

ANNUAL FINANCIAL REPORT

CLAY COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2016



DIVISION OF LOCAL GOVERNMENT AUDIT



**ANNUAL FINANCIAL REPORT
CLAY COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2016**

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

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

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Summary of Audit Findings

Annual Financial Report
Clay County, Tennessee
For the Year Ended June 30, 2016

Scope

We have audited the basic financial statements of Clay County as of and for the year ended June 30, 2016.

Results

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

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

Findings

The following are summaries of the audit findings:

OFFICES OF COUNTY MAYOR AND ROAD SUPERINTENDENT

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

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

- ◆ Bank statements were not accurately reconciled with the general ledger.

OFFICES OF COUNTY CLERK AND SHERIFF

- ◆ Duties were not segregated adequately.

INTRODUCTORY SECTION

Clay County Officials

June 30, 2016

Officials

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

Board of County Commissioners

| | |
|-------------------------------------|----------------|
| Dale Reagan, County Mayor, Chairman | |
| Elizabeth Jenkins Boles | Billy Maxwell |
| Timmy Boles | Jerry Rhoton |
| Denzil Cherry | Timmie Scott |
| Bryan Coons | Parrish Wright |
| Dorothy Forney | Winton Young |

Board of Education

| | |
|------------------------|-----------------|
| Benji Bailey, Chairman | Nathan Sherrell |
| Christina Crawford | Anthony Smith |
| Veda Hix | Todd Upton |
| Todd Lynn | Vonda Weir |
| Chris McLerran | David West |

Audit Committee

Doug Young, Chairman
Richard Roberts
Parrish Wright

FINANCIAL SECTION



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT AUDIT
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JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
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Independent Auditor's Report

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

To the County Mayor and Board of County Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Clay County, Tennessee, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the county's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Clay County, Tennessee, as of June 30, 2016, and the respective changes in financial position and the respective budgetary comparison for the General, Solid Waste/Sanitation, and Highway Public Works funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note V.B., Clay County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*; GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*; GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68*, and *Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*; and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the schedule of changes in the county's net pension liability (asset) and related ratios, schedule of county and school contributions, schedule of school's proportionate share of the net pension liability, and schedule of funding progress - other postemployment benefits plans, etc. on pages 78-85 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.

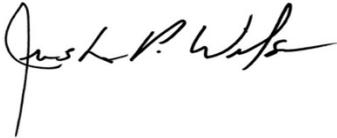
The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Clay County School Department (a discretely presented component unit), and miscellaneous 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 September 16, 2016, on our consideration of Clay County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Clay County's internal control over financial reporting and compliance.

Very truly yours,

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

Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

September 16, 2016

JPW/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

Clay County, Tennessee
Statement of Net Position
June 30, 2016

| | Primary Government <u>Governmental</u> <u>Activities</u> | Component Unit <u>Clay</u> <u>County</u> <u>School</u> <u>Department</u> |
|--|---|---|
| <u>ASSETS</u> | | |
| Cash | \$ 26,987 | \$ 1,696 |
| Equity in Pooled Cash and Investments | 4,483,538 | 2,550,287 |
| Accounts Receivable | 13,419 | 819 |
| Due from Other Governments | 362,346 | 448,426 |
| Due from Component Unit | 5,452,000 | 0 |
| Property Taxes Receivable | 2,381,854 | 1,366,241 |
| Allowance for Uncollectible Property Taxes | (86,535) | (49,637) |
| Net Pension Asset - Cost-sharing Plan | 0 | 4,126 |
| Capital Assets: | | |
| Assets Not Depreciated: | | |
| Land | 103,800 | 338,398 |
| Assets Net of Accumulated Depreciation: | | |
| Buildings and Improvements | 2,532,367 | 6,214,893 |
| Infrastructure | 9,107,401 | 317,054 |
| Other Capital Assets | 870,409 | 1,009,338 |
| Total Assets | <u>\$ 25,247,586</u> | <u>\$ 12,201,641</u> |
| <u>DEFERRED OUTFLOWS OF RESOURCES</u> | | |
| Pension Changes in Experience | \$ 12,790 | \$ 42,456 |
| Pension Changes in Investment Earnings | 176,299 | 897,876 |
| Pension Contributions After Measurement Date | 168,487 | 442,578 |
| Pension Other Deferrals | 0 | 42,524 |
| Total Deferred Outflows of Resources | <u>\$ 357,576</u> | <u>\$ 1,425,434</u> |
| <u>LIABILITIES</u> | | |
| Accounts Payable | \$ 0 | \$ 6,983 |
| Accrued Interest Payable | 2,166 | 0 |
| Due to Primary Government | 0 | 5,452,000 |
| Other Current Liabilities | 66 | 0 |
| Noncurrent Liabilities: | | |
| Due Within One Year | 381,021 | 2,823 |
| Due in More Than One Year | 5,568,075 | 744,217 |
| Total Liabilities | <u>\$ 5,951,328</u> | <u>\$ 6,206,023</u> |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | |
| Deferred Current Property Taxes | \$ 2,194,562 | \$ 1,258,809 |
| Pension Changes in Experience | 21,297 | 707,383 |
| Pension Changes in Investment Earnings | 230,664 | 1,213,973 |
| Pension Other Deferrals | 0 | 76,757 |
| Total Deferred Inflow of Resources | <u>\$ 2,446,523</u> | <u>\$ 3,256,922</u> |

(Continued)

Exhibit A

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

| | Primary Governmental Activities | Component Unit Clay County School Department |
|----------------------------------|---------------------------------------|---|
| <u>NET POSITION</u> | | |
| Net Investment in Capital Assets | \$ 12,440,681 | \$ 7,879,683 |
| Restricted for: | | |
| General Government | 147,532 | 0 |
| Finance | 6,765 | 0 |
| Administration of Justice | 30,639 | 0 |
| Public Safety | 127,529 | 0 |
| Highways | 1,255,567 | 0 |
| Education | 0 | 211,652 |
| Unrestricted | <u>3,198,598</u> | <u>(3,927,205)</u> |
| Total Net Position | <u>\$ 17,207,311</u> | <u>\$ 4,164,130</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, 2016

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | |
|---|---------------------|----------------------------|---|---|--|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary | Component |
| | | | | | Government Total Governmental Activities | Unit Clay County School Department |
| Primary Government: | | | | | | |
| Governmental Activities: | | | | | | |
| General Government | \$ 863,943 | \$ 32,764 | \$ 34,222 | \$ 0 | \$ (796,957) | \$ 0 |
| Finance | 363,210 | 237,930 | 0 | 0 | (125,280) | 0 |
| Administration of Justice | 420,414 | 286,898 | 19,215 | 0 | (114,301) | 0 |
| Public Safety | 1,745,979 | 181,605 | 161,239 | 0 | (1,403,135) | 0 |
| Public Health and Welfare | 1,163,480 | 121,075 | 386,687 | 6,015 | (649,703) | 0 |
| Social, Cultural, and Recreational Services | 339,660 | 15,383 | 39,460 | 158,800 | (126,017) | 0 |
| Agriculture and Natural Resources | 160,380 | 0 | 21,699 | 0 | (138,681) | 0 |
| Highways | 1,407,143 | 1,768 | 1,521,474 | 558,656 | 674,755 | 0 |
| Interest on Long-term Debt | 22,779 | 0 | 0 | 0 | (22,779) | 0 |
| Total Governmental Activities | <u>\$ 6,486,988</u> | <u>\$ 877,423</u> | <u>\$ 2,183,996</u> | <u>\$ 723,471</u> | <u>\$ (2,702,098)</u> | <u>\$ 0</u> |
| Total Primary Government | <u>\$ 6,486,988</u> | <u>\$ 877,423</u> | <u>\$ 2,183,996</u> | <u>\$ 723,471</u> | <u>\$ (2,702,098)</u> | <u>\$ 0</u> |
| Component Unit: | | | | | | |
| Clay County School Department | \$ 9,415,145 | \$ 147,040 | \$ 1,432,053 | \$ 0 | \$ 0 | \$ (7,836,052) |
| Total Component Unit | <u>\$ 9,415,145</u> | <u>\$ 147,040</u> | <u>\$ 1,432,053</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ (7,836,052)</u> |

(Continued)

Exhibit B

Clay County, Tennessee
Statement of Activities (Cont.)

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | |
|--|----------|----------------------------|---|---|--|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary | Component |
| | | | | | Government Total Governmental Activities | Unit Clay County School Department |
| General Revenues: | | | | | | |
| Taxes: | | | | | | |
| Property Taxes Levied for General Purposes | | | | | \$ 1,977,868 | \$ 1,196,624 |
| Property Taxes Levied for Debt Service | | | | | 105,900 | 0 |
| Local Option Sales Taxes | | | | | 337,568 | 633,026 |
| Wheel Tax | | | | | 190,419 | 0 |
| Wholesale Beer Tax | | | | | 207,439 | 0 |
| Hotel/Motel Tax | | | | | 29,650 | 0 |
| Litigation Taxes | | | | | 88,363 | 0 |
| Business Tax | | | | | 32,299 | 0 |
| Other Local Taxes | | | | | 12,547 | 797 |
| Grants and Contributions Not Restricted to Specific Programs | | | | | 696,175 | 7,160,774 |
| Unrestricted Investment Earnings | | | | | 19,691 | 928 |
| Miscellaneous | | | | | 41,187 | 48,587 |
| Total General Revenues | | | | | \$ 3,739,106 | \$ 9,040,736 |
| Insurance Recovery | | | | | \$ 7,752 | \$ 5,367 |
| Change in Net Position | | | | | \$ 1,044,760 | \$ 1,210,051 |
| Net Position, July 1, 2015 | | | | | 16,162,551 | 2,954,079 |
| Net Position, June 30, 2016 | | | | | <u>\$ 17,207,311</u> | <u>\$ 4,164,130</u> |

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

Exhibit C-1

Clay County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2016

| | Major Funds | | | | Nonmajor Funds | Total Governmental Funds |
|--|---------------------|--------------------------------|------------------------------|----------------------------|-------------------------------------|--------------------------------|
| | General | Solid Waste / Sanitation | Highway / Public Works | General Debt Service | Other Govern- mental Funds | |
| <u>ASSETS</u> | | | | | | |
| Cash | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 26,987 | \$ 26,987 |
| Equity in Pooled Cash and Investments | 1,054,431 | 1,146,310 | 1,010,378 | 1,049,573 | 222,846 | 4,483,538 |
| Accounts Receivable | 273 | 13,095 | 0 | 0 | 51 | 13,419 |
| Due from Other Governments | 117,091 | 0 | 245,255 | 0 | 0 | 362,346 |
| Due from Other Funds | 15,467 | 0 | 0 | 0 | 0 | 15,467 |
| Property Taxes Receivable | 1,825,685 | 435,263 | 0 | 120,906 | 0 | 2,381,854 |
| Allowance for Uncollectible Property Taxes | (66,329) | (15,813) | 0 | (4,393) | 0 | (86,535) |
| Total Assets | \$ 2,946,618 | \$ 1,578,855 | \$ 1,255,633 | \$ 1,166,086 | \$ 249,884 | \$ 7,197,076 |
| <u>LIABILITIES</u> | | | | | | |
| Due to Other Funds | \$ 0 | \$ 8,845 | \$ 0 | \$ 0 | \$ 6,622 | \$ 15,467 |
| Other Current Liabilities | 0 | 0 | 66 | 0 | 0 | 66 |
| Total Liabilities | \$ 0 | \$ 8,845 | \$ 66 | \$ 0 | \$ 6,622 | \$ 15,533 |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | | | | | |
| Deferred Current Property Taxes | \$ 1,682,126 | \$ 401,037 | \$ 0 | \$ 111,399 | \$ 0 | \$ 2,194,562 |
| Deferred Delinquent Property Taxes | 70,392 | 16,782 | 0 | 4,662 | 0 | 91,836 |
| Other Deferred/Unavailable Revenue | 36,622 | 0 | 122,627 | 0 | 0 | 159,249 |
| Total Deferred Inflows of Resources | \$ 1,789,140 | \$ 417,819 | \$ 122,627 | \$ 116,061 | \$ 0 | \$ 2,445,647 |

(Continued)

Exhibit C-1

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

| | Major Funds | | | | Nonmajor Funds | Total Governmental Funds |
|---|---------------------|--------------------------------|------------------------------|----------------------------|-------------------------------------|--------------------------------|
| | General | Solid Waste / Sanitation | Highway / Public Works | General Debt Service | Other Govern- mental Funds | |
| <u>FUND BALANCES</u> | | | | | | |
| Restricted: | | | | | | |
| Restricted for General Government | \$ 40,743 | \$ 0 | \$ 0 | \$ 0 | \$ 106,789 | \$ 147,532 |
| Restricted for Finance | 6,765 | 0 | 0 | 0 | 0 | 6,765 |
| Restricted for Administration of Justice | 30,639 | 0 | 0 | 0 | 0 | 30,639 |
| Restricted for Public Safety | 11,472 | 0 | 0 | 0 | 116,057 | 127,529 |
| Restricted for Highways/Public Works | 0 | 0 | 1,132,940 | 0 | 0 | 1,132,940 |
| Committed: | | | | | | |
| Committed for Finance | 0 | 0 | 0 | 0 | 20,416 | 20,416 |
| Committed for Public Health and Welfare | 0 | 1,152,191 | 0 | 0 | 0 | 1,152,191 |
| Committed for Debt Service | 0 | 0 | 0 | 1,050,025 | 0 | 1,050,025 |
| Unassigned | 1,067,859 | 0 | 0 | 0 | 0 | 1,067,859 |
| Total Fund Balances | <u>\$ 1,157,478</u> | <u>\$ 1,152,191</u> | <u>\$ 1,132,940</u> | <u>\$ 1,050,025</u> | <u>\$ 243,262</u> | <u>\$ 4,735,896</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | <u>\$ 2,946,618</u> | <u>\$ 1,578,855</u> | <u>\$ 1,255,633</u> | <u>\$ 1,166,086</u> | <u>\$ 249,884</u> | <u>\$ 7,197,076</u> |

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

Exhibit C-2

Clay County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2016

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

| | | | |
|---|----|------------------|--------------------------|
| Total fund balances - balance sheet - governmental funds (Exhibit C-1) | | \$ | 4,735,896 |
| (1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. | | | |
| Add: land | \$ | 103,800 | |
| Add: buildings and improvements net of accumulated depreciation | | 2,532,367 | |
| Add: infrastructure net of accumulated depreciation | | 9,107,401 | |
| Add: other capital assets net of accumulated depreciation | | <u>870,409</u> | 12,613,977 |
| (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 | \$ | (5,625,296) | |
| Add: debt to be contributed by the School Department | | 5,452,000 | |
| Less: accrued interest on other loans | | (2,166) | |
| Less: compensated absences payable | | <u>(105,192)</u> | (280,654) |
| (3) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years: | | | |
| Add: deferred outflows of resources related to pensions | \$ | 357,576 | |
| Less: deferred inflows of resources related to pensions | | <u>(251,961)</u> | 105,615 |
| (4) Net pension liabilities are not current financial uses and therefore are not reported in the governmental funds. | | | (218,608) |
| (5) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds. | | | <u>251,085</u> |
| Net position of governmental activities (Exhibit A) | | \$ | <u><u>17,207,311</u></u> |

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

Exhibit C-3

Clay County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

| | Major Funds | | | | Nonmajor | Total |
|---|---------------------|--------------------------------|------------------------------|----------------------------|-------------------------------------|---------------------|
| | General | Solid Waste / Sanitation | Highway / Public Works | General Debt Service | Other Govern- mental Funds | |
| <u>Revenues</u> | | | | | | |
| Local Taxes | \$ 2,667,756 | \$ 416,847 | \$ 10,714 | \$ 137,081 | \$ 19,475 | \$ 3,251,873 |
| Licenses and Permits | 1,662 | 0 | 0 | 0 | 0 | 1,662 |
| Fines, Forfeitures, and Penalties | 99,741 | 0 | 0 | 0 | 17,671 | 117,412 |
| Charges for Current Services | 60,630 | 96,467 | 1,768 | 0 | 104,844 | 263,709 |
| Other Local Revenues | 27,606 | 24,608 | 29,567 | 19,691 | 0 | 101,472 |
| Fees Received From County Officials | 331,621 | 0 | 0 | 0 | 0 | 331,621 |
| State of Tennessee | 594,328 | 0 | 1,977,436 | 0 | 0 | 2,571,764 |
| Federal Government | 253,413 | 0 | 253,498 | 0 | 0 | 506,911 |
| Other Governments and Citizens Groups | 147,341 | 0 | 0 | 329,203 | 0 | 476,544 |
| Total Revenues | \$ 4,184,098 | \$ 537,922 | \$ 2,272,983 | \$ 485,975 | \$ 141,990 | \$ 7,622,968 |
| <u>Expenditures</u> | | | | | | |
| Current: | | | | | | |
| General Government | \$ 504,852 | \$ 0 | \$ 0 | \$ 0 | \$ 10,730 | \$ 515,582 |
| Finance | 244,552 | 0 | 0 | 0 | 88,962 | 333,514 |
| Administration of Justice | 362,750 | 0 | 0 | 0 | 13,155 | 375,905 |
| Public Safety | 1,625,251 | 0 | 0 | 0 | 9,380 | 1,634,631 |
| Public Health and Welfare | 614,842 | 427,660 | 0 | 0 | 0 | 1,042,502 |
| Social, Cultural, and Recreational Services | 201,263 | 0 | 0 | 0 | 0 | 201,263 |
| Agriculture and Natural Resources | 141,586 | 0 | 0 | 0 | 0 | 141,586 |
| Other Operations | 672,571 | 9,167 | 0 | 0 | 354 | 682,092 |
| Highways | 34,567 | 0 | 1,720,120 | 0 | 0 | 1,754,687 |
| Debt Service: | | | | | | |
| Principal on Debt | 0 | 0 | 0 | 355,570 | 0 | 355,570 |
| Interest on Debt | 0 | 0 | 0 | 23,720 | 0 | 23,720 |
| Other Debt Service | 0 | 0 | 0 | 42,220 | 0 | 42,220 |
| Total Expenditures | \$ 4,402,234 | \$ 436,827 | \$ 1,720,120 | \$ 421,510 | \$ 122,581 | \$ 7,103,272 |

