basic Grants to States	0	21,824	0	21,824
Title I Grants to Local Education Agencies	0	432,145	0	432,145
Special Education - Grants to States	0	281,610	0	281,610
Special Education Preschool Grants	0	74,826	0	74,826
Rural Education	0	19,132	0	19,132
Eisenhower Professional Development State Grants	0	45,026	0	45,026
Job Training Partnership Act	11,000	0	0	11,000
Race-to-the-Top - ARRA	0	26,281	0	26,281
<u>Direct Federal Revenue</u>				
Public Law 874 - Maintenance and Operation	117,221	0	0	117,221
Total Federal Government	\$ 128,221	\$ 900,844	\$ 469,558	\$ 1,498,623
<u>Other Governments and Citizens Groups</u>				
<u>Other Governments</u>				
Contributions	\$ 8,147	\$ 0	\$ 0	\$ 8,147
Total Other Governments and Citizens Groups	\$ 8,147	\$ 0	\$ 0	\$ 8,147
Total	\$ 8,926,061	\$ 900,844	\$ 572,322	\$ 10,399,227

Exhibit J-7

Clay County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2015

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	19,757	
Other Per Diem and Fees		2,826	
Audit Services		2,658	
Consultants		384	
Dues and Memberships		1,050	
Travel		2,122	
Other Charges		925	
Total County Commission			\$ 29,722

Board of Equalization

Board and Committee Members Fees	\$	1,039	
Total Board of Equalization			1,039

Beer Board

Legal Notices, Recording, and Court Costs	\$	254	
Total Beer Board			254

County Mayor/Executive

County Official/Administrative Officer	\$	67,386	
Accountants/Bookkeepers		26,058	
Clerical Personnel		18,454	
Communication		2,774	
Data Processing Services		5,141	
Dues and Memberships		3,326	
Maintenance Agreements		744	
Postal Charges		1,458	
Printing, Stationery, and Forms		438	
Travel		1,654	
Office Supplies		1,410	
Premiums on Corporate Surety Bonds		699	
Office Equipment		90	
Total County Mayor/Executive			129,632

County Attorney

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

Election Commission

County Official/Administrative Officer	\$	46,673	
Other Salaries and Wages		17,790	
Election Commission		5,837	
Election Workers		17,903	
Communication		2,310	
Dues and Memberships		150	
Legal Services		678	
Legal Notices, Recording, and Court Costs		1,218	
Maintenance and Repair Services - Buildings		452	

(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	\$	27,529	
Postal Charges		1,102	
Printing, Stationery, and Forms		1,706	
Travel		3,691	
Office Supplies		1,496	
Office Equipment		255	
Total Election Commission			\$ 128,790

Register of Deeds

County Official/Administrative Officer	\$	58,343	
Deputy(ies)		17,559	
Communication		1,489	
Data Processing Services		2,389	
Dues and Memberships		612	
Maintenance Agreements		544	
Postal Charges		238	
Printing, Stationery, and Forms		395	
Travel		261	
Duplicating Supplies		625	
Office Supplies		717	
Premiums on Corporate Surety Bonds		349	
Office Equipment		3,995	
Total Register of Deeds			87,516

County Buildings

Custodial Personnel	\$	55,171	
Communication		1,900	
Evaluation and Testing		160	
Maintenance and Repair Services - Buildings		29,997	
Maintenance and Repair Services - Vehicles		4,271	
Pest Control		440	
Custodial Supplies		6,433	
Electricity		15,700	
Gasoline		5,013	
Natural Gas		4,687	
Uniforms		626	
Water and Sewer		3,120	
Total County Buildings			127,518

Other General Administration

On-behalf Payments to OPEB	\$	900	
Total Other General Administration			900

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	58,343	
Deputy(ies)		21,091	

(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.)

Part-time Personnel	\$	4,400	
In-service Training		412	
Communication		1,525	
Contracts with Private Agencies		1,020	
Data Processing Services		4,304	
Postal Charges		785	
Travel		2,308	
Office Supplies		5,553	
Office Equipment		15	
Total Property Assessor's Office	\$		99,756

County Trustee's Office

Data Processing Services	\$	1,459	
Dues and Memberships		337	
Legal Notices, Recording, and Court Costs		94	
Maintenance and Repair Services - Equipment		11,630	
Postal Charges		3,100	
Printing, Stationery, and Forms		406	
Office Supplies		1,992	
Premiums on Corporate Surety Bonds		4,500	
Office Equipment		331	
Total County Trustee's Office			23,849

County Clerk's Office

County Official/Administrative Officer	\$	58,343	
Deputy(ies)		46,763	
Communication		3,275	
Data Processing Services		2,252	
Dues and Memberships		437	
Maintenance and Repair Services - Equipment		252	
Postal Charges		2,500	
Rentals		4,800	
Office Supplies		2,905	
Premiums on Corporate Surety Bonds		349	
Total County Clerk's Office			121,876

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	58,343	
Deputy(ies)		26,770	
Clerical Personnel		38,296	
Other Salaries and Wages		2,925	
Jury and Witness Expense		1,914	
Communication		2,616	
Data Processing Services		84	
Dues and Memberships		497	
Legal Notices, Recording, and Court Costs		66	

(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.)

