
ANNUAL FINANCIAL REPORT CLAY COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2013



ANNUAL FINANCIAL REPORT
CLAY COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2013

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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Audit Highlights
Annual Financial Report
Clay County, Tennessee
For the Year Ended June 30, 2013

Scope

We have audited the basic financial statements of Clay County as of and for the year ended June 30, 2013.

Results

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

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

Findings and Best Practice

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

OFFICES OF COUNTY MAYOR AND ROAD SUPERINTENDENT

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

OFFICE OF ROAD SUPERINTENDENT

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

OFFICE OF ASSESSOR OF PROPERTY

- ◆ The assessor did not maintain an adequate program of sales verification.
 - ◆ New owners of greenbelt properties were not required to file a new application for agricultural property.
-

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

- ◆ Execution docket trial balances did not reconcile with general ledger accounts.
 - ◆ Unclaimed funds were not reported and paid to the state.
-

OFFICES OF COUNTY CLERK AND SHERIFF

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

OFFICES OF ROAD SUPERINTENDENT, COUNTY CLERK, AND SHERIFF

- ◆ Duties were not segregated adequately.
-

BEST PRACTICE

Clay County does not have a central system of accounting, budgeting, and purchasing. The Division of Local Government Audit strongly believes that a central system of accounting, budgeting, and purchasing 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.

INTRODUCTORY SECTION

Clay County Officials

June 30, 2013

Officials

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

Board of County Commissioners

Dale Reagan, County Mayor, Chairman
Pam Breeding
Denzil Cherry
Bryan Coons
Dorothy Forney
Cecil Langford

Anna Ruth Locke
Timmie Scott
Daniel Stewart
Parrish Wright
Winton Young

Board of Education

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

Todd Lynn
Chris McClerran
Nathan Sherrell
Anthony Smith
Vonda Weir

Audit Committee (as of 10-7-13)

Anna Ruth Locke
Parrish Wright
Doug Young

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
PHONE (615) 401-7841

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, 2013, 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 did not audit the financial statements of the Clay County Emergency Communications District, which represent 5.8 percent, 15.9 percent, and 4.3 percent, respectively, of the assets, net position, and revenues of the discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Clay County Emergency Communications District, is based solely on the report of the other auditors. 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, based on our report and the report of other auditors, 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, 2013, 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.

Emphasis of Matter

As described in Note V.B., Clay County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position*, which became effective for the year ended June 30, 2013. Clay County early implemented Statement No. 65, *Items Previously Reported as Assets and Liabilities* and Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*, which have an effective date of June 30, 2014.

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 analysis 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 funding progress – pension plan and other postemployment benefit plan on pages 64-66 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

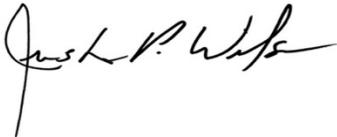
statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor 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 December 17, 2013, 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

December 17, 2013

JPW/kp

BASIC FINANCIAL STATEMENTS

Exhibit A

Clay County, Tennessee
Statement of Net Position
June 30, 2013

	Primary Government Governmental Activities	Component Units	
		Clay County School Department	Clay County Emergency Communications District
<u>ASSETS</u>			
Cash	\$ 19,448	\$ 1,620	\$ 420,427
Equity in Pooled Cash and Investments	3,735,697	2,084,815	0
Accounts Receivable	18,376	93	31,257
Due from Other Governments	289,590	254,264	0
Due from Component Unit	6,228,000	0	0
Property Taxes Receivable	2,340,079	1,332,346	0
Allowance for Uncollectible Property Taxes	(185,208)	(105,497)	0
Capital Assets:			
Assets Not Depreciated:			
Land	95,000	338,698	0
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	1,972,074	6,458,208	266,512
Infrastructure	8,897,504	379,838	0
Other Capital Assets	1,041,883	900,038	0
Total Assets	<u>\$ 24,452,443</u>	<u>\$ 11,644,423</u>	<u>\$ 718,196</u>
<u>LIABILITIES</u>			
Accrued Interest Payable	\$ 11,390	\$ 0	\$ 0
Payroll Deductions Payable	127	0	0
Due to Primary Government	0	6,228,000	0
Noncurrent Liabilities:			
Due Within One Year	321,494	74	0
Due in More Than One Year	6,600,136	415,551	0
Total Liabilities	<u>\$ 6,933,147</u>	<u>\$ 6,643,625</u>	<u>\$ 0</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Current Property Taxes	\$ 2,112,479	\$ 1,201,004	\$ 0
Total Deferred Inflow of Resources	<u>\$ 2,112,479</u>	<u>\$ 1,201,004</u>	<u>\$ 0</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	\$ 11,399,026	\$ 8,076,782	\$ 266,512
Restricted for:			
Courthouse and Jail Maintenance	66,719	0	0
Solid Waste/Sanitation	6,623	0	0
Drug Control	94,679	0	0
Highway/Public Works	407,844	0	0
School Federal Projects	0	10,656	0
Central Cafeteria	0	166,261	0
Other Purposes	50,264	378	0
Unrestricted	3,381,662	(4,454,283)	451,684
Total Net Position	<u>\$ 15,406,817</u>	<u>\$ 3,799,794</u>	<u>\$ 718,196</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, 2013

Functions/Programs	Net (Expense) Revenue and Changes in Net Position						
	Program Revenues			Component Units			
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government Total	Clay County School Department	Clay County Emergency Communications District	
Primary Government:							
Governmental Activities:							
General Government	\$ 522,493	\$ 32,330	\$ 15,164	\$ (474,999)	\$ 0	\$ 0	0
Finance	330,136	227,714	0	(102,422)	0	0	0
Administration of Justice	381,858	276,569	9,000	(96,289)	0	0	0
Public Safety	1,472,299	184,101	6,600	(1,281,598)	0	0	0
Public Health and Welfare	947,376	88,684	287,441	(571,251)	0	0	0
Social, Cultural, and Recreational Services	219,919	5,232	47,310	(167,377)	0	0	0
Agriculture and Natural Resources	142,879	0	73,462	(69,417)	0	0	0
Other Operations	290,518	0	0	(290,518)	0	0	0
Highways/Public Works	1,510,259	0	1,286,590	(223,669)	0	0	0
Interest on Long-term Debt	45,999	0	0	(45,999)	0	0	0
Other Debt Service	50,432	0	0	(50,432)	0	0	0
Total Governmental Activities	\$ 5,914,168	\$ 814,630	\$ 1,725,567	\$ (3,373,971)	\$ 0	\$ 0	0
Total Primary Government	\$ 5,914,168	\$ 814,630	\$ 1,725,567	\$ (3,373,971)	\$ 0	\$ 0	0
Component Units:							
Clay County School Department	\$ 9,989,639	\$ 154,561	\$ 1,127,273	\$ 0	\$ (8,707,805)	\$ 0	0
Emergency Communications District	230,596	294,425	138,057	0	0	0	201,886
Total Component Units	\$ 10,220,235	\$ 448,986	\$ 1,265,330	\$ 0	\$ (8,707,805)	\$ 0	201,886

(Continued)

Exhibit B

Clay County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Net (Expense) Revenue and Changes in Net Position			
	Program Revenues		Component Units	
	Charges for Services	Operating Grants and Contributions	Primary Government Total	Clay County School Department Clay County Emergency Communications District
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes		\$ 2,001,832	\$ 1,194,861	\$ 0
Property Taxes Levied for Debt Service		80,567	0	0
Local Option Sales Taxes		236,995	538,115	0
Wheel Tax		187,277	0	0
Wholesale Beer Tax		256,839	0	0
Hotel/Motel Tax		37,388	0	0
Litigation Tax - General		48,800	0	0
Litigation Tax - Special Purpose		17,387	0	0
Other Local Taxes		9,373	671	0
Grants and Contributions Not Restricted to Specific Programs		591,224	6,898,908	18,000
Unrestricted Investment Earnings		31,373	393	1,149
Miscellaneous		76,025	35,454	0
Sale of Equipment		24,270	0	0
Total General Revenues		\$ 3,599,350	\$ 8,668,402	\$ 19,149
Change in Net Assets		\$ 225,379	\$ (39,403)	\$ 221,035
Prior-period Adjustment (See Note I.D.8.)		0	(70,983)	0
Net Position, July 1, 2012		15,181,438	3,910,180	497,161
Net Position, June 30, 2013		\$ 15,406,817	\$ 3,799,794	\$ 718,196

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, 2013

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Governmental Funds	Governmental Funds	
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 19,448	\$ 19,448	\$ 19,448
Equity in Pooled Cash and Investments	1,553,407	715,823	178,360	1,126,709	161,398	161,398	3,735,697
Accounts Receivable	0	18,347	0	0	29	29	18,376
Due from Other Governments	59,979	0	229,611	0	0	0	289,590
Due from Other Funds	1,129	0	0	0	0	0	1,129
Property Taxes Receivable	1,797,235	451,254	0	91,590	0	0	2,340,079
Allowance for Uncollectible Property Taxes	(144,411)	(35,635)	0	(5,162)	0	0	(185,208)
Total Assets	\$ 3,267,339	\$ 1,149,789	\$ 407,971	\$ 1,213,137	\$ 180,875	\$ 180,875	\$ 6,219,111

ASSETS

Cash
Equity in Pooled Cash and Investments
Accounts Receivable
Due from Other Governments
Due from Other Funds
Property Taxes Receivable
Allowance for Uncollectible Property Taxes

Total Assets

LIABILITIES

Payroll Deductions Payable
Due to Other Funds
Total Liabilities

\$ 0	\$ 0	\$ 127	\$ 0	\$ 0	\$ 0	\$ 127
0	0	0	0	1,129	1,129	1,129
\$ 0	\$ 0	\$ 127	\$ 0	\$ 1,129	\$ 1,129	\$ 1,256

DEFERRED INFLOWS OF RESOURCES

Deferred Current Property Taxes
Deferred Delinquent Property Taxes
Other Deferred/Unavailable Revenue
Total Deferred Inflows of Resources

\$ 1,619,210	\$ 407,483	\$ 0	\$ 85,786	\$ 0	\$ 0	\$ 2,112,479
28,743	6,910	0	384	0	0	36,037
27,650	0	113,973	0	0	0	141,623
\$ 1,675,603	\$ 414,393	\$ 113,973	\$ 86,170	\$ 0	\$ 0	\$ 2,290,139

FUND BALANCES

Restricted:
Restricted for General Government
Restricted for Administration of Justice
Restricted for Public Safety
Restricted for Highways/Public Works

\$ 27,568	\$ 0	\$ 0	\$ 0	\$ 66,719	\$ 94,287
15,679	0	0	0	0	15,679
7,017	0	0	0	94,679	101,696
0	0	293,871	0	0	293,871

(Continued)

Exhibit C-1

Clay County, Tennessee
 Balance Sheet
 Governmental Funds
 June 30, 2013

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other	Governmental Funds	
Committed:							
Committed for Finance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 18,348	\$ 18,348
Committed for Public Health and Welfare	0	735,396	0	0	0	0	735,396
Committed for Debt Service	0	0	0	1,126,967	0	0	1,126,967
Unassigned	1,541,472	0	0	0	0	0	1,541,472
Total Fund Balances	\$ 1,591,736	\$ 735,396	\$ 293,871	\$ 1,126,967	\$ 179,746	\$ 3,927,716	
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 3,267,339	\$ 1,149,789	\$ 407,971	\$ 1,213,137	\$ 180,875	\$ 6,219,111	

Committed:

Committed for Finance
 Committed for Public Health and Welfare
 Committed for Debt Service
 Unassigned
 Total Fund Balances

Total Liabilities, Deferred Inflows of Resources, and Fund Balances

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, 2013

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$	3,927,716
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	95,000	
Add: buildings and improvements net of accumulated depreciation		1,972,074	
Add: infrastructure net of accumulated depreciation		8,897,504	
Add: other capital assets net of accumulated depreciation		<u>1,041,883</u>	12,006,461
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: other loans payable	\$	(6,835,435)	
Add: due from component unit for debt retirement		6,228,000	
Less: accrued interest on long-term debt		(11,390)	
Less: compensated absences payable		<u>(86,195)</u>	(705,020)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>177,660</u>
Net position of governmental activities (Exhibit A)		\$	<u>15,406,817</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, 2013

	Major Funds					Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other			
					Governmental Funds	Other		
Revenues								
Local Taxes	\$ 2,548,055	\$ 451,433	\$ 1,616	\$ 117,101	\$ 18,831	\$ 0	\$ 3,137,036	
Licenses and Permits	1,140	0	0	0	0	0	1,140	
Fines, Forfeitures, and Penalties	87,692	0	0	0	25,814	0	113,506	
Charges for Current Services	33,424	88,684	0	0	101,026	0	223,134	
Other Local Revenues	29,659	37,288	13,888	31,616	19,217	0	131,668	
Fees Received from County Officials	329,324	0	0	0	0	0	329,324	
State of Tennessee	571,408	548	1,302,587	0	0	0	1,874,543	
Federal Government	197,454	0	0	312,287	0	0	197,454	
Other Governments and Citizens Groups	141,177	0	0	0	0	0	141,177	
Total Revenues	\$ 3,939,333	\$ 577,953	\$ 1,318,091	\$ 461,004	\$ 164,888	\$ 0	\$ 6,461,269	
Expenditures								
Current:								
General Government	\$ 454,454	\$ 0	\$ 0	\$ 0	\$ 1,552	\$ 0	\$ 456,006	
Finance	220,898	0	0	0	82,316	0	303,214	
Administration of Justice	319,192	0	0	0	16,624	0	335,816	
Public Safety	1,351,091	0	0	0	20,486	0	1,371,577	
Public Health and Welfare	512,643	396,156	0	0	0	0	908,799	
Social, Cultural, and Recreational Services	213,311	0	0	0	0	0	213,311	
Agriculture and Natural Resources	129,925	0	0	0	0	0	129,925	
Other Operations	547,925	9,727	0	0	370	0	558,022	
Highways	38,427	0	1,376,301	0	0	0	1,414,728	
Debt Service:								
Principal on Debt	0	0	0	276,932	0	0	276,932	
Interest on Debt	0	0	0	46,140	0	0	46,140	
Other Debt Service	0	0	0	50,432	0	0	50,432	
Total Expenditures	\$ 3,787,866	\$ 405,883	\$ 1,376,301	\$ 373,504	\$ 121,348	\$ 0	\$ 6,064,902	
Excess (Deficiency) of Revenues Over Expenditures	\$ 151,467	\$ 172,070	\$ (58,210)	\$ 87,500	\$ 43,540	\$ 396,367	\$ 396,367	
Net Change in Fund Balances Fund Balance, July 1, 2012	\$ 1,440,269	\$ 563,326	\$ 352,081	\$ 1,039,467	\$ 136,206	\$ 3,531,349	\$ 3,531,349	
Fund Balance, June 30, 2013	\$ 1,591,736	\$ 735,396	\$ 293,871	\$ 1,126,967	\$ 179,746	\$ 3,927,716	\$ 3,927,716	