(Continued)

Exhibit C-3

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

| | Major Funds | | | | Nonmajor Funds | Total Governmental Funds |
|--|--------------|--------------------------------|------------------------------|----------------------------|-------------------------------------|--------------------------------|
| | General | Solid Waste / Sanitation | Highway / Public Works | General Debt Service | Other Govern- mental Funds | |
| Excess (Deficiency) of Revenues Over Expenditures | \$ (218,136) | \$ 101,095 | \$ 552,863 | \$ 64,465 | \$ 19,409 | \$ 519,696 |
| <u>Other Financing Sources (Uses)</u> | | | | | | |
| Insurance Recovery | \$ 0 | \$ 0 | \$ 7,752 | \$ 0 | \$ 0 | \$ 7,752 |
| Total Other Financing Sources (Uses) | \$ 0 | \$ 0 | \$ 7,752 | \$ 0 | \$ 0 | \$ 7,752 |
| Net Change in Fund Balances | \$ (218,136) | \$ 101,095 | \$ 560,615 | \$ 64,465 | \$ 19,409 | \$ 527,448 |
| Fund Balance, July 1, 2015 | 1,375,614 | 1,051,096 | 572,325 | 985,560 | 223,853 | 4,208,448 |
| Fund Balance, June 30, 2016 | \$ 1,157,478 | \$ 1,152,191 | \$ 1,132,940 | \$ 1,050,025 | \$ 243,262 | \$ 4,735,896 |

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, 2016

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) | | \$ 527,448 |
| <p>(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:</p> | | |
| Add: capital assets purchased in the current period | \$ 604,232 | |
| Less: current-year depreciation expense | <u>(349,585)</u> | 254,647 |
| <p>(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position.</p> | | |
| Add: assets donated and capitalized | \$ 158,800 | |
| Less: book value of capital assets disposed | <u>(47,194)</u> | 111,606 |
| <p>(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p> | | |
| Add: deferred delinquent property taxes and other deferred June 30, 2016 | \$ 251,085 | |
| Less: deferred delinquent property taxes and other deferred June 30, 2015 | <u>(227,987)</u> | 23,098 |
| <p>(4) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the effect of these differences in the treatment of long-term debt and related items:</p> | | |
| Add: principal payments on other loans | \$ 30,671 | |
| Add: principal payments on notes | 324,899 | |
| Less: contributions from the School Department for other loans | <u>(268,000)</u> | 87,570 |
| <p>(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.</p> | | |
| Change in accrued interest payable | \$ 941 | |
| Change in compensated absences payable | 13,010 | |
| Change in pension liability/asset | (171,987) | |
| Change in deferred outflows related to pensions | 193,659 | |
| Change in deferred inflows related to pensions | <u>4,768</u> | <u>40,391</u> |
| Change in net position of governmental activities (Exhibit B) | | <u>\$ 1,044,760</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, 2016

| | Actual | Budgeted Amounts | | Variance with Final Budget - Positive (Negative) |
|---|--------------|------------------|--------------|--|
| | | Original | Final | |
| <u>Revenues</u> | | | | |
| Local Taxes | \$ 2,667,756 | \$ 2,613,272 | \$ 2,613,272 | \$ 54,484 |
| Licenses and Permits | 1,662 | 500 | 500 | 1,162 |
| Fines, Forfeitures, and Penalties | 99,741 | 70,400 | 70,400 | 29,341 |
| Charges for Current Services | 60,630 | 34,000 | 53,704 | 6,926 |
| Other Local Revenues | 27,606 | 21,000 | 45,262 | (17,656) |
| Fees Received From County Officials | 331,621 | 272,000 | 272,000 | 59,621 |
| State of Tennessee | 594,328 | 619,117 | 543,681 | 50,647 |
| Federal Government | 253,413 | 112,428 | 275,062 | (21,649) |
| Other Governments and Citizens Groups | 147,341 | 136,300 | 214,878 | (67,537) |
| Total Revenues | \$ 4,184,098 | \$ 3,879,017 | \$ 4,088,759 | \$ 95,339 |
| <u>Expenditures</u> | | | | |
| <u>General Government</u> | | | | |
| County Commission | \$ 38,242 | \$ 34,150 | \$ 41,150 | \$ 2,908 |
| Board of Equalization | 1,050 | 1,300 | 1,300 | 250 |
| Beer Board | 462 | 500 | 500 | 38 |
| County Mayor/Executive | 128,897 | 132,750 | 132,750 | 3,853 |
| County Attorney | 6,000 | 6,000 | 6,000 | 0 |
| Election Commission | 125,822 | 185,849 | 186,175 | 60,353 |
| Register of Deeds | 85,361 | 85,835 | 85,835 | 474 |
| County Buildings | 117,568 | 160,355 | 160,355 | 42,787 |
| Other General Administration | 1,450 | 0 | 1,450 | 0 |
| Preservation of Records | 0 | 811 | 811 | 811 |
| <u>Finance</u> | | | | |
| Property Assessor's Office | 97,473 | 99,989 | 99,989 | 2,516 |
| County Trustee's Office | 16,525 | 20,488 | 20,488 | 3,963 |
| County Clerk's Office | 130,554 | 125,295 | 131,499 | 945 |
| <u>Administration of Justice</u> | | | | |
| Circuit Court | 154,841 | 170,684 | 170,684 | 15,843 |
| General Sessions Court | 74,714 | 74,714 | 74,714 | 0 |
| Chancery Court | 86,129 | 88,249 | 88,249 | 2,120 |
| Juvenile Court | 34,813 | 21,077 | 36,644 | 1,831 |
| Judicial Commissioners | 12,253 | 12,328 | 12,328 | 75 |
| <u>Public Safety</u> | | | | |
| Sheriff's Department | 875,926 | 926,956 | 946,945 | 71,019 |
| Drug Enforcement | 49,604 | 40,000 | 56,854 | 7,250 |
| Jail | 452,065 | 449,588 | 629,588 | 177,523 |
| Correctional Incentive Program Improvements | 2,680 | 2,680 | 2,680 | 0 |
| Juvenile Services | 55,989 | 88,500 | 88,500 | 32,511 |
| Fire Prevention and Control | 35,348 | 40,348 | 40,348 | 5,000 |
| Rescue Squad | 0 | 2,500 | 2,500 | 2,500 |
| Other Emergency Management | 76,672 | 93,300 | 97,340 | 20,668 |
| County Coroner/Medical Examiner | 23,957 | 17,250 | 28,650 | 4,693 |
| Other Public Safety | 53,010 | 55,833 | 55,833 | 2,823 |

(Continued)

Exhibit C-5

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

| | Actual | Budgeted Amounts | | Variance with Final Budget - Positive (Negative) |
|--|--------------|------------------|----------------|--|
| | | Original | Final | |
| <u>Expenditures (Cont.)</u> | | | | |
| <u>Public Health and Welfare</u> | | | | |
| Local Health Center | \$ 38,970 | \$ 41,300 | \$ 53,293 | \$ 14,323 |
| Ambulance/Emergency Medical Services | 360,000 | 360,000 | 360,000 | 0 |
| Alcohol and Drug Programs | 172,019 | 60,428 | 185,428 | 13,409 |
| Other Local Health Services | 33,133 | 65,500 | 65,500 | 32,367 |
| Appropriation to State | 10,720 | 11,300 | 10,720 | 0 |
| <u>Social, Cultural, and Recreational Services</u> | | | | |
| Senior Citizens Assistance | 51,930 | 53,240 | 59,740 | 7,810 |
| Libraries | 93,134 | 91,589 | 93,529 | 395 |
| Parks and Fair Boards | 45,194 | 77,671 | 77,671 | 32,477 |
| Other Social, Cultural, and Recreational | 11,005 | 15,000 | 15,000 | 3,995 |
| <u>Agriculture and Natural Resources</u> | | | | |
| Agricultural Extension Service | 89,051 | 89,220 | 92,859 | 3,808 |
| Forest Service | 1,000 | 1,000 | 1,000 | 0 |
| Soil Conservation | 51,535 | 53,490 | 53,490 | 1,955 |
| <u>Other Operations</u> | | | | |
| Tourism | 47,501 | 57,987 | 57,987 | 10,486 |
| Industrial Development | 49,855 | 81,456 | 81,456 | 31,601 |
| Other Economic and Community Development | 5,000 | 4,000 | 9,000 | 4,000 |
| Veterans' Services | 17,039 | 18,800 | 18,800 | 1,761 |
| Other Charges | 215,624 | 210,200 | 216,200 | 576 |
| Employee Benefits | 337,552 | 398,000 | 398,000 | 60,448 |
| <u>Highways</u> | | | | |
| Litter and Trash Collection | 34,567 | 41,930 | 41,930 | 7,363 |
| Total Expenditures | \$ 4,402,234 | \$ 4,669,440 | \$ 5,091,762 | \$ 689,528 |
| Excess (Deficiency) of Revenues | | | | |
| Over Expenditures | \$ (218,136) | \$ (790,423) | \$ (1,003,003) | \$ 784,867 |
| Net Change in Fund Balance | | | | |
| Fund Balance, July 1, 2015 | \$ 1,375,614 | \$ 1,315,262 | \$ 1,315,262 | \$ 60,352 |
| Fund Balance, June 30, 2016 | | | | |
| | \$ 1,157,478 | \$ 524,839 | \$ 312,259 | \$ 845,219 |

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, 2016

| | Actual | Budgeted Amounts | | Variance with Final Budget - Positive (Negative) |
|--|---------------------|---------------------|---------------------|--|
| | | Original | Final | |
| <u>Revenues</u> | | | | |
| Local Taxes | \$ 416,847 | \$ 405,000 | \$ 405,000 | \$ 11,847 |
| Charges for Current Services | 96,467 | 70,000 | 70,000 | 26,467 |
| Other Local Revenues | 24,608 | 20,000 | 20,000 | 4,608 |
| Total Revenues | <u>\$ 537,922</u> | <u>\$ 495,000</u> | <u>\$ 495,000</u> | <u>\$ 42,922</u> |
| <u>Expenditures</u> | | | | |
| <u>Public Health and Welfare</u> | | | | |
| Waste Pickup | \$ 427,660 | \$ 510,880 | \$ 510,880 | \$ 83,220 |
| <u>Other Operations</u> | | | | |
| Other Charges | 9,167 | 10,000 | 10,000 | 833 |
| Total Expenditures | <u>\$ 436,827</u> | <u>\$ 520,880</u> | <u>\$ 520,880</u> | <u>\$ 84,053</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>\$ 101,095</u> | <u>\$ (25,880)</u> | <u>\$ (25,880)</u> | <u>\$ 126,975</u> |
| Net Change in Fund Balance | \$ 101,095 | \$ (25,880) | \$ (25,880) | \$ 126,975 |
| Fund Balance, July 1, 2015 | <u>1,051,096</u> | <u>1,053,967</u> | <u>1,053,967</u> | <u>(2,871)</u> |
| Fund Balance, June 30, 2016 | <u>\$ 1,152,191</u> | <u>\$ 1,028,087</u> | <u>\$ 1,028,087</u> | <u>\$ 124,104</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, 2016

| | Actual | Budgeted Amounts | | Variance with Final Budget - Positive (Negative) |
|--|----------------------------|--------------------------|--------------------------|--|
| | | Original | Final | |
| <u>Revenues</u> | | | | |
| Local Taxes | \$ 10,714 | \$ 2,000 | \$ 2,000 | \$ 8,714 |
| Charges for Current Services | 1,768 | 0 | 0 | 1,768 |
| Other Local Revenues | 29,567 | 0 | 0 | 29,567 |
| State of Tennessee | 1,977,436 | 1,345,739 | 1,857,526 | 119,910 |
| Federal Government | 253,498 | 0 | 0 | 253,498 |
| Total Revenues | <u>\$ 2,272,983</u> | <u>\$ 1,347,739</u> | <u>\$ 1,859,526</u> | <u>\$ 413,457</u> |
| <u>Expenditures</u> | | | | |
| <u>Highways</u> | | | | |
| Administration | \$ 139,708 | \$ 146,284 | \$ 146,284 | \$ 6,576 |
| Highway and Bridge Maintenance | 625,501 | 938,000 | 971,691 | 346,190 |
| Operation and Maintenance of Equipment | 184,449 | 221,382 | 221,382 | 36,933 |
| Other Charges | 130,825 | 135,190 | 135,190 | 4,365 |
| Employee Benefits | 121,482 | 149,375 | 149,375 | 27,893 |
| Capital Outlay | 518,155 | 50,000 | 528,096 | 9,941 |
| Total Expenditures | <u>\$ 1,720,120</u> | <u>\$ 1,640,231</u> | <u>\$ 2,152,018</u> | <u>\$ 431,898</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>\$ 552,863</u> | <u>\$ (292,492)</u> | <u>\$ (292,492)</u> | <u>\$ 845,355</u> |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Insurance Recovery | \$ 7,752 | \$ 0 | \$ 0 | \$ 7,752 |
| Total Other Financing Sources | <u>\$ 7,752</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 7,752</u> |
| Net Change in Fund Balance | \$ 560,615 | \$ (292,492) | \$ (292,492) | \$ 853,107 |
| Fund Balance, July 1, 2015 | <u>572,325</u> | <u>448,707</u> | <u>448,707</u> | <u>123,618</u> |
| Fund Balance, June 30, 2016 | <u><u>\$ 1,132,940</u></u> | <u><u>\$ 156,215</u></u> | <u><u>\$ 156,215</u></u> | <u><u>\$ 976,725</u></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, 2016

| | <u>Agency Funds</u> |
|-------------------------------------|--------------------------|
| <u>ASSETS</u> | |
| Cash | \$ 199,106 |
| Accounts Receivable | 170 |
| Due from Other Governments | <u>48,168</u> |
| Total Assets | <u><u>\$ 247,444</u></u> |
| <u>LIABILITIES</u> | |
| Due to Other Taxing Units | \$ 48,168 |
| Due to Litigants, Heirs, and Others | <u>199,276</u> |
| Total Liabilities | <u><u>\$ 247,444</u></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, 2016

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 financial statements of the Clay County Emergency Communications District, a component unit requiring discrete presentation discussed below, was excluded from this report due to materiality calculations; therefore, the effect of its omission will not affect our opinion thereon. The component units discussed below are included in the county's reporting entity because of the significance of their operational or financial relationships with the county.

Discretely Presented Component Units – The following entities meet the criteria for discretely presented component units of the county. They are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the county.

The Clay County School Department operates the public school system in the county, and the voters of Clay County elect its board. The School Department is fiscally dependent on the county because it may not issue debt, and its budget and property tax levy are subject to the County Commission's approval. The School Department's taxes are levied under the taxing authority of the county and are included as part of the county's total tax levy.

The Clay County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Clay County, and the Clay County Commission appoints its governing body. The district is funded primarily through a service charge levied on telephone services. Before the issuance of most debt instruments, the district must obtain the County Commission's approval. The financial statements of the Clay County Emergency Communications District were not material to the component units' opinion unit and therefore have been omitted from this report.

The Clay County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of

the School Department are included in this report as listed in the table of contents. 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, 2016.

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, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental category. Clay County has no proprietary funds to report.

Separate financial statements are provided for governmental funds and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All other governmental funds are aggregated into a single column on the fund financial statements. The fiduciary funds in total are reported in a single column.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the county considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. Clay County considers grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the General Debt Service Fund for payments to be made early in the following year.

Property taxes for the period levied, in-lieu-of tax payments, sales taxes, interest, and miscellaneous taxes are all considered to be susceptible to accrual and have been recognized as revenues of the current period. Applicable business taxes, litigation taxes, state-shared excise taxes, fines,

forfeitures, and penalties are not susceptible to accrual since they are not measurable (reasonably estimable). All other revenue items are considered to be measurable and available only when the county receives cash.

Fiduciary funds financial statements are reported using the economic resources measurement focus, except for agency funds, which have no measurement focus, and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Clay County reports the following major governmental funds:

General Fund – This is the county’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Solid Waste/Sanitation Fund – This special revenue fund accounts for transactions relating to the disposal of Clay County’s solid waste. Local taxes and general service charges are the foundational revenues of this fund.

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

General Debt Service Fund – This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Additionally, Clay County reports the following fund type:

Agency Funds – These funds account for amounts collected in an agency capacity by the constitutional officers and local sales taxes received by the state to be forwarded to the various cities in Clay County. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They do, however, use the accrual basis of accounting to recognize receivables and payables.

The discretely presented Clay County School Department reports the following major governmental fund:

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

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

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

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Deposits and Investments

State statutes authorize the government to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; deposit accounts at state and federal chartered banks and savings and loan associations; repurchase agreements; the State Treasurer's Investment Pool; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county's own legally issued bonds or notes.

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented Clay County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net position as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General Debt Service Fund. Clay County and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit are reported at cost. Investments in the State Treasurer's Investment Pool are reported at fair value. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Accordingly, the pool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. State statutes require the state treasurer to administer the pool under the same terms and conditions, including

collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

2. Receivables and Payables

Activity between funds for unremitted current collections outstanding at the end of the fiscal year is referred to as due to/from other funds.

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 1.95 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 a deferred inflow of resources as of June 30.

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

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

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

3. Capital Assets

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

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

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

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

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

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

4. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and the governmental funds balance sheet. These items are for pension changes in experience, changes in investment earnings, employer contributions made to the pension plan after the measurement date, and changes in proportionate share of contributions.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources, represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and the governmental funds balance sheet. These items are from the following sources: current and delinquent property taxes, pension changes in experience, changes in investment earnings, changes in proportionate share of contributions, and various receivables for revenues, which do not meet the availability criteria in governmental funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

5. Compensated Absences

Primary Government

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

Discretely Presented Clay County School Department

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

6. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Debt premiums and discounts are deferred and amortized over the life of the new debt using the straight-line method. Debt issuance costs are expensed in the period incurred. In refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is

reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the refunded debt or the life of the new debt issued, whichever is shorter.