Maintenance Agreements	\$	10,246	
Postal Charges		1,026	
Printing, Stationery, and Forms		1,330	
Travel		19	
Remittance of Revenue Collected		8,258	
Office Supplies		2,364	
Premiums on Corporate Surety Bonds		615	
Office Equipment		1,785	
Total Circuit Court			\$ 157,154

General Sessions Court

Judge(s)	\$	73,538	
Total General Sessions Court			73,538

Chancery Court

County Official/Administrative Officer	\$	58,343	
Deputy(ies)		17,306	
Communication		1,572	
Data Processing Services		14,997	
Dues and Memberships		497	
Maintenance Agreements		504	
Postal Charges		1,520	
Office Supplies		1,348	
Total Chancery Court			96,087

Juvenile Court

Supervisor/Director	\$	9,000	
Social Security		674	
Unemployment Compensation		161	
Other Contracted Services		1,800	
Other Charges		11,720	
Total Juvenile Court			23,355

Judicial Commissioners

County Official/Administrative Officer	\$	11,527	
Other Salaries and Wages		300	
Office Supplies		103	
Premiums on Corporate Surety Bonds		200	
Office Equipment		901	
Total Judicial Commissioners			13,031

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	64,178	
Assistant(s)		33,463	
Deputy(ies)		306,035	
Accountants/Bookkeepers		24,253	

(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.)

Salary Supplements	\$	7,800	
Dispatchers/Radio Operators		186,047	
Cafeteria Personnel		33,169	
Other Salaries and Wages		22,460	
In-service Training		5,000	
Other Per Diem and Fees		262	
Communication		10,498	
Contracts with Government Agencies		6,385	
Dues and Memberships		1,480	
Evaluation and Testing		4,488	
Licenses		252	
Maintenance and Repair Services - Equipment		8,528	
Maintenance and Repair Services - Vehicles		36,901	
Pest Control		375	
Postal Charges		631	
Printing, Stationery, and Forms		2,758	
Travel		7,065	
Remittance of Revenue Collected		6,790	
Gasoline		53,176	
Law Enforcement Supplies		5,000	
Office Supplies		2,932	
Tires and Tubes		5,035	
Uniforms		5,940	
Other Supplies and Materials		1,494	
Premiums on Corporate Surety Bonds		1,266	
Other Charges		1,100	
Other Equipment		19,663	
Total Sheriff's Department			\$ 864,424

Drug Enforcement

Motor Vehicles	\$	59,372	
Total Drug Enforcement			59,372

Jail

Guards	\$	21,915	
Communication		9,435	
Contracts with Government Agencies		230,303	
Maintenance and Repair Services - Buildings		13,942	
Other Contracted Services		10,158	
Custodial Supplies		2,736	
Drugs and Medical Supplies		90,417	
Electricity		18,123	
Food Preparation Supplies		955	
Food Supplies		37,422	
Gasoline		4,619	
Water and Sewer		1,229	
Other Supplies and Materials		2,101	
Other Charges		12,182	
Total Jail			455,537

(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	\$ 56,157	
In-service Training	3,063	
Total Juvenile Services		59,220

Fire Prevention and Control

Disability Insurance	\$ 15,598	
Contributions	20,000	
Total Fire Prevention and Control		35,598

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	
Communication	100	
Maintenance Agreements	2,490	
Maintenance and Repair Services - Equipment	43,315	
Travel	61	
Office Supplies	632	
Road Signs	3,359	
Other Charges	525	
Other Equipment	6,653	
Total Other Emergency Management		81,735

County Coroner/Medical Examiner

Other Salaries and Wages	\$ 1,400	
Other Per Diem and Fees	17,900	
Total County Coroner/Medical Examiner		19,300

Other Public Safety

Guards	\$ 32,895	
Total Other Public Safety		32,895

Public Health and Welfare

Local Health Center

Other Salaries and Wages	\$ 6,600	
Communication	2,876	
Maintenance and Repair Services - Buildings	14,751	
Custodial Supplies	59	
Drugs and Medical Supplies	359	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

Instructional Supplies and Materials	\$	11,499	
Office Supplies		1,069	
Utilities		17,256	
Total Local Health Center			\$ 54,469

Ambulance/Emergency Medical Services

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

Alcohol and Drug Programs

Other Salaries and Wages	\$	88,757	
Postal Charges		39	
Travel		10,308	
Office Supplies		16,320	
Other Charges		20,153	
Total Alcohol and Drug Programs			135,577

Other Local Health Services

Temporary Personnel	\$	3,579	
Other Salaries and Wages		32,859	
Unemployment Compensation		212	
Travel		2,754	
Other Supplies and Materials		7,600	
Total Other Local Health Services			47,004

Appropriation to State

Other Contracted Services	\$	8,475	
Total Appropriation to State			8,475

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Supervisor/Director	\$	11,542	
Social Security		863	
Unemployment Compensation		90	
Communication		1,458	
Postal Charges		105	
Travel		41	
Office Supplies		21	
Utilities		22,859	
Other Supplies and Materials		1,371	
Other Charges		2,119	
Total Senior Citizens Assistance			40,469

Libraries

Supervisor/Director	\$	22,547	
Part-time Personnel		8,289	
Other Salaries and Wages		18,533	

(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.)

Communication	\$	1,954	
Dues and Memberships		385	
Postal Charges		870	
Travel		397	
Other Contracted Services		465	
Custodial Supplies		1,387	
Electricity		7,215	
Instructional Supplies and Materials		2,436	
Library Books/Media		11,183	
Office Supplies		4,543	
Periodicals		465	
Water and Sewer		599	
Other Supplies and Materials		8,859	
Other Charges		960	
Office Equipment		5,223	
Total Libraries			\$ 96,310

Parks and Fair Boards

Other Salaries and Wages	\$	9,600	
Maintenance and Repair Services - Buildings		45,690	
Custodial Supplies		1,170	
Electricity		10,214	
Natural Gas		4,562	
Water and Sewer		995	
Total Parks and Fair Boards			72,231

Other Social, Cultural, and Recreational

Contributions	\$	8,869	
Total Other Social, Cultural, and Recreational			8,869

Agriculture and Natural Resources

Agricultural Extension Service

Salary Supplements	\$	54,874	
Social Security		4,678	
Extension Service Medicare		483	
Communication		1,753	
Contributions		19,220	
Travel		5,122	
Other Charges		831	
Data Processing Equipment		2,500	
Total Agricultural Extension Service			89,461

Forest Service

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

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Agriculture and Natural Resources (Cont.)