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, 2013

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)	\$	396,367
(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	\$	147,148
Less: current-year depreciation expense		<u>(259,897)</u>
		(112,749)
(2) Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2013	\$	177,660
Less: deferred delinquent property taxes and other deferred June 30, 2012		<u>(258,382)</u>
		(80,722)
(3) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:		
Add: principal payments on capital leases	\$	28,367
Add: principal payments on other loans		248,565
Less: debt service contributions for principal to primary government		<u>(241,000)</u>
		35,932
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued interest payable	\$	141
Change in compensated absences payable		<u>(13,590)</u>
		(13,449)
Change in net position of governmental activities (Exhibit B)	\$	<u>225,379</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, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,548,055	\$ 2,518,304	\$ 2,518,304	\$ 29,751
Licenses and Permits	1,140	0	0	1,140
Fines, Forfeitures, and Penalties	87,692	52,750	52,750	34,942
Charges for Current Services	33,424	24,450	24,450	8,974
Other Local Revenues	29,659	7,000	9,994	19,665
Fees Received from County Officials	329,324	255,000	255,000	74,324
State of Tennessee	571,408	1,095,364	1,007,199	(435,791)
Federal Government	197,454	75,000	127,462	69,992
Other Governments and Citizens Groups	141,177	139,100	176,985	(35,808)
Total Revenues	\$ 3,939,333	\$ 4,166,968	\$ 4,172,144	\$ (232,811)
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 25,053	\$ 36,050	\$ 36,050	\$ 10,997
Board of Equalization	1,050	1,300	1,300	250
Beer Board	229	500	500	271
County Mayor/Executive	120,915	124,242	125,524	4,609
County Attorney	6,000	6,000	6,000	0
Election Commission	125,068	162,366	162,366	37,298
Register of Deeds	75,211	78,483	78,483	3,272
County Buildings	100,928	142,805	137,805	36,877
Preservation of Records	0	811	811	811
<u>Finance</u>				
Property Assessor's Office	92,651	92,935	92,935	284
County Trustee's Office	13,960	14,935	14,935	975
County Clerk's Office	114,287	113,440	117,340	3,053
<u>Administration of Justice</u>				
Circuit Court	148,165	163,134	163,135	14,970
General Sessions Court	70,960	70,960	70,960	0
Chancery Court	76,451	79,599	79,599	3,148
Juvenile Court	11,862	15,375	15,375	3,513
Judicial Commissioners	11,754	11,079	11,875	121
<u>Public Safety</u>				
Sheriff's Department	829,169	915,463	904,463	75,294
Drug Enforcement	42,878	40,000	43,203	325
Jail	288,855	356,996	356,996	68,141
Correctional Incentive Program Improvements	2,680	2,680	2,680	0
Juvenile Services	17,595	0	33,000	15,405
Fire Prevention and Control	35,256	40,268	40,268	5,012
Rescue Squad	2,500	2,500	2,500	0
Other Emergency Management	70,572	85,100	85,100	14,528
County Coroner/Medical Examiner	9,480	17,250	17,250	7,770
Other Public Safety	52,106	55,833	55,833	3,727
<u>Public Health and Welfare</u>				
Local Health Center	39,190	41,300	41,300	2,110
Ambulance/Emergency Medical Services	360,000	360,000	360,000	0
Alcohol and Drug Programs	45,546	50,000	50,000	4,454

(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 (Cont.)</u>				
Other Local Health Services	\$ 56,607	\$ 116,100	\$ 116,100	\$ 59,493
Appropriation to State	11,300	11,300	11,300	0
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	39,804	47,305	47,305	7,501
Libraries	97,795	89,498	93,919	(3,876)
Parks and Fair Boards	66,705	79,000	79,000	12,295
Other Social, Cultural, and Recreational	9,007	15,000	15,000	5,993
<u>Agriculture and Natural Resources</u>				
Agriculture Extension Service	77,400	94,404	94,904	17,504
Forest Service	1,000	1,000	1,000	0
Soil Conservation	51,525	52,116	52,116	591
<u>Other Operations</u>				
Tourism	39,641	46,487	46,487	6,846
Industrial Development	65,261	96,200	96,200	30,939
Other Economic and Community Development	8,339	572,000	572,000	563,661
Veterans' Services	3,835	7,000	10,942	7,107
Other Charges	158,517	167,400	166,642	8,125
Employee Benefits	272,332	290,000	299,550	27,218
<u>Highways</u>				
Litter and Trash Collection	38,427	38,719	41,195	2,768
Total Expenditures	<u>\$ 3,787,866</u>	<u>\$ 4,804,933</u>	<u>\$ 4,851,246</u>	<u>\$ 1,063,380</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>\$ 151,467</u>	<u>\$ (637,965)</u>	<u>\$ (679,102)</u>	<u>\$ 830,569</u>
Net Change in Fund Balance	\$ 151,467	(637,965)	(679,102)	830,569
Fund Balance, July 1, 2012	1,440,269	1,447,527	1,447,527	(7,258)
Fund Balance, June 30, 2013	<u>\$ 1,591,736</u>	<u>\$ 809,562</u>	<u>\$ 768,425</u>	<u>\$ 823,311</u>

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

Exhibit C-6

Clay County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 451,433	\$ 376,500	\$ 376,500	\$ 74,933
Charges for Current Services	88,684	55,000	55,000	33,684
Other Local Revenues	37,288	20,000	20,000	17,288
State of Tennessee	548	0	0	548
Total Revenues	<u>\$ 577,953</u>	<u>\$ 451,500</u>	<u>\$ 451,500</u>	<u>\$ 126,453</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Waste Pickup	\$ 396,156	\$ 508,504	\$ 508,504	\$ 112,348
<u>Other Operations</u>				
Other Charges	9,727	10,000	10,000	273
Total Expenditures	<u>\$ 405,883</u>	<u>\$ 518,504</u>	<u>\$ 518,504</u>	<u>\$ 112,621</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 172,070</u>	<u>\$ (67,004)</u>	<u>\$ (67,004)</u>	<u>\$ 239,074</u>
Net Change in Fund Balance	\$ 172,070	\$ (67,004)	\$ (67,004)	\$ 239,074
Fund Balance, July 1, 2012	<u>563,326</u>	<u>563,473</u>	<u>563,473</u>	<u>(147)</u>
Fund Balance, June 30, 2013	<u>\$ 735,396</u>	<u>\$ 496,469</u>	<u>\$ 496,469</u>	<u>\$ 238,927</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, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,616	\$ 0	\$ 0	\$ 1,616
Other Local Revenues	13,888	2,000	2,000	11,888
State of Tennessee	1,302,587	1,571,995	1,571,995	(269,408)
Federal Government	0	52,000	52,000	(52,000)
Total Revenues	<u>\$ 1,318,091</u>	<u>\$ 1,625,995</u>	<u>\$ 1,625,995</u>	<u>\$ (307,904)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 115,805	\$ 118,059	\$ 123,099	\$ 7,294
Highway and Bridge Maintenance	735,613	1,170,500	1,170,500	434,887
Operation and Maintenance of Equipment	230,008	217,082	231,582	1,574
Other Charges	112,709	110,887	115,007	2,298
Employee Benefits	84,926	96,645	96,645	11,719
Capital Outlay	97,240	100,000	100,000	2,760
Total Expenditures	<u>\$ 1,376,301</u>	<u>\$ 1,813,173</u>	<u>\$ 1,836,833</u>	<u>\$ 460,532</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (58,210)</u>	<u>\$ (187,178)</u>	<u>\$ (210,838)</u>	<u>\$ 152,628</u>
Net Change in Fund Balance	\$ (58,210)	\$ (187,178)	\$ (210,838)	\$ 152,628
Fund Balance, July 1, 2012	<u>352,081</u>	<u>187,853</u>	<u>187,853</u>	<u>164,228</u>
Fund Balance, June 30, 2013	<u>\$ 293,871</u>	<u>\$ 675</u>	<u>\$ (22,985)</u>	<u>\$ 316,856</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, 2013

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 553,067
Due from Other Governments	<u>49,554</u>
Total Assets	<u>\$ 602,621</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 49,554
Due to Litigants, Heirs, and Others	<u>553,067</u>
Total Liabilities	<u>\$ 602,621</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, 2013

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 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. 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, 2013.

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 types:

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 4.2 percent of total taxes levied.

Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises. This date is January 1 and is referred to as the lien date. However, revenues from property taxes are recognized in the period for which the taxes are levied, which is the ensuing fiscal year. Since the receivable is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated allowance for uncollectible taxes, is reported as deferred inflow of resources as of June 30.

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported as revenue during the current fiscal year. These property taxes receivable are presented on the balance sheet as a deferred outflow of resources to reflect amounts not available as of June 30. Property taxes collected within 30 days of year-end are considered available and accrued. The allowance for uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court for collection are not included in taxes receivable since they are neither measurable nor available.

Property taxes are levied as of the first Monday in October. Taxes become delinquent and begin accumulating interest and penalty the following March 1. Suit must be filed in Chancery Court between the following February 1 to April 1 for any remaining unpaid taxes. Additional costs attach to delinquent taxes after a court suit has been filed.

Most payables are disaggregated on the face of the financial statements.

3. Capital Assets

Governmental funds do not capitalize the cost of capital outlays; these funds report capital outlays as expenditures upon acquisition.

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$10,000 or more and an estimated useful life of more than five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, equipment, and infrastructure of the primary government and the discretely presented School Department are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	25 - 40
Other Capital Assets	5 - 30
Infrastructure:	
Roads	20 - 75
Bridges	75

4. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources,

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

5. Compensated Absences

It is the county's policy to permit employees to accumulate up to 12 days each of vacation and sick leave beyond year-end. There is no liability for accumulated unpaid sick leave since Clay County does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide financial statements for the county. A liability for vacation pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

The general policy of the School Department does not allow for the accumulation of vacation days beyond year-end. All professional personnel (teachers) of the School Department are allowed to accumulate unlimited sick leave days. The granting of sick leave has no guaranteed payment attached, and therefore, is not required to be accrued or recorded. Accrued leave included on the government-wide statements is for accumulated compensatory time for central office personnel.

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, 2013, Clay County had \$6,228,000 in outstanding debt for capital purposes for the discretely presented Clay County School Department. This debt is a liability of Clay County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, Clay County has incurred a liability significantly decreasing its unrestricted net position with no corresponding increase in the county's capital assets.

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

amounts in any of these unrestricted fund balance classifications could be used.

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

These classifications may consist of the following:

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

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

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

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

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

8. Prior-period Adjustment

A prior-period adjustment totaling \$70,983 was recognized in the Statement of Activities to increase the liability for other postemployment benefits in the discretely presented Clay County School Department that was understated at July 1, 2012.

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

In prior years, the budgetary statements for the General Fund and major special revenue funds were presented as required supplementary information in the financial statements of its external financial report. Effective for the year ended June 30, 2013, these budgetary statements are presented as part of the basic financial statements. This change in presentation was done to be consistent in the presentation of the information for both municipal and county governments in Tennessee.

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

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

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

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

B. Appropriations Exceeded Estimated Available Funds

The budget and subsequent amendments approved by the County Commission for the county's Highway/Public Works Fund resulted in appropriations exceeding estimated available funding by \$22,985.

C. Expenditures Exceeded Appropriations

Expenditures exceeded appropriations in the Libraries major appropriation category (the legal level of control) in the General Fund by \$3,876.

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, 2013.

B. Capital Assets

Capital assets activity for the year ended June 30, 2013, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-12	Increases	Balance 6-30-13
Capital Assets Not Depreciated:			
Land	\$ 95,000	\$ 0	\$ 95,000
Total Capital Assets Not Depreciated	<u>\$ 95,000</u>	<u>\$ 0</u>	<u>\$ 95,000</u>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 2,620,813	\$ 0	\$ 2,620,813
Roads and Bridges	11,323,027	0	11,323,027
Other Capital Assets	2,524,726	147,148	2,671,874
Total Capital Assets Depreciated	<u>\$ 16,468,566</u>	<u>\$ 147,148</u>	<u>\$ 16,615,714</u>
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 626,819	\$ 21,920	\$ 648,739
Roads and Bridges	2,325,804	99,719	2,425,523
Other Capital Assets	1,491,733	138,258	1,629,991
Total Accumulated Depreciation	<u>\$ 4,444,356</u>	<u>\$ 259,897</u>	<u>\$ 4,704,253</u>
Total Capital Assets Depreciated, Net	<u>\$ 12,024,210</u>	<u>\$ (112,749)</u>	<u>\$ 11,911,461</u>
Governmental Activities Capital Assets, Net	<u>\$ 12,119,210</u>	<u>\$ (112,749)</u>	<u>\$ 12,006,461</u>

There were no decreases in capital assets to report during the year ended June 30, 2013.

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

Governmental Activities:

General Government	\$ 14,898
Public Safety	21,925
Public Health and Welfare	29,698
Agriculture and Natural Resources	1,673
Other Operations	2,104
Highways/Public Works	<u>189,599</u>
 Total Depreciation Expense - Governmental Activities	 <u><u>\$ 259,897</u></u>

Discretely Presented Clay County School Department

Governmental Activities:

	Balance 7-1-12	Increases	Decreases	Balance 6-30-13
Capital Assets Not Depreciated:				
Land	\$ 338,698	\$ 0	\$ 0	\$ 338,698
Construction in Progress	38,632	0	(38,632)	0
Total Capital Assets Not Depreciated	<u>\$ 377,330</u>	<u>\$ 0</u>	<u>\$ (38,632)</u>	<u>\$ 338,698</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 10,901,368	\$ 0	\$ 0	\$ 10,901,368
Infrastructure	648,860	0	0	648,860
Other Capital Assets	1,659,254	192,602	(97,425)	1,754,431
Total Capital Assets Depreciated	<u>\$ 13,209,482</u>	<u>\$ 192,602</u>	<u>\$ (97,425)</u>	<u>\$ 13,304,659</u>
Less Accumulated Depreciated For:				
Buildings and Improvements	\$ 4,200,159	\$ 243,001	\$ 0	\$ 4,443,160
Infrastructure	247,220	21,802	0	269,022
Other Capital Assets	853,630	93,317	(92,554)	854,393
Total Accumulated Depreciation	<u>\$ 5,301,009</u>	<u>\$ 358,120</u>	<u>\$ (92,554)</u>	<u>\$ 5,566,575</u>
Total Capital Assets Depreciated, Net	<u>\$ 7,908,473</u>	<u>\$ (165,518)</u>	<u>\$ (4,871)</u>	<u>\$ 7,738,084</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 8,285,803</u></u>	<u><u>\$ (165,518)</u></u>	<u><u>\$ (43,503)</u></u>	<u><u>\$ 8,076,782</u></u>

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

Governmental Activities:

Instruction	\$ 242,125
Support Services	99,141
Operation of Non-Instructional Services	<u>16,854</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 358,120</u>

C. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2013, was as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
General	Nonmajor governmental	\$ 1,129
Discretely Presented School Department:		
General Purpose School	School Federal Projects	1,229

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

Due to/from Primary Government and Component Units:

<u>Receivable</u>	<u>Payable</u>	<u>Amount</u>
Primary Government:	Component Unit:	
Governmental Activities	School Department	\$ 6,228,000

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, 2013, consisted of the following amount:

Discretely Presented Clay County School Department

	Transfer In
Transfer Out	General Purpose School Fund
School Federal Projects Fund	\$ 12,607

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

Other Loans

Clay County issues other loans to provide funds for the acquisition and construction of major capital facilities.

Other loans outstanding were issued for original terms of up to 40 years. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. Other loans included in long-term debt at June 30, 2013, will be retired from the General Debt Service Fund.

Other loans outstanding as of June 30, 2013, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-13
Other Loans	3.75 %	3-7-1950	\$ 615,000	\$ 607,435
Other Loans	Variable	5-25-31	8,400,000	6,228,000

During 2010-11, Clay County entered into a loan agreement with the U.S. Department of Agriculture (USDA) Rural Development Loan Program.

This loan agreement provided for the USDA to make \$615,000 available for loan to Clay County on an as-needed basis for the construction of a courtroom addition at the administrative annex building. The terms of this agreement call for the county to repay the loan over a period of 40 years at an interest rate of 3.75 percent.

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, 2013, the variable interest rate was .33 percent, and other fees totaled approximately 1.2 percent (letter of credit), .08 percent (remarketing), and a trustee fee of \$85 per month.

The annual requirements to amortize the county's other loans outstanding as of June 30, 2013, including interest payments and other loan fees, are presented in the following table:

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2014	\$ 256,848	\$ 43,332	\$ 81,794	\$ 381,974
2015	267,142	42,216	78,606	387,964
2016	276,448	41,055	75,289	392,792
2017	286,765	39,854	71,857	398,476
2018	298,093	38,608	68,297	404,998
2019-2023	1,661,844	172,649	283,231	2,117,724
2024-2028	1,995,119	133,737	172,103	2,300,959
2029-2033	1,413,473	88,613	40,849	1,542,935
2034-2038	88,321	64,814	0	153,135
2039-2043	106,171	46,964	0	153,135
2044-2048	127,629	25,506	0	153,135
2049-2050	57,582	3,251	0	60,833
Total	\$ 6,835,435	\$ 740,599	\$ 872,026	\$ 8,448,060

There is \$1,126,967 available in the General Debt Service Fund to service long-term debt. Debt per capita totaled \$870, based on the 2010 federal census.

The School Department is currently servicing some of 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. In the prior year, this debt was reflected as debt of the School Department; however, this debt has been reclassified as debt of the primary government because the primary government is legally obligated to repay the debt.