In the fund financial statements, governmental funds recognize debt premiums and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Only the matured portion (the portion that has come due for payment) of long-term indebtedness, including bonds payable, is recognized as a liability and expenditure in the governmental fund financial statements. Liabilities and expenditures for other long-term obligations, including compensated absences, other postemployment benefits, and pension liabilities 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, 2016, Clay County had \$5,452,000 in outstanding debt for capital purposes for the discretely presented Clay County School Department. This debt is a liability of Clay County, but the capital assets acquired are reported in the financial statements of the School Department.

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

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

These classifications may consist of the following:

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

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

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

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

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

E. Pension Plans

Primary Government

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

Discretely Presented Clay County School Department

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide Statement of Net Position

Primary Government

Exhibit C-2 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide Statement of Net Position.

Discretely Presented Clay County School Department

Exhibit I-3 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide Statement of Net Position.

B. Explanation of certain differences between the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the government-wide Statement of Activities

Primary Government

Exhibit C-4 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the change in net position of governmental activities reported in the government-wide Statement of Activities.

Discretely Presented Clay County School Department

Exhibit I-5 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the change in net position of governmental activities reported in the government-wide Statement of Activities.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

B. Cash Shortage

The Highway/Public Works Fund had a cash shortage of \$3,911.36 at June 30, 2015. This cash shortage resulted from a former employee using a Highway Department fuel card to purchase fuel for private vehicles. The former employee was indicted on theft over \$1,000 on June 22, 2015, and is scheduled to appear in court in October 2016.

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, 2016.

B. Capital Assets

Capital assets activity for the year ended June 30, 2016, was as follows:

Primary Government

Governmental Activities:

| | Balance 7-1-15 | Increases | Decreases | Balance 6-30-16 |
|--|----------------------|-------------------|--------------------|----------------------|
| Capital Assets Not Depreciated: | | | | |
| Land | \$ 95,000 | \$ 8,800 | \$ 0 | \$ 103,800 |
| Construction in Progress | 0 | 0 | 0 | 0 |
| Total Capital Assets Not Depreciated | \$ 95,000 | \$ 8,800 | \$ 0 | \$ 103,800 |
| Capital Assets Depreciated: | | | | |
| Buildings and Improvements | \$ 3,191,819 | \$ 150,000 | \$ 0 | \$ 3,341,819 |
| Roads and Bridges | 11,329,833 | 535,189 | (41,969) | 11,823,053 |
| Other Capital Assets | 2,922,061 | 69,043 | (33,328) | 2,957,776 |
| Total Capital Assets Depreciated | \$ 17,443,713 | \$ 754,232 | \$ (75,297) | \$ 18,122,648 |
| Less Accumulated Depreciation For: | | | | |
| Buildings and Improvements | \$ 752,249 | \$ 57,203 | \$ 0 | \$ 809,452 |
| Roads and Bridges | 2,625,048 | 100,388 | (9,784) | 2,715,652 |
| Other Capital Assets | 1,913,692 | 191,994 | (18,319) | 2,087,367 |
| Total Accumulated Depreciation | \$ 5,290,989 | \$ 349,585 | \$ (28,103) | \$ 5,612,471 |
| Total Capital Assets Depreciated, Net | \$ 12,152,724 | \$ 404,647 | \$ (47,194) | \$ 12,510,177 |
| Governmental Activities Capital Assets, Net | \$ 12,247,724 | \$ 413,447 | \$ (47,194) | \$ 12,613,977 |

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

Governmental Activities:

| | |
|---------------------------|-----------|
| General Government | \$ 24,340 |
| Public Safety | 62,497 |
| Public Health and Welfare | 66,933 |

Governmental Activities (Cont.):

| | | |
|---|----|-----------------------|
| Social, Cultural, and Recreational Services | \$ | 8,909 |
| Agriculture and Natural Resources | | 1,673 |
| Highways/Public Works | | <u>185,233</u> |
| Total Depreciation Expense - Governmental Activities | \$ | <u><u>349,585</u></u> |

Discretely Presented Clay County School Department

Governmental Activities:

| | Balance | | Balance |
|--|----------------------------|--------------------------|----------------------------|
| | 7-1-15 | Increases | 6-30-16 |
| Capital Assets Not Depreciated: | | | |
| Land | \$ 338,398 | \$ 0 | \$ 338,398 |
| Total Capital Assets Not Depreciated | <u>\$ 338,398</u> | <u>\$ 0</u> | <u>\$ 338,398</u> |
| Capital Assets Depreciated: | | | |
| Buildings and Improvements | \$ 10,851,368 | \$ 418,754 | \$ 11,270,122 |
| Roads and Bridges | 648,860 | 0 | 648,860 |
| Other Capital Assets | <u>2,010,132</u> | <u>69,097</u> | <u>2,079,229</u> |
| Total Capital Assets Depreciated | <u>\$ 13,510,360</u> | <u>\$ 487,851</u> | <u>\$ 13,998,211</u> |
| Less Accumulated Depreciation For: | | | |
| Buildings and Improvements | \$ 4,831,136 | \$ 224,093 | \$ 5,055,229 |
| Roads and Bridges | 311,053 | 20,753 | 331,806 |
| Other Capital Assets | <u>955,763</u> | <u>114,128</u> | <u>1,069,891</u> |
| Total Accumulated Depreciation | <u>\$ 6,097,952</u> | <u>\$ 358,974</u> | <u>\$ 6,456,926</u> |
| Total Capital Assets Depreciated, Net | <u>\$ 7,412,408</u> | <u>\$ 128,877</u> | <u>\$ 7,541,285</u> |
| Governmental Activities Capital Assets, Net | <u><u>\$ 7,750,806</u></u> | <u><u>\$ 128,877</u></u> | <u><u>\$ 7,879,683</u></u> |

There were no decreases in capital assets to report during the year ended June 30, 2016.

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

Governmental Activities:

| | |
|---|-------------------|
| Instruction | \$ 223,765 |
| Support Services | 116,421 |
| Operation of Non-instructional Services | <u>18,788</u> |
| Total Depreciation Expense - Governmental Activities | <u>\$ 358,974</u> |

C. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2016, was as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|------------------------|---------------|
| General | Nonmajor governmental | \$ 6,622 |
| " | Solid Waste/Sanitation | 8,845 |

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 Unit:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|---------------------|---------------|
| | Component Unit: | |
| Primary Government | School Department | \$ 5,452,000 |

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, 2016, consisted of the following amounts:

Discretely Presented Clay County School Department

| | Transfers In | |
|------------------------------|-----------------------------|------------------------------|
| | General Purpose School Fund | School Federal Projects Fund |
| Transfers Out | | |
| General Purpose School Fund | \$ 0 | \$ 40,000 |
| School Federal Projects Fund | 24,554 | 0 |

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 for the primary government and the discretely presented School Department. Capital outlay notes are also issued to fund capital facilities and other capital outlay purchases, such as equipment.

Other loans are direct obligations and pledge the full faith and credit of the government. The other loans outstanding were issued for original terms of up to 29 years. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. The other loans included in long-term debt at June 30, 2016, will be retired from the General Debt Service Fund.

The other loans outstanding as of June 30, 2016, for governmental activities are as follows:

| Type | Interest Rate | | Final Maturity | Original Amount of Issue | Balance 6-30-16 |
|-------------|---------------|--|----------------|--------------------------|-----------------|
| Other Loans | 3.75 % | | 6-30-23 | \$ 615,000 | \$ 173,296 |
| " | Variable | | 5-25-31 | 8,400,000 | 5,452,000 |

In prior years, Clay County entered into a loan agreement with the U.S. Department of Agriculture (USDA) Rural Development Loan Program. This loan agreement provided for the USDA to make \$615,000 available for loan to Clay County on as as-needed basis for the construction of a courtroom

addition at the administrative annex building. The terms of this agreement call for the county to repay the loan over a period of 40 years at an interest rate of 3.75 percent. During the year, Clay County elected to pay additional principle of \$35,000 on the retirement of this debt. As a result of this payment, the amortization schedule was recalculated, and the maturity date is now estimated to be June 30, 2023.

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, 2016, the variable interest rate was .58 percent, and other fees totaled approximately .57 percent (letter of credit), .08 percent (remarketing), and a trustee fee of \$85 per month.

The annual requirements to amortize the county's other loans outstanding as of June 30, 2016, including interest payments and other loan fees, are presented in the following tables:

| Year Ending June 30 | Other Loans | | | |
|------------------------|--------------|------------|------------|--------------|
| | Principal | Interest | Other Fees | Total |
| 2017 | \$ 302,128 | \$ 38,121 | \$ 37,478 | \$ 377,727 |
| 2018 | 314,033 | 35,603 | 35,672 | 385,308 |
| 2019 | 324,972 | 32,988 | 33,793 | 391,753 |
| 2020 | 336,946 | 30,280 | 31,849 | 399,075 |
| 2021 | 349,956 | 27,471 | 29,834 | 407,261 |
| 2022-2026 | 1,841,261 | 96,731 | 116,190 | 2,054,182 |
| 2027-2031 | 2,156,000 | 38,414 | 53,253 | 2,247,667 |
| Total | \$ 5,625,296 | \$ 299,608 | \$ 338,069 | \$ 6,262,973 |

There is \$1,050,025 available in the General Debt Service Fund to service long-term debt. Debt per capita totaled \$716, based on the 2010 federal census.

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

| Description of Indebtedness | Outstanding 6-30-16 |
|---|----------------------------|
| Other Loans: | |
| Contributions from General Purpose School Fund: | |
| School Construction | \$ 4,480,000 |
| Athletic Facilities | 972,000 |
| | <hr/> |
| Total | <u><u>\$ 5,452,000</u></u> |

Changes in Long-term Obligations

Long-term obligations activity for the year ended June 30, 2016, was as follows:

Governmental Activities:

| | Note | Other Loans | Compensated Absences |
|-----------------------------|-------------|---------------------|-------------------------|
| Balance, July 1, 2015 | \$ 30,671 | \$ 5,950,195 | \$ 118,202 |
| Additions | 0 | 0 | 98,747 |
| Reductions | (30,671) | (324,899) | (111,757) |
| | <hr/> | | |
| Balance, June 30, 2016 | <u>\$ 0</u> | <u>\$ 5,625,296</u> | <u>\$ 105,192</u> |
| Balance Due Within One Year | <u>\$ 0</u> | <u>\$ 302,128</u> | <u>\$ 78,893</u> |

Governmental Activities:

| | Net Pension Liability - Agent Plan |
|-----------------------------|--|
| Balance, July 1, 2015 | \$ 46,621 |
| Additions | 382,720 |
| Reductions | (210,733) |
| | <hr/> |
| Balance, June 30, 2016 | <u>\$ 218,608</u> |
| Balance Due Within One Year | <u>\$ 0</u> |

Analysis of Noncurrent Liabilities Presented on Exhibit A:

| | |
|---|---------------------|
| Total Noncurrent Liabilities, June 30, 2016 | \$ 5,949,096 |
| Less: Balance Due Within One Year | <u>(381,021)</u> |
| Noncurrent Liabilities - Due in More Than One Year - Exhibit A | <u>\$ 5,568,075</u> |

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

Discretely Presented Clay County School Department

Changes in Long-term Obligations

Long-term obligations activity for the discretely presented Clay County School Department for the year ended June 30, 2016, was as follows:

Governmental Activities:

| | Compensated Absences | Other Post- employment Benefits | Net Pension Liability - Agent Plan |
|-----------------------------|-------------------------|--|--|
| Balance, July 1, 2015 | \$ 91 | \$ 514,548 | \$ 45,479 |
| Additions | 6,713 | 123,923 | 190,846 |
| Reductions | <u>(3,981)</u> | <u>(52,075)</u> | <u>(123,156)</u> |
| Balance, June 30, 2016 | <u>\$ 2,823</u> | <u>\$ 586,396</u> | <u>\$ 113,169</u> |
| Balance Due Within One Year | <u>\$ 2,823</u> | <u>\$ 0</u> | <u>\$ 0</u> |

Governmental Activities:

| | <u>Net Pension Liability - Cost-sharing Plan*</u> |
|-----------------------------|---|
| Balance, July 1, 2015 | \$ (17,067) |
| Additions | 1,511,702 |
| Reductions | <u>(1,449,983)</u> |
| Balance, June 30, 2016 | <u>\$ 44,652</u> |
| Balance Due Within One Year | <u>\$ 0</u> |

* At July 1, 2015, the cost-sharing plan had a net pension asset.

Analysis of Noncurrent Liabilities Presented on Exhibit A:

| | |
|---|-------------------|
| Total Noncurrent Liabilities, June 30, 2016 | \$ 747,040 |
| Less: Balance Due Within One Year | <u>(2,823)</u> |
| Noncurrent Liabilities - Due in More Than One Year - Exhibit A | <u>\$ 744,217</u> |

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

E. On-Behalf Payments

Primary Government

The State of Tennessee pays health insurance premiums for retired employees on-behalf of Clay County. These payments are made by the state to the Medicare Supplement Plan. This plan is administered by the State of Tennessee and reported in the State's Comprehensive Annual Financial Report. Payments by the State to the Medicare Supplement Plan for the year ended June 30, 2016, were \$1,450. The county has recognized these on-behalf payments as revenues and expenditures in the General Fund.

Discretely Presented Clay County School Department

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Clay County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan

and the Medicare Supplement Plan for the year ended June 30, 2016, were \$45,883 and \$21,287, 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 provides commercial 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. 72, *Fair Value Measurement and Application*; Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*; Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*; and Statement No. 79, *Certain External Investment Pools and Pool Participants* became effective for the year ended June 30, 2016.

GASB Statement No. 72, establishes general principles for measuring fair value and standards of accounting and financial reporting for assets and liabilities measured at fair value. This standard supersedes previous statements as they relate to measuring fair value of certain assets and liabilities.

GASB Statement No. 73, established accounting and reporting requirements for pensions that are not administered through a trust account and also addresses changes made to Statements No. 67 and No. 68. The changes to Statements No. 67 and No. 68 require new RSI disclosures concerning plan investments, address specific payables to defined benefit plans, and address specific payables to defined benefit plans.

GASB Statement No. 76, addresses changes made to the hierarchy of generally accepted accounting principles. This standard supersedes Statement No. 55 and reduces the hierarchy from four to two categories.

GASB Statement No. 79, addresses issues related to certain external investment pools and pool participants because of changes in Security and Exchange rules relative to money market funds. This standard establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost rather than fair value for financial reporting purposes standards.

C. Subsequent Event

Director of Schools Jerry Strong retired June 30, 2016, and was succeeded by Matt Eldridge effective July 1, 2016.

D. Contingent Liabilities

The Clay County School system is one of forty-five Tennessee school districts that are members of the Sweetwater Consortium. The consortium was formed in 2012 to negotiate costs with vendors for providing telephone and internet services to member schools, and awarded a contract to Education Networks of America (ENA). The Federal Government subsidizes the costs of these services through the Federal Communications Commission's (FCC) E-Rate Program. The E-Rate program is managed by Universal Services

Administration Company (USAC). Another service provider filed a lawsuit in 2012 challenging the contract awarded by the consortium, which resulted in the withholding of E-Rate funding. The case has been heard by an appeals board and members are awaiting a ruling. If the ruling is favorable for the consortium, then E-Rate funding will be reimbursed by the federal government. If the ruling is unfavorable for the consortium, then a hearing before the FCC will be granted. Consortium members could be required to reimburse ENA for the costs of any services not reimbursed by the E-Rate program. The Clay County School System's share of these costs is estimated at approximately \$98,285.

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, Clay, Cumberland, DeKalb, Overton, Pickett, Putnam, and White counties, and participating municipalities within the district. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors including the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within each judicial district. Clay County did not make appropriations to the DTF for the year ended June 30, 2016. Clay County does not have an equity interest in the DTF. Complete financial statements for the DTF can be obtained from its administrative office at the following address:

Administrative Office:

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

F. Jointly Governed Organization

The Joint Industrial Development Board of Celina and Clay County is a corporate entity formed in 1997 to promote local industry development for the benefit of the residents of Celina and Clay County. Clay County is responsible for appointing four of the organization's board members, and the Town of Celina is responsible for appointing three members. Clay County's

accountability for this organization does not extend beyond making the appointments.

G. Retirement Commitments

1. Tennessee Consolidated Retirement System (TCRS)

Primary Government

General Information About the Pension Plan

Plan Description. Employees of Clay County and non-certified employees of the discretely presented Clay County School Department are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprised 65.89 percent and the non-certified employees of the discretely presented School Department comprised 34.11 percent of the plan based on contribution data. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at www.treasury.tn.gov/tcrs.