Soil Conservation

Secretary(ies)	\$	19,205	
Other Salaries and Wages		29,994	
Communication		1,772	
Utilities		1,075	
Total Soil Conservation			\$ 52,046

Other Operations

Tourism

Clerical Personnel	\$	6,887	
Advertising		27,682	
Communication		3,363	
Contributions		630	
Dues and Memberships		288	
Postal Charges		695	
Office Supplies		623	
Other Charges		9,372	
Total Tourism			49,540

Industrial Development

Advertising	\$	14,183	
Consultants		25,956	
Travel		572	
Instructional Supplies and Materials		4,306	
Office Supplies		436	
Other Charges		14,946	
Total Industrial Development			60,399

Other Economic and Community Development

Other Construction	\$	362,805	
Other Capital Outlay		91,421	
Total Other Economic and Community Development			454,226

Veterans' Services

Other Salaries and Wages	\$	16,640	
In-service Training		699	
Total Veterans' Services			17,339

Other Charges

Liability Insurance	\$	80,606	
Trustee's Commission		51,317	
Workers' Compensation Insurance		66,095	
Other Debt Issuance Charges		100	
Total Other Charges			198,118

Employee Benefits

Social Security	\$	143,878	
Pensions		130,767	
Unemployment Compensation		10,150	
Total Employee Benefits			284,795

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Highways

Litter and Trash Collection

Supervisor/Director	\$	26,864	
Laborers		8,210	
Other Charges		4,000	
Total Litter and Trash Collection			\$ 39,074

Total General Fund \$ 4,802,680

Courthouse and Jail Maintenance Fund

General Government

County Buildings

Maintenance and Repair Services - Buildings	\$	5,200	
Total County Buildings			\$ 5,200

Other Operations

Other Charges

Trustee's Commission	\$	195	
Total Other Charges			195

Total Courthouse and Jail Maintenance Fund 5,395

Solid Waste/Sanitation Fund

Public Health and Welfare

Waste Pickup

Truck Drivers	\$	42,203	
Laborers		112,802	
Clerical Personnel		14,339	
Social Security		12,944	
Unemployment Compensation		1,971	
Communication		1,657	
Contracts with Private Agencies		146,383	
Evaluation and Testing		243	
Maintenance and Repair Services - Buildings		2,722	
Maintenance and Repair Services - Equipment		1,377	
Maintenance and Repair Services - Vehicles		6,520	
Rentals		1,450	
Travel		403	
Custodial Supplies		95	
Electricity		5,124	
Gasoline		20,540	
Natural Gas		805	
Office Supplies		673	
Tires and Tubes		6,954	
Uniforms		1,670	
Water and Sewer		511	
Other Charges		2,208	
Site Development		3,716	
Solid Waste Equipment		40,759	
Total Waste Pickup			\$ 428,069

(Continued)

Exhibit J-7

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

Solid Waste/Sanitation Fund (Cont.)

Other Operations

Other Charges

Trustee's Commission	\$ 9,521	
Total Other Charges		\$ 9,521

Total Solid Waste/Sanitation Fund \$ 437,590

Drug Control Fund

Public Safety

Drug Enforcement

Contributions	\$ 500	
Confidential Drug Enforcement Payments	3,354	
Other Supplies and Materials	798	
Other Charges	4,294	
Law Enforcement Equipment	8,368	
Total Drug Enforcement		\$ 17,314

Other Operations

Other Charges

Trustee's Commission	\$ 319	
Total Other Charges		319

Total Drug Control Fund 17,633

Constitutional Officers - Fees Fund

General Government

Register of Deeds

Constitutional Officers' Operating Expenses	\$ 74	
Total Register of Deeds		\$ 74

Finance

County Trustee's Office

County Official/Administrative Officer	\$ 58,343	
Deputy(ies)	28,859	
Constitutional Officers' Operating Expenses	716	
Total County Trustee's Office		87,918

County Clerk's Office

Constitutional Officers' Operating Expenses	\$ 302	
Total County Clerk's Office		302

Administration of Justice

General Sessions Court Clerk

Constitutional Officers' Operating Expenses	\$ 100	
Total General Sessions Court Clerk		100

Chancery Court

Special Commissioner Fees/Special Master Fees	\$ 2,180	
Total Chancery Court		2,180

Total Constitutional Officers - Fees Fund 90,574

(Continued)

Exhibit J-7

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

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	64,178	
Accountants/Bookkeepers		30,960	
Advertising		396	
Communication		2,297	
Data Processing Services		5,886	
Dues and Memberships		2,032	
Postal Charges		260	
Other Contracted Services		9,089	
Other Charges		3,640	
Data Processing Equipment		699	
Total Administration			\$ 119,437

Highway and Bridge Maintenance

Equipment Operators	\$	117,915	
Truck Drivers		115,374	
Laborers		168,573	
Rentals		2,029	
Asphalt - Liquid		78,085	
Crushed Stone		95,985	
Pipe		19,173	
Road Signs		532	
Salt		12,081	
Wood Products		1,305	
Other Supplies and Materials		723	
Other Charges		2,754	
Total Highway and Bridge Maintenance			614,529