<u>Description of Indebtedness</u>	<u>Outstanding 6-30-13</u>
<u>Other Loans</u>	
<u>Contributions from General Purpose School Fund</u>	
School Construction	\$ 5,113,000
Athletic Facility	<u>1,115,000</u>
Total	<u><u>\$ 6,228,000</u></u>

Changes in Long-term Obligations

Long-term obligation activity for the year ended June 30, 2013, was as follows:

Governmental Activities:

	<u>Other Loans</u>	<u>Capital Leases</u>
Balance, July 1, 2012	\$ 615,000	\$ 28,367
Reclassification of School Debt	6,469,000	0
Reductions	<u>(248,565)</u>	<u>(28,367)</u>
Balance, June 30, 2013	<u>\$ 6,835,435</u>	<u>\$ 0</u>
Balance Due Within One Year	<u><u>\$ 256,848</u></u>	<u><u>\$ 0</u></u>
		<u>Compensated Absences</u>
Balance, July 1, 2012		\$ 72,605
Additions		100,420
Reductions		<u>(86,830)</u>
Balance, June 30, 2013		<u>\$ 86,195</u>
Balance Due Within One Year		<u><u>\$ 64,646</u></u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2013	\$ 6,921,630
Less: Balance Due Within One Year	<u>(321,494)</u>

Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 6,600,136</u>
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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 obligation activity for the discretely presented Clay County School Department for the year ended June 30, 2013, was as follows:

Governmental Activities:

	Other Loans	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2012	\$ 6,469,000	\$ 1,487	\$ 266,816
Additions	0	1,530	185,326
Reductions	0	(2,943)	(36,591)
Reclassification of School Debt	<u>(6,469,000)</u>	0	0
Balance, June 30, 2013	<u>\$ 0</u>	<u>\$ 74</u>	<u>\$ 415,551</u>
Balance Due Within One Year	<u>\$ 0</u>	<u>\$ 74</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2013	\$ 415,625
Less: Balance Due Within One Year	<u>(74)</u>

Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 415,551</u>
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Compensated absences and other postemployment benefits will be paid from the employing funds, primarily the General Purpose School and School Federal Projects funds.

E. On-Behalf Payments

Discretely Presented Clay County School Department

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Clay County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2013, were \$53,129 and \$19,542, 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. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position* became effective for the year ended June 30, 2013. Clay County early implemented Statement No. 65, *Items Previously Reported as Assets and Liabilities* and Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*, which have an effective date of June 30, 2014.

GASB Statement No. 60 provides accounting and financial reporting guidance related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The standard establishes criteria for determining whether a SCA exists, how to account for SCAs, and requires certain disclosures associated with a SCA.

GASB Statement No. 61 amends Statements No. 14 and No. 34 and modifies certain requirements for inclusion of component units in the financial reporting entity to ensure that the reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. Statement No. 61 also clarifies the criteria for blending component units and presenting business-type component units.

GASB Statement No. 62 incorporates into GASB's literature the provisions in Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' Committee on Accounting Procedure issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements. The option to use subsequent FASB guidance has been removed.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources that were introduced and defined by Concepts Statement No. 4, *Elements of Financial Statements*. Previous financial reporting standards did not include guidance for reporting those financial statement elements, which are distinct from assets and

liabilities. In addition, the previous Statement of Net Assets was renamed to a Statement of Financial Position.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassifies, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

GASB Statement No. 66 resolves conflicting guidance by removing the provision that limits fund based reporting of an entity's risk financing activities to the General Fund and the internal service fund type. Under Statement No. 66 decisions about fund type classifications are based on the nature of the activity to be reported as required by Statements No. 54 and No. 34. This statement also modifies guidance on operating lease payments, purchased loans, and servicing fees related to mortgage loans.

C. Subsequent Event

On October 7, 2013, the Clay County Commission adopted a resolution creating an Audit Committee in the county.

D. Contingent Liabilities

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

E. Joint Venture

The Thirteenth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Thirteenth Judicial District and participating municipalities within the district. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors including the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within each judicial district. Clay County did not make appropriations to the DTF for the year ended June 30, 2013. 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 Board of County Commissioners is responsible for appointing five of the nine board members of the Industrial Development Board of Celina and Clay County, Tennessee. The remaining four members are appointed by the City of Celina Board of Aldermen. However, the county's accountability for this organization does not extend beyond making the appointments.

G. Retirement Commitments

1. Tennessee Consolidated Retirement System (TCRS)

Plan Description

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

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor,

Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PS/>.

Funding Policy

Clay County requires employees to contribute five percent of their earnable compensation to the plan. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2013, was 7.22 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the county is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2013, Clay County’s annual pension cost of \$242,481 to TCRS was equal to the county’s required and actual contributions. The required contribution was determined as part of the July 1, 2011, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected three percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected postretirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. The county’s unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011, was nine years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6-30-13	\$242,481	100%	\$0
6-30-12	235,103	100	0
6-30-11	218,374	100	0

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 87.67 percent funded. The actuarial accrued liability for benefits was \$6.66 million, and the actuarial value of assets was \$5.84 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$.82 million. The covered payroll (annual payroll of active employees covered by the plan) was \$3.02 million, and the ratio of the UAAL to the covered payroll was 27.21 percent.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

SCHOOL TEACHERS

Plan Description

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

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEEPP. That report may be obtained by writing to the Tennessee

Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.tn.gov/treasury/tcrs/Schools.

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2013, was 8.88 percent of annual covered payroll. The employer contribution requirement for the School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2013, 2012, and 2011, were \$384,355, \$411,150, and \$408,529, respectively, equal to the required contributions for each year.

2. Deferred Compensation

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

H. Other Postemployment Benefits (OPEB)

Plan Description

The School Department participates in the state-administered Local Education Group Insurance and Medicare Supplement plans for healthcare benefits. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Section 8-27-302, *Tennessee Code Annotated (TCA)*, for local education employees and Section 8-27-701, *TCA*, for the Medicare Supplement Plan. Prior to reaching the age of 65, all members have the option of choosing between the standard or partnership preferred provider organization (PPO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered Medicare Supplement Plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://tennessee.gov/finance/act/cafr.html>.

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employer in the plan develops its own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state provides a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. The required contribution rate for retirees ranges from 55 to 75 percent based on the years of service. During the year ended June 30, 2013, the discretely presented Clay County School Department contributed \$36,591 for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan	Medicare Supplement Plan
ARC	\$ 108,000	\$ 7,000
Interest on the NOPEBO	10,672	0
Adjustment to the ARC	(11,329)	0
Annual OPEB cost	\$ 107,343	\$ 7,000
Amount of contribution	(31,497)	(5,094)
Increase/decrease in NOPEBO	\$ 75,846	\$ 1,906
Prior Period Adjustment	0	70,983
Net OPEB obligation, 7-1-12	266,816	0
Net OPEB obligation, 6-30-13	\$ 342,662	\$ 72,889

Fiscal Year Ended	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-11	Local Education Group	\$ 80,341	41 %	\$ 191,153
6-30-12	"	106,530	29	266,816
6-30-13	"	107,343	29	342,662
6-30-11	Medicare Supplement	37,083	3	70,983
6-30-12	"	0	0	70,983
6-30-13	"	7,000	73	72,889

Funded Status and Funding Progress

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

	Local Education Group Plan	Medicare Supplement Plan
Actuarial valuation date	7-1-11	7-1-11
Actuarial accrued liability (AAL)	\$ 1,128,000	\$ 74,000
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 1,128,000	\$ 74,000
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 4,169,995	\$ N/A
UAAL as a % of covered payroll	27%	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, 2011, 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 8.75 percent for fiscal year 2013. The trend rate will decrease to 8.25 percent in fiscal year 2014 and then be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. The annual healthcare cost trend rate for the Medicare Supplement Plan was 6.25 percent for fiscal year 2013. The trend will decrease to six percent in fiscal year 2014 and then will be reduced by decrements to an ultimate rate of five percent by fiscal year 2018. 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.

VI. OTHER NOTES – DISCRETELY PRESENTED CLAY COUNTY EMERGENCY COMMUNICATIONS DISTRICT

A. Summary of Significant Accounting Policies

The financial statements of the Clay County Emergency Communications District have been prepared in conformity with generally accepted accounting principles as prescribed the Governmental Accounting Standards Board. The following is a summary of the more significant accounting policies:

1. The Reporting Entity

The district is a board created under county resolution. The board is engaged in providing emergency communication services to district members. The chairman and Board of Directors manage the district.

The district is a component unit of Clay County, Tennessee. The county appoints the members of the district's governing board. The district is fiscally dependent on the county for approval of most debt issuance, and the County Commission has the ability to adjust the district's service charges.

2. Measurement Focus/Basis of Accounting

The district utilizes the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with the district's activities are reported.

The district is a single-enterprise proprietary fund and uses the accrual basis of accounting. Proprietary funds are used to account for operations that are financed in a manner similar to private business enterprises and that a periodic determination of revenues earned, expenses incurred and/or change in net position is appropriate for capital maintenance, public policy, management control, accountability or other purposes. Under the accrual basis of accounting, revenues are recorded when earned, and expenses are recorded when the liability is incurred or economic asset used.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. The principle operating revenues of the district are service fees assessed to county residents on their monthly residential and business phone bills and amounts received from the State of Tennessee for service fees assessed to cell phone users.

Operating expenses include the cost of providing a simplified means of securing emergency services by telephone to those persons living within the county, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

3. Capital Assets

The district defines capital assets as assets with an initial, individual cost of \$500 or more and an estimated useful life in excess of five years. Capital assets purchased by the enterprise fund are presented on the balance sheet at cost and offset by an accumulated depreciation account. Depreciation is calculated using the straight-line method over the estimated useful life of the assets, which is generally five years for equipment and 20 years for building improvements. For assets constructed by the district, cost includes interest incurred during the construction period and other carrying costs. When assets are disposed of, the cost and related accumulated depreciation is removed from the accounts and any gain or loss is recorded in operations. Long-term liabilities to be shown on the books of the enterprise fund when incurred represent specific obligations to be paid from the specific revenues of that fund.

4. Risk Financing

The district is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The district maintains commercial insurance coverage on each area of risk. Exposure is limited to claims in excess of standard policy limitations. The district annually reviews its insurance needs based on claims and/or potential claims to minimize exposure. There were no claims in excess of insurance coverage during the last three years. The district's attorney has stated that a claim has been filed seeking in excess of \$75,000. A projected outcome of this case cannot be determined.

B. Cash and Investments

Cash as reported is comprised of one checking account. The district's carrying amount of deposits was \$367,074, and the bank balance was \$376,666. Investments consist of certificates of deposit with original maturities of greater than three months. Policy dictates that collateral meet requirements, such as, securities be deposited into an escrow account in another institution for the benefit of the district. However, due to oversight following the sale of land, the district failed to ensure that sufficient securities were pledged in the district's name to fully collateralize the district's funds. Unsecured cash held with one local depository totaled \$126,666.

C. Capital Assets

Capital assets activity of the district for the year ended June 30, 2013, was as follows:

	Balance 6-30-12	Additions	Reductions	Balance 6-30-13
<u>Capital Assets Being Depreciated:</u>				
Building	\$ 8,982	\$ 3,279	\$ 0	\$ 12,261
Equipment	524,893	207,807	(156,091)	576,609
Surveying and Mapping	74,609	0	0	74,609
Total	\$ 608,484	\$ 211,086	\$ (156,091)	\$ 663,479
<u>Accumulated Depreciation:</u>				
Building	\$ 4,595	\$ 749	\$ 0	\$ 5,344
Equipment	446,125	49,628	(156,091)	339,662
Surveying and Mapping	44,500	7,461	0	51,961
Total	\$ 495,220	\$ 57,838	\$ (156,091)	\$ 396,967
Net Capital Assets	\$ 113,264	\$ 153,248	\$ 0	\$ 266,512

D. Funding Sources

Monthly fees provide funds for operations from service users in Clay County. The service suppliers in Clay County, Twin Lakes Telephone and Northern Central Telephone, collect the service fees and remit the funds to the district. The State of Tennessee remits to the district its share of wireless revenue.

E. Budget

The district is required by state statute to adopt a budget annually. The proprietary fund budget is prepared on a basis where current available funds must be sufficient to meet current expenses. Expenses may not legally exceed appropriations authorized by the Board of Directors, including authorized revisions. Budgetary control is exercised at the line-item level. Appropriations lapse at year end.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit E-1

Clay County, Tennessee
Schedule of Funding Progress – Pension Plan
Primary Government and Discretely Presented Clay County School Department
June 30, 2013

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Liability (AAL) Frozen Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7-1-11	\$ 5,837	\$ 6,657	\$ 821	87.67 %	\$ 3,016	27.21 %
7-1-10	4,703	5,565	862	84.51	2,765	31.16
7-1-09	4,315	4,563	248	94.56	2,584	9.6

Exhibit E-2

Clay County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plans
Discretely Presented Clay County School Department
June 30, 2013

(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	7-1-09	\$ 0	\$ 926	\$ 926	0 %	\$ 4,064	23 %
"	7-1-10	0	956	956	0	4,064	24
"	7-1-11	0	1,128	1,128	0	4,170	27
Medicare Supplement	7-1-09	0	531	531	0	N/A	N/A
"	7-1-10	0	531	531	0	N/A	N/A
"	7-1-11	0	74	74	0	N/A	N/A

CLAY COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2013

BUDGETARY INFORMATION

In prior years, the budgetary statements for the General Fund and major special revenue funds were presented as required supplementary information in the financial statements of its external financial report. Effective for the year ended June 30, 2013, these budgetary statements are presented as part of the basic financial statements. This change in presentation was done to be consistent in the presentation of the information for both municipal and county governments in Tennessee.

**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

Nonmajor Governmental Funds

Special Revenue Funds

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

Courthouse and Jail Maintenance Fund – The Courthouse and Jail Maintenance Fund is used to account for a special tax levied by private act on litigation and the recording of certain instruments. The proceeds of the tax must be used to pay for improvements or maintenance of the courthouse and jail.

Drug Control Fund – The Drug Control Fund is used to account for revenues received from drug-related fines, forfeitures, and seizures.

Constitutional Officers - Fees Fund – The Constitutional Officers - Fees Fund is used to account for operating expenses paid directly from the fee and commission accounts of the trustee, clerks, register, and sheriff.

Clay County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Drug Control	Constitu - tional Officers - Fees	
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 19,448	\$ 19,448
Equity in Pooled Cash and Investments	66,719	94,679	0	161,398
Accounts Receivable	0	0	29	29
Total Assets	<u>\$ 66,719</u>	<u>\$ 94,679</u>	<u>\$ 19,477</u>	<u>\$ 180,875</u>
<u>LIABILITIES</u>				
Due to Other Funds	\$ 0	\$ 0	\$ 1,129	\$ 1,129
Total Liabilities	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,129</u>	<u>\$ 1,129</u>
<u>FUND BALANCES</u>				
Restricted:				
Restricted for General Government	\$ 66,719	\$ 0	\$ 0	\$ 66,719
Restricted for Public Safety	0	94,679	0	94,679
Committed:				
Committed for Finance	0	0	18,348	18,348
Total Fund Balances	<u>\$ 66,719</u>	<u>\$ 94,679</u>	<u>\$ 18,348</u>	<u>\$ 179,746</u>
Total Liabilities and Fund Balances	<u>\$ 66,719</u>	<u>\$ 94,679</u>	<u>\$ 19,477</u>	<u>\$ 180,875</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, 2013

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Drug Control	Constitu- tional Officers - Fees	
<u>Revenues</u>				
Local Taxes	\$ 18,831	\$ 0	\$ 0	\$ 18,831
Fines, Forfeitures, and Penalties	0	25,814	0	25,814
Charges for Current Services	0	1,192	99,834	101,026
Other Local Revenues	0	19,217	0	19,217
Total Revenues	<u>\$ 18,831</u>	<u>\$ 46,223</u>	<u>\$ 99,834</u>	<u>\$ 164,888</u>
<u>Expenditures</u>				
Current:				
General Government	\$ 1,552	\$ 0	\$ 0	\$ 1,552
Finance	0	0	82,316	82,316
Administration of Justice	0	0	16,624	16,624
Public Safety	0	20,486	0	20,486
Other Operations	185	185	0	370
Total Expenditures	<u>\$ 1,737</u>	<u>\$ 20,671</u>	<u>\$ 98,940</u>	<u>\$ 121,348</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 17,094</u>	<u>\$ 25,552</u>	<u>\$ 894</u>	<u>\$ 43,540</u>
Net Change in Fund Balances	\$ 17,094	\$ 25,552	\$ 894	\$ 43,540
Fund Balance, July 1, 2012	49,625	69,127	17,454	136,206
Fund Balance, June 30, 2013	<u>\$ 66,719</u>	<u>\$ 94,679</u>	<u>\$ 18,348</u>	<u>\$ 179,746</u>