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

Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the

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

Employees Covered by Benefit Terms. At the measurement date of June 30, 2015, the following employees were covered by the benefit terms:

| | |
|--|-------------------|
| Inactive Employees or Beneficiaries Currently Receiving Benefits | 76 |
| Inactive Employees Entitled to But Not Yet Receiving Benefits | 111 |
| Active Employees | <u>164</u> |
| Total | <u><u>351</u></u> |

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute five percent of their salary. Clay County makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, the Actuarial Determined Contribution (ADC) for Clay County was \$249,053 based on a rate of 7.19 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Clay County’s state shared taxes if required employer contributions are not remitted. The employer’s ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

Clay County’s net pension liability (asset) was measured as of June 30, 2015, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability as of the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2015, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

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

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

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

Changes in the Net Pension Liability (Asset)

| | Increase (Decrease) | | |
|---|--------------------------------------|--|--|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a)-(b) |
| Balance, July 1, 2014 | \$ 7,636,153 | \$ 7,544,053 | \$ 92,100 |
| Changes for the Year: | | | |
| Service Cost | \$ 285,817 | \$ 0 | \$ 285,817 |
| Interest | 580,662 | 0 | 580,662 |
| Differences Between Expected and Actual Experience | 23,293 | 0 | 23,293 |
| Contributions-Employer | 0 | 249,053 | (249,053) |
| Contributions-Employees | 0 | 175,737 | (175,737) |
| Net Investment Income | 0 | 233,484 | (233,484) |
| Benefit Payments, Including Refunds of Employee Contributions | (359,622) | (359,622) | 0 |
| Administrative Expense | 0 | (8,179) | 8,179 |
| Other Changes | 0 | 0 | 0 |
| Net Changes | \$ 530,150 | \$ 290,473 | \$ 239,677 |
| Balance, June 30, 2015 | \$ 8,166,303 | \$ 7,834,526 | \$ 331,777 |

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

| | | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability (Asset) |
|--------------------|--------|-------------------------------|--------------------------------------|--|
| Primary Government | 65.89% | \$ 5,380,777 | \$ 5,162,169 | \$ 218,608 |
| School Department | 34.11% | 2,785,526 | 2,672,357 | 113,169 |
| Total | | \$ 8,166,303 | \$ 7,834,526 | \$ 331,777 |

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

| Clay County | 1% Decrease 6.5% | Current Discount Rate 7.5% | 1% Increase 8.5% |
|-----------------------|------------------------|-------------------------------------|------------------------|
| Net Pension Liability | \$ 1,358,495 | \$ 331,777 | \$ (522,798) |

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

Pension Expense. For the year ended June 30, 2016, Clay County recognized pension expense of \$76,980.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2016, Clay County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Difference Between Expected and Actual Experience | \$ 19,411 | \$ 32,322 |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | 267,566 | 350,074 |
| Contributions Subsequent to the Measurement Date of June 30, 2015 (1) | 247,990 | N/A |
| Total | \$ 534,967 | \$ 382,396 |

(1) The amount shown above for “Contributions Subsequent to the Measurement Date of June 30, 2015,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

| | | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--------------------|--------|--------------------------------------|-------------------------------------|
| Primary Government | 65.89% | \$ 357,576 | \$ 251,961 |
| School Department | 34.11% | 177,391 | 130,435 |
| Total | | <u>\$ 534,967</u> | <u>\$ 382,396</u> |

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

| Year Ending June 30 | Amount |
|------------------------|-------------|
| 2017 | \$ (54,000) |
| 2018 | (54,000) |
| 2019 | (54,000) |
| 2020 | 62,692 |
| 2021 | 3,882 |
| Thereafter | 0 |

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

Discretely Presented Clay County School Department

Non-certified Employees

General Information About the Pension Plan

Plan Description. As noted above under the primary government, employees of Clay County and non-certified employees of the discretely presented Clay County School Department are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprise 65.89 percent, and the non-certified employees of the discretely presented School Department comprise 34.11 percent of the plan based on contribution data.

Certified Employees

Teacher Retirement Plan

General Information About the Pension Plan

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

Benefits Provided. TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. Members are eligible to retire with an unreduced benefit at age 65 with five years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available to vested members at age 60 or pursuant to the rule of 80. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria. Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. Members who leave employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan,

benefit terms and conditions, including COLA, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or by automatic cost controls set out in law. Teachers are required to contribute five percent of their salary to the plan. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing TCRS, the employer contribution rate cannot be less than four percent, except in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2016, to the Teacher Retirement Plan were \$18,063, which is four percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

Pension Liabilities (Assets). At June 30, 2016, the Clay County School Department reported an asset of \$4,127 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The Clay County School Department's proportion of the net pension asset was based on the Clay County School Department's share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2015, the Clay County School Department's proportion was .102591 percent.

Pension Expense. For the year ended June 30, 2016, the Clay County School Department recognized pension expense of \$5,409.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2016, the Clay County School Department reported deferred outflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Difference Between Expected and Actual Experience | \$ 0 | \$ 1,343 |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | 334 | 0 |
| LEA's Contributions Subsequent to the Measurement Date of June 30, 2015 | <u>18,063</u> | N/A |
| Total | <u>\$ 18,397</u> | <u>\$ 1,343</u> |

The Clay County School Department's employer contributions of \$18,063, reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase of net pension liability (asset) in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending June 30 | Amount |
|------------------------|---------|
| 2017 | \$ (29) |
| 2018 | (29) |
| 2019 | (29) |
| 2020 | (29) |
| 2021 | (112) |
| Thereafter | (784) |

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

Actuarial Assumptions. The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2015, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

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

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

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

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

| School Department's Proportionate Share of the Net Pension Liability (Asset) | 1% Decrease 6.5% | Current Discount Rate 7.5% | 1% Increase 8.5% |
|--|---------------------|-------------------------------|---------------------|
|--|---------------------|-------------------------------|---------------------|

Net Pension Liability \$ 732 \$ (4,127) \$ (7,691)

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

Teacher Legacy Pension Plan

General Information About the Pension Plan

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

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

an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Legacy Pension Plan, benefit terms and conditions, including COLAs can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers are required to contribute five percent of their salaries. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by the Clay County School Department for the year ended June 30, 2016, to the Teacher Legacy Pension Plan were \$345,012, which is 9.04 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

Pension Liability (Assets). At June 30, 2016, the Clay County School Department reported a liability of \$44,652 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The Clay County School Department's proportion of the net pension liability (asset) was based on the Clay County School Department's long-term share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2015, the Clay County School Department's proportion was .109005 percent. The proportion measured at June 30, 2014, was .105028 percent.

Negative Pension Expense. For the year ended June 30, 2016, the Clay County School Department recognized negative pension expense of \$44,544.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2016, the Clay County School Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Difference Between Expected and Actual Experience | \$ 35,835 | \$ 695,015 |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | 806,275 | 1,094,563 |
| Changes in Proportion of Net Pension Liability (Asset) | 42,524 | 76,758 |
| LEA's Contributions Subsequent to the Measurement Date of June 30, 2015 | 345,012 | N/A |
| Total | <u>\$ 1,229,646</u> | <u>\$ 1,866,336</u> |

The Clay County School Department's employer contributions of \$345,012 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase in net pension asset in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending June 30 | Amount |
|------------------------|--------------|
| 2017 | \$ (301,968) |
| 2018 | (301,968) |
| 2019 | (301,968) |
| 2020 | 62,886 |
| 2021 | (138,683) |
| Thereafter | 0 |

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

Actuarial Assumptions. The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2015, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

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

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

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

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

| School Department's Proportionate Share of the Net Pension Liability (Asset) | 1% Decrease 6.5% | Current Discount Rate 7.5% | 1% Increase 8.5% |
|---|------------------------|-------------------------------------|------------------------|
|---|------------------------|-------------------------------------|------------------------|

Net Pension Liability \$ 3,044,223 \$ 44,652 \$ (2,438,639)

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

2. Deferred Compensation

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

Teachers hired after July 1, 2014, by the discretely presented Clay County School Department are required to participate in a hybrid pension plan administered by the Tennessee Consolidated Retirement System. This hybrid pension plan requires that these teachers contribute five percent of their salaries into a deferred compensation plan managed by the hybrid plan pursuant to IRC Section 401(k). As part of their employment package, the Clay County School Department has assumed a portion of the costs of funding this program on-behalf of the plan participants. The Section 401(k) plan assets remain the property of the participating teachers and are not presented in the accompanying financial statements. IRC Section 401(k), establishes participation, contribution, and withdrawal provisions for the plans. During the year, the Clay County School Department contributed \$19,828 to the 401(k) portion of the hybrid pension plan on-behalf of the plan participants.

H. Other Postemployment Benefits (OPEB)

Plan Description

The Clay County School Department participates in the state-administered Local Education Group Insurance and Medicare Supplement plans for healthcare benefits. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Section 8-27-302, *Tennessee*

Code Annotated (TCA), for local education employees and Section 8-27-701, *TCA*, for the Medicare Supplement Plan. Prior to reaching the age of 65, all members have the option of choosing between the standard or partnership preferred provider organization plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered Medicare Supplement Plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://tn.gov/finance/act/cafr.html>.

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop a contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state provides a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. During the year, the discretely presented Clay County School Department contributed \$52,075 for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

| | Local Education Group Plan | Medicare Supplement Plan |
|------------------------------|-------------------------------------|--------------------------------|
| ARC | \$ 90,000 | \$ 34,000 |
| Interest on the NOPEBO | 14,780 | 4,515 |
| Adjustment to the ARC | (14,839) | (4,533) |
| Annual OPEB cost | \$ 89,941 | \$ 33,982 |
| Amount of contribution | (51,175) | (900) |
| Increase/decrease in NOPEBO | \$ 38,766 | \$ 33,082 |
| Net OPEB obligation, 7-1-15 | 394,136 | 120,412 |
| Net OPEB obligation, 6-30-16 | \$ 432,902 | \$ 153,494 |

| Fiscal Year Ended | Plans | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation at Year End |
|-------------------|-----------------------|------------------|--|---------------------------------|
| 6-30-14 | Local Education Group | \$ 63,353 | 53 % | \$ 372,147 |
| 6-30-15 | " | 65,384 | 66 | 394,136 |
| 6-30-16 | " | 89,941 | 57 | 432,902 |
| 6-30-14 | Medicare Supplement | 25,075 | 10 | 95,364 |
| 6-30-15 | " | 26,098 | 4 | 120,412 |
| 6-30-16 | " | 33,982 | 3 | 153,494 |

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2015, was as follows:

| | Local Education Group Plan | Medicare Supplement Plan |
|---|----------------------------|--------------------------|
| Actuarial valuation date | 7-1-15 | 7-1-15 |
| Actuarial accrued liability (AAL) | \$ 988,000 | \$ 575,000 |
| Actuarial value of plan assets | \$ 0 | \$ 0 |
| Unfunded actuarial accrued liability (UAAL) | \$ 988,000 | \$ 575,000 |
| Actuarial value of assets as a % of the AAL | 0% | 0% |
| Covered payroll (active plan members) | \$ 4,372,804 | \$ N/A |
| UAAL as a % of covered payroll | 23% | 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, 2015, actuarial valuation for the Local Education Plan, the projected unit credit actuarial cost method was used, and the actuarial assumptions included a 3.75 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 6.5 percent initially. The trend rate will decrease to six percent in fiscal year 2016 and then be reduced by decrements to an ultimate rate of 4.7 percent by fiscal year 2050. The annual healthcare cost trend rate for the Medicare Supplement Plan was six percent for fiscal year 2016 and then will be reduced by decrements to an ultimate rate of 4.2 percent by fiscal year 2044. Both rates include a 2.5 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with July 1, 2007. Payroll is assumed to grow at a rate of three percent.

I. Purchasing Laws

Office of County Mayor

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

Office of Road Superintendent

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

Office of Director of Schools

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit E-1

Clay County, Tennessee
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on
Participation in the Public Employee Pension Plan of TCRS
Primary Government
For the Fiscal Year Ended June 30

| | <u>2014</u> | <u>2015</u> |
|---|---------------------|---------------------|
| Total Pension Liability (Asset) | | |
| Service Cost | \$ 250,001 | \$ 285,817 |
| Interest | 547,223 | 580,662 |
| Changes in Benefit Terms | 0 | 0 |
| Differences Between Actual and Expected Experience | (48,484) | 23,293 |
| Changes in Assumptions | 0 | 0 |
| Benefit Payments, Including Refunds of Employee Contributions | (317,800) | (359,622) |
| Net Change in Total Pension Liability (Asset) | <u>\$ 430,940</u> | <u>\$ 530,150</u> |
| Total Pension Liability (Asset), Beginning | <u>7,205,213</u> | <u>7,636,153</u> |
| | | |
| Total Pension Liability (Asset), Ending (a) | <u>\$ 7,636,153</u> | <u>\$ 8,166,303</u> |
| | | |
| Plan Fiduciary Net Position | | |
| Contributions - Employer | \$ 247,061 | \$ 249,053 |
| Contributions - Employee | 173,950 | 175,737 |
| Net Investment Income | 1,065,682 | 233,484 |
| Benefit Payments, Including Refunds of Employee Contributions | (317,800) | (359,622) |
| Administrative Expense | (5,772) | (8,179) |
| Net Change in Plan Fiduciary Net Position | <u>\$ 1,163,121</u> | <u>\$ 290,473</u> |
| Plan Fiduciary Net Position, Beginning | <u>6,380,932</u> | <u>7,544,053</u> |
| | | |
| Plan Fiduciary Net Position, Ending (b) | <u>\$ 7,544,053</u> | <u>\$ 7,834,526</u> |
| | | |
| Net Pension Liability (Asset), Ending (a - b) | <u>\$ 92,100</u> | <u>\$ 331,777</u> |
| | | |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 98.79% | 95.94% |
| Covered Employee Payroll | \$ 3,421,710 | \$ 3,463,875 |
| Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll | 2.69% | 9.58% |

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

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

Exhibit E-2

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

| | 2014 | 2015 | 2016 |
|--|------------------|------------------|------------------|
| Actuarially Determined Contribution | \$ 247,061 | \$ 249,053 | \$ 247,990 |
| Less Contributions in Relation to the Actuarially Determined Contribution | <u>(247,061)</u> | <u>(249,053)</u> | <u>(247,990)</u> |
| Contribution Deficiency (Excess) | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| Covered Payroll | \$ 3,421,710 | \$ 3,462,875 | \$ 3,388,288 |
| Contributions as a Percentage of Covered Payroll | 7.22% | 7.19% | 7.32% |

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

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

Exhibit E-3

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

| | <u>2015</u> | <u>2016</u> |
|--|-------------------|-------------------|
| Contractually Required Contribution | \$ 5,329 | \$ 9,914 |
| Less Contributions in Relation to the Contractually Required Contribution | <u>(8,526)</u> | <u>(18,063)</u> |
| Contribution Deficiency (Excess) | <u>\$ (3,197)</u> | <u>\$ (8,149)</u> |
| Covered Payroll | \$ 213,156 | \$ 396,554 |
| Contributions as a Percentage of Covered Payroll | 4.00% | 4.00% |

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

Exhibit E-4

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

| | 2014 | 2015 | 2016 |
|--|------------------|------------------|------------------|
| Contractually Required Contribution | \$ 366,063 | \$ 368,885 | \$ 345,012 |
| Less Contributions in Relation to the Contractually Required Contribution | <u>(366,063)</u> | <u>(368,885)</u> | <u>(345,012)</u> |
| Contribution Deficiency (Excess) | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| Covered Payroll | \$ 4,122,328 | \$ 4,080,585 | \$ 3,816,643 |
| Contributions as a Percentage of Covered Payroll | 8.88% | 9.04% | 9.04% |

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

Exhibit E-5

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

| | <u>2016</u> |
|---|-------------|
| School Department's Proportion of the Net Pension Asset | 0.102591% |
| School Department's Proportionate Share of the Net Pension Asset | \$ (4,127) |
| Covered Employee Payroll | \$ 213,156 |
| School Department's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Payroll | (1.94)% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 127.46% |

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

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

Exhibit E-6

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

| | <u>2015</u> | <u>2016</u> |
|--|--------------|--------------|
| School Department's Proportion of the Net Pension Asset | 0.105028% | 0.109005% |
| School Department's Proportionate Share of the Net Pension Asset (Liability) | \$ (17,067) | \$ 44,652 |
| Covered Employee Payroll | \$ 4,122,328 | \$ 4,080,585 |
| School Department's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Employee Payroll | (.414002)% | 1.094255% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 100.08% | 99.81% |

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

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

Exhibit E-7

Clay County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plans
Discretely Presented Clay County School Department
June 30, 2016

(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 | 7-1-11 | \$ 0 | \$ 1,128 | \$ 1,128 | 0 % | \$ 4,170 | 27 % |
| " | 7-1-13 | 0 | 774 | 774 | 0 | 3,882 | 20 |
| " | 7-1-15 | 0 | 988 | 988 | 0 | 4,373 | 23 |
| Medicare Supplement | 7-1-11 | 0 | 74 | 74 | 0 | N/A | N/A |
| " | 7-1-13 | 0 | 486 | 486 | 0 | N/A | N/A |
| " | 7-1-15 | 0 | 575 | 575 | 0 | N/A | N/A |

CLAY COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2016

TENNESSEE CONSOLIDATED RETIREMENT SYSTEM

Valuation Date: Actuarially determined contribution rates for 2016 were calculated based on the July 1, 2013, actuarial valuation.