Operation and Maintenance of Equipment

Mechanic(s)	\$	25,290	
Maintenance and Repair Services - Equipment		1,171	
Diesel Fuel		74,383	
Equipment and Machinery Parts		27,925	
Gasoline		16,469	
Lubricants		4,869	
Natural Gas		1,615	
Small Tools		35	
Tires and Tubes		12,048	
Other Supplies and Materials		690	
Other Charges		38	
Total Operation and Maintenance of Equipment			164,533

Other Charges

Electricity	\$	4,039	
Water and Sewer		1,277	
Premiums on Corporate Surety Bonds		699	
Trustee's Commission		13,323	
Vehicle and Equipment Insurance		14,743	
Workers' Compensation Insurance		93,718	
Total Other Charges			127,799

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Employee Benefits

Social Security	\$	32,453	
Pensions		33,199	
Unemployment Compensation		10,427	
Employer Medicare		7,590	
Total Employee Benefits			\$ 83,669

Capital Outlay

Bridge Construction	\$	36,254	
Total Capital Outlay			<u>36,254</u>

Total Highway/Public Works Fund \$ 1,146,221

General Debt Service Fund

Principal on Debt

General Government

Principal on Other Loans	\$	69,392	
Total General Government			\$ 69,392

Education

Principal on Other Loans	\$	259,000	
Total Education			259,000

Interest on Debt

General Government

Interest on Other Loans	\$	11,235	
Total General Government			11,235

Education

Interest on Other Loans	\$	12,461	
Total Education			12,461

Other Debt Service

General Government

Trustee's Commission	\$	2,112	
Total General Government			2,112

Education

Other Debt Service	\$	41,237	
Total Education			<u>41,237</u>

Total General Debt Service Fund 395,437

Total Governmental Funds - Primary Government \$ 6,895,530

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, 2015

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	2,305,249	
Career Ladder Program		11,179	
Career Ladder Extended Contracts		11,570	
Educational Assistants		99,413	
Longevity Pay		2,375	
Certified Substitute Teachers		46,551	
Non-certified Substitute Teachers		15,541	
Social Security		137,511	
Pensions		206,396	
Medical Insurance		269,577	
Unemployment Compensation		6,118	
Local Retirement		5,943	
Employer Medicare		33,465	
Maintenance and Repair Services - Equipment		273	
Other Contracted Services		45,196	
Instructional Supplies and Materials		45,885	
Textbooks		8,607	
Other Charges		1,531	
Regular Instruction Equipment		5,218	
Total Regular Instruction Program			\$ 3,257,598

Alternative Instruction Program

Teachers	\$	29,334	
Certified Substitute Teachers		360	
Non-certified Substitute Teachers		135	
Social Security		1,817	
Pensions		2,652	
Unemployment Compensation		42	
Employer Medicare		425	
Instructional Supplies and Materials		211	
Total Alternative Instruction Program			34,976

Special Education Program

Teachers	\$	302,114	
Career Ladder Program		5,000	
Homebound Teachers		26,185	
Educational Assistants		21,833	
Speech Pathologist		27,556	
Certified Substitute Teachers		5,225	
Non-certified Substitute Teachers		2,165	
Social Security		22,097	
Pensions		32,484	
Medical Insurance		43,766	
Unemployment Compensation		1,002	
Local Retirement		1,260	
Employer Medicare		5,227	

(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.)

Contracts with Other Public Agencies	\$	420	
Instructional Supplies and Materials		247	
Special Education Equipment		1,658	
Total Special Education Program			\$ 498,239

Vocational Education Program

Teachers	\$	161,895	
Career Ladder Program		2,000	
Certified Substitute Teachers		4,960	
Non-certified Substitute Teachers		1,025	
Social Security		9,804	
Pensions		14,838	
Medical Insurance		15,787	
Unemployment Compensation		262	
Employer Medicare		2,308	
Travel		4,821	
Other Contracted Services		42,466	
Instructional Supplies and Materials		5,604	
Textbooks		799	
Vocational Instruction Equipment		3,424	
Total Vocational Education Program			269,993

Support Services

Attendance

Supervisor/Director	\$	62,678	
Career Ladder Program		1,000	
Social Security		3,675	
Pensions		5,756	
Medical Insurance		6,997	
Unemployment Compensation		72	
Employer Medicare		859	
Travel		4,452	
Other Contracted Services		9,322	
Other Supplies and Materials		54	
Total Attendance			94,865

Health Services

Medical Personnel	\$	88,454	
Longevity Pay		400	
Other Salaries and Wages		59,754	
Social Security		8,638	
Pensions		12,414	
Medical Insurance		11,447	
Unemployment Compensation		302	
Employer Medicare		2,020	
Licenses		100	

(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.)

Travel	\$	2,827	
Drugs and Medical Supplies		410	
Other Supplies and Materials		11,295	
Other Equipment		1,000	
Total Health Services			\$ 199,061

Other Student Support

Guidance Personnel	\$	133,624	
Social Security		7,745	
Pensions		12,080	
Medical Insurance		13,947	
Unemployment Compensation		216	
Employer Medicare		1,811	
Evaluation and Testing		3,626	
Travel		2,601	
Other Contracted Services		37,307	
Other Charges		3,744	
Total Other Student Support			216,701

Regular Instruction Program

Supervisor/Director	\$	48,675	
Career Ladder Program		2,000	
Librarians		121,718	
Education Media Personnel		27,594	
Other Salaries and Wages		6,982	
Social Security		12,168	
Pensions		18,199	
Medical Insurance		16,782	
Unemployment Compensation		315	
Employer Medicare		2,846	
Travel		5,672	
Library Books/Media		8,003	
Other Supplies and Materials		1,893	
In Service/Staff Development		22,334	
Total Regular Instruction Program			295,181

Special Education Program

Supervisor/Director	\$	28,042	
Psychological Personnel		19,842	
Clerical Personnel		14,625	
Longevity Pay		1,167	
Other Salaries and Wages		14,064	
Social Security		2,971	
Pensions		3,173	
Unemployment Compensation		293	
Local Retirement		909	

(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.)