Exhibit F-3

Clay County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Courthouse and Jail Maintenance Fund
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 18,831	\$ 9,100	\$ 9,100	\$ 9,731
Total Revenues	\$ 18,831	\$ 9,100	\$ 9,100	\$ 9,731
<u>Expenditures</u>				
<u>General Government</u>				
County Buildings	\$ 1,552	\$ 3,200	\$ 3,200	\$ 1,648
<u>Other Operations</u>				
Other Charges	185	500	500	315
Total Expenditures	\$ 1,737	\$ 3,700	\$ 3,700	\$ 1,963
Excess (Deficiency) of Revenues Over Expenditures	\$ 17,094	\$ 5,400	\$ 5,400	\$ 11,694
Net Change in Fund Balance	\$ 17,094	\$ 5,400	\$ 5,400	\$ 11,694
Fund Balance, July 1, 2012	49,625	49,624	49,624	1
Fund Balance, June 30, 2013	\$ 66,719	\$ 55,024	\$ 55,024	\$ 11,695

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, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 25,814	\$ 3,500	\$ 3,500	\$ 22,314
Charges for Current Services	1,192	0	0	1,192
Other Local Revenues	19,217	500	1,749	17,468
Total Revenues	<u>\$ 46,223</u>	<u>\$ 4,000</u>	<u>\$ 5,249</u>	<u>\$ 40,974</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 20,486	\$ 42,000	\$ 43,249	\$ 22,763
<u>Other Operations</u>				
Other Charges	185	500	500	315
Total Expenditures	<u>\$ 20,671</u>	<u>\$ 42,500</u>	<u>\$ 43,749</u>	<u>\$ 23,078</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 25,552</u>	<u>\$ (38,500)</u>	<u>\$ (38,500)</u>	<u>\$ 64,052</u>
Net Change in Fund Balance	\$ 25,552	\$ (38,500)	\$ (38,500)	\$ 64,052
Fund Balance, July 1, 2012	<u>69,127</u>	<u>69,125</u>	<u>69,125</u>	<u>2</u>
Fund Balance, June 30, 2013	<u>\$ 94,679</u>	<u>\$ 30,625</u>	<u>\$ 30,625</u>	<u>\$ 64,054</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, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 117,101	\$ 105,602	\$ 105,602	\$ 11,499
Other Local Revenues	31,616	30,000	30,293	1,323
Other Governments and Citizens Groups	312,287	0	312,287	0
Total Revenues	<u>\$ 461,004</u>	<u>\$ 135,602</u>	<u>\$ 448,182</u>	<u>\$ 12,822</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 35,932	\$ 35,600	\$ 35,932	\$ 0
Education	241,000	0	241,000	0
<u>Interest on Debt</u>				
General Government	23,162	23,201	23,162	0
Education	22,978	0	22,978	0
<u>Other Debt Service</u>				
General Government	2,123	3,000	3,000	877
Education	48,309	0	48,309	0
Total Expenditures	<u>\$ 373,504</u>	<u>\$ 61,801</u>	<u>\$ 374,381</u>	<u>\$ 877</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 87,500</u>	<u>\$ 73,801</u>	<u>\$ 73,801</u>	<u>\$ 13,699</u>
Net Change in Fund Balance	\$ 87,500	\$ 73,801	\$ 73,801	\$ 13,699
Fund Balance, July 1, 2012	1,039,467	1,039,381	1,039,381	86
Fund Balance, June 30, 2013	<u>\$ 1,126,967</u>	<u>\$ 1,113,182</u>	<u>\$ 1,113,182</u>	<u>\$ 13,785</u>

Fiduciary Funds

Agency Funds are used to account for assets held by the county in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Cities - Sales Tax Fund – The Cities - Sales Tax Fund is used to account for the second half of the sales tax revenues collected inside incorporated cities of the county. These revenues are received by the county from the State of Tennessee and forwarded to the various cities on a monthly basis.

Constitutional Officers - Agency Fund – The Constitutional Officers - Agency Fund is used to account for amounts collected in an agency capacity by the county clerk, circuit and general sessions courts clerk, clerk and master, register, and sheriff. Such collections include amounts due the state, cities, other county funds, litigants, heirs, and others.

Exhibit H-1

Clay County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2013

	<u>Agency Funds</u>		
	Cities- Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 553,067	\$ 553,067
Due from Other Governments	49,554	0	49,554
Total Assets	<u>\$ 49,554</u>	<u>\$ 553,067</u>	<u>\$ 602,621</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 49,554	\$ 0	\$ 49,554
Due to Litigants, Heirs, and Others	0	553,067	553,067
Total Liabilities	<u>\$ 49,554</u>	<u>\$ 553,067</u>	<u>\$ 602,621</u>

Exhibit H-2

Clay County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2013

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 277,061	\$ 277,061	\$ 0
Due from Other Governments	49,861	49,554	49,861	49,554
Total Assets	\$ 49,861	\$ 326,615	\$ 326,922	\$ 49,554
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 49,861	\$ 326,615	\$ 326,922	\$ 49,554
Total Liabilities	\$ 49,861	\$ 326,615	\$ 326,922	\$ 49,554
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 530,336	\$ 5,436,005	\$ 5,413,274	\$ 553,067
Total Assets	\$ 530,336	\$ 5,436,005	\$ 5,413,274	\$ 553,067
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 530,336	\$ 5,436,005	\$ 5,413,274	\$ 553,067
Total Liabilities	\$ 530,336	\$ 5,436,005	\$ 5,413,274	\$ 553,067
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 530,336	\$ 5,436,005	\$ 5,413,274	\$ 553,067
Equity in Pooled Cash and Investments	0	277,061	277,061	0
Due from Other Governments	49,861	49,554	49,861	49,554
Total Assets	\$ 580,197	\$ 5,762,620	\$ 5,740,196	\$ 602,621
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 49,861	\$ 326,615	\$ 326,922	\$ 49,554
Due to Litigants, Heirs, and Others	530,336	5,436,005	5,413,274	553,067
Total Liabilities	\$ 580,197	\$ 5,762,620	\$ 5,740,196	\$ 602,621

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, 2013

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 5,297,014	\$ 0	\$ 467,361	\$ (4,829,653)
Support Services	3,589,887	29,433	180,502	(3,379,952)
Operation of Non-Instructional Services	1,031,451	125,128	479,410	(426,913)
Interest on Long-term Debt	22,978	0	0	(22,978)
Other Debt Service	48,309	0	0	(48,309)
Total Governmental Activities	\$ 9,989,639	\$ 154,561	\$ 1,127,273	\$ (8,707,805)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 1,194,861
Local Option Sales Taxes				538,115
Other Local Taxes				671
Grants and Contributions Not Restricted to Specific Programs				6,898,908
Unrestricted Investment Earnings				393
Miscellaneous				35,454
Total General Revenues				\$ 8,668,402
Change in Net Position				\$ (39,403)
Prior-period Adjustment				(70,983)
Net Position, July 1, 2012				3,910,180
Net Position, June 30, 2013				\$ 3,799,794

Exhibit I-2

Clay County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Clay County School Department
June 30, 2013

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	
	<u>General Purpose School</u>	<u>Other Govern- mental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash	\$ 0	\$ 1,620	\$ 1,620
Equity in Pooled Cash and Investments	1,912,675	172,140	2,084,815
Accounts Receivable	93	0	93
Due from Other Governments	229,878	24,386	254,264
Due from Other Funds	1,229	0	1,229
Property Taxes Receivable	1,332,346	0	1,332,346
Allowance for Uncollectible Property Taxes	(105,497)	0	(105,497)
Total Assets	\$ 3,370,724	\$ 198,146	\$ 3,568,870
<u>LIABILITIES</u>			
Due to Other Funds	\$ 0	\$ 1,229	\$ 1,229
Total Liabilities	\$ 0	\$ 1,229	\$ 1,229
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Current Property Taxes	\$ 1,201,004	\$ 0	\$ 1,201,004
Deferred Delinquent Property Taxes	22,664	0	22,664
Other Deferred/Unavailable Revenue	52,197	0	52,197
Total Deferred Inflows of Resources	\$ 1,275,865	\$ 0	\$ 1,275,865
<u>FUND BALANCES</u>			
Restricted:			
Restricted for Education	\$ 378	\$ 176,917	\$ 177,295
Committed:			
Committed for Education	1,718,305	20,000	1,738,305
Unassigned	376,176	0	376,176
Total Fund Balances	\$ 2,094,859	\$ 196,917	\$ 2,291,776
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 3,370,724	\$ 198,146	\$ 3,568,870

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, 2013

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)		\$ 2,291,776	
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	338,698	
Add: buildings and improvements net of accumulated depreciation		6,458,208	
Add: infrastructure net of accumulated depreciation		379,838	
Add: other capital assets net of accumulated depreciation		<u>900,038</u>	8,076,782
(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 other loans payable on primary government debt	\$	(6,228,000)	
Less: other postemployment benefits liability		(415,551)	
Less: compensated absences payable		<u>(74)</u>	(6,643,625)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>74,861</u>
Net position of governmental activities (Exhibit A)			<u>\$ 3,799,794</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, 2013

	<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	\$ 1,879,372	\$ 0	\$ 1,879,372
Licenses and Permits	704	0	704
Charges for Current Services	27,610	126,827	154,437
Other Local Revenues	39,461	393	39,854
State of Tennessee	6,364,709	0	6,364,709
Federal Government	259,024	1,296,022	1,555,046
Total Revenues	<u>\$ 8,570,880</u>	<u>\$ 1,423,242</u>	<u>\$ 9,994,122</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 4,300,644	\$ 579,943	\$ 4,880,587
Support Services	3,424,091	222,038	3,646,129
Operation of Non-Instructional Services	421,449	593,148	1,014,597
Capital Outlay	94,679	0	94,679
Debt Service:			
Principal on Debt	241,000	0	241,000
Interest on Debt	22,978	0	22,978
Other Debt Service	48,309	0	48,309
Total Expenditures	<u>\$ 8,553,150</u>	<u>\$ 1,395,129</u>	<u>\$ 9,948,279</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 17,730</u>	<u>\$ 28,113</u>	<u>\$ 45,843</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In	\$ 12,607	\$ 0	\$ 12,607
Transfers Out	0	(12,607)	(12,607)
Total Other Financing Sources (Uses)	<u>\$ 12,607</u>	<u>\$ (12,607)</u>	<u>\$ 0</u>
Net Change in Fund Balances	\$ 30,337	\$ 15,506	\$ 45,843
Fund Balance, July 1, 2012	2,064,522	181,411	2,245,933
Fund Balance, June 30, 2013	<u>\$ 2,094,859</u>	<u>\$ 196,917</u>	<u>\$ 2,291,776</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, 2013

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)		\$ 45,843
(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	\$ 153,970	
Less: current-year depreciation expense	<u>(358,120)</u>	(204,150)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position:		
Less: loss on disposal of capital assets	\$ (1,871)	
Less: decrease of revenue for the sale of disposed assets	<u>(3,000)</u>	(4,871)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2013	\$ 74,861	
Less: deferred delinquent property taxes and other deferred June 30, 2012	<u>(115,747)</u>	(40,886)
(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 net effect of these differences in the treatment of long-term debt and related items:		
Add: principal contributed on other loans for primary government		241,000
(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	\$ (148,735)	
Change in prior-period adjustment for other postemployment benefits	70,983	
Change in compensated absences payable	<u>1,413</u>	(76,339)
Change in net position of governmental activities (Exhibit B)		<u>\$ (39,403)</u>

Exhibit I-6

Clay County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Clay County School Department
June 30, 2013

	<u>Special Revenue Funds</u>		
	School Federal Projects	Central Cafeteria	Total Nonmajor Governmental Funds
<u>ASSETS</u>			
Cash	\$ 0	\$ 1,620	\$ 1,620
Equity in Pooled Cash and Investments	7,499	164,641	172,140
Due from Other Governments	24,386	0	24,386
Total Assets	<u>\$ 31,885</u>	<u>\$ 166,261</u>	<u>\$ 198,146</u>
<u>LIABILITIES</u>			
Due to Other Funds	\$ 1,229	\$ 0	\$ 1,229
Total Liabilities	<u>\$ 1,229</u>	<u>\$ 0</u>	<u>\$ 1,229</u>
<u>FUND BALANCES</u>			
Restricted:			
Restricted for Education	\$ 10,656	\$ 166,261	\$ 176,917
Committed:			
Committed for Education	20,000	0	20,000
Total Fund Balances	<u>\$ 30,656</u>	<u>\$ 166,261</u>	<u>\$ 196,917</u>
Total Liabilities and Fund Balances	<u>\$ 31,885</u>	<u>\$ 166,261</u>	<u>\$ 198,146</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, 2013

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 126,827	\$ 126,827
Other Local Revenues	0	393	393
Federal Government	822,654	473,368	1,296,022
Total Revenues	<u>\$ 822,654</u>	<u>\$ 600,588</u>	<u>\$ 1,423,242</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 579,943	\$ 0	\$ 579,943
Support Services	222,038	0	222,038
Operation of Non-Instructional Services	0	593,148	593,148
Total Expenditures	<u>\$ 801,981</u>	<u>\$ 593,148</u>	<u>\$ 1,395,129</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 20,673</u>	<u>\$ 7,440</u>	<u>\$ 28,113</u>
<u>Other Financing Sources (Uses)</u>			
Transfers Out	\$ (12,607)	\$ 0	\$ (12,607)
Total Other Financing Sources (Uses)	<u>\$ (12,607)</u>	<u>\$ 0</u>	<u>\$ (12,607)</u>
Net Change in Fund Balances	\$ 8,066	\$ 7,440	\$ 15,506
Fund Balance, July 1, 2012	22,590	158,821	181,411
Fund Balance, June 30, 2013	<u>\$ 30,656</u>	<u>\$ 166,261</u>	<u>\$ 196,917</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, 2013

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 1,879,372	\$ 0	\$ 1,879,372	\$ 1,790,390	\$ 1,790,390	\$ 88,982
Licenses and Permits	704	0	704	890	890	(186)
Charges for Current Services	27,610	0	27,610	27,545	27,545	65
Other Local Revenues	39,461	0	39,461	45,300	45,300	(5,839)
State of Tennessee	6,364,709	0	6,364,709	6,262,446	6,339,172	25,537
Federal Government	259,024	0	259,024	124,767	124,767	134,257
Total Revenues	\$ 8,570,880	\$ 0	\$ 8,570,880	\$ 8,251,338	\$ 8,328,064	\$ 242,816
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 3,370,138	\$ 0	\$ 3,370,138	\$ 3,578,512	\$ 3,578,512	\$ 208,374
Alternative Instruction Program	56,049	0	56,049	56,590	56,590	541
Special Education Program	526,109	0	526,109	561,006	561,006	34,897
Vocational Education Program	315,540	0	315,540	321,702	321,702	6,162
Adult Education Program	32,808	0	32,808	32,967	32,967	159
<u>Support Services</u>						
Attendance	82,921	0	82,921	85,702	85,702	2,781
Health Services	194,844	0	194,844	199,951	199,951	5,107
Other Student Support	157,844	0	157,844	187,750	186,820	38,976
Regular Instruction Program	351,837	0	351,837	367,951	367,951	16,114
Special Education Program	85,024	0	85,024	86,819	86,819	1,795
Vocational Education Program	17,769	0	17,769	23,077	23,077	5,308
Other Programs	72,671	0	72,671	0	72,671	0
Board of Education	165,092	0	165,092	173,026	173,026	7,934

(Continued)

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Support Services (Cont.)</u>						
Director of Schools	\$ 148,192	\$ 0	\$ 148,192	\$ 152,353	\$ 4,161	
Office of the Principal	478,150	0	478,150	486,888	8,738	
Fiscal Services	137,694	0	137,694	146,409	8,715	
Operation of Plant	771,560	0	771,560	848,965	77,405	
Maintenance of Plant	129,835	0	129,835	160,360	30,525	
Transportation	630,658	(6,000)	624,658	720,843	96,185	
<u>Operation of Non-Instructional Services</u>						
Food Service	81,761	0	81,761	83,304	1,543	
Community Services	29,285	0	29,285	38,759	9,474	
Early Childhood Education	310,403	0	310,403	310,403	0	
<u>Capital Outlay</u>						
Regular Capital Outlay	94,679	(38,632)	56,047	255,000	198,953	
<u>Principal on Debt</u>						
Education	241,000	0	241,000	244,000	3,000	
Interest on Debt						
Education	22,978	0	22,978	301,874	278,896	
<u>Other Debt Service</u>						
Education	48,309	0	48,309	55,000	6,691	
Total Expenditures	\$ 8,553,150	\$ (44,632)	\$ 8,508,518	\$ 9,467,631	\$ 959,113	\$ 1,030,309
Excess (Deficiency) of Revenues Over Expenditures	\$ 17,730	\$ 44,632	\$ 62,362	\$ (1,216,293)	\$ (1,210,763)	\$ 1,273,125