Methods and assumptions used to determine contribution rates:

| | |
|-------------------------------|--|
| Actuarial Cost Method | Frozen Initial Liability |
| Amortization Method | Level Dollar, Closed (Not to Exceed 20 Years) |
| Remaining Amortization Period | 6 Years |
| Asset Valuation | 10-Year Smoothed Within a 20% Corridor to Market Value |
| Inflation | 3% |
| Salary Increases | Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation |
| Investment Rate of Return | 7.5%, Net of Investment Expense, Including Inflation |
| Retirement Age | Pattern of Retirement Determined by Experience Study |
| Mortality | Customized Table Based on Actual Experience Including an Adjustment for Some Anticipated Improvement |
| Cost of Living Adjustments | 2.5% |

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

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

Exhibit F-1

Clay County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2016

| | Special Revenue Funds | | | Total Nonmajor Governmental Funds |
|---------------------------------------|---------------------------------------|-----------------|---|--|
| | Courthouse and Jail Maintenance | Drug Control | Constitu- tional Officers - Fees | |
| <u>ASSETS</u> | | | | |
| Cash | \$ 0 | \$ 0 | \$ 26,987 | \$ 26,987 |
| Equity in Pooled Cash and Investments | 106,789 | 116,057 | 0 | 222,846 |
| Accounts Receivable | 0 | 0 | 51 | 51 |
| Total Assets | \$ 106,789 | \$ 116,057 | \$ 27,038 | \$ 249,884 |
| <u>LIABILITIES</u> | | | | |
| Due to Other Funds | \$ 0 | \$ 0 | \$ 6,622 | \$ 6,622 |
| Total Liabilities | \$ 0 | \$ 0 | \$ 6,622 | \$ 6,622 |
| <u>FUND BALANCES</u> | | | | |
| Restricted: | | | | |
| Restricted for General Government | \$ 106,789 | \$ 0 | \$ 0 | \$ 106,789 |
| Restricted for Public Safety | 0 | 116,057 | 0 | 116,057 |
| Committed: | | | | |
| Committed for Finance | 0 | 0 | 20,416 | 20,416 |
| Total Fund Balances | \$ 106,789 | \$ 116,057 | \$ 20,416 | \$ 243,262 |
| Total Liabilities and Fund Balances | \$ 106,789 | \$ 116,057 | \$ 27,038 | \$ 249,884 |

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, 2016

| | Special Revenue Funds | | | Total Nonmajor Governmental Funds |
|--|---------------------------------------|-----------------|---|--|
| | Courthouse and Jail Maintenance | Drug Control | Constitu- tional Officers - Fees | |
| <u>Revenues</u> | | | | |
| Local Taxes | \$ 19,475 | \$ 0 | \$ 0 | \$ 19,475 |
| Fines, Forfeitures, and Penalties | 0 | 17,671 | 0 | 17,671 |
| Charges for Current Services | 0 | 0 | 104,844 | 104,844 |
| Total Revenues | \$ 19,475 | \$ 17,671 | \$ 104,844 | \$ 141,990 |
| <u>Expenditures</u> | | | | |
| Current: | | | | |
| General Government | \$ 10,730 | \$ 0 | \$ 0 | \$ 10,730 |
| Finance | 0 | 0 | 88,962 | 88,962 |
| Administration of Justice | 0 | 0 | 13,155 | 13,155 |
| Public Safety | 0 | 9,380 | 0 | 9,380 |
| Other Operations | 194 | 160 | 0 | 354 |
| Total Expenditures | \$ 10,924 | \$ 9,540 | \$ 102,117 | \$ 122,581 |
| Excess (Deficiency) of Revenues Over Expenditures | \$ 8,551 | \$ 8,131 | \$ 2,727 | \$ 19,409 |
| Net Change in Fund Balances | \$ 8,551 | \$ 8,131 | \$ 2,727 | \$ 19,409 |
| Fund Balance, July 1, 2015 | 98,238 | 107,926 | 17,689 | 223,853 |
| Fund Balance, June 30, 2016 | \$ 106,789 | \$ 116,057 | \$ 20,416 | \$ 243,262 |

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, 2016

| | Actual | Budgeted Amounts | | Variance with Final Budget - Positive (Negative) |
|---|--------------------------|--------------------------|-------------------------|--|
| | | Original | Final | |
| <u>Revenues</u> | | | | |
| Local Taxes | \$ 19,475 | \$ 13,200 | \$ 13,200 | \$ 6,275 |
| Total Revenues | <u>\$ 19,475</u> | <u>\$ 13,200</u> | <u>\$ 13,200</u> | <u>\$ 6,275</u> |
| <u>Expenditures</u> | | | | |
| <u>General Government</u> | | | | |
| County Buildings | \$ 10,730 | \$ 5,200 | \$ 14,500 | \$ 3,770 |
| <u>Other Operations</u> | | | | |
| Other Charges | 194 | 200 | 300 | 106 |
| Total Expenditures | <u>\$ 10,924</u> | <u>\$ 5,400</u> | <u>\$ 14,800</u> | <u>\$ 3,876</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>\$ 8,551</u> | <u>\$ 7,800</u> | <u>\$ (1,600)</u> | <u>\$ 10,151</u> |
| Net Change in Fund Balance | \$ 8,551 | \$ 7,800 | \$ (1,600) | \$ 10,151 |
| Fund Balance, July 1, 2015 | <u>98,238</u> | <u>98,239</u> | <u>98,239</u> | <u>(1)</u> |
| Fund Balance, June 30, 2016 | <u><u>\$ 106,789</u></u> | <u><u>\$ 106,039</u></u> | <u><u>\$ 96,639</u></u> | <u><u>\$ 10,150</u></u> |

Exhibit F-4

Clay County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Drug Control Fund
For the Year Ended June 30, 2016

| | Actual | Budgeted Amounts | | Variance with Final Budget - Positive (Negative) |
|---|--------------------------|-------------------------|-------------------------|--|
| | | Original | Final | |
| <u>Revenues</u> | | | | |
| Fines, Forfeitures, and Penalties | \$ 17,671 | \$ 5,000 | \$ 5,000 | \$ 12,671 |
| Total Revenues | <u>\$ 17,671</u> | <u>\$ 5,000</u> | <u>\$ 5,000</u> | <u>\$ 12,671</u> |
| <u>Expenditures</u> | | | | |
| <u>Public Safety</u> | | | | |
| Drug Enforcement | \$ 9,380 | \$ 42,000 | \$ 42,000 | \$ 32,620 |
| <u>Other Operations</u> | | | | |
| Other Charges | 160 | 400 | 400 | 240 |
| Total Expenditures | <u>\$ 9,540</u> | <u>\$ 42,400</u> | <u>\$ 42,400</u> | <u>\$ 32,860</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>\$ 8,131</u> | <u>\$ (37,400)</u> | <u>\$ (37,400)</u> | <u>\$ 45,531</u> |
| Net Change in Fund Balance | \$ 8,131 | \$ (37,400) | \$ (37,400) | \$ 45,531 |
| Fund Balance, July 1, 2015 | <u>107,926</u> | <u>107,926</u> | <u>107,926</u> | <u>0</u> |
| Fund Balance, June 30, 2016 | <u><u>\$ 116,057</u></u> | <u><u>\$ 70,526</u></u> | <u><u>\$ 70,526</u></u> | <u><u>\$ 45,531</u></u> |

Major Governmental Fund

General Debt Service Fund

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

Exhibit G

Clay County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Debt Service Fund
For the Year Ended June 30, 2016

| | Actual | Budgeted Amounts | | Variance with Final Budget - Positive (Negative) |
|--|---------------------|---------------------|---------------------|--|
| | | Original | Final | |
| <u>Revenues</u> | | | | |
| Local Taxes | \$ 137,081 | \$ 127,500 | \$ 127,500 | \$ 9,581 |
| Other Local Revenues | 19,691 | 16,000 | 16,000 | 3,691 |
| Other Governments and Citizens Groups | 329,203 | 0 | 322,203 | 7,000 |
| Total Revenues | <u>\$ 485,975</u> | <u>\$ 143,500</u> | <u>\$ 465,703</u> | <u>\$ 20,272</u> |
| <u>Expenditures</u> | | | | |
| <u>Principal on Debt</u> | | | | |
| General Government | \$ 87,570 | \$ 89,500 | \$ 89,500 | \$ 1,930 |
| Education | 268,000 | 0 | 268,000 | 0 |
| <u>Interest on Debt</u> | | | | |
| General Government | 9,135 | 22,300 | 22,300 | 13,165 |
| Education | 14,585 | 0 | 14,585 | 0 |
| <u>Other Debt Service</u> | | | | |
| General Government | 2,602 | 3,000 | 3,000 | 398 |
| Education | 39,618 | 0 | 39,618 | 0 |
| Total Expenditures | <u>\$ 421,510</u> | <u>\$ 114,800</u> | <u>\$ 437,003</u> | <u>\$ 15,493</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>\$ 64,465</u> | <u>\$ 28,700</u> | <u>\$ 28,700</u> | <u>\$ 35,765</u> |
| Net Change in Fund Balance | \$ 64,465 | \$ 28,700 | \$ 28,700 | \$ 35,765 |
| Fund Balance, July 1, 2015 | <u>985,560</u> | <u>985,818</u> | <u>985,818</u> | <u>(258)</u> |
| Fund Balance, June 30, 2016 | <u>\$ 1,050,025</u> | <u>\$ 1,014,518</u> | <u>\$ 1,014,518</u> | <u>\$ 35,507</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 of deeds, and sheriff. Such collections include amounts due the state, cities, other county funds, litigants, heirs, and others.

Exhibit H-1

Clay County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2016

| | <u>Agency Funds</u> | | |
|-------------------------------------|-------------------------|---|-------------------|
| | Cities- Sales Tax | Constitu- tional Officers - Agency | Total |
| <u>ASSETS</u> | | | |
| Cash | \$ 0 | \$ 199,106 | \$ 199,106 |
| Accounts Receivable | 0 | 170 | 170 |
| Due from Other Governments | 48,168 | 0 | 48,168 |
| Total Assets | <u>\$ 48,168</u> | <u>\$ 199,276</u> | <u>\$ 247,444</u> |
| <u>LIABILITIES</u> | | | |
| Due to Other Taxing Units | \$ 48,168 | \$ 0 | \$ 48,168 |
| Due to Litigants, Heirs, and Others | 0 | 199,276 | 199,276 |
| Total Liabilities | <u>\$ 48,168</u> | <u>\$ 199,276</u> | <u>\$ 247,444</u> |

Exhibit H-2

Clay County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2016

| | Beginning Balance | Additions | Deductions | Ending Balance |
|--|----------------------|---------------------|---------------------|-------------------|
| <u>Cities - Sales Tax Fund</u> | | | | |
| <u>Assets</u> | | | | |
| Equity in Pooled Cash and Investments | \$ 0 | \$ 276,977 | \$ 276,977 | \$ 0 |
| Due from Other Governments | 48,403 | 48,168 | 48,403 | 48,168 |
| Total Assets | \$ 48,403 | \$ 325,145 | \$ 325,380 | \$ 48,168 |
| <u>Liabilities</u> | | | | |
| Due to Other Taxing Units | \$ 48,403 | \$ 325,145 | \$ 325,380 | \$ 48,168 |
| Total Liabilities | \$ 48,403 | \$ 325,145 | \$ 325,380 | \$ 48,168 |
| <u>Constitutional Officers - Agency Fund</u> | | | | |
| <u>Assets</u> | | | | |
| Cash | \$ 437,177 | \$ 2,771,325 | \$ 3,009,396 | \$ 199,106 |
| Accounts Receivable | 261 | 170 | 261 | 170 |
| Total Assets | \$ 437,438 | \$ 2,771,495 | \$ 3,009,657 | \$ 199,276 |
| <u>Liabilities</u> | | | | |
| Due to Litigants, Heirs, and Others | \$ 437,438 | \$ 2,771,495 | \$ 3,009,657 | \$ 199,276 |
| Total Liabilities | \$ 437,438 | \$ 2,771,495 | \$ 3,009,657 | \$ 199,276 |
| <u>Totals - All Agency Funds</u> | | | | |
| <u>Assets</u> | | | | |
| Cash | \$ 437,177 | \$ 2,771,325 | \$ 3,009,396 | \$ 199,106 |
| Equity in Pooled Cash and Investments | 0 | 276,977 | 276,977 | 0 |
| Accounts Receivable | 261 | 170 | 261 | 170 |
| Due from Other Governments | 48,403 | 48,168 | 48,403 | 48,168 |
| Total Assets | \$ 485,841 | \$ 3,096,640 | \$ 3,335,037 | \$ 247,444 |
| <u>Liabilities</u> | | | | |
| Due to Other Taxing Units | \$ 48,403 | \$ 325,145 | \$ 325,380 | \$ 48,168 |
| Due to Litigants, Heirs, and Others | 437,438 | 2,771,495 | 3,009,657 | 199,276 |
| Total Liabilities | \$ 485,841 | \$ 3,096,640 | \$ 3,335,037 | \$ 247,444 |

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, 2016

| Functions/Programs | Expenses | Program Revenues | | Net (Expense) |
|--|---------------------|----------------------------|---|--|
| | | Charges for Services | Operating Grants and Contributions | Revenue and Changes in Net Position Total Governmental Activities |
| Governmental Activities: | | | | |
| Instruction | \$ 5,005,638 | \$ 0 | \$ 779,959 | \$ (4,225,679) |
| Support Services | 3,370,509 | 42,596 | 144,964 | (3,182,949) |
| Operation of Non-instructional Services | 1,024,413 | 104,444 | 507,130 | (412,839) |
| Interest on Long-term Debt | 14,585 | 0 | 0 | (14,585) |
| Total Governmental Activities | <u>\$ 9,415,145</u> | <u>\$ 147,040</u> | <u>\$ 1,432,053</u> | <u>\$ (7,836,052)</u> |
| General Revenues: | | | | |
| Taxes: | | | | |
| Property Taxes Levied for General Purposes | | | | \$ 1,196,624 |
| Local Option Sales Taxes | | | | 633,026 |
| Other Local Taxes | | | | 797 |
| Grants and Contributions Not Restricted to Specific Programs | | | | 7,160,774 |
| Unrestricted Investment Earnings | | | | 928 |
| Miscellaneous | | | | 48,587 |
| Total General Revenues | | | | <u>\$ 9,040,736</u> |
| Insurance Recovery | | | | <u>\$ 5,367</u> |
| Change in Net Position | | | | \$ 1,210,051 |
| Net Position, July 1, 2015 | | | | <u>2,954,079</u> |
| Net Position, June 30, 2016 | | | | <u>\$ 4,164,130</u> |

Exhibit I-2

Clay County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Clay County School Department
June 30, 2016

| | <u>Major Fund</u> | <u>Nonmajor Funds</u> | |
|---|------------------------------|-------------------------------------|--------------------------------|
| | General Purpose School | Other Govern- mental Funds | Total Governmental Funds |
| <u>ASSETS</u> | | | |
| Cash | \$ 0 | \$ 1,696 | \$ 1,696 |
| Equity in Pooled Cash and Investments | 2,308,882 | 241,405 | 2,550,287 |
| Accounts Receivable | 819 | 0 | 819 |
| Due from Other Governments | 422,826 | 25,600 | 448,426 |
| Property Taxes Receivable | 1,366,241 | 0 | 1,366,241 |
| Allowance for Uncollectible Property Taxes | (49,637) | 0 | (49,637) |
| Total Assets | <u>\$ 4,049,131</u> | <u>\$ 268,701</u> | <u>\$ 4,317,832</u> |
| <u>LIABILITIES</u> | | | |
| Accounts Payable | \$ 6,760 | \$ 223 | \$ 6,983 |
| Total Liabilities | <u>\$ 6,760</u> | <u>\$ 223</u> | <u>\$ 6,983</u> |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | | |
| Deferred Current Property Taxes | \$ 1,258,809 | \$ 0 | \$ 1,258,809 |
| Deferred Delinquent Property Taxes | 52,678 | 0 | 52,678 |
| Other Deferred/Unavailable Revenue | 57,655 | 0 | 57,655 |
| Total Deferred Inflows of Resources | <u>\$ 1,369,142</u> | <u>\$ 0</u> | <u>\$ 1,369,142</u> |
| <u>FUND BALANCES</u> | | | |
| Restricted: | | | |
| Restricted for Education | \$ 0 | \$ 211,652 | \$ 211,652 |
| Committed: | | | |
| Committed for Education | 1,471,603 | 56,826 | 1,528,429 |
| Unassigned | 1,201,626 | 0 | 1,201,626 |
| Total Fund Balances | <u>\$ 2,673,229</u> | <u>\$ 268,478</u> | <u>\$ 2,941,707</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | <u>\$ 4,049,131</u> | <u>\$ 268,701</u> | <u>\$ 4,317,832</u> |

Exhibit I-3

Clay County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
Discretely Presented Clay County School Department
June 30, 2016

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) | | \$ 2,941,707 | |
| (1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. | | | |
| Add: land | \$ 338,398 | | |
| Add: buildings and improvements net of accumulated depreciation | 6,214,893 | | |
| Add: infrastructure net of accumulated depreciation | 317,054 | | |
| Add: other capital assets net of accumulated depreciation | <u>1,009,338</u> | 7,879,683 | |
| (2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds. | | | |
| Less: contributions due on primary government debt for other loans | \$ (5,452,000) | | |
| Less: other postemployment benefits liability | (586,396) | | |
| Less: compensated absences payable | (2,823) | | |
| Less: net pension liability - agent plan | (113,169) | | |
| Less: net pension liability - cost-sharing plan | <u>(44,652)</u> | (6,199,040) | |
| (3) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years: | | | |
| Add: deferred outflows of resources related to pensions | \$ 1,425,434 | | |
| Less: deferred inflows of resources related to pensions | <u>(1,998,113)</u> | (572,679) | |
| (4) Net pension assets of the cost-sharing plan are not current financial resources and therefore are not reported in the governmental funds. | | | 4,126 |
| (5) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds. | | | <u>110,333</u> |
| Net position of governmental activities (Exhibit A) | | | <u>\$ 4,164,130</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, 2016

| | <u>Major Fund</u> | <u>Nonmajor Funds</u> | |
|--|------------------------------|-------------------------------------|--------------------------------|
| | General Purpose School | Other Govern- mental Funds | Total Governmental Funds |
| <u>Revenues</u> | | | |
| Local Taxes | \$ 1,931,575 | \$ 0 | \$ 1,931,575 |
| Licenses and Permits | 648 | 0 | 648 |
| Charges for Current Services | 40,542 | 106,374 | 146,916 |
| Other Local Revenues | 48,630 | 985 | 49,615 |
| State of Tennessee | 6,794,591 | 0 | 6,794,591 |
| Federal Government | 124,356 | 1,549,915 | 1,674,271 |
| Other Governments and Citizens Groups | 5,476 | 0 | 5,476 |
| Total Revenues | <u>\$ 8,945,818</u> | <u>\$ 1,657,274</u> | <u>\$ 10,603,092</u> |
| <u>Expenditures</u> | | | |
| Current: | | | |
| Instruction | \$ 4,330,879 | \$ 847,567 | \$ 5,178,446 |
| Support Services | 3,099,455 | 179,558 | 3,279,013 |
| Operation of Non-Instructional Services | 434,520 | 571,105 | 1,005,625 |
| Capital Outlay | 499,055 | 0 | 499,055 |
| Debt Service: | | | |
| Principal on Debt | 268,000 | 0 | 268,000 |
| Interest on Debt | 14,585 | 0 | 14,585 |
| Other Debt Service | 39,618 | 0 | 39,618 |
| Total Expenditures | <u>\$ 8,686,112</u> | <u>\$ 1,598,230</u> | <u>\$ 10,284,342</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>\$ 259,706</u> | <u>\$ 59,044</u> | <u>\$ 318,750</u> |
| <u>Other Financing Sources (Uses)</u> | | | |
| Insurance Recovery | \$ 5,367 | \$ 0 | \$ 5,367 |
| Transfers In | 24,554 | 40,000 | 64,554 |
| Transfers Out | (40,000) | (24,554) | (64,554) |
| Total Other Financing Sources (Uses) | <u>\$ (10,079)</u> | <u>\$ 15,446</u> | <u>\$ 5,367</u> |
| Net Change in Fund Balances | \$ 249,627 | \$ 74,490 | \$ 324,117 |
| Fund Balance, July 1, 2015 | 2,423,602 | 193,988 | 2,617,590 |
| Fund Balance, June 30, 2016 | <u>\$ 2,673,229</u> | <u>\$ 268,478</u> | <u>\$ 2,941,707</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, 2016