Employer Medicare	\$	1,101	
Postal Charges		400	
Travel		1,432	
Other Contracted Services		12,780	
Total Special Education Program			\$ 100,799

Vocational Education Program

Supervisor/Director	\$	22,206	
Social Security		1,231	
Pensions		2,007	
Medical Insurance		3,508	
Unemployment Compensation		29	
Employer Medicare		288	
Travel		710	
Instructional Supplies and Materials		487	
Total Vocational Education Program			30,466

Other Programs

On-behalf Payments to OPEB	\$	85,659	
Total Other Programs			85,659

Board of Education

Other Salaries and Wages	\$	2,400	
Board and Committee Members Fees		11,400	
Social Security		772	
Pensions		93	
Life Insurance		3,532	
Unemployment Compensation		100	
Employer Medicare		199	
Advertising		2,919	
Audit Services		4,000	
Dues and Memberships		9,794	
Legal Services		9,858	
Food Supplies		1,064	
Trustee's Commission		54,575	
Workers' Compensation Insurance		60,750	
Refund to Applicant for Criminal Investigation		1,008	
Other Charges		4,957	
Total Board of Education			167,421

Director of Schools

County Official/Administrative Officer	\$	73,715	
Career Ladder Program		1,000	
Social Security		4,359	
Pensions		6,754	
Medical Insurance		6,997	

(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.)

Unemployment Compensation	\$	72	
Employer Medicare		1,019	
Communication		47,337	
Dues and Memberships		476	
Postal Charges		2,915	
Travel		4,286	
Office Supplies		468	
Total Director of Schools			\$ 149,398

Office of the Principal

Principals	\$	185,368	
Career Ladder Program		3,000	
Assistant Principals		100,829	
Secretary(ies)		50,939	
Clerical Personnel		13,329	
Longevity Pay		650	
Social Security		21,173	
Pensions		29,704	
Medical Insurance		19,858	
Unemployment Compensation		795	
Employer Medicare		4,988	
Communication		4,035	
Travel		6,148	
Other Contracted Services		3,545	
Other Charges		2,975	
Data Processing Equipment		1,128	
Total Office of the Principal			448,464

Fiscal Services

Accountants/Bookkeepers	\$	57,796	
Secretary(ies)		50,775	
Longevity Pay		1,283	
Social Security		5,441	
Pensions		6,545	
Medical Insurance		4,137	
Unemployment Compensation		328	
Employer Medicare		1,530	
Travel		1,230	
Other Contracted Services		7,547	
Data Processing Supplies		1,233	
Office Supplies		2,417	
Other Charges		287	
Administration Equipment		1,020	
Total Fiscal Services			141,569

(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

Custodial Personnel	\$	130,009	
Longevity Pay		3,480	
Social Security		8,109	
Pensions		8,857	
Medical Insurance		6,175	
Unemployment Compensation		665	
Employer Medicare		1,897	
Maintenance and Repair Services - Buildings		120	
Maintenance and Repair Services - Equipment		5,948	
Travel		359	
Contracts for Landfill Facilities		7,584	
Other Contracted Services		90,515	
Custodial Supplies		25,179	
Electricity		350,213	
Fuel Oil		15,773	
Water and Sewer		28,289	
Other Supplies and Materials		509	
Building and Contents Insurance		56,563	
Other Charges		380	
Plant Operation Equipment		2,956	
Total Operation of Plant			\$ 743,580

Maintenance of Plant

Other Salaries and Wages	\$	100,596	
Social Security		4,749	
Pensions		6,071	
Medical Insurance		13,148	
Unemployment Compensation		343	
Employer Medicare		1,360	
Maintenance and Repair Services - Buildings		7,149	
Maintenance and Repair Services - Equipment		5,731	
Rentals		1,195	
Food Supplies		234	
Other Supplies and Materials		14,820	
Administration Equipment		6,934	
Maintenance Equipment		1,179	
Total Maintenance of Plant			163,509

Transportation

Mechanic(s)	\$	27,883	
Bus Drivers		204,591	
Longevity Pay		6,950	
Other Salaries and Wages		286	
Social Security		14,672	
Pensions		16,470	
Medical Insurance		3,941	

(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.)

Unemployment Compensation	\$	1,486	
Employer Medicare		3,439	
Communication		5,135	
Licenses		194	
Maintenance and Repair Services - Vehicles		12,257	
Medical and Dental Services		1,935	
Travel		901	
Other Contracted Services		1,400	
Diesel Fuel		72,754	
Gasoline		8,480	
Lubricants		2,626	
Tires and Tubes		9,865	
Vehicle Parts		28,023	
Other Supplies and Materials		439	
Vehicle and Equipment Insurance		20,877	
Other Charges		4,093	
Transportation Equipment		169,877	
Total Transportation			\$ 618,574

Operation of Non-instructional Services

Food Service

Supervisor/Director	\$	60,212	
Career Ladder Program		1,000	
Social Security		3,465	
Pensions		5,534	
Medical Insurance		9,374	
Unemployment Compensation		72	
Employer Medicare		810	
Communication		995	
Travel		1,896	
Total Food Service			83,358

Community Services

Supervisor/Director	\$	22,165	
Other Salaries and Wages		7,505	
Social Security		1,682	
Pensions		2,606	
Medical Insurance		3,489	
Unemployment Compensation		54	
Employer Medicare		393	
Travel		273	
Other Supplies and Materials		746	
Other Charges		250	
Total Community Services			39,163