(Continued)

Exhibit I-8

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Other Financing Sources (Uses)</u>						
Insurance Recovery	\$ 0	\$ 0	0	500	500	\$ (500)
Transfers In	12,607	0	12,607	16,100	16,100	(3,493)
Transfers Out	0	0	0	0	(5,530)	5,530
Total Other Financing Sources	\$ 12,607	\$ 0	\$ 12,607	\$ 16,600	\$ 11,070	\$ 1,537
Net Change in Fund Balance	\$ 30,337	\$ 44,632	\$ 74,969	\$ (1,199,693)	\$ (1,199,693)	\$ 1,274,662
Fund Balance, July 1, 2012	2,064,522	(44,632)	2,019,890	2,015,752	2,015,752	4,138
Fund Balance, June 30, 2013	\$ 2,094,859	\$ 0	\$ 2,094,859	\$ 816,059	\$ 816,059	\$ 1,278,800

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, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 822,654	\$ 864,797	\$ 864,797	\$ (42,143)
Total Revenues	\$ 822,654	\$ 864,797	\$ 864,797	\$ (42,143)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 420,821	\$ 432,319	\$ 432,319	\$ 11,498
Special Education Program	144,703	148,717	148,717	4,014
Vocational Education Program	14,419	14,419	14,419	0
<u>Support Services</u>				
Other Student Support	7,248	7,248	7,248	0
Regular Instruction Program	109,432	129,273	129,273	19,841
Special Education Program	96,836	96,836	96,836	0
Vocational Education Program	1,000	1,000	1,000	0
Transportation	7,522	7,631	7,631	109
Total Expenditures	\$ 801,981	\$ 837,443	\$ 837,443	\$ 35,462
Excess (Deficiency) of Revenues Over Expenditures	\$ 20,673	\$ 27,354	\$ 27,354	\$ (6,681)
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 51,303	\$ 51,303	\$ (51,303)
Transfers Out	(12,607)	(78,657)	(78,657)	66,050
Total Other Financing Sources	\$ (12,607)	\$ (27,354)	\$ (27,354)	\$ 14,747
Net Change in Fund Balance	\$ 8,066	\$ 0	\$ 0	\$ 8,066
Fund Balance, July 1, 2012	22,590	20,000	20,000	2,590
Fund Balance, June 30, 2013	\$ 30,656	\$ 20,000	\$ 20,000	\$ 10,656

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, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 126,827	\$ 155,410	\$ 155,410	\$ (28,583)
Other Local Revenues	393	1,700	1,700	(1,307)
Federal Government	473,368	477,523	477,523	(4,155)
Total Revenues	<u>\$ 600,588</u>	<u>\$ 634,633</u>	<u>\$ 634,633</u>	<u>\$ (34,045)</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 593,148	\$ 677,273	\$ 677,273	\$ 84,125
Total Expenditures	<u>\$ 593,148</u>	<u>\$ 677,273</u>	<u>\$ 677,273</u>	<u>\$ 84,125</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 7,440</u>	<u>\$ (42,640)</u>	<u>\$ (42,640)</u>	<u>\$ 50,080</u>
Net Change in Fund Balance	\$ 7,440	\$ (42,640)	\$ (42,640)	\$ 50,080
Fund Balance, July 1, 2012	<u>158,821</u>	<u>127,335</u>	<u>127,335</u>	<u>31,486</u>
Fund Balance, June 30, 2013	<u>\$ 166,261</u>	<u>\$ 84,695</u>	<u>\$ 84,695</u>	<u>\$ 81,566</u>

MISCELLANEOUS SCHEDULES

Exhibit J-1

Clay County, Tennessee
Schedule of Changes in Capital Leases and Other Loans
For the Year Ended June 30, 2013

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-12	Paid and/or Matured During Period	Outstanding 6-30-13
<u>CAPITAL LEASES PAYABLE</u>							
Payable through General Debt Service Fund							
Geothermal Heating System	\$ 72,727	5 %	9-1-05	6-30-13	\$ 28,367	\$ 28,367	\$ 0
<u>OTHER LOANS PAYABLE</u>							
Payable through General Debt Service Fund							
Senior Center Courtroom Renovation	615,000	3.75	12-14-10	3-7-50	\$ 615,000	\$ 7,565	\$ 607,435
Contributed by School Department through							
General Purpose School Fund to the Primary Government							
School Construction	6,900,000	Variable	6-28-02	5-25-31	\$ 5,309,000	\$ 196,000	\$ 5,113,000
Athletic Facility	1,500,000	Variable	9-29-03	5-25-31	1,160,000	45,000	1,115,000
Total Contributed by School Department through					\$ 6,469,000	\$ 241,000	\$ 6,228,000
General Purpose School Fund to the Primary Government							
Total Other Loans Payable					\$ 7,084,000	\$ 248,565	\$ 6,835,435

Exhibit J-2

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

Year Ending June 30	Other Loans			Total
	Principal	Interest	Other Fees	
2014	\$ 256,848	\$ 43,332	\$ 81,794	\$ 381,974
2015	267,142	42,216	78,606	387,964
2016	276,448	41,055	75,289	392,792
2017	286,765	39,854	71,857	398,476
2018	298,093	38,608	68,297	404,998
2019	308,434	37,313	64,596	410,343
2020	319,788	35,973	60,767	416,528
2021	332,155	34,582	56,797	423,534
2022	344,536	33,139	52,674	430,349
2023	356,931	31,642	48,397	436,970
2024	370,341	30,090	43,966	444,397
2025	383,766	28,480	39,369	451,615
2026	399,207	26,812	34,605	460,624
2027	413,665	25,077	29,649	468,391
2028	428,140	23,278	24,514	475,932
2029	444,633	21,417	19,200	485,250
2030	460,144	19,483	13,680	493,307
2031	477,675	17,480	7,969	503,124
2032	15,225	15,402	0	30,627
2033	15,796	14,831	0	30,627
2034	16,388	14,239	0	30,627
2035	17,003	13,624	0	30,627
2036	17,640	12,987	0	30,627
2037	18,302	12,325	0	30,627
2038	18,988	11,639	0	30,627
2039	19,700	10,927	0	30,627
2040	20,439	10,188	0	30,627
2041	21,205	9,422	0	30,627
2042	22,001	8,626	0	30,627
2043	22,826	7,801	0	30,627
2044	23,682	6,945	0	30,627
2045	24,570	6,057	0	30,627
2046	25,491	5,136	0	30,627
2047	26,447	4,180	0	30,627
2048	27,439	3,188	0	30,627
2049	28,468	2,159	0	30,627
2050	29,114	1,092	0	30,206
Total	\$ 6,835,435	\$ 740,599	\$ 872,026	\$ 8,448,060

Exhibit J-3

Clay County, Tennessee
Schedule of Transfers
Discretely Presented Clay County School Department
For the Year Ended June 30, 2013

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
School Federal Projects	General Purpose School	Indirect costs	\$ 12,607
Total Transfers Discretely Presented Clay County School Department			\$ 12,607

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, 2013

Official	Authorization for Salary	\$	Salary Paid During Period	\$	Bond	Surety
County Mayor	Section 8-24-102, TCA		61,491	\$	25,000	RLL Insurance Company
Road Superintendent	Section 8-24-102, TCA		58,563		100,000	"
Director of Schools	State Board of Education and Clay County Board of Education		73,885	(1)	(2)	"
Trustee	Section 8-24-102, TCA		53,239		400,800	"
Assessor of Property	Section 8-24-102, TCA		53,239		10,000	"
County Clerk	Section 8-24-102, TCA		53,239		35,000	"
Circuit and General Sessions Courts Clerk	Section 8-24-102, TCA		53,239		50,000	"
Clerk and Master	Section 8-24-102, TCA, and Chancery Court Judge		53,239	(3)	75,000	"
Register of Deeds	Section 8-24-102, TCA		53,239		15,000	"
Sheriff	Section 8-24-102, TCA		58,563	(4)	25,000	"
Employee Blanket Bonds						
Public Employee Dishonesty - County Departments					150,000	Local Government Insurance Pool
Public Employee Dishonesty - School Department					150,000	Tennessee Risk Management Trust

- (1) Includes a chief executive officer training supplement of \$1,000.
- (2) The director of schools was covered under the schools public dishonesty insurance coverage.
- (3) Does not include special commissioner fees of \$16,624.
- (4) Does not include a law enforcement training supplement of \$600.

Exhibit J-5

Clay County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2013

	Special Revenue Funds						Debt Service Fund		Total
	General	Courthouse and Jail Maintenance	Solid Waste/ Sanitation	Drug Control	Constitutional Officers - Fees	Highway/ Public Works	General Debt	Service	
Local Taxes									
County Property Taxes									
Current Property Tax	\$ 1,458,157	\$ 0	\$ 367,009	\$ 0	\$ 0	\$ 0	\$ 77,230	\$ 1,902,396	
Trustee's Collections - Prior Year	99,698	0	24,067	0	0	0	1,904	125,669	
Trustee's Collections - Bankruptcy	313	0	76	0	0	0	6	395	
Circuit/Clerk & Master Collections - Prior Years	83,066	0	20,309	0	0	0	2,294	105,669	
Interest and Penalty	19,359	0	4,709	0	0	0	450	24,518	
Payments in-Lieu-of Taxes - Local Utilities	125,713	0	31,638	0	0	0	6,648	163,999	
County Local Option Taxes									
Local Option Sales Tax	236,711	0	0	0	0	0	0	236,711	
Hotel/Motel Tax	37,388	0	0	0	0	0	0	37,388	
Wheel Tax	187,277	0	0	0	0	0	0	187,277	
Litigation Tax - General	48,800	0	0	0	0	0	0	48,800	
Litigation Tax - Special Purpose	4,191	1,444	0	0	0	0	2,122	7,757	
Litigation Tax - Jail, Workhouse, or Courthouse	0	17,387	0	0	0	0	0	17,387	
Mineral Severance Tax	0	0	0	0	0	1,616	0	1,616	
Other County Local Option Taxes	494	0	0	0	0	0	0	494	
Statutory Local Taxes									
Bank Excise Tax	14,403	0	3,625	0	0	0	763	18,791	
Wholesale Beer Tax	231,155	0	0	0	0	0	25,684	256,839	
Beer Privilege Tax	1,330	0	0	0	0	0	0	1,330	
Total Local Taxes	\$ 2,548,055	\$ 18,831	\$ 451,433	\$ 0	\$ 0	\$ 1,616	\$ 117,101	\$ 3,137,036	

Licenses and Permits								
Permits								
Beer Permits	\$ 1,140	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,140
Total Licenses and Permits	\$ 1,140	\$ 0	\$ 1,140					

Fines, Forfeitures, and Penalties								
Circuit Court								
Fines	\$ 10,154	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,154
Officers Costs	9,061	0	0	0	0	0	0	9,061
Drug Control Fines	0	0	0	4,138	0	0	0	4,138
Drug Court Fees	1,830	0	0	0	0	0	0	1,830
Jail Fees	513	0	0	0	0	0	0	513
DUJ Treatment Fines	180	0	0	0	0	0	0	180
Data Entry Fee - Circuit Court	513	0	0	0	0	0	0	513
Courtroom Security Fee	1,577	0	0	0	0	0	0	1,577

(Continued)

Exhibit J-5

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

	Special Revenue Funds							Debt Service Fund		Total
	General	Courtthouse and Jail Maintenance	Solid Waste/ Sanitation	Drug Control	Constitutional Officers - Fees	Highway/ Public Works	General Debt	Service		
								General	Debt	
Fines, Forfeitures, and Penalties (Cont.)										
General Sessions Court										
Fines	\$ 10,299	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	10,299
Fines for Littering	24	0	0	0	0	0	0	0	0	24
Officers Costs	16,385	0	0	0	0	0	0	0	0	16,385
Game and Fish Fines	1,311	0	0	0	0	0	0	0	0	1,311
Drug Control Fines	0	0	0	2,929	0	0	0	0	0	2,929
Drug Court Fees	6,264	0	0	0	0	0	0	0	0	6,264
Jail Fees	2,148	0	0	0	0	0	0	0	0	2,148
DUJ Treatment Fines	2,080	0	0	0	0	0	0	0	0	2,080
Data Entry Fee - General Sessions Court	2,539	0	0	0	0	0	0	0	0	2,539
Courtroom Security Fee	15,233	0	0	0	0	0	0	0	0	15,233
Chancery Court										
Data Entry Fee - Chancery Court	1,158	0	0	0	0	0	0	0	0	1,158
Judicial District Drug Program										
Drug Task Force Forfeitures and Seizures	4,523	0	0	1,258	0	0	0	0	0	5,781
Other Fines, Forfeitures, and Penalties										
Proceeds from Confiscated Property	0	0	0	9,926	0	0	0	0	0	9,926
Other Fines, Forfeitures, and Penalties	1,900	0	0	7,563	0	0	0	0	0	9,463
Total Fines, Forfeitures, and Penalties	\$ 87,692	\$ 0	\$ 0	\$ 25,514	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 113,506
Charges for Current Services										
General Service Charges										
Tipping Fees	0	0	88,684	0	0	0	0	0	0	88,684
Other General Service Charges	2,510	0	0	1,192	0	0	0	0	0	3,702
Fees										
Recreation Fees	5,232	0	0	0	0	0	0	0	0	5,232
Copy Fees	316	0	0	0	0	0	0	0	0	316
Telephone Commissions	17,777	0	0	0	0	0	0	0	0	17,777
Vending Machine Collections	4,297	0	0	0	0	0	0	0	0	4,297
Constitutional Officers' Fees and Commissions	0	0	0	0	83,210	0	0	0	0	83,210
Special Commissioner Fees/Special Master Fees	0	0	0	0	16,624	0	0	0	0	16,624
Data Processing Fee - Register	2,392	0	0	0	0	0	0	0	0	2,392
Sexual Offender Registration Fees - Sheriff	900	0	0	0	0	0	0	0	0	900
Total Charges for Current Services	\$ 33,424	\$ 0	\$ 88,684	\$ 1,192	\$ 99,834	\$ 0	\$ 0	\$ 0	\$ 0	\$ 223,134

(Continued)

Exhibit J-5

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

	Special Revenue Funds							Debt Service Fund	Total
	General	Courthouse and Jail Maintenance	Solid Waste/ Sanitation	Drug Control	Constitutional Officers - Fees	Highway/ Public Works	General Debt Service		
<u>Other Local Revenues</u>									
<u>Recurring Items</u>									
Investment Income	\$ 152	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 31,221	\$ 31,373	
Sale of Recycled Materials	0	0	35,838	0	0	0	0	35,838	
Miscellaneous Refunds	20,966	0	0	0	0	13,888	395	35,249	
<u>Nonrecurring Items</u>									
Sale of Equipment	3,603	0	1,450	0	0	0	0	5,053	
Sale of Property	0	0	0	19,217	0	0	0	19,217	
<u>Other Local Revenues</u>	4,938	0	0	0	0	0	0	4,938	
Total Other Local Revenues	\$ 29,659	\$ 0	\$ 37,288	\$ 19,217	\$ 0	\$ 13,888	\$ 31,616	\$ 131,668	
<u>Fees Received from County Officials</u>									
<u>Excess Fees</u>									
Trustee	\$ 51,055	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 51,055	
<u>Fees in-Lieu-of Salary</u>									
County Clerk	93,449	0	0	0	0	0	0	93,449	
Circuit Court Clerk	42,405	0	0	0	0	0	0	42,405	
General Sessions Court Clerk	60,547	0	0	0	0	0	0	60,547	
Clerk and Master	43,487	0	0	0	0	0	0	43,487	
Register	25,972	0	0	0	0	0	0	25,972	
Sheriff	12,409	0	0	0	0	0	0	12,409	
Total Fees Received from County Officials	\$ 329,324	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 329,324	
<u>State of Tennessee</u>									
<u>General Government Grants</u>									
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,000	
Aging Programs	11,100	0	0	0	0	0	0	11,100	
Solid Waste Grants	0	0	548	0	0	0	0	548	
<u>Public Safety Grants</u>									
Law Enforcement Training Programs	6,600	0	0	0	0	0	0	6,600	
<u>Health and Welfare Grants</u>									
Other Health and Welfare Grants	66,777	0	0	0	0	0	0	66,777	
<u>Public Works Grants</u>									
Litter Program	38,495	0	0	0	0	0	0	38,495	
<u>Other State Revenues</u>									
Beer Tax	18,586	0	0	0	0	0	0	18,586	
Alcoholic Beverage Tax	20,637	0	0	0	0	0	0	20,637	