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) | | \$ 324,117 |
| (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 | \$ 487,851 | |
| Less: current-year depreciation expense | <u>(358,974)</u> | 128,877 |
| (2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Add: deferred delinquent property taxes and other deferred June 30, 2016 | \$ 110,333 | |
| Less: deferred delinquent property taxes and other deferred June 30, 2015 | <u>(93,596)</u> | 16,737 |
| (3) The contributions of long-term debt (e.g., notes, bonds, leases) by the primary government provide current financial resources to governmental funds, while the contributions by the School Department of the principal of long-term debt consume the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. | | |
| Add: principal contributions on other loans to primary government | | 268,000 |
| (4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. | | |
| Change in other postemployment benefits liability | \$ (71,848) | |
| Change in compensated absences payable | (2,732) | |
| Change in net pension liability - agent plan | (67,690) | |
| Change in net pension asset - teacher retirement plan | 4,126 | |
| Change in net pension liability - teacher legacy retirement plan | (61,719) | |
| Change in deferred outflows related to pensions | 921,573 | |
| Change in deferred inflows related to pensions | <u>(249,390)</u> | <u>472,320</u> |
| Change in net position of governmental activities (Exhibit B) | | <u>\$ 1,210,051</u> |

Exhibit I-6

Clay County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Clay County School Department
June 30, 2016

| | <u>Special Revenue Funds</u> | | |
|---------------------------------------|-------------------------------|----------------------|--|
| | School Federal Projects | Central Cafeteria | Total Nonmajor Governmental Funds |
| <u>ASSETS</u> | | | |
| Cash | \$ 0 | \$ 1,696 | \$ 1,696 |
| Equity in Pooled Cash and Investments | 31,449 | 209,956 | 241,405 |
| Due from Other Governments | 25,600 | 0 | 25,600 |
| Total Assets | <u>\$ 57,049</u> | <u>\$ 211,652</u> | <u>\$ 268,701</u> |
| <u>LIABILITIES</u> | | | |
| Accounts Payable | \$ 223 | \$ 0 | \$ 223 |
| Total Liabilities | <u>\$ 223</u> | <u>\$ 0</u> | <u>\$ 223</u> |
| <u>FUND BALANCES</u> | | | |
| Restricted: | | | |
| Restricted for Education | \$ 0 | \$ 211,652 | \$ 211,652 |
| Committed: | | | |
| Committed for Education | 56,826 | 0 | 56,826 |
| Total Fund Balances | <u>\$ 56,826</u> | <u>\$ 211,652</u> | <u>\$ 268,478</u> |
| Total Liabilities and Fund Balances | <u>\$ 57,049</u> | <u>\$ 211,652</u> | <u>\$ 268,701</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, 2016

| | <u>Special Revenue Funds</u> | | Total |
|--|-------------------------------|----------------------|-----------------------------------|
| | School Federal Projects | Central Cafeteria | Nonmajor Governmental Funds |
| <u>Revenues</u> | | | |
| Charges for Current Services | \$ 0 | \$ 106,374 | \$ 106,374 |
| Other Local Revenues | 0 | 985 | 985 |
| Federal Government | 1,048,406 | 501,509 | 1,549,915 |
| Total Revenues | <u>\$ 1,048,406</u> | <u>\$ 608,868</u> | <u>\$ 1,657,274</u> |
| <u>Expenditures</u> | | | |
| Current: | | | |
| Instruction | \$ 847,567 | \$ 0 | \$ 847,567 |
| Support Services | 179,558 | 0 | 179,558 |
| Operation of Non-instructional Services | 0 | 571,105 | 571,105 |
| Total Expenditures | <u>\$ 1,027,125</u> | <u>\$ 571,105</u> | <u>\$ 1,598,230</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>\$ 21,281</u> | <u>\$ 37,763</u> | <u>\$ 59,044</u> |
| <u>Other Financing Sources (Uses)</u> | | | |
| Transfers In | \$ 40,000 | \$ 0 | \$ 40,000 |
| Transfers Out | (24,554) | 0 | (24,554) |
| Total Other Financing Sources (Uses) | <u>\$ 15,446</u> | <u>\$ 0</u> | <u>\$ 15,446</u> |
| Net Change in Fund Balances | \$ 36,727 | \$ 37,763 | \$ 74,490 |
| Fund Balance, July 1, 2015 | 20,099 | 173,889 | 193,988 |
| Fund Balance, June 30, 2016 | <u>\$ 56,826</u> | <u>\$ 211,652</u> | <u>\$ 268,478</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, 2016

| | Actual (GAAP Basis) | Less: Encumbrances 7/1/2015 | Actual Revenues/ Expenditures (Budgetary Basis) | Budgeted Amounts | | Variance with Final Budget - Positive (Negative) |
|---------------------------------------|---------------------------|-----------------------------------|---|---------------------|---------------------|--|
| | | | | Original | Final | |
| <u>Revenues</u> | | | | | | |
| Local Taxes | \$ 1,931,575 | \$ 0 | \$ 1,931,575 | \$ 1,834,286 | \$ 1,834,286 | \$ 97,289 |
| Licenses and Permits | 648 | 0 | 648 | 700 | 700 | (52) |
| Charges for Current Services | 40,542 | 0 | 40,542 | 44,045 | 44,045 | (3,503) |
| Other Local Revenues | 48,630 | 0 | 48,630 | 34,750 | 34,750 | 13,880 |
| State of Tennessee | 6,794,591 | 0 | 6,794,591 | 6,662,658 | 6,774,790 | 19,801 |
| Federal Government | 124,356 | 0 | 124,356 | 91,000 | 91,000 | 33,356 |
| Other Governments and Citizens Groups | 5,476 | 0 | 5,476 | 0 | 5,476 | 0 |
| Total Revenues | \$ 8,945,818 | \$ 0 | \$ 8,945,818 | \$ 8,667,439 | \$ 8,785,047 | \$ 160,771 |
| <u>Expenditures</u> | | | | | | |
| <u>Instruction</u> | | | | | | |
| Regular Instruction Program | \$ 3,530,430 | \$ 0 | \$ 3,530,430 | \$ 3,770,161 | \$ 3,737,911 | \$ 207,481 |
| Alternative Instruction Program | 35,524 | 0 | 35,524 | 37,205 | 37,205 | 1,681 |
| Special Education Program | 516,358 | 0 | 516,358 | 554,580 | 556,335 | 39,977 |
| Vocational Education Program | 248,567 | 0 | 248,567 | 296,582 | 296,582 | 48,015 |
| <u>Support Services</u> | | | | | | |
| Attendance | 98,091 | 0 | 98,091 | 99,440 | 99,440 | 1,349 |
| Health Services | 174,674 | 0 | 174,674 | 178,023 | 178,023 | 3,349 |
| Other Student Support | 170,604 | 0 | 170,604 | 172,356 | 174,906 | 4,302 |
| Regular Instruction Program | 290,770 | 0 | 290,770 | 308,597 | 312,097 | 21,327 |
| Special Education Program | 124,419 | 0 | 124,419 | 103,018 | 126,178 | 1,759 |
| Vocational Education Program | 29,346 | 0 | 29,346 | 28,266 | 29,416 | 70 |
| Other Programs | 67,170 | 0 | 67,170 | 0 | 67,170 | 0 |
| Board of Education | 170,104 | 0 | 170,104 | 181,392 | 181,392 | 11,288 |
| Director of Schools | 141,173 | 0 | 141,173 | 154,221 | 154,221 | 13,048 |

(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 7/1/2015 | Actual Revenues/ Expenditures (Budgetary Basis) | Budgeted Amounts | | Variance with Final Budget - Positive (Negative) |
|--|---------------------------|-----------------------------------|---|------------------|--------------|--|
| | | | | Original | Final | |
| <u>Expenditures (Cont.)</u> | | | | | | |
| <u>Support Services (Cont.)</u> | | | | | | |
| Office of the Principal | \$ 445,982 | \$ 0 | \$ 445,982 | \$ 480,654 | \$ 482,554 | \$ 36,572 |
| Fiscal Services | 137,475 | 0 | 137,475 | 151,115 | 151,115 | 13,640 |
| Operation of Plant | 721,557 | 0 | 721,557 | 831,935 | 831,935 | 110,378 |
| Maintenance of Plant | 181,090 | 0 | 181,090 | 195,526 | 195,526 | 14,436 |
| Transportation | 347,000 | 0 | 347,000 | 467,531 | 422,631 | 75,631 |
| <u>Operation of Non-instructional Services</u> | | | | | | |
| Food Service | 84,761 | 0 | 84,761 | 87,064 | 87,069 | 2,308 |
| Community Services | 39,356 | 0 | 39,356 | 41,734 | 41,764 | 2,408 |
| Early Childhood Education | 310,403 | 0 | 310,403 | 310,403 | 310,403 | 0 |
| <u>Capital Outlay</u> | | | | | | |
| Regular Capital Outlay | 499,055 | (312,600) | 186,455 | 200,000 | 270,000 | 83,545 |
| <u>Principal on Debt</u> | | | | | | |
| Education | 268,000 | 0 | 268,000 | 0 | 268,000 | 0 |
| <u>Interest on Debt</u> | | | | | | |
| Education | 14,585 | 0 | 14,585 | 5,000 | 15,000 | 415 |
| <u>Other Debt Service</u> | | | | | | |
| Education | 39,618 | 0 | 39,618 | 17,000 | 45,000 | 5,382 |
| Total Expenditures | \$ 8,686,112 | \$ (312,600) | \$ 8,373,512 | \$ 8,671,803 | \$ 9,071,873 | \$ 698,361 |
| Excess (Deficiency) of Revenues | | | | | | |
| Over Expenditures | \$ 259,706 | \$ 312,600 | \$ 572,306 | \$ (4,364) | \$ (286,826) | \$ 859,132 |
| <u>Other Financing Sources (Uses)</u> | | | | | | |
| Insurance Recovery | \$ 5,367 | \$ 0 | \$ 5,367 | \$ 1,000 | \$ 1,000 | \$ 4,367 |

(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 7/1/2015 | Actual Revenues/ Expenditures (Budgetary Basis) | Budgeted Amounts | | Variance with Final Budget - Positive (Negative) |
|---|---------------------------|-----------------------------------|---|------------------|--------------|--|
| | | | | Original | Final | |
| <u>Other Financing Sources (Uses) (Cont.)</u> | | | | | | |
| Transfers In | \$ 24,554 | \$ 0 | \$ 24,554 | \$ 23,364 | \$ 19,826 | \$ 4,728 |
| Transfers Out | (40,000) | 0 | (40,000) | (20,000) | (40,000) | 0 |
| Total Other Financing Sources | \$ (10,079) | \$ 0 | \$ (10,079) | \$ 4,364 | \$ (19,174) | \$ 9,095 |
| Net Change in Fund Balance | \$ 249,627 | \$ 312,600 | \$ 562,227 | \$ 0 | \$ (306,000) | \$ 868,227 |
| Fund Balance, July 1, 2015 | 2,423,602 | (312,600) | 2,111,002 | 2,001,123 | 2,001,123 | 109,879 |
| Fund Balance, June 30, 2016 | \$ 2,673,229 | \$ 0 | \$ 2,673,229 | \$ 2,001,123 | \$ 1,695,123 | \$ 978,106 |

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, 2016

| | Actual | Budgeted Amounts | | Variance with Final Budget - Positive (Negative) |
|--|--------------|------------------|--------------|--|
| | | Original | Final | |
| <u>Revenues</u> | | | | |
| Federal Government | \$ 1,048,406 | \$ 1,132,062 | \$ 1,138,990 | \$ (90,584) |
| Total Revenues | \$ 1,048,406 | \$ 1,132,062 | \$ 1,138,990 | \$ (90,584) |
| <u>Expenditures</u> | | | | |
| <u>Instruction</u> | | | | |
| Regular Instruction Program | \$ 456,738 | \$ 477,612 | \$ 482,065 | \$ 25,327 |
| Special Education Program | 187,954 | 195,040 | 195,802 | 7,848 |
| Vocational Education Program | 202,875 | 211,662 | 211,662 | 8,787 |
| <u>Support Services</u> | | | | |
| Other Student Support | 6,576 | 13,827 | 13,827 | 7,251 |
| Regular Instruction Program | 59,179 | 86,022 | 88,496 | 29,317 |
| Special Education Program | 107,017 | 115,635 | 114,874 | 7,857 |
| Vocational Education Program | 1,000 | 1,000 | 1,000 | 0 |
| Transportation | 5,786 | 5,824 | 5,824 | 38 |
| Total Expenditures | \$ 1,027,125 | \$ 1,106,622 | \$ 1,113,550 | \$ 86,425 |
| Excess (Deficiency) of Revenues Over Expenditures | \$ 21,281 | \$ 25,440 | \$ 25,440 | \$ (4,159) |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Transfers In | \$ 40,000 | \$ 0 | \$ 0 | \$ 40,000 |
| Transfers Out | (24,554) | (25,440) | (25,440) | 886 |
| Total Other Financing Sources | \$ 15,446 | \$ (25,440) | \$ (25,440) | \$ 40,886 |
| Net Change in Fund Balance | \$ 36,727 | \$ 0 | \$ 0 | \$ 36,727 |
| Fund Balance, July 1, 2015 | 20,099 | 0 | 0 | 20,099 |
| Fund Balance, June 30, 2016 | \$ 56,826 | \$ 0 | \$ 0 | \$ 56,826 |

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, 2016

| | Actual | Budgeted Amounts | | Variance with Final Budget - Positive - (Negative) |
|--|-------------------|--------------------|--------------------|--|
| | | Original | Final | |
| <u>Revenues</u> | | | | |
| Charges for Current Services | \$ 106,374 | \$ 118,500 | \$ 118,500 | \$ (12,126) |
| Other Local Revenues | 985 | 1,900 | 1,900 | (915) |
| Federal Government | 501,509 | 524,250 | 524,250 | (22,741) |
| Total Revenues | <u>\$ 608,868</u> | <u>\$ 644,650</u> | <u>\$ 644,650</u> | <u>\$ (35,782)</u> |
| <u>Expenditures</u> | | | | |
| <u>Operation of Non-instructional Services</u> | | | | |
| Food Service | \$ 571,105 | \$ 704,867 | \$ 704,867 | \$ 133,762 |
| Total Expenditures | <u>\$ 571,105</u> | <u>\$ 704,867</u> | <u>\$ 704,867</u> | <u>\$ 133,762</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>\$ 37,763</u> | <u>\$ (60,217)</u> | <u>\$ (60,217)</u> | <u>\$ 97,980</u> |
| Net Change in Fund Balance | \$ 37,763 | \$ (60,217) | \$ (60,217) | \$ 97,980 |
| Fund Balance, July 1, 2015 | <u>173,889</u> | <u>135,769</u> | <u>135,769</u> | <u>38,120</u> |
| Fund Balance, June 30, 2016 | <u>\$ 211,652</u> | <u>\$ 75,552</u> | <u>\$ 75,552</u> | <u>\$ 136,100</u> |

MISCELLANEOUS SCHEDULES

Exhibit J-1

Clay County, Tennessee
Schedule of Changes in Long-term Note and Other Loans
For the Year Ended June 30, 2016

| Description of Indebtedness | Original Amount of Issue | Interest Rate | Date of Issue | Last Maturity Date | Outstanding 7-1-15 | Paid and/or Matured During Period | Outstanding 6-30-16 |
|---|--------------------------------|------------------|---------------------|--------------------------|-----------------------|--|------------------------|
| <u>NOTE PAYABLE</u> | | | | | | | |
| <u>Payable through General Debt Service Fund</u> | | | | | | | |
| Park Lighting and Public Address System Improvements | \$ 30,671 | 1.5 % | 12-9-14 | 12-9-15 | \$ 30,671 | \$ 30,671 | \$ 0 |
| <u>OTHER LOANS PAYABLE</u> | | | | | | | |
| <u>Payable through General Debt Service Fund</u> | | | | | | | |
| Senior Center Courtroom Renovation | 615,000 | 3.75 | 12-14-10 | 6-30-23 (1) | \$ 230,195 | \$ 56,899 | \$ 173,296 |
| <u>Contributions Due by the School Department from the General Purpose School Fund to the General Debt Service Fund</u> | | | | | | | |
| School Construction | 6,900,000 | Variable | 6-28-02 | 5-25-31 | \$ 4,699,000 | \$ 219,000 | \$ 4,480,000 |
| Athletic Facilities | 1,500,000 | Variable | 9-29-03 | 5-25-31 | 1,021,000 | 49,000 | 972,000 |
| Total Contributions Due by the School Department from the General Purpose School Fund to the General Debt Service Fund | | | | | \$ 5,720,000 | \$ 268,000 | \$ 5,452,000 |
| Total Other Loans Payable | | | | | \$ 5,950,195 | \$ 324,899 | \$ 5,625,296 |

(1) During the year, the county paid additional principal of \$35,000 on this loan. As a result, the amortization of this loan has been recalculated and the new estimated maturity date is now 6-30-23.