(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

Supervisor/Director	\$	15,003	
Teachers		136,610	
Clerical Personnel		5,996	
Educational Assistants		46,666	
Longevity Pay		950	
Certified Substitute Teachers		795	
Non-certified Substitute Teachers		1,425	
Social Security		12,299	
Pensions		17,437	
Medical Insurance		12,251	
Unemployment Compensation		488	
Employer Medicare		2,890	
Travel		5,963	
Instructional Supplies and Materials		17,863	
In Service/Staff Development		268	
Regular Instruction Equipment		31,352	
Other Equipment		2,147	
Total Early Childhood Education	\$		310,403

Capital Outlay

Regular Capital Outlay

Architects	\$	18,392	
Building Improvements		74,255	
Communication Equipment		127,611	
Heating and Air Conditioning Equipment		8,000	
Site Development		7,775	
Other Capital Outlay		17,519	
Total Regular Capital Outlay			253,552

Principal on Debt

Education

Debt Service Contribution to Primary Government	\$	259,000	
Total Education			259,000

Interest on Debt

Education

Debt Service Contribution to Primary Government	\$	12,461	
Total Education			12,461

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$	41,237	
Total Education			41,237

Total General Purpose School Fund \$ 8,515,227

(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	\$	144,481	
Educational Assistants		68,551	
Social Security		11,773	
Pensions		16,814	
Medical Insurance		41,409	
Unemployment Compensation		923	
Local Retirement		816	
Employer Medicare		2,755	
Other Contracted Services		28,473	
Instructional Supplies and Materials		16,713	
Regular Instruction Equipment		40,620	
Total Regular Instruction Program			\$ 373,328

Special Education Program

Teachers	\$	69,610	
Educational Assistants		92,705	
Speech Pathologist		17,124	
Social Security		10,195	
Pensions		13,416	
Medical Insurance		16,621	
Unemployment Compensation		1,009	
Employer Medicare		2,389	
Instructional Supplies and Materials		17,539	
Special Education Equipment		1,880	
Total Special Education Program			242,488

Vocational Education Program

Instructional Supplies and Materials	\$	1,222	
Vocational Instruction Equipment		11,864	
Total Vocational Education Program			13,086

Support Services

Other Student Support

Other Salaries and Wages	\$	946	
Social Security		59	
Pensions		86	
Unemployment Compensation		8	
Employer Medicare		14	
Travel		6,000	
Other Contracted Services		627	
Other Charges		982	
Total Other Student Support			8,722

Regular Instruction Program

Supervisor/Director	\$	31,350	
Other Salaries and Wages		44,544	

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Social Security	\$	4,493	
Pensions		6,699	
Medical Insurance		6,126	
Unemployment Compensation		314	
Employer Medicare		1,051	
Postal Charges		430	
Travel		6,615	
Other Contracted Services		26,281	
Other Supplies and Materials		1,484	
In Service/Staff Development		4,548	
Other Charges		830	
Other Equipment		1,128	
Total Regular Instruction Program			\$ 135,893

Special Education Program

Psychological Personnel	\$	19,842	
Assessment Personnel		27,786	
Social Security		2,535	
Pensions		3,389	
Medical Insurance		11,543	
Unemployment Compensation		161	
Local Retirement		909	
Employer Medicare		593	
Maintenance and Repair Services - Equipment		268	
Postal Charges		400	
Travel		7,150	
Other Contracted Services		25,720	
Other Supplies and Materials		1,220	
In Service/Staff Development		1,329	
Total Special Education Program			102,845

Vocational Education Program

Travel	\$	1,000	
Total Vocational Education Program			1,000

Transportation

Bus Drivers	\$	5,000	
Social Security		310	
Pensions		80	
Unemployment Compensation		40	
Employer Medicare		72	
Total Transportation			5,502

Total School Federal Projects Fund \$ 882,864

(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

Operation of Non-instructional Services

Food Service

Cafeteria Personnel	\$	189,993	
Longevity Pay		4,950	
In-service Training		771	
Social Security		11,576	
Pensions		13,313	
Medical Insurance		21,611	
Unemployment Compensation		1,100	
Employer Medicare		2,707	
Communication		1,512	
Maintenance and Repair Services - Equipment		12,145	
Postal Charges		100	
Transportation - Other than Students		1,151	
Other Contracted Services		2,295	
Food Preparation Supplies		6,680	
Food Supplies		248,269	
Office Supplies		4,472	
USDA - Commodities		28,056	
Other Supplies and Materials		10,916	
Workers' Compensation Insurance		8,670	
In Service/Staff Development		1,046	
Other Charges		93	
Food Service Equipment		23,946	
Total Food Service			\$ 595,372

Total Central Cafeteria Fund

\$ 595,372

Total Governmental Funds - Clay County School Department

\$ 9,993,463

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, 2015

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 273,726
Total Cash Receipts	<u>\$ 273,726</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 270,989
Trustee's Commission	2,737
Total Cash Disbursements	<u>\$ 273,726</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0
Cash Balance, July 1, 2014	<u>0</u>
Cash Balance, June 30, 2015	<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, 2015, 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 25, 2015.

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: 2015-002, 2015-006, and 2015-007.

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: 2015-001, 2015-003, 2015-004, and 2015-005.

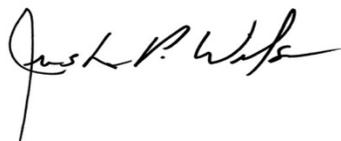
Clay County's Responses to Findings

Clay County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Clay County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 25, 2015

JPW/sb



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

Report on Compliance 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, 2015. 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, 2015.