(Continued)

Exhibit J-5

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

	Special Revenue Funds						Debt Service Fund		Total
	General	Courthouse and Jail Maintenance	Solid Waste/ Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt	Service	
<u>State of Tennessee (Cont.)</u>									
<u>Other State Revenues (Cont.)</u>									
State Revenue Sharing - T.V.A.	\$ 261,086	0	0	0	0	7,000	0	0	268,086
Contracted Prisoner Boarding	120,786	0	0	0	0	0	0	0	120,786
Gasoline and Motor Fuel Tax	0	0	0	0	0	1,285,676	0	0	1,285,676
Petroleum Special Tax	0	0	0	0	0	5,672	0	0	5,672
Registrar's Salary Supplement	15,164	0	0	0	0	0	0	0	15,164
Other State Grants	2,000	0	0	0	0	4,239	0	0	6,239
Other State Revenues	1,177	0	0	0	0	0	0	0	1,177
Total State of Tennessee	\$ 571,408	0	548	0	0	1,302,587	0	0	\$ 1,874,543
<u>Federal Government</u>									
<u>Federal Through State</u>									
Community Development	4,401	0	0	0	0	0	0	0	4,401
Other Federal through State	92,851	0	0	0	0	0	0	0	92,851
<u>Direct Federal Revenue</u>									
Police Service (Lake Area)	26,740	0	0	0	0	0	0	0	26,740
Other Direct Federal Revenue	73,462	0	0	0	0	0	0	0	73,462
Total Federal Government	\$ 197,454	0	0	0	0	0	0	0	\$ 197,454
<u>Other Governments and Citizens Groups</u>									
<u>Other Governments</u>									
Contributions	27,398	0	0	0	0	0	0	312,287	339,685
<u>Citizens Groups</u>									
Donations	616	0	0	0	0	0	0	0	616
<u>Other</u>									
Other	113,163	0	0	0	0	0	0	0	113,163
Total Other Governments and Citizens Groups	\$ 141,177	0	0	0	0	0	0	312,287	\$ 453,464
Total	\$ 3,939,333	18,831	577,953	46,223	99,834	1,318,091	461,004	6,461,269	

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, 2013

	General Purpose School	Special Revenue Funds		Total
		School Projects	Central Cafeteria	
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 1,087,503	\$ 0	\$ 0	\$ 1,087,503
Trustee's Collections - Prior Year	74,104	0	0	74,104
Trustee's Collections - Bankruptcy	223	0	0	223
Circuit/Clerk & Master Collections - Prior Years	59,989	0	0	59,989
Interest and Penalty	13,893	0	0	13,893
Payments in-Lieu-of Taxes - Local Utilities	94,061	0	0	94,061
<u>County Local Option Taxes</u>				
Local Option Sales Tax	538,150	0	0	538,150
<u>Statutory Local Taxes</u>				
Bank Excise Tax	10,778	0	0	10,778
Interstate Telecommunications Tax	671	0	0	671
Total Local Taxes	\$ 1,879,372	\$ 0	\$ 0	\$ 1,879,372
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 580	\$ 0	\$ 0	\$ 580
<u>Permits</u>				
Other Permits	124	0	0	124
Total Licenses and Permits	\$ 704	\$ 0	\$ 0	\$ 704
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Lunch Payments - Children	\$ 0	\$ 0	\$ 67,082	\$ 67,082
Lunch Payments - Adults	0	0	26,474	26,474
Income from Breakfast	0	0	13,519	13,519
A la carte Sales	0	0	18,053	18,053
Contract for Student Support Services with Other LEAs	7,600	0	0	7,600
Receipts from Individual Schools	20,010	0	0	20,010
Community Service Fees - Adults	0	0	1,699	1,699
Total Charges for Current Services	\$ 27,610	\$ 0	\$ 126,827	\$ 154,437
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 0	\$ 0	\$ 393	\$ 393
Sale of Materials and Supplies	1,077	0	0	1,077
Refund of Telecommunication & Internet Fees (E-Rate)	30,090	0	0	30,090
Miscellaneous Refunds	3,452	0	0	3,452
<u>Nonrecurring Items</u>				
Sale of Equipment	3,000	0	0	3,000
Damages Recovered from Individuals	705	0	0	705
Contributions and Gifts	1,007	0	0	1,007
<u>Other Local Revenues</u>				
Other Local Revenues	130	0	0	130
Total Other Local Revenues	\$ 39,461	\$ 0	\$ 393	\$ 39,854
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-Behalf Contributions for OPEB	\$ 72,671	\$ 0	\$ 0	\$ 72,671
<u>State Education Funds</u>				
Basic Education Program	5,617,460	0	0	5,617,460
Early Childhood Education	310,402	0	0	310,402
School Food Service	6,042	0	0	6,042
Other State Education Funds	139,647	0	0	139,647
Career Ladder Program	36,832	0	0	36,832
Career Ladder - Extended Contract	21,165	0	0	21,165

(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>State of Tennessee (Cont.)</u>				
<u>Other State Revenues</u>				
Flood Control	\$ 155,077	\$ 0	\$ 0	\$ 155,077
Other State Grants	5,413	0	0	5,413
Total State of Tennessee	\$ 6,364,709	\$ 0	\$ 0	\$ 6,364,709
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 308,995	\$ 308,995
USDA - Commodities	0	0	37,433	37,433
Breakfast	0	0	125,540	125,540
USDA - Other	0	0	1,400	1,400
Adult Education State Grant Program	22,500	0	0	22,500
Vocational Education - Basic Grants to States	0	22,667	0	22,667
Title I Grants to Local Education Agencies	0	435,790	0	435,790
Special Education - Grants to States	0	240,051	0	240,051
Special Education Preschool Grants	0	9,016	0	9,016
Rural Education	0	25,747	0	25,747
Eisenhower Professional Development State Grants	0	75,273	0	75,273
Job Training Partnership Act	11,000	0	0	11,000
Disaster Relief	24,442	0	0	24,442
Race-to-the-Top - ARRA	0	14,110	0	14,110
<u>Direct Federal Revenue</u>				
Public Law 874 - Maintenance and Operation	201,082	0	0	201,082
Total Federal Government	\$ 259,024	\$ 822,654	\$ 473,368	\$ 1,555,046
Total	\$ 8,570,880	\$ 822,654	\$ 600,588	\$ 9,994,122

Exhibit J-7

Clay County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2013

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	20,307	
Audit Services		2,358	
Consultants		776	
Dues and Memberships		1,050	
Legal Services		128	
Travel		35	
Other Charges		399	
Total County Commission			\$ 25,053

Board of Equalization

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

Beer Board

Legal Notices, Recording, and Court Costs	\$	229	
Total Beer Board			229

County Mayor/Executive

County Official/Administrative Officer	\$	61,491	
Accountants/Bookkeepers		25,552	
Clerical Personnel		18,219	
Communication		2,802	
Data Processing Services		4,496	
Dues and Memberships		3,326	
Legal Notices, Recording, and Court Costs		648	
Maintenance Agreements		372	
Postal Charges		1,488	
Printing, Stationery, and Forms		662	
Travel		1,037	
Office Supplies		707	
Premiums on Corporate Surety Bonds		75	
Office Equipment		40	
Total County Mayor/Executive			120,915

County Attorney

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

Election Commission

County Official/Administrative Officer	\$	42,592	
Other Salaries and Wages		18,770	
Election Commission		7,928	
Election Workers		13,782	
In-Service Training		1,685	
Communication		2,285	
Dues and Memberships		175	
Legal Services		77	
Legal Notices, Recording, and Court Costs		1,402	
Maintenance and Repair Services - Buildings		210	
Maintenance and Repair Services - Equipment		28,414	

(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.)

Postal Charges	\$	354	
Printing, Stationery, and Forms		1,881	
Travel		1,731	
Office Supplies		1,382	
Office Equipment		2,400	
Total Election Commission			\$ 125,068

Register of Deeds

County Official/Administrative Officer	\$	53,239	
Deputy(ies)		16,286	
Communication		1,464	
Data Processing Services		1,714	
Dues and Memberships		352	
Maintenance Agreements		390	
Postal Charges		230	
Printing, Stationery, and Forms		930	
Travel		116	
Office Supplies		415	
Premiums on Corporate Surety Bonds		75	
Total Register of Deeds			75,211

County Buildings

Custodial Personnel	\$	51,404	
Communication		873	
Evaluation and Testing		40	
Maintenance and Repair Services - Buildings		12,916	
Maintenance and Repair Services - Vehicles		2,589	
Pest Control		605	
Custodial Supplies		7,308	
Electricity		12,471	
Gasoline		5,754	
Natural Gas		3,819	
Uniforms		507	
Water and Sewer		2,642	
Total County Buildings			100,928

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	53,239	
Deputy(ies)		20,696	
Part-time Personnel		4,224	
Communication		1,484	
Contracts with Private Agencies		5,095	
Data Processing Services		3,802	
Legal Notices, Recording, and Court Costs		180	
Postal Charges		700	
Travel		1,486	
Office Supplies		1,144	
Premiums on Corporate Surety Bonds		348	
Office Equipment		253	
Total Property Assessor's Office			92,651

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office

Data Processing Services	\$	1,500	
Dues and Memberships		337	
Legal Notices, Recording, and Court Costs		120	
Maintenance and Repair Services - Equipment		5,738	
Postal Charges		2,599	
Printing, Stationery, and Forms		275	
Office Supplies		1,808	
Premiums on Corporate Surety Bonds		1,268	
Office Equipment		315	
Total County Trustee's Office			\$ 13,960

County Clerk's Office

County Official/Administrative Officer	\$	53,239	
Deputy(ies)		48,548	
Communication		2,397	
Data Processing Services		2,000	
Dues and Memberships		337	
Maintenance and Repair Services - Equipment		900	
Postal Charges		2,388	
Office Supplies		4,328	
Premiums on Corporate Surety Bonds		150	
Total County Clerk's Office			114,287

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	53,239	
Deputy(ies)		26,251	
Clerical Personnel		38,046	
Other Salaries and Wages		2,950	
Jury and Witness Expense		3,758	
In-Service Training		33	
Communication		2,656	
Dues and Memberships		337	
Legal Notices, Recording, and Court Costs		30	
Maintenance Agreements		9,776	
Postal Charges		916	
Printing, Stationery, and Forms		968	
Travel		361	
Remittance of Revenue Collected		2,288	
Office Supplies		3,907	
Premiums on Corporate Surety Bonds		150	
Office Equipment		2,499	
Total Circuit Court			148,165

General Sessions Court

Judge(s)	\$	70,960	
Total General Sessions Court			70,960

Chancery Court

County Official/Administrative Officer	\$	53,239	
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(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court (Cont.)

Deputy(ies)	\$	16,973	
Communication		1,506	
Dues and Memberships		397	
Maintenance Agreements		1,560	
Postal Charges		423	
Office Supplies		2,353	
Total Chancery Court			\$ 76,451

Juvenile Court

Supervisor/Director	\$	9,000	
Social Security		525	
Unemployment Compensation		180	
Travel		357	
Other Contracted Services		1,800	
Total Juvenile Court			11,862

Judicial Commissioners

County Official/Administrative Officer	\$	11,300	
Other Salaries and Wages		300	
Office Supplies		154	
Total Judicial Commissioners			11,754

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	58,563	
Assistant(s)		32,201	
Deputy(ies)		303,447	
Accountants/Bookkeepers		22,963	
Salary Supplements		6,000	
Dispatchers/Radio Operators		183,099	
Cafeteria Personnel		30,381	
Other Salaries and Wages		24,371	
In-Service Training		5,050	
Other Per Diem and Fees		790	
Communication		8,956	
Contracts with Government Agencies		400	
Contracts with Other Public Agencies		6,159	
Dues and Memberships		1,350	
Evaluation and Testing		5,664	
Licenses		203	
Maintenance and Repair Services - Equipment		11,730	
Maintenance and Repair Services - Vehicles		14,803	
Pest Control		250	
Postal Charges		588	
Printing, Stationery, and Forms		2,263	
Travel		8,407	
Gasoline		63,410	
Law Enforcement Supplies		4,650	
Office Supplies		3,803	
Tires and Tubes		4,330	

(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.)

Uniforms	\$	4,031	
Other Supplies and Materials		2,508	
Premiums on Corporate Surety Bonds		557	
Other Charges		830	
Other Equipment		17,412	
Total Sheriff's Department			\$ 829,169

Drug Enforcement

Motor Vehicles	\$	42,878	
Total Drug Enforcement			42,878

Jail

Guards	\$	24,695	
Communication		7,548	
Contracts with Government Agencies		134,041	
Maintenance and Repair Services - Buildings		13,552	
Other Contracted Services		6,296	
Custodial Supplies		2,013	
Drugs and Medical Supplies		31,834	
Electricity		17,217	
Food Preparation Supplies		1,142	
Food Supplies		35,511	
Gasoline		12,469	
Water and Sewer		1,220	
Other Supplies and Materials		876	
Other Charges		441	
Total Jail			288,855

Correctional Incentive Program Improvements

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

Juvenile Services

School Resource Officer	\$	14,665	
In-Service Training		2,930	
Total Juvenile Services			17,595

Fire Prevention and Control

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

Rescue Squad

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

Other Emergency Management

Supervisor/Director	\$	4,800	
Secretary(ies)		4,800	
Other Salaries and Wages		15,000	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Other Emergency Management (Cont.)

Maintenance Agreements	\$	1,250	
Maintenance and Repair Services - Equipment		28,025	
Office Supplies		820	
Road Signs		1,391	
Other Charges		1,411	
Other Equipment		13,075	
Total Other Emergency Management			\$ 70,572

County Coroner/Medical Examiner

Other Salaries and Wages	\$	850	
Other Per Diem and Fees		8,630	
Total County Coroner/Medical Examiner			9,480

Other Public Safety

Guards	\$	52,106	
Total Other Public Safety			52,106

Public Health and Welfare

Local Health Center

Other Salaries and Wages	\$	6,000	
Communication		2,816	
Maintenance and Repair Services - Buildings		12,414	
Custodial Supplies		148	
Drugs and Medical Supplies		985	
Office Supplies		1,836	
Utilities		14,991	
Total Local Health Center			39,190

Ambulance/Emergency Medical Services

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

Alcohol and Drug Programs

Other Salaries and Wages	\$	38,000	
Communication		1,020	
Postal Charges		32	
Office Supplies		1,159	
Other Charges		5,335	
Total Alcohol and Drug Programs			45,546

Other Local Health Services

Temporary Personnel	\$	3,463	
Other Salaries and Wages		49,601	
Unemployment Compensation		429	
Travel		3,114	
Total Other Local Health Services			56,607

Appropriation to State

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

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Supervisor/Director	\$	12,500	
Social Security		857	
Unemployment Compensation		152	
Communication		1,436	
Utilities		24,513	
Other Supplies and Materials		346	
Total Senior Citizens Assistance			\$ 39,804

Libraries

Supervisor/Director	\$	22,109	
Part-time Personnel		8,131	
Other Salaries and Wages		18,179	
Communication		1,895	
Dues and Memberships		296	
Postal Charges		1,039	
Travel		322	
Other Contracted Services		80	
Custodial Supplies		1,009	
Electricity		7,513	
Instructional Supplies and Materials		3,146	
Library Books/Media		12,970	
Office Supplies		6,736	
Periodicals		262	
Water and Sewer		569	
Other Supplies and Materials		10,590	
Other Charges		545	
Office Equipment		2,404	
Total Libraries			97,795

Parks and Fair Boards

Other Salaries and Wages	\$	9,600	
Maintenance and Repair Services - Buildings		7,389	
Custodial Supplies		1,781	
Electricity		11,728	
Natural Gas		5,476	
Water and Sewer		741	
Other Charges		29,990	
Total Parks and Fair Boards			66,705

Other Social, Cultural, and Recreational

Contributions	\$	9,007	
Total Other Social, Cultural, and Recreational			9,007

Agriculture and Natural Resources

Agriculture Extension Service

Salary Supplements	\$	47,013	
Social Security		3,682	
Extension Service Medicare		371	
Communication		1,788	
Contributions		15,149	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Agriculture and Natural Resources (Cont.)