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 | |
| 2017 | \$ 302,128 | \$ 38,121 | \$ 37,478 | \$ 377,727 |
| 2018 | 314,033 | 35,603 | 35,672 | 385,308 |
| 2019 | 324,972 | 32,988 | 33,793 | 391,753 |
| 2020 | 336,946 | 30,280 | 31,849 | 399,075 |
| 2021 | 349,956 | 27,471 | 29,834 | 407,261 |
| 2022 | 363,005 | 24,555 | 27,741 | 415,301 |
| 2023 | 360,256 | 21,531 | 25,570 | 407,357 |
| 2024 | 359,000 | 18,989 | 23,321 | 401,310 |
| 2025 | 372,000 | 16,907 | 20,988 | 409,895 |
| 2026 | 387,000 | 14,749 | 18,570 | 420,319 |
| 2027 | 401,000 | 12,505 | 16,055 | 429,560 |
| 2028 | 415,000 | 10,179 | 13,448 | 438,627 |
| 2029 | 431,000 | 7,772 | 10,751 | 449,523 |
| 2030 | 446,000 | 5,272 | 7,949 | 459,221 |
| 2031 | 463,000 | 2,686 | 5,050 | 470,736 |
| Total | \$ 5,625,296 | \$ 299,608 | \$ 338,069 | \$ 6,262,973 |

Exhibit J-3

Clay County, Tennessee
Schedule of Transfers
Discretely Presented Clay County School Department
For the Year Ended June 30, 2016

| <u>From Fund</u> | <u>To Fund</u> | <u>Purpose</u> | <u>Amount</u> |
|---|-------------------------|----------------|------------------|
| School Federal Projects | General Purpose School | Indirect costs | \$ 24,554 |
| General Purpose School | School Federal Projects | Cash flow | <u>40,000</u> |
| Total Transfers Discretely Presented Clay County School Department | | | <u>\$ 64,554</u> |

Exhibit J-4

Clay County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Primary Government and Discretely Presented Clay County School Department
For the Year Ended June 30, 2016

| Official | Authorization for Salary | Salary Paid During Period | Bond | Surety |
|---|--|---------------------------|------------|---------------------------------|
| County Mayor | Section 8-24-102, <i>TCA</i> | \$ 67,386 | \$ 100,000 | RLI Insurance Company |
| Road Superintendent | Section 8-24-102, <i>TCA</i> | 64,178 | 100,000 | " |
| Director of Schools | State Board of Education and County Board of Education | 76,786 (1) | 100,000 | " |
| Trustee | Section 8-24-102, <i>TCA</i> | 58,343 | 400,800 | " |
| Assessor of Property | Section 8-24-102, <i>TCA</i> | 58,343 | 50,000 | " |
| County Clerk | Section 8-24-102, <i>TCA</i> | 58,343 | 75,000 | " |
| Circuit and General Sessions Courts Clerk Clerk and Master | Section 8-24-102, <i>TCA</i> Section 8-24-102, <i>TCA</i> , and Chancery Court Judge | 58,343 (2) | 75,000 | " |
| Register of Deeds | Section 8-24-102, <i>TCA</i> | 58,343 | 50,000 | " |
| Sheriff | Section 8-24-102, <i>TCA</i> | 64,178 | 100,000 | " |
| Employee Blanket Bonds | | | | |
| | Public Employee Dishonesty - County Departments | | 150,000 | Local Government Insurance Pool |
| | Public Employee Dishonesty - School Department | | 150,000 | Tennessee Risk Management Trust |

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

(2) Does not include special commissioner fees of \$13,155.

Exhibit J-5

Clay County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2016

| | Special Revenue Funds | | | | | |
|--|-----------------------|---------------------------------------|--------------------------------|-----------------|---|------------------------------|
| | General | Courthouse and Jail Maintenance | Solid Waste / Sanitation | Drug Control | Constitu- tional Officers - Fees | Highway / Public Works |
| <u>Local Taxes</u> | | | | | | |
| <u>County Property Taxes</u> | | | | | | |
| Current Property Tax | \$ 1,443,318 | \$ 0 | \$ 344,014 | \$ 0 | \$ 0 | \$ 0 |
| Trustee's Collections - Prior Year | 48,630 | 0 | 12,149 | 0 | 0 | 0 |
| Circuit Clerk/Clerk and Master Collections - Prior Years | 80,123 | 0 | 20,125 | 0 | 0 | 0 |
| Interest and Penalty | 12,039 | 0 | 3,009 | 0 | 0 | 0 |
| Payments in-Lieu-of Taxes - Local Utilities | 139,962 | 0 | 33,368 | 0 | 0 | 0 |
| Payments in-Lieu-of Taxes - Other | 76,370 | 0 | 0 | 0 | 0 | 0 |
| <u>County Local Option Taxes</u> | | | | | | |
| Local Option Sales Tax | 341,568 | 0 | 0 | 0 | 0 | 0 |
| Hotel/Motel Tax | 29,650 | 0 | 0 | 0 | 0 | 0 |
| Wheel Tax | 190,419 | 0 | 0 | 0 | 0 | 0 |
| Litigation Tax - General | 63,782 | 0 | 0 | 0 | 0 | 0 |
| Litigation Tax - Special Purpose | 3,521 | 1,276 | 0 | 0 | 0 | 0 |
| Litigation Tax - Jail, Workhouse, or Courthouse | 0 | 18,199 | 0 | 0 | 0 | 0 |
| Business Tax | 32,299 | 0 | 0 | 0 | 0 | 0 |
| Mixed Drink Tax | 104 | 0 | 0 | 0 | 0 | 0 |
| Mineral Severance Tax | 0 | 0 | 0 | 0 | 0 | 10,714 |
| <u>Statutory Local Taxes</u> | | | | | | |
| Bank Excise Tax | 17,547 | 0 | 4,182 | 0 | 0 | 0 |
| Wholesale Beer Tax | 186,695 | 0 | 0 | 0 | 0 | 0 |
| Beer Privilege Tax | 1,140 | 0 | 0 | 0 | 0 | 0 |
| Interstate Telecommunications Tax | 589 | 0 | 0 | 0 | 0 | 0 |
| Total Local Taxes | \$ 2,667,756 | \$ 19,475 | \$ 416,847 | \$ 0 | \$ 0 | \$ 10,714 |

(Continued)

Exhibit J-5

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

| | Special Revenue Funds | | | | | |
|--|-----------------------|---------------------------------------|--------------------------------|-----------------|---|------------------------------|
| | General | Courthouse and Jail Maintenance | Solid Waste / Sanitation | Drug Control | Constitu- tional Officers - Fees | Highway / Public Works |
| <u>Licenses and Permits</u> | | | | | | |
| <u>Permits</u> | | | | | | |
| Beer Permits | \$ 1,662 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Total Licenses and Permits | \$ 1,662 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| <u>Fines, Forfeitures, and Penalties</u> | | | | | | |
| <u>Circuit Court</u> | | | | | | |
| Fines | \$ 13,350 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Officers Costs | 8,990 | 0 | 0 | 0 | 0 | 0 |
| Drug Control Fines | 0 | 0 | 0 | 12,616 | 0 | 0 |
| Drug Court Fees | 3,714 | 0 | 0 | 0 | 0 | 0 |
| Jail Fees | 1,973 | 0 | 0 | 0 | 0 | 0 |
| DUI Treatment Fines | 238 | 0 | 0 | 0 | 0 | 0 |
| Data Entry Fee - Circuit Court | 2,263 | 0 | 0 | 0 | 0 | 0 |
| Courtroom Security Fee | 1,411 | 0 | 0 | 0 | 0 | 0 |
| <u>General Sessions Court</u> | | | | | | |
| Fines | 7,401 | 0 | 0 | 0 | 0 | 0 |
| Fines for Littering | 67 | 0 | 0 | 0 | 0 | 0 |
| Officers Costs | 14,427 | 0 | 0 | 0 | 0 | 0 |
| Game and Fish Fines | 781 | 0 | 0 | 0 | 0 | 0 |
| Drug Control Fines | 0 | 0 | 0 | 4,673 | 0 | 0 |
| Drug Court Fees | 3,494 | 0 | 0 | 0 | 0 | 0 |
| Jail Fees | 19,730 | 0 | 0 | 0 | 0 | 0 |
| DUI Treatment Fines | 2,780 | 0 | 0 | 0 | 0 | 0 |
| Data Entry Fee - General Sessions Court | 1,845 | 0 | 0 | 0 | 0 | 0 |
| Courtroom Security Fee | 14,641 | 0 | 0 | 0 | 0 | 0 |

(Continued)

Exhibit J-5

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

| | Special Revenue Funds | | | | | |
|--|-----------------------|---------------------------------------|--------------------------------|-----------------|---|------------------------------|
| | General | Courthouse and Jail Maintenance | Solid Waste / Sanitation | Drug Control | Constitu- tional Officers - Fees | Highway / Public Works |
| <u>Fines, Forfeitures, and Penalties (Cont.)</u> | | | | | | |
| <u>Juvenile Court</u> | | | | | | |
| Fines | \$ 844 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| <u>Chancery Court</u> | | | | | | |
| Officers Costs | 32 | 0 | 0 | 0 | 0 | 0 |
| Data Entry Fee - Chancery Court | 1,760 | 0 | 0 | 0 | 0 | 0 |
| <u>Other Fines, Forfeitures, and Penalties</u> | | | | | | |
| Other Fines, Forfeitures, and Penalties | 0 | 0 | 0 | 382 | 0 | 0 |
| Total Fines, Forfeitures, and Penalties | \$ 99,741 | \$ 0 | \$ 0 | \$ 17,671 | \$ 0 | \$ 0 |
| <u>Charges for Current Services</u> | | | | | | |
| <u>General Service Charges</u> | | | | | | |
| Tipping Fees | \$ 0 | \$ 0 | \$ 95,238 | \$ 0 | \$ 0 | \$ 0 |
| Surcharge - Waste Tire Disposal | 0 | 0 | 1,229 | 0 | 0 | 0 |
| Work Release Charges for Board | 267 | 0 | 0 | 0 | 0 | 0 |
| Other General Service Charges | 13,015 | 0 | 0 | 0 | 0 | 1,768 |
| <u>Fees</u> | | | | | | |
| Recreation Fees | 6,825 | 0 | 0 | 0 | 0 | 0 |
| Copy Fees | 103 | 0 | 0 | 0 | 0 | 0 |
| Greenbelt Late Application Fee | 200 | 0 | 0 | 0 | 0 | 0 |
| Telephone Commissions | 30,529 | 0 | 0 | 0 | 0 | 0 |
| Vending Machine Collections | 2,707 | 0 | 0 | 0 | 0 | 0 |
| Constitutional Officers' Fees and Commissions | 0 | 0 | 0 | 0 | 91,689 | 0 |
| Special Commissioner Fees/Special Master Fees | 0 | 0 | 0 | 0 | 13,155 | 0 |
| Data Processing Fee - Register | 2,482 | 0 | 0 | 0 | 0 | 0 |
| Sexual Offender Registration Fee - Sheriff | 1,800 | 0 | 0 | 0 | 0 | 0 |
| Data Processing Fee - County Clerk | 2,702 | 0 | 0 | 0 | 0 | 0 |
| Total Charges for Current Services | \$ 60,630 | \$ 0 | \$ 96,467 | \$ 0 | \$ 104,844 | \$ 1,768 |

(Continued)

Exhibit J-5

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

| | Special Revenue Funds | | | | | |
|--|-----------------------|---------------------------------------|--------------------------------|-----------------|---|------------------------------|
| | General | Courthouse and Jail Maintenance | Solid Waste / Sanitation | Drug Control | Constitu- tional Officers - Fees | Highway / Public Works |
| <u>Other Local Revenues</u> | | | | | | |
| <u>Recurring Items</u> | | | | | | |
| Investment Income | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Sale of Materials and Supplies | 0 | 0 | 0 | 0 | 0 | 9,897 |
| Sale of Recycled Materials | 0 | 0 | 24,608 | 0 | 0 | 0 |
| Miscellaneous Refunds | 1,111 | 0 | 0 | 0 | 0 | 19,670 |
| Expenditure Credits | 460 | 0 | 0 | 0 | 0 | 0 |
| <u>Nonrecurring Items</u> | | | | | | |
| Sale of Equipment | 21,119 | 0 | 0 | 0 | 0 | 0 |
| Sale of Property | 1,800 | 0 | 0 | 0 | 0 | 0 |
| Contributions and Gifts | 3,116 | 0 | 0 | 0 | 0 | 0 |
| Total Other Local Revenues | \$ 27,606 | \$ 0 | \$ 24,608 | \$ 0 | \$ 0 | \$ 29,567 |
| <u>Fees Received From County Officials</u> | | | | | | |
| <u>Excess Fees</u> | | | | | | |
| Trustee | \$ 43,017 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| <u>Fees In-Lieu-of Salary</u> | | | | | | |
| County Clerk | 100,322 | 0 | 0 | 0 | 0 | 0 |
| Circuit Court Clerk | 43,495 | 0 | 0 | 0 | 0 | 0 |
| General Sessions Court Clerk | 63,956 | 0 | 0 | 0 | 0 | 0 |
| Clerk and Master | 48,880 | 0 | 0 | 0 | 0 | 0 |
| Register | 26,702 | 0 | 0 | 0 | 0 | 0 |
| Sheriff | 5,249 | 0 | 0 | 0 | 0 | 0 |
| Total Fees Received From County Officials | \$ 331,621 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |

(Continued)

Exhibit J-5

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

| | Special Revenue Funds | | | | | |
|-----------------------------------|-----------------------|---------------------------------------|--------------------------------|-----------------|---|------------------------------|
| | General | Courthouse and Jail Maintenance | Solid Waste / Sanitation | Drug Control | Constitu- tional Officers - Fees | Highway / Public Works |
| <u>State of Tennessee</u> | | | | | | |
| <u>General Government Grants</u> | | | | | | |
| Juvenile Services Program | \$ 9,000 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Aging Programs | 6,287 | 0 | 0 | 0 | 0 | 0 |
| On-behalf Contributions for OPEB | 1,450 | 0 | 0 | 0 | 0 | 0 |
| <u>Public Safety Grants</u> | | | | | | |
| Law Enforcement Training Programs | 7,200 | 0 | 0 | 0 | 0 | 0 |
| <u>Health and Welfare Grants</u> | | | | | | |
| Other Health and Welfare Grants | 35,917 | 0 | 0 | 0 | 0 | 0 |
| <u>Public Works Grants</u> | | | | | | |
| Bridge Program | 0 | 0 | 0 | 0 | 0 | 524,965 |
| State Aid Program | 0 | 0 | 0 | 0 | 0 | 33,691 |
| Litter Program | 33,700 | 0 | 0 | 0 | 0 | 0 |
| <u>Other State Revenues</u> | | | | | | |
| Income Tax | 14,520 | 0 | 0 | 0 | 0 | 0 |
| Beer Tax | 24,001 | 0 | 0 | 0 | 0 | 0 |
| Vehicle Certificate of Title Fees | 3,470 | 0 | 0 | 0 | 0 | 0 |
| Alcoholic Beverage Tax | 18,649 | 0 | 0 | 0 | 0 | 0 |
| State Revenue Sharing - T.V.A. | 278,118 | 0 | 0 | 0 | 0 | 7,000 |
| Contracted Prisoner Boarding | 85,137 | 0 | 0 | 0 | 0 | 0 |
| Gasoline and Motor Fuel Tax | 0 | 0 | 0 | 0 | 0 | 1,381,691 |
| Petroleum Special Tax | 0 | 0 | 0 | 0 | 0 | 5,672 |
| Registrar's Salary Supplement | 15,164 | 0 | 0 | 0 | 0 | 0 |
| Other State Grants | 12,833 | 0 | 0 | 0 | 0 | 24,417 |
| Other State Revenues | 48,882 | 0 | 0 | 0 | 0 | 0 |
| Total State of Tennessee | \$ 594,328 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 1,977,436 |

(Continued)

Exhibit J-5

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

| | Special Revenue Funds | | | | | |
|--|-----------------------|---------------------------------------|--------------------------------|------------------|---|------------------------------|
| | General | Courthouse and Jail Maintenance | Solid Waste / Sanitation | Drug Control | Constitu- tional Officers - Fees | Highway / Public Works |
| <u>Federal Government</u> | | | | | | |
| <u>Federal Through State</u> | | | | | | |
| Community Development | \$ 6,015 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Disaster Relief | 38 | 0 | 0 | 0 | 0 | 148,958 |
| Other Federal through State | 209,006 | 0 | 0 | 0 | 0 | 0 |
| <u>Direct Federal Revenue</u> | | | | | | |
| Police Service (Lake Area) | 29,585 | 0 | 0 | 0 | 0 | 0 |
| Other Direct Federal Revenue | 8,769 | 0 | 0 | 0 | 0 | 104,540 |
| Total Federal Government | <u>\$ 253,413</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 253,498</u> |
| <u>Other Governments and Citizens Groups</u> | | | | | | |
| <u>Other Governments</u> | | | | | | |
| Contributions | \$ 26,730 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| <u>Other</u> | | | | | | |
| Other | 120,611 | 0 | 0 | 0 | 0 | 0 |
| Total Other Governments and Citizens Groups | <u>\$ 147,341</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| Total | <u>\$ 4,184,098</u> | <u>\$ 19,475</u> | <u>\$ 537,922</u> | <u>\$ 17,671</u> | <u>\$ 104,844</u> | <u>\$ 2,272,983</u> |

(Continued)

Exhibit J-5

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

| | <u>Debt Service Fund</u> | |
|--|------------------------------|---------------------|
| | General Debt Service | Total |
| <u>Local Taxes</u> | | |
| <u>County Property Taxes</u> | | |
| Current Property Tax | \$ 95,705 | \$ 1,883,037 |
| Trustee's Collections - Prior Year | 2,666 | 63,445 |
| Circuit Clerk/Clerk and Master Collections - Prior Years | 5,285 | 105,533 |
| Interest and Penalty | 659 | 15,707 |
| Payments in-Lieu-of Taxes - Local Utilities | 9,273 | 182,603 |
| Payments in-Lieu-of Taxes - Other | 0 | 76,370 |
| <u>County Local Option Taxes</u> | | |
| Local Option Sales Tax | 0 | 341,568 |
| Hotel/Motel Tax | 0 | 29,650 |
| Wheel Tax | 0 | 190,419 |
| Litigation Tax - General | 0 | 63,782 |
| Litigation Tax - Special Purpose | 1,585 | 6,382 |
| Litigation Tax - Jail, Workhouse, or Courthouse | 0 | 18,199 |
| Business Tax | 0 | 32,299 |
| Mixed Drink Tax | 0 | 104 |
| Mineral Severance Tax | 0 | 10,714 |
| <u>Statutory Local Taxes</u> | | |
| Bank Excise Tax | 1,164 | 22,893 |
| Wholesale Beer Tax | 20,744 | 207,439 |
| Beer Privilege Tax | 0 | 1,140 |
| Interstate Telecommunications Tax | 0 | 589 |
| Total Local Taxes | <u>\$ 137,081</u> | <u>\$ 3,251,873</u> |