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

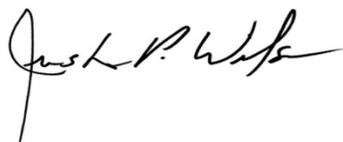
consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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, 2015, and the related notes to the financial statements, which collectively comprise Clay County's basic financial statements. We issued our report thereon dated November 25, 2015, 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 25, 2015

JPW/sb

Clay County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2015

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	\$ 16,691
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	136,307
National School Lunch Program	10.555	N/A	305,195 (3)
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	28,056 (3)
Total U.S. Department of Agriculture			<u>\$ 486,249</u>
U.S. Department of Defense:			
Passed-through State Department of General Services:			
Section 1033 Excess Property Program	12.UNKNOWN	N/A	<u>\$ 219,937</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>\$ 454,226</u>
U.S. Department of the Interior:			
Direct Program:			
Payments in-Lieu-of Taxes	15.226	N/A	\$ 64,157
Passed-through State Department of Environment and Conservation:			
Historic Preservation Fund Grants-In-Aid	15.904	(2)	7,200
Total U.S. Department of the Interior			<u>\$ 71,357</u>
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention	16.540	(2)	<u>\$ 11,720</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-15-GHS067-00	<u>\$ 5,000</u>
Institute of Museum and Library Services :			
Passed-through Tennessee Secretary of State:			
Grants to States	45.310	(2)	<u>\$ 889</u>
U.S. Department of Education:			
Direct Program:			
Impact Aid	84.041	N/A	\$ 117,221
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	432,145
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	281,610
Special Education - Preschool Grants	84.173	N/A	74,828
Career and Technical Education - Basic Grants to States	84.048	N/A	21,824
Rural Education	84.358	N/A	19,132
Improving Teacher Quality State Grants	84.367	N/A	45,026
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants - Recovery Act	84.395	N/A	26,281
Total U.S. Department of Education			<u>\$ 1,018,067</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 Upper Cumberland Development District:			
Special Programs for the Aging - TitleIII, Part B - Grants for Supportive Services and Senior Centers	93.044	(2)	\$ 8,258
Passed-through State Department of Mental Health and Substance Abuse Services:			
Drug-Free Communities Support Program Grants	93.276	(2)	87,948
Block Grants for Prevention and Treatment of Substance Abuse	93.959	(2)	61,471
			<u>\$ 157,677</u>
Total Expenditures of Federal Awards			<u>\$ 2,436,122</u>

State Grants		Contract Number	
Juvenile Justice - State Commission on Children and Youth	N/A	(2)	\$ 9,000
Aging Program - Upper Cumberland Development District	N/A	(2)	6,342
Development Co-op Program - State Department of Tourist Development	N/A	(2)	2,000
Law Enforcement Training - State Department of Safety	N/A	(2)	7,800
Rural Local Health Services - State Department of Health	N/A	GG1541979	52,170
Prevention and Treatment of Substance Abuse - State Department of Mental Health and Substance Abuse Services	N/A	(2)	2,183
Litter Program - State Department of Transportation	N/A	(2)	33,700
Library Technology Grant - Tennessee Secretary of State	N/A	(2)	353
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	597
Used Oil Grant - State Department of Environment and Conservation	N/A	(2)	2,777
Recycling Equipment Grant - State Department of Environment and Conservation	N/A	(2)	22,050
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)	90,000
Family Resource Center - State Department of Education	N/A	(2)	29,612
Safe Schools Act - State Department of Education	N/A	(2)	6,650
ConnectTN - State Department of Education	N/A	(2)	2,982
TN Arts Commission STS - State Department of Education	N/A	(2)	2,975
Energy Efficient Schools Initiative - State of Tennessee EESI Council	N/A	(2)	1,050
Total State Grants			<u>\$ 582,644</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 \$333,251.

Clay County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2015

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, 2014, which have not been corrected.

OFFICES OF COUNTY MAYOR AND ROAD SUPERINTENDENT

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
2014-001	144	The offices had not established formal purchase order systems

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
2014-005	146	Execution docket trial balances did not reconcile with general ledger accounts

OFFICES OF COUNTY CLERK AND SHERIFF

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
2014-007	147	Multiple employees operated from the same cash drawer
2014-008	147	Duties were not segregated adequately

CLAY COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2015

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 reported 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 Title I Grants to Local Educational Agencies (CFDA No. 84.010) and the Special Education Cluster: Special Education – Grants to States and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173) 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 qualified as a low-risk auditee.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. The county mayor and director of schools provided written responses to certain findings, which are included in this report. Other management officials did not provide responses for inclusion in this report.

CLAY COUNTY

FINDING 2015-001

THE COUNTY HAD DEFICIENCIES IN ITS BUDGET APPROVAL PROCESS FOR THE 2016 BUDGET

(Noncompliance Under *Government Auditing Standards*)

On August 31, 2015, the County Commission approved the appropriating resolution for the county's budget for the fiscal year ending June 30, 2016; however, the resolution was not in the prescribed form as required by state statute. Section 5-9-403, *Tennessee Code Annotated*, requires that a county's budget be presented in the form prescribed by the Comptroller's Office, including the accounts and classifications. The budget resolution approved by the County Commission and submitted to the Comptroller's Office for approval did not include the major category appropriations for the General Purpose School Fund that had been approved and submitted by the county Board of Education to the County Commission. Instead, the approved resolution included only a grand total amount of expenditures for the General Purpose School Fund, which was significantly less than the total appropriations submitted by the Board of Education. As a result of submitting a budget amount not approved by the Board of Education and submitting the budget in an improper format, the county's budget was not immediately accepted. The lack of approval by both governing bodies (County Commission and Board of Education) resulted in the county making expenditures for school purposes that had not been properly appropriated for the months of September and October 2015. Furthermore, the county School Department failed to file an approved budget with the state Department of Education by October 1 as required by state statute, which resulted in the state withholding the county's Basic Education Program (BEP) funding for the month of October 2015.