Agriculture Extension Service (Cont.)

Travel	\$	4,043	
Instructional Supplies and Materials		667	
Other Charges		3,370	
Data Processing Equipment		1,317	
Total Agriculture Extension Service			\$ 77,400

Forest Service

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

Soil Conservation

Secretary(ies)	\$	18,616	
Other Salaries and Wages		29,993	
Communication		1,679	
Utilities		1,237	
Total Soil Conservation			51,525

Other Operations

Tourism

Clerical Personnel	\$	6,687	
Advertising		9,009	
Communication		2,379	
Contributions		300	
Dues and Memberships		50	
Postal Charges		432	
Office Supplies		788	
Other Charges		19,996	
Total Tourism			39,641

Industrial Development

Advertising	\$	1,100	
Consultants		25,200	
Travel		264	
Office Supplies		456	
Other Charges		38,241	
Total Industrial Development			65,261

Other Economic and Community Development

Other Charges	\$	4,401	
Other Construction		3,938	
Total Other Economic and Community Development			8,339

Veterans' Services

Other Salaries and Wages	\$	2,773	
In-Service Training		1,062	
Total Veterans' Services			3,835

Other Charges

Liability Insurance	\$	58,229	
Trustee's Commission		51,337	

(Continued)

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

General Fund (Cont.)

Other Operations (Cont.)

Other Charges (Cont.)

Workers' Compensation Insurance	\$	46,968	
Other Charges		750	
Other Debt Issuance Charges		1,233	
Total Other Charges			\$ 158,517

Employee Benefits

Social Security	\$	138,686	
State Retirement		122,177	
Unemployment Compensation		11,469	
Total Employee Benefits			272,332

Highways

Litter and Trash Collection

Supervisor/Director	\$	29,134	
Laborers		8,060	
Other Charges		1,233	
Total Litter and Trash Collection			38,427

Total General Fund \$ 3,787,866

Courthouse and Jail Maintenance Fund

General Government

County Buildings

Maintenance and Repair Services - Buildings	\$	1,552	
Total County Buildings			\$ 1,552

Other Operations

Other Charges

Trustee's Commission	\$	185	
Total Other Charges			185

Total Courthouse and Jail Maintenance Fund 1,737

Solid Waste/Sanitation Fund

Public Health and Welfare

Waste Pickup

Truck Drivers	\$	42,018	
Laborers		99,229	
Clerical Personnel		10,675	
Social Security		12,234	
Unemployment Compensation		2,243	
Communication		1,590	
Contracts with Private Agencies		143,001	
Maintenance and Repair Services - Buildings		1,789	
Maintenance and Repair Services - Equipment		1,357	
Maintenance and Repair Services - Vehicles		8,358	
Rentals		1,525	
Custodial Supplies		327	
Electricity		4,704	
Gasoline		26,292	

(Continued)

Exhibit J-7

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Waste Pickup (Cont.)

Natural Gas	\$	1,022	
Office Supplies		1,003	
Tires and Tubes		3,217	
Uniforms		1,714	
Water and Sewer		796	
Other Charges		1,545	
Site Development		10,804	
Solid Waste Equipment		20,713	
Total Waste Pickup			\$ 396,156

Other Operations

Other Charges

Trustee's Commission	\$	9,727	
Total Other Charges			9,727

Total Solid Waste/Sanitation Fund \$ 405,883

Drug Control Fund

Public Safety

Drug Enforcement

Contributions	\$	1,195	
Confidential Drug Enforcement Payments		6,000	
Other Supplies and Materials		348	
Other Charges		3,073	
Law Enforcement Equipment		9,870	
Total Drug Enforcement			\$ 20,486

Other Operations

Other Charges

Trustee's Commission	\$	185	
Total Other Charges			185

Total Drug Control Fund 20,671

Constitutional Officers - Fees Fund

Finance

County Trustee's Office

County Official/Administrative Officer	\$	53,239	
Deputy(ies)		28,305	
Constitutional Officers' Operating Expenses		772	
Total County Trustee's Office			\$ 82,316

Administration of Justice

Chancery Court

Special Commissioner Fees/Special Master Fees	\$	16,624	
Total Chancery Court			16,624

Total Constitutional Officers - Fees Fund 98,940

(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	\$	58,563	
Accountants/Bookkeepers		30,509	
Advertising		384	
Communication		1,828	
Consultants		1,326	
Data Processing Services		4,558	
Dues and Memberships		2,032	
Postal Charges		184	
Other Contracted Services		11,550	
Other Charges		4,871	
Total Administration			\$ 115,805

Highway and Bridge Maintenance

Equipment Operators	\$	138,107	
Truck Drivers		129,656	
Laborers		172,759	
Rentals		1,823	
Asphalt - Hot Mix		71,713	
Asphalt - Liquid		118,881	
Concrete		1,660	
Crushed Stone		89,680	
Pipe		8,505	
Road Signs		444	
Wood Products		774	
Other Supplies and Materials		1,611	
Total Highway and Bridge Maintenance			735,613

Operation and Maintenance of Equipment

Mechanic(s)	\$	24,856	
Maintenance and Repair Services - Equipment		31,044	
Diesel Fuel		77,291	
Equipment and Machinery Parts		48,159	
Gasoline		14,729	
Lubricants		6,401	
Natural Gas		507	
Tires and Tubes		23,822	
Other Supplies and Materials		2,628	
Other Charges		571	
Total Operation and Maintenance of Equipment			230,008

Other Charges

Electricity	\$	3,885	
Water and Sewer		800	
Premiums on Corporate Surety Bonds		289	
Trustee's Commission		13,054	
Vehicle and Equipment Insurance		14,899	
Workers' Compensation Insurance		79,782	
Total Other Charges			112,709

(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	\$	33,478	
State Retirement		32,233	
Unemployment Compensation		11,207	
Employer Medicare		8,008	
Total Employee Benefits			\$ 84,926

Capital Outlay

Bridge Construction	\$	3,172	
Highway Equipment		94,068	
Total Capital Outlay			97,240

Total Highway/Public Works Fund \$ 1,376,301

General Debt Service Fund

Principal on Debt

General Government

Principal on Capital Leases	\$	28,367	
Principal on Other Loans		7,565	
Total General Government			\$ 35,932

Education

Principal on Other Loans	\$	241,000	
Total Education			241,000

Interest on Debt

General Government

Interest on Capital Leases	\$	100	
Interest on Other Loans		23,062	
Total General Government			23,162

Education

Interest on Other Loans	\$	22,978	
Total Education			22,978

Other Debt Service

General Government

Trustee's Commission	\$	2,123	
Total General Government			2,123

Education

Other Debt Service	\$	48,309	
Total Education			48,309

Total General Debt Service Fund 373,504

Total Governmental Funds - Primary Government \$ 6,064,902

Clay County, Tennessee
 Schedule of Detailed Expenditures -
 All Governmental Fund Types
 Discretely Presented Clay County School Department
 For the Year Ended June 30, 2013

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	2,327,722	
Career Ladder Program		13,000	
Career Ladder Extended Contracts		18,940	
Educational Assistants		120,498	
Longevity Pay		3,975	
Certified Substitute Teachers		40,165	
Non-certified Substitute Teachers		15,000	
Social Security		142,170	
State Retirement		206,479	
Medical Insurance		188,556	
Unemployment Compensation		6,679	
Employer Medicare		34,025	
Maintenance and Repair Services - Equipment		5,076	
Other Contracted Services		42,312	
Instructional Supplies and Materials		47,830	
Textbooks		75,728	
Other Charges		345	
Regular Instruction Equipment		81,638	
Total Regular Instruction Program			\$ 3,370,138

Alternative Instruction Program

Teachers	\$	46,855	
Certified Substitute Teachers		1,160	
Social Security		2,916	
State Retirement		4,225	
Unemployment Compensation		71	
Employer Medicare		685	
Instructional Supplies and Materials		137	
Total Alternative Instruction Program			56,049

Special Education Program

Teachers	\$	312,256	
Career Ladder Program		5,000	
Homebound Teachers		20,127	
Educational Assistants		25,176	
Longevity Pay		2,000	
Certified Substitute Teachers		3,520	
Non-certified Substitute Teachers		3,455	
Social Security		20,182	
State Retirement		31,839	
Medical Insurance		42,849	
Unemployment Compensation		746	
Employer Medicare		4,764	
Contracts with Other Public Agencies		1,150	
Contracts with Private Agencies		1,324	
Other Contracted Services		49,920	
Instructional Supplies and Materials		97	
Special Education Equipment		1,704	
Total Special Education Program			526,109

(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.)

Vocational Education Program

Teachers	\$	194,377	
Career Ladder Program		2,000	
Certified Substitute Teachers		6,400	
Non-certified Substitute Teachers		1,375	
Social Security		11,531	
State Retirement		17,442	
Medical Insurance		16,681	
Unemployment Compensation		356	
Employer Medicare		2,733	
Travel		8,446	
Other Contracted Services		39,048	
Instructional Supplies and Materials		8,572	
Textbooks		1,571	
Vocational Instruction Equipment		5,008	
Total Vocational Education Program			\$ 315,540

Adult Education Program

Teachers	\$	24,357	
Other Salaries and Wages		5,785	
Unemployment Compensation		118	
Employer Medicare		437	
Other Supplies and Materials		1,008	
In Service/Staff Development		1,103	
Total Adult Education Program			32,808

Support Services

Attendance

Supervisor/Director	\$	61,848	
Career Ladder Program		1,000	
Social Security		3,703	
State Retirement		5,581	
Medical Insurance		3,237	
Unemployment Compensation		72	
Employer Medicare		866	
Travel		3,073	
Other Contracted Services		2,783	
Other Supplies and Materials		302	
Other Charges		456	
Total Attendance			82,921

Health Services

Medical Personnel	\$	87,207	
Longevity Pay		450	
Other Salaries and Wages		64,347	
Social Security		8,844	
State Retirement		12,589	
Medical Insurance		8,351	
Unemployment Compensation		291	
Employer Medicare		2,068	

(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.)

Contributions	\$	100	
Licenses		100	
Travel		4,595	
Other Contracted Services		500	
Drugs and Medical Supplies		257	
Other Supplies and Materials		5,145	
Total Health Services			\$ 194,844

Other Student Support

Guidance Personnel	\$	112,167	
Non-certified Substitute Teachers		1,000	
Social Security		6,530	
State Retirement		9,960	
Medical Insurance		8,289	
Unemployment Compensation		218	
Employer Medicare		1,527	
Evaluation and Testing		3,638	
Travel		2,047	
Other Contracted Services		9,070	
Other Charges		3,398	
Total Other Student Support			157,844

Regular Instruction Program

Supervisor/Director	\$	47,846	
Career Ladder Program		3,000	
Librarians		116,647	
Education Media Personnel		26,100	
Instructional Computer Personnel		61,848	
Longevity Pay		150	
Social Security		15,173	
State Retirement		22,261	
Medical Insurance		8,564	
Unemployment Compensation		374	
Employer Medicare		3,548	
Travel		16,468	
Library Books/Media		10,018	
Other Supplies and Materials		2,416	
In Service/Staff Development		16,388	
Administration Equipment		1,036	
Total Regular Instruction Program			351,837

Special Education Program

Supervisor/Director	\$	28,261	
Career Ladder Program		1,000	
Psychological Personnel		27,368	
Clerical Personnel		7,119	
Longevity Pay		583	
Other Salaries and Wages		7,254	
Social Security		4,376	

(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.)

State Retirement	\$	6,108	
Unemployment Compensation		204	
Employer Medicare		1,024	
Other Contracted Services		527	
In Service/Staff Development		1,200	
Total Special Education Program			\$ 85,024

Vocational Education Program

Supervisor/Director	\$	14,057	
Social Security		644	
State Retirement		1,248	
Unemployment Compensation		32	
Employer Medicare		151	
Travel		835	
Instructional Supplies and Materials		57	
Vocational Instruction Equipment		745	
Total Vocational Education Program			17,769

Other Programs

On-Behalf Payments to OPEB	\$	72,671	
Total Other Programs			72,671

Board of Education

Other Salaries and Wages	\$	2,500	
Board and Committee Members Fees		12,800	
Social Security		868	
State Retirement		199	
Life Insurance		4,004	
Unemployment Compensation		108	
Employer Medicare		222	
Advertising		1,765	
Audit Services		4,000	
Dues and Memberships		11,691	
Legal Services		4,884	
Travel		125	
Food Supplies		1,188	
Trustee's Commission		54,884	
Workers' Compensation Insurance		60,649	
Refund to Applicant for Criminal Investigation		1,092	
Other Charges		4,113	
Total Board of Education			165,092

Director of Schools

County Official/Administrative Officer	\$	72,885	
Career Ladder Program		1,000	
Social Security		4,212	
State Retirement		6,561	
Medical Insurance		6,099	
Unemployment Compensation		72	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools (Cont.)

Employer Medicare	\$	985	
Communication		47,591	
Dues and Memberships		175	
Postal Charges		2,622	
Travel		4,008	
Office Supplies		946	
Administration Equipment		1,036	
Total Director of Schools			\$ 148,192

Office of the Principal

Principals	\$	183,256	
Career Ladder Program		3,000	
Assistant Principals		96,850	
Secretary(ies)		70,840	
Clerical Personnel		18,054	
Longevity Pay		700	
Social Security		21,348	
State Retirement		31,556	
Medical Insurance		31,138	
Unemployment Compensation		925	
Employer Medicare		4,993	
Communication		4,145	
Travel		3,107	
Other Contracted Services		2,915	
Data Processing Supplies		142	
Other Charges		4,055	
Data Processing Equipment		1,126	
Total Office of the Principal			478,150

Fiscal Services

Accountants/Bookkeepers	\$	54,777	
Secretary(ies)		50,367	
Longevity Pay		833	
Social Security		5,328	
State Retirement		6,293	
Medical Insurance		3,050	
Unemployment Compensation		353	
Employer Medicare		1,503	
Travel		1,684	
Other Contracted Services		6,040	
Data Processing Supplies		3,361	
Office Supplies		2,086	
Other Charges		330	
Administration Equipment		1,689	
Total Fiscal Services			137,694

Operation of Plant

Custodial Personnel	\$	154,464	
Longevity Pay		2,325	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

Social Security	\$	9,610	
State Retirement		10,966	
Medical Insurance		4,667	
Unemployment Compensation		693	
Employer Medicare		2,248	
Maintenance and Repair Services - Equipment		3,294	
Travel		1,119	
Contracts for Landfill Facilities		5,824	
Other Contracted Services		86,398	
Custodial Supplies		29,361	
Electricity		356,949	
Fuel Oil		16,138	
Water and Sewer		21,110	
Other Supplies and Materials		290	
Building and Contents Insurance		54,635	
Other Charges		380	
Plant Operation Equipment		11,089	
Total Operation of Plant			\$ 771,560

Maintenance of Plant

Longevity Pay	\$	200	
Other Salaries and Wages		90,544	
Social Security		4,298	
State Retirement		4,468	
Medical Insurance		2,712	
Unemployment Compensation		390	
Employer Medicare		1,316	
Maintenance and Repair Services - Buildings		4,698	
Maintenance and Repair Services - Equipment		4,542	
Rentals		1,443	
Food Supplies		170	
Other Supplies and Materials		13,251	
Other Charges		50	
Maintenance Equipment		1,753	
Total Maintenance of Plant			129,835

Transportation

Mechanic(s)	\$	30,096	
Bus Drivers		191,427	
Longevity Pay		5,200	
Social Security		14,015	
State Retirement		15,457	
Medical Insurance		4,667	
Unemployment Compensation		1,353	
Employer Medicare		3,278	
Communication		5,137	
Contracts with Parents		1,158	
Licenses		199	
Maintenance and Repair Services - Vehicles		11,985	

(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.)

Medical and Dental Services	\$	4,272	
Travel		2,606	
Other Contracted Services		1,000	
Diesel Fuel		103,614	
Gasoline		6,793	
Lubricants		3,748	
Tires and Tubes		10,587	
Vehicle Parts		27,244	
Other Supplies and Materials		1,120	
Vehicle and Equipment Insurance		20,257	
Other Charges		2,285	
Transportation Equipment		163,160	
Total Transportation			\$ 630,658

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	59,382	
Career Ladder Program		1,000	
Social Security		3,278	
State Retirement		5,362	
Medical Insurance		8,132	
Unemployment Compensation		72	
Employer Medicare		767	
Communication		995	
Travel		2,773	
Total Food Service			81,761

Community Services

Supervisor/Director	\$	16,312	
Other Salaries and Wages		3,188	
Social Security		1,065	
State Retirement		1,732	
Medical Insurance		5,529	
Unemployment Compensation		52	
Employer Medicare		249	
Travel		258	
Other Supplies and Materials		650	
Other Charges		250	
Total Community Services			29,285

Early Childhood Education

Supervisor/Director	\$	15,002	
Teachers		121,650	
Accountants/Bookkeepers		6,002	
Educational Assistants		46,175	
Longevity Pay		650	
Certified Substitute Teachers		1,520	
Non-certified Substitute Teachers		840	
Social Security		11,689	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Early Childhood Education (Cont.)

State Retirement	\$	15,813	
Medical Insurance		773	
Unemployment Compensation		488	
Employer Medicare		2,746	
Dues and Memberships		35	
Postal Charges		300	
Travel		2,949	
Instructional Supplies and Materials		22,450	
Regular Instruction Equipment		61,321	
Total Early Childhood Education			\$ 310,403

Capital Outlay

Regular Capital Outlay

Building Improvements	\$	76,836	
Heating and Air Conditioning Equipment		3,200	
Site Development		2,450	
Other Capital Outlay		12,193	
Total Regular Capital Outlay			94,679

Principal on Debt

Education

Debt Service Contribution to Primary Government	\$	241,000	
Total Education			241,000

Interest on Debt

Education

Debt Service Contribution to Primary Government	\$	22,978	
Total Education			22,978

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$	48,309	
Total Education			48,309

Total General Purpose School Fund \$ 8,553,150

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	154,489	
Educational Assistants		70,029	
Longevity Pay		2,650	
Other Salaries and Wages		3,997	
Social Security		12,727	
State Retirement		19,204	
Medical Insurance		24,304	
Unemployment Compensation		1,126	
Employer Medicare		2,978	
Other Contracted Services		15,932	

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Regular Instruction Program (Cont.)

Instructional Supplies and Materials	\$	8,046	
Other Charges		1,273	
Regular Instruction Equipment		104,066	
Total Regular Instruction Program			\$ 420,821

Special Education Program

Teachers	\$	38,265	
Educational Assistants		53,356	
Social Security		5,108	
State Retirement		7,074	
Medical Insurance		11,132	
Unemployment Compensation		470	
Employer Medicare		1,196	
Other Contracted Services		24,990	
Instructional Supplies and Materials		2,612	
Other Supplies and Materials		500	
Total Special Education Program			144,703

Vocational Education Program

Vocational Instruction Equipment	\$	14,419	
Total Vocational Education Program			14,419

Support Services

Other Student Support

Other Salaries and Wages	\$	1,500	
Social Security		93	
State Retirement		133	
Employer Medicare		22	
Travel		5,500	
Total Other Student Support			7,248

Regular Instruction Program

Supervisor/Director	\$	28,041	
Secretary(ies)		8,758	
Other Salaries and Wages		32,888	
Social Security		4,134	
State Retirement		6,043	
Medical Insurance		3,128	
Unemployment Compensation		212	
Employer Medicare		967	
Postal Charges		511	
Travel		8,787	
Other Contracted Services		3,170	
Other Supplies and Materials		1,754	
In Service/Staff Development		7,861	
Other Charges		1,244	
Other Equipment		1,934	
Total Regular Instruction Program			109,432

(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.)

Special Education Program

Psychological Personnel	\$	27,380	
Assessment Personnel		24,888	
Clerical Personnel		7,840	
Other Salaries and Wages		7,060	
Social Security		4,157	
State Retirement		5,717	
Unemployment Compensation		126	
Employer Medicare		972	
Maintenance and Repair Services - Equipment		928	
Postal Charges		400	
Travel		3,538	
Other Contracted Services		11,678	
Other Supplies and Materials		164	
In Service/Staff Development		1,988	
Total Special Education Program			\$ 96,836

Vocational Education Program

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

Transportation

Bus Drivers	\$	6,441	
Social Security		399	
State Retirement		572	
Unemployment Compensation		17	
Employer Medicare		93	
Total Transportation			7,522

Total School Federal Projects Fund \$ 801,981

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Cafeteria Personnel	\$	201,951	
Longevity Pay		4,750	
Social Security		12,685	
State Retirement		14,262	
Medical Insurance		7,000	
Unemployment Compensation		1,264	
Employer Medicare		2,967	
Communication		1,479	
Maintenance and Repair Services - Equipment		5,354	
Postal Charges		120	
Transportation - Other than Students		2,091	
Other Contracted Services		1,705	
Food Preparation Supplies		6,820	
Food Supplies		252,113	
Office Supplies		3,420	

(Continued)

Exhibit J-8

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

Central Cafeteria Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

USDA - Commodities	\$	37,433	
Other Supplies and Materials		12,900	
Workers' Compensation Insurance		7,458	
In Service/Staff Development		655	
Other Charges		280	
Food Service Equipment		16,441	
Total Food Service			<u>\$ 593,148</u>

Total Central Cafeteria Fund \$ 593,148

Total Governmental Funds - Clay County School Department \$ 9,948,279

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, 2013

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 277,061
Total Cash Receipts	<u>\$ 277,061</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 274,290
Trustee's Commission	2,771
Total Cash Disbursements	<u>\$ 277,061</u>
 Excess of Cash Receipts Over (Under) Cash Disbursements	 \$ 0
Cash Balance, July 1, 2012	<u>0</u>
 Cash Balance, June 30, 2013	 <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, 2013, and the related notes to the financial statements, which collectively comprise Clay County's basic financial statements, and have issued our report thereon dated December 17, 2013. Our report includes a reference to other auditors who audited the financial statements of the Clay County Emergency Communications District as described in our report of Clay County's financial statements. This report does not include the results of the other auditors testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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. However, material weaknesses may exist that have not been identified. 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: 2013-001, 2013-007, and 2013-008.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clay County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying Schedule of Findings and Questioned Costs as items: 2013-002, 2013-003, 2013-004, 2013-005, and 2013-006.

Clay County's Response to Findings

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

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,

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

Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

December 17, 2013

JPW/kp



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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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, 2013. 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 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, 2013.

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

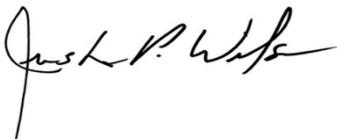
consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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, 2013, and the related notes to the financial statements, which collectively comprise Clay County's basic financial statements. We issued our report thereon dated December 17, 2013, 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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

December 17, 2013

JPW/kp

Clay County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2013

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Passed-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Direct Programs:			
Environmental Quality Incentives Programs	10.912	N/A	\$ 7,652
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	125,540
National School Lunch Program	10.555	N/A	308,995 (3)
Fresh Fruits and Vegetable Program	10.582	N/A	1,400
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	37,433 (3)
Total U.S. Department of Agriculture			<u>\$ 481,020</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants	14.228	GG-11-38056-00	<u>\$ 4,401</u>
U.S. Department of the Interior:			
Direct Program:			
Payments in-Lieu-of Taxes	15.226	N/A	<u>\$ 65,810</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	(2)	<u>\$ 9,377</u>
Appalachian Regional Commission:			
Passed-through Tennessee Technological University:			
Appalachian Area Development	23.002	(2)	\$ 30,000
Passed-through East Tennessee State University:			
Appalachian Research, Technical Assistance, and Demonstration Projects	23.011	(2)	<u>2,500</u>
Total Appalachian Regional Commission			<u>\$ 32,500</u>
Institute of Museum and Library Services :			
Passed-through Tennessee Secretary of State:			
Grants to States	45.310	(2)	<u>\$ 1,032</u>
U.S. Department of Education:			
Direct Programs:			
Impact Aid	84.041	N/A	\$ 201,082
Passed-through State Department of Labor and Workforce Development:			
Adult Education - Basic Grants to States	84.002	(2)	22,500
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	450,753
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	240,047
Special Education - Preschool Grants	84.173	N/A	9,016
Career and Technical Education - Basic Grants to States	84.048	N/A	22,667

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Passed-through Entity Identifying Number	Expenditures
U.S. Department of Education (Cont.):			
Passed-through State Department of Education (Cont.):			
Rural Education	84.358	N/A	\$ 25,747
Improving Teacher Quality State Grants	84.367	N/A	53,817
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants - Recovery Act	84.395	N/A	<u>11,309</u>
Total U.S. Department of Education			<u>\$ 1,036,938</u>
U.S. Department of Health and Human Services:			
Passed-through State Department of Mental Health and Developmental Disabilities:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	GG-13-39507-00	<u>\$ 49,942</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	(2)	<u>\$ 24,442</u>
Total Expenditures of Federal Awards			<u>\$ 1,716,462</u>
<u>State Grants</u>			
Juvenile Justice - State Commission on Children and Youth	N/A	GG-10-29422-00	\$ 9,000
Aging Program - Upper Cumberland Development District	N/A	(2)	11,100
Law Enforcement Training - State Department of Safety	N/A	(2)	6,600
Rural Local Health Services - State Department of Health	N/A	(2)	66,777
Litter Program - State Department of Transportation	N/A	(2)	38,495
Partnership Marketing Program - State Department of Tourist Development	N/A	(2)	2,000
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	548
Lottery for Education/PreK - State Department of Education	N/A	(2)	310,402
Coordinated School Health - State Department of Education	N/A	(2)	90,000
Family Resource Center - State Department of Education	N/A	(2)	23,205
High Schools that Work - State Department of Education	N/A	(2)	6,327
Adult Basic Education - State Department of Education	N/A	(2)	7,500
Safe Schools Act - State Department of Education	N/A	(2)	6,400
ConnectTN - State Department of Education	N/A	(2)	3,431
TN Arts Commission STS - State Department of Education	N/A	(2)	4,055
Disaster Relief Grant Program - State Department of the Military	N/A	(2)	<u>5,597</u>
Total State Grants			<u>\$ 591,437</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 \$346,428.

Clay County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2013

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, 2012, which have not been corrected.

OFFICES OF COUNTY MAYOR AND ROAD SUPERINTENDENT

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
12.01	140	The offices had not established formal purchase order systems

OFFICE OF ASSESSOR OF PROPERTY

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
12.03	140	New owners of greenbelt properties were not required to file new applications for agricultural property

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
12.08	143	Execution docket trial balances did not reconcile with general ledger accounts
12.09	144	Unclaimed funds were not reported and paid to the state

OFFICES OF COUNTY CLERK AND SHERIFF

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
12.10	144	Multiple employees operated from the same cash drawer

OFFICES OF ROAD SUPERINTENDENT, COUNTY CLERK, AND SHERIFF

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
12.11	145	Duties were not segregated adequately

CLAY COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2013

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the financial statements of Clay County is unmodified.
2. The audit of the financial statements of Clay County disclosed significant deficiencies in internal control. None of these conditions was considered to be a material weakness.
3. The audit did not disclose any instances of noncompliance that are material to the financial statements of Clay County.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. An unmodified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555), the Title I Grants to Local Educational Agencies (CFDA No. 84.010), and the Impact Aid Program (CFDA No. 84.041) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Clay County did not qualify as a low-risk auditee.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our examination and the annual monitoring by the State Department of Property Assessments on assessors of property, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. The county mayor provided a written response, which is paraphrased in this report. Other management officials did not provide responses for inclusion in this report.

OFFICES OF COUNTY MAYOR AND ROAD SUPERINTENDENT

FINDING 2013-001 **THE OFFICES HAD NOT ESTABLISHED FORMAL PURCHASE ORDER SYSTEMS**
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

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

RECOMMENDATION

The Offices of County Mayor and Road Superintendent should establish formal purchase order systems to improve internal controls over the purchasing process and to document purchasing commitments.

MANAGEMENT’S RESPONSE – COUNTY MAYOR

Clay County does not, at this time, have a formal purchase order system in place. We do, however, have a purchasing process that we use for Clay County. We are aware that this does constitute a finding. However, due to financial difficulties in our county at the present time, we are unable to establish a purchase order system. We will continue to strive to make the process we have in place work to the best of our ability. If in the future when our finances change, we will then be able to establish said formal purchase order system.

OFFICE OF ROAD SUPERINTENDENT

FINDING 2013-002 **APPROPRIATIONS EXCEEDED ESTIMATED
AVAILABLE FUNDING IN THE HIGHWAY/PUBLIC
WORKS FUND**
(Noncompliance Under *Government Auditing Standards*)

The budget and subsequent amendments approved by the County Commission for the Highway/Public Works Fund resulted in appropriations exceeding estimated available

funding by \$22,985. Sound budgetary principles dictate that appropriations be held within estimated available funding. This deficiency was the result of a lack of management oversight.

RECOMMENDATION

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

OFFICE OF ASSESSOR OF PROPERTY

FINDING 2013-003

THE ASSESSOR DID NOT MAINTAIN AN ADEQUATE PROGRAM OF SALES VERIFICATION (Noncompliance Under *Government Auditing Standards*)

The assessor did not maintain an adequate program of sales verification. Section 67-5-1601, *Tennessee Code Annotated*, requires the assessor to maintain an adequate program of real property sales verifications in accordance with procedures and rules established by the state Board of Equalization. This deficiency can be attributed to the failure of management to maintain adequate records of sales and rejections in analyzing reappraisals, sales ratio studies, current value update programs, and other reporting services. This resulted in a lack of sufficient documentation to verify sales during reappraisals, sales ratio studies, and current value update programs.

RECOMMENDATION

The assessor should maintain an adequate program of sales verifications as required by state statute.

FINDING 2013-004

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

New owners of property that had been previously qualified as agricultural at the date of sale were not required to file a new application for greenbelt classification in a timely manner to continue the greenbelt classification as required by Section 67-5-1005(a)(1), *Tennessee Code Annotated*. The statute further provides for the assessor to notify the new owners that the property is disqualified from receiving greenbelt classification unless the new owners file an application within 30 days of such notification together with a late fee of \$50. This deficiency is the result of management's failure to properly comply with state statutes and could result in the loss of county revenue if property that no longer qualifies for greenbelt classification is assessed at the lower greenbelt rate rather than at market value.

RECOMMENDATION

New owners of properties that qualified for greenbelt the previous year as agricultural should be required to file a new application in a timely manner. The failure to timely apply could result in disqualification and the assessment of rollback taxes as required by statute.

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

FINDING 2013-005

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

At June 30, 2013, the circuit and general sessions courts clerk prepared execution docket trial balances as required by Section 18-2-103, *Tennessee Code Annotated (TCA)*. However, these trial balances did not reconcile with the general ledger accounts by significant amounts. The clerk had unidentified balances of \$2,285 and \$17,972 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.

FINDING 2013-006

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

The clerk did not report and pay to the state unclaimed funds (old outstanding checks) totaling \$7,832. At June 30, 2013, Circuit Court had 12 outstanding checks totaling \$2,122 and General Sessions Court had 20 outstanding checks totaling \$5,710 that were all issued before July 1, 2012,. The Unclaimed Property Act, Section 66-29-101, et seq., *Tennessee Code Annotated*, provides that any funds held by the court for more than one year and unclaimed by the owner are considered abandoned. This statute further provides for the funds to be reported and paid to the state Treasurer's Office. This deficiency is the result of

management's failure to review and monitor outstanding checks and management's failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

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

OFFICES OF COUNTY CLERK AND SHERIFF

FINDING 2013-007 **MULTIPLE EMPLOYEES OPERATED FROM THE SAME CASH DRAWER**
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

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

RECOMMENDATION

Officials should assign each employee their own cash drawer.

OFFICES OF ROAD SUPERINTENDENT, COUNTY CLERK, AND SHERIFF

FINDING 2013-008 **DUTIES WERE NOT SEGREGATED ADEQUATELY**
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Duties were not segregated adequately among the officials and employees in the Offices of Road Superintendent, County Clerk, and Sheriff. Officials and employees responsible for maintaining accounting records were also involved in receipting, depositing, and/or disbursing funds. Accounting standards provide that internal controls be designed to give reasonable assurance of the reliability of financial reporting and of the effectiveness and efficiency of operations. This lack of segregation of duties is the result of management's decisions based on the availability of financial resources and is a significant deficiency in internal controls that increases the risk of unauthorized transactions. Also, this deficiency

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

RECOMMENDATION

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

BEST PRACTICE

**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.

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

There were no findings and questioned costs for federal awards.

CLAY COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2013

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