It should be noted that on November 2, 2015, the County Commission approved the appropriation amounts submitted by the county Board of Education and subsequently received acceptance for the county's 2016 budget from the state Department of Education. All BEP funding was subsequently restored to the county School Department.

RECOMMENDATION

The county should implement procedures to ensure future budgets are properly approved at the local level and properly submitted to the state in accordance with state statute.

MANAGEMENT'S RESPONSE – COUNTY MAYOR

The Clay County Commissioners and the Clay County Mayor, upon information obtained by our legal counsel, feel as if they acted in the best interest of the citizens of Clay County.

MANAGEMENT’S RESPONSE – DIRECTOR OF SCHOOLS

We believe the Clay County School Board followed the appropriate budget laws for the fiscal year 2015-2016. In following these laws, it was viewed by our Board and Board Attorney, Charles Cagle, that we did not have a proper budget to submit for approval to neither the Comptroller’s Office nor the State Department of Education. The Clay County Commission followed guidance from their County Attorney, Hershel Lacy, and the Office of Local Finance by approving and submitting a budget with only a grand total amount of expenditures for the General Purpose School Fund, which was significantly less than what the Board of Education approved. With law stating we had no official budget and the Office of Local Finance advising the Commissioners’ actions were acceptable, our Board Attorney advised us to continue operating if the Office of Local Finance agreed the County could keep operating.

We agree that the county should implement procedures to ensure future budgets are properly approved at the local level and properly submitted to the state in accordance with the state statute. However, the view from the Clay County Commission’s Attorney and the Office of Local Finance seems to be that as long as a county commission approves a budget the opinion of the school board in developing a budget is irrelevant.

The confusion created by the perceived inconsistencies in the law and the precedence this will set will be truly detrimental to education statewide for years to come. As we plan for the education of the boys and girls in our very rural and economically depressed county, we will continue to solicit your assistance in following the state and federal laws to ensure that we are adhering to proper accounting procedures at all times.

OFFICES OF COUNTY MAYOR AND ROAD SUPERINTENDENT

FINDING 2015-002 **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 2015-003

A CASH SHORTAGE OF \$3,911.36 EXISTED FROM THE FRAUDULENT USE OF A HIGHWAY DEPARTMENT FUEL CARD BY A FORMER EMPLOYEE

(Noncompliance Under *Government Auditing Standards*)

In November 2014, the Highway Department bookkeeper discovered charges on the department's fuel account that she could not account for. Upon further investigation, it was discovered that the fuel card had been assigned to an employee who had left employment with the Highway Department on March 14, 2014, under the prior administration. It was determined from statements provided by the fuel card vendor that purchases of \$3,911.36 had been made with the card from March 14, 2014, through November 13, 2014, by the former employee after his termination of employment. Upon discovering the charges, the Road Superintendent contacted local law enforcement to investigate the theft, and charges were subsequently filed. On June 22, 2015, the former employee was indicted by the Grand Jury on charges of theft over \$1,000 for the use of a Highway Department fuel card to purchase fuel for private vehicles.

RECOMMENDATION

Management should control the use of its fuel cards. Fuel card purchases should be reconciled with monthly statements and reviewed by supervisory personnel. Management should ensure all fuel cards are retrieved when employees leave employment.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 2015-004

LONGEVITY PAYMENTS WERE MADE TO EMPLOYEES WITHOUT COUNTY COMMISSION APPROVAL

(Noncompliance Under *Government Auditing Standards*)

During the year, the School Department made longevity payments to employees totaling \$22,205 based on a policy approved by the Board of Education in August 2007; however, the longevity payments were not appropriated by the County Commission. Section 5-9-401, *Tennessee Code Annotated*, states that "All funds from whatever source derived, including, but not limited to taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies." Expenditures that exceed appropriations are a violation of state statutes. This deficiency exists because the Board of Education failed to get County Commission budgetary approval for the longevity payments.

RECOMMENDATION

Expenditures should be approved by the County Commission as required by state statute.

MANAGEMENT’S RESPONSE – DIRECTOR OF SCHOOLS

It was my understanding as long as expenditures were not exceeded within a major category that it was acceptable to spend in any of the codes within that category and a finding would not be an issue. We were told that if we did not have something budgeted in a category to go to the Uniform Chart of Accounts and choose the best code possible for the best representation of the way the money was spent. We moved items from 499 and 599 and put them in appropriate categories such as 302 Advertising and 422 Food Supplies. We did all of this without amendments but within the expenditures set for the major category. With this practice, we thought it pertained to salary line items as well. If we had realized that it was not acceptable, we would have made certain to amend all the longevity payments. We could have done so easily within the major categories. We will make certain to monitor all salary line items in the future. Now we have a copy of the resolution from where the Commission passes the budget to understand where this finding originates. Although, we know we can always get a copy, we have never asked for nor been sent one.

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

FINDING 2015-005

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

At June 30, 2015, 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 \$2,015 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 SHERIFF

FINDING 2015-006

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. Effective 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.

FINDING 2015-007

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 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 provide reasonable assurance of the reliability of financial reporting and of the effectiveness and efficiency of operations. This lack of segregation of duties is a significant deficiency in internal controls that increases the risk of unauthorized transactions and is the result of management's decisions based on the availability of financial resources. 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, 2015

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