(Continued)

Exhibit J-5

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

| | <u>Debt Service Fund</u> | | <u>General Debt Service</u> | <u>Total</u> |
|--|------------------------------|----------|-------------------------------------|--------------|
| <u>Licenses and Permits</u> | | | | |
| <u>Permits</u> | | | | |
| Beer Permits | \$ | 0 | \$ | 1,662 |
| Total Licenses and Permits | <u>\$</u> | <u>0</u> | <u>\$</u> | <u>1,662</u> |
| <u>Fines, Forfeitures, and Penalties</u> | | | | |
| <u>Circuit Court</u> | | | | |
| Fines | \$ | 0 | \$ | 13,350 |
| Officers Costs | | 0 | | 8,990 |
| Drug Control Fines | | 0 | | 12,616 |
| Drug Court Fees | | 0 | | 3,714 |
| Jail Fees | | 0 | | 1,973 |
| DUI Treatment Fines | | 0 | | 238 |
| Data Entry Fee - Circuit Court | | 0 | | 2,263 |
| Courtroom Security Fee | | 0 | | 1,411 |
| <u>General Sessions Court</u> | | | | |
| Fines | | 0 | | 7,401 |
| Fines for Littering | | 0 | | 67 |
| Officers Costs | | 0 | | 14,427 |
| Game and Fish Fines | | 0 | | 781 |
| Drug Control Fines | | 0 | | 4,673 |
| Drug Court Fees | | 0 | | 3,494 |
| Jail Fees | | 0 | | 19,730 |
| DUI Treatment Fines | | 0 | | 2,780 |
| Data Entry Fee - General Sessions Court | | 0 | | 1,845 |
| Courtroom Security Fee | | 0 | | 14,641 |

(Continued)

Exhibit J-5

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

| | <u>Debt Service Fund</u> | | <u>General Debt Service</u> | <u>Total</u> |
|--|------------------------------|---|-------------------------------------|--------------|
| <u>Fines, Forfeitures, and Penalties (Cont.)</u> | | | | |
| <u>Juvenile Court</u> | | | | |
| Fines | \$ | 0 | \$ | 844 |
| <u>Chancery Court</u> | | | | |
| Officers Costs | | 0 | | 32 |
| Data Entry Fee - Chancery Court | | 0 | | 1,760 |
| <u>Other Fines, Forfeitures, and Penalties</u> | | | | |
| Other Fines, Forfeitures, and Penalties | | 0 | | 382 |
| Total Fines, Forfeitures, and Penalties | \$ | 0 | \$ | 117,412 |
| <u>Charges for Current Services</u> | | | | |
| <u>General Service Charges</u> | | | | |
| Tipping Fees | \$ | 0 | \$ | 95,238 |
| Surcharge - Waste Tire Disposal | | 0 | | 1,229 |
| Work Release Charges for Board | | 0 | | 267 |
| Other General Service Charges | | 0 | | 14,783 |
| <u>Fees</u> | | | | |
| Recreation Fees | | 0 | | 6,825 |
| Copy Fees | | 0 | | 103 |
| Greenbelt Late Application Fee | | 0 | | 200 |
| Telephone Commissions | | 0 | | 30,529 |
| Vending Machine Collections | | 0 | | 2,707 |
| Constitutional Officers' Fees and Commissions | | 0 | | 91,689 |
| Special Commissioner Fees/Special Master Fees | | 0 | | 13,155 |
| Data Processing Fee - Register | | 0 | | 2,482 |
| Sexual Offender Registration Fee - Sheriff | | 0 | | 1,800 |
| Data Processing Fee - County Clerk | | 0 | | 2,702 |
| Total Charges for Current Services | \$ | 0 | \$ | 263,709 |

(Continued)

Exhibit J-5

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

| | <u>Debt Service Fund</u> | | <u>General Debt Service</u> | <u>Total</u> |
|--|------------------------------|----|-------------------------------------|----------------|
| <u>Other Local Revenues</u> | | | | |
| <u>Recurring Items</u> | | | | |
| Investment Income | \$ 19,691 | \$ | | 19,691 |
| Sale of Materials and Supplies | 0 | | | 9,897 |
| Sale of Recycled Materials | 0 | | | 24,608 |
| Miscellaneous Refunds | 0 | | | 20,781 |
| Expenditure Credits | 0 | | | 460 |
| <u>Nonrecurring Items</u> | | | | |
| Sale of Equipment | 0 | | | 21,119 |
| Sale of Property | 0 | | | 1,800 |
| Contributions and Gifts | 0 | | | 3,116 |
| Total Other Local Revenues | <u>\$ 19,691</u> | \$ | | <u>101,472</u> |
| <u>Fees Received From County Officials</u> | | | | |
| <u>Excess Fees</u> | | | | |
| Trustee | \$ 0 | \$ | | 43,017 |
| <u>Fees In-Lieu-of Salary</u> | | | | |
| County Clerk | 0 | | | 100,322 |
| Circuit Court Clerk | 0 | | | 43,495 |
| General Sessions Court Clerk | 0 | | | 63,956 |
| Clerk and Master | 0 | | | 48,880 |
| Register | 0 | | | 26,702 |
| Sheriff | 0 | | | 5,249 |
| Total Fees Received From County Officials | <u>\$ 0</u> | \$ | | <u>331,621</u> |

(Continued)

Exhibit J-5

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

| | <u>Debt Service Fund</u> | |
|-----------------------------------|------------------------------|---------------------|
| | General Debt Service | Total |
| <u>State of Tennessee</u> | | |
| <u>General Government Grants</u> | | |
| Juvenile Services Program | \$ 0 | \$ 9,000 |
| Aging Programs | 0 | 6,287 |
| On-behalf Contributions for OPEB | 0 | 1,450 |
| <u>Public Safety Grants</u> | | |
| Law Enforcement Training Programs | 0 | 7,200 |
| <u>Health and Welfare Grants</u> | | |
| Other Health and Welfare Grants | 0 | 35,917 |
| <u>Public Works Grants</u> | | |
| Bridge Program | 0 | 524,965 |
| State Aid Program | 0 | 33,691 |
| Litter Program | 0 | 33,700 |
| <u>Other State Revenues</u> | | |
| Income Tax | 0 | 14,520 |
| Beer Tax | 0 | 24,001 |
| Vehicle Certificate of Title Fees | 0 | 3,470 |
| Alcoholic Beverage Tax | 0 | 18,649 |
| State Revenue Sharing - T.V.A. | 0 | 285,118 |
| Contracted Prisoner Boarding | 0 | 85,137 |
| Gasoline and Motor Fuel Tax | 0 | 1,381,691 |
| Petroleum Special Tax | 0 | 5,672 |
| Registrar's Salary Supplement | 0 | 15,164 |
| Other State Grants | 0 | 37,250 |
| Other State Revenues | 0 | 48,882 |
| Total State of Tennessee | <u>\$ 0</u> | <u>\$ 2,571,764</u> |

(Continued)

Exhibit J-5

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

| | <u>Debt Service</u> | |
|--|----------------------------|---------------------|
| | <u>Fund</u> | |
| | General Debt Service | Total |
| <u>Federal Government</u> | | |
| <u>Federal Through State</u> | | |
| Community Development | \$ 0 | \$ 6,015 |
| Disaster Relief | 0 | 148,996 |
| Other Federal through State | 0 | 209,006 |
| <u>Direct Federal Revenue</u> | | |
| Police Service (Lake Area) | 0 | 29,585 |
| Other Direct Federal Revenue | 0 | 113,309 |
| Total Federal Government | <u>\$ 0</u> | <u>\$ 506,911</u> |
| <u>Other Governments and Citizens Groups</u> | | |
| <u>Other Governments</u> | | |
| Contributions | \$ 329,203 | \$ 355,933 |
| <u>Other</u> | | |
| Other | 0 | 120,611 |
| Total Other Governments and Citizens Groups | <u>\$ 329,203</u> | <u>\$ 476,544</u> |
| Total | <u>\$ 485,975</u> | <u>\$ 7,622,968</u> |

Exhibit J-6

Clay County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented Clay County School Department
For the Year Ended June 30, 2016

| | <u>Special Revenue Funds</u> | | | | Total |
|--|------------------------------|-------------------------------|----------------------|-------------|---------------------|
| | General Purpose School | School Federal Projects | Central Cafeteria | | |
| <u>Local Taxes</u> | | | | | |
| <u>County Property Taxes</u> | | | | | |
| Current Property Tax | \$ 1,080,044 | \$ 0 | \$ 0 | \$ 0 | \$ 1,080,044 |
| Trustee's Collections - Prior Year | 35,172 | 0 | 0 | 0 | 35,172 |
| Circuit Clerk/Clerk and Master Collections - Prior Years | 58,957 | 0 | 0 | 0 | 58,957 |
| Interest and Penalty | 9,009 | 0 | 0 | 0 | 9,009 |
| Payments in-Lieu-of Taxes - Local Utilities | 104,734 | 0 | 0 | 0 | 104,734 |
| <u>County Local Option Taxes</u> | | | | | |
| Local Option Sales Tax | 629,722 | 0 | 0 | 0 | 629,722 |
| Mixed Drink Tax | 150 | 0 | 0 | 0 | 150 |
| <u>Statutory Local Taxes</u> | | | | | |
| Bank Excise Tax | 13,131 | 0 | 0 | 0 | 13,131 |
| Interstate Telecommunications Tax | 656 | 0 | 0 | 0 | 656 |
| Total Local Taxes | <u>\$ 1,931,575</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 1,931,575</u> |
| <u>Licenses and Permits</u> | | | | | |
| <u>Licenses</u> | | | | | |
| Marriage Licenses | \$ 524 | \$ 0 | \$ 0 | \$ 0 | \$ 524 |
| <u>Permits</u> | | | | | |
| Other Permits | 124 | 0 | 0 | 0 | 124 |
| Total Licenses and Permits | <u>\$ 648</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 648</u> |
| <u>Charges for Current Services</u> | | | | | |
| <u>Education Charges</u> | | | | | |
| Lunch Payments - Children | \$ 0 | \$ 0 | \$ 44,082 | \$ 0 | \$ 44,082 |
| Lunch Payments - Adults | 0 | 0 | 21,430 | 0 | 21,430 |

(Continued)

Exhibit J-6

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

| | <u>Special Revenue Funds</u> | | | |
|--|------------------------------|-------------------------------|----------------------|-------------------|
| | General Purpose School | School Federal Projects | Central Cafeteria | Total |
| <u>Charges for Current Services (Cont.)</u> | | | | |
| <u>Education Charges (Cont.)</u> | | | | |
| Income from Breakfast | \$ 0 | \$ 0 | \$ 23,445 | \$ 23,445 |
| A la Carte Sales | 0 | 0 | 15,487 | 15,487 |
| Contract for Student Support Services with Other LEA's | 24,000 | 0 | 0 | 24,000 |
| Receipts from Individual Schools | 16,452 | 0 | 0 | 16,452 |
| Community Service Fees - Adults | 0 | 0 | 1,930 | 1,930 |
| Other Charges for Services | 90 | 0 | 0 | 90 |
| Total Charges for Current Services | <u>\$ 40,542</u> | <u>\$ 0</u> | <u>\$ 106,374</u> | <u>\$ 146,916</u> |
| <u>Other Local Revenues</u> | | | | |
| <u>Recurring Items</u> | | | | |
| Investment Income | \$ 0 | \$ 0 | \$ 928 | \$ 928 |
| Sale of Materials and Supplies | 400 | 0 | 0 | 400 |
| E-Rate Funding | 41,857 | 0 | 0 | 41,857 |
| Miscellaneous Refunds | 4,987 | 0 | 57 | 5,044 |
| <u>Nonrecurring Items</u> | | | | |
| Sale of Equipment | 1,061 | 0 | 0 | 1,061 |
| Damages Recovered from Individuals | 93 | 0 | 0 | 93 |
| Contributions and Gifts | 100 | 0 | 0 | 100 |
| <u>Other Local Revenues</u> | | | | |
| Other Local Revenues | 132 | 0 | 0 | 132 |
| Total Other Local Revenues | <u>\$ 48,630</u> | <u>\$ 0</u> | <u>\$ 985</u> | <u>\$ 49,615</u> |

(Continued)

Exhibit J-6

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

| | <u>Special Revenue Funds</u> | | | Total |
|---|------------------------------|-------------------------------|----------------------|---------------------|
| | General Purpose School | School Federal Projects | Central Cafeteria | |
| <u>State of Tennessee</u> | | | | |
| <u>General Government Grants</u> | | | | |
| On-behalf Contributions for OPEB | \$ 67,170 | \$ 0 | \$ 0 | \$ 67,170 |
| <u>State Education Funds</u> | | | | |
| Basic Education Program | 5,951,000 | 0 | 0 | 5,951,000 |
| Early Childhood Education | 310,403 | 0 | 0 | 310,403 |
| School Food Service | 5,621 | 0 | 0 | 5,621 |
| Other State Education Funds | 267,568 | 0 | 0 | 267,568 |
| Career Ladder Program | 28,757 | 0 | 0 | 28,757 |
| <u>Other State Revenues</u> | | | | |
| Flood Control | 161,150 | 0 | 0 | 161,150 |
| Other State Grants | 2,922 | 0 | 0 | 2,922 |
| Total State of Tennessee | <u>\$ 6,794,591</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 6,794,591</u> |
| <u>Federal Government</u> | | | | |
| <u>Federal Through State</u> | | | | |
| USDA School Lunch Program | \$ 0 | \$ 0 | \$ 310,185 | \$ 310,185 |
| USDA - Commodities | 0 | 0 | 31,554 | 31,554 |
| Breakfast | 0 | 0 | 146,835 | 146,835 |
| USDA - Other | 0 | 0 | 7,844 | 7,844 |
| USDA Food Service Equipment Grant | 0 | 0 | 5,091 | 5,091 |
| Vocational Education - Basic Grants to States | 0 | 207,038 | 0 | 207,038 |
| Title I Grants to Local Education Agencies | 0 | 434,068 | 0 | 434,068 |
| Special Education - Grants to States | 0 | 298,989 | 0 | 298,989 |
| Special Education Preschool Grants | 0 | 9,705 | 0 | 9,705 |
| Rural Education | 0 | 19,860 | 0 | 19,860 |

(Continued)

Exhibit J-6

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

| | <u>Special Revenue Funds</u> | | | |
|--|------------------------------|-------------------------------|----------------------|----------------------|
| | General Purpose School | School Federal Projects | Central Cafeteria | Total |
| <u>Federal Government (Cont.)</u> | | | | |
| <u>Federal Through State (Cont.)</u> | | | | |
| Eisenhower Professional Development State Grants | \$ 0 | \$ 78,746 | \$ 0 | \$ 78,746 |
| Job Training Partnership Act | 11,000 | 0 | 0 | 11,000 |
| Disaster Relief | 338 | 0 | 0 | 338 |
| <u>Direct Federal Revenue</u> | | | | |
| Public Law 874 - Maintenance and Operation | 113,018 | 0 | 0 | 113,018 |
| Total Federal Government | <u>\$ 124,356</u> | <u>\$ 1,048,406</u> | <u>\$ 501,509</u> | <u>\$ 1,674,271</u> |
| <u>Other Governments and Citizens Groups</u> | | | | |
| <u>Other Governments</u> | | | | |
| Contributions | \$ 5,476 | \$ 0 | \$ 0 | \$ 5,476 |
| Total Other Governments and Citizens Groups | <u>\$ 5,476</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 5,476</u> |
| Total | <u>\$ 8,945,818</u> | <u>\$ 1,048,406</u> | <u>\$ 608,868</u> | <u>\$ 10,603,092</u> |

Exhibit J-7

Clay County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2016

General Fund

General Government

County Commission

| | | | |
|----------------------------------|----|--------|-----------|
| Board and Committee Members Fees | \$ | 22,708 | |
| Audit Services | | 3,500 | |
| Consultants | | 975 | |
| Dues and Memberships | | 1,050 | |
| Legal Services | | 7,722 | |
| Travel | | 1,121 | |
| Other Contracted Services | | 156 | |
| Other Charges | | 1,010 | |
| Total County Commission | | | \$ 38,242 |

Board of Equalization

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

Beer Board

| | | | |
|---|----|-----|-----|
| Legal Notices, Recording, and Court Costs | \$ | 462 | |
| Total Beer Board | | | 462 |

County Mayor/Executive

| | | | |
|--|----|--------|---------|
| County Official/Administrative Officer | \$ | 67,386 | |
| Accountants/Bookkeepers | | 26,615 | |
| Clerical Personnel | | 18,895 | |
| Communication | | 2,752 | |
| Data Processing Services | | 5,626 | |
| Dues and Memberships | | 3,326 | |
| Maintenance Agreements | | 372 | |
| Postal Charges | | 1,503 | |
| Printing, Stationery, and Forms | | 822 | |
| Travel | | 709 | |
| Office Supplies | | 891 | |
| Total County Mayor/Executive | | | 128,897 |

County Attorney

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

Election Commission

| | | | |
|---|----|--------|--|
| County Official/Administrative Officer | \$ | 46,673 | |
| Other Salaries and Wages | | 19,360 | |
| Election Commission | | 6,777 | |
| Election Workers | | 9,536 | |
| In-service Training | | 32 | |
| Communication | | 2,604 | |
| Dues and Memberships | | 175 | |
| Legal Services | | 293 | |
| Legal Notices, Recording, and Court Costs | | 1,588 | |
| Maintenance and Repair Services - Buildings | | 1,975 | |

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

| | | | |
|---|----|--------|------------|
| Maintenance and Repair Services - Equipment | \$ | 19,595 | |
| Postal Charges | | 830 | |
| Printing, Stationery, and Forms | | 1,959 | |
| Travel | | 4,450 | |
| Office Supplies | | 4,220 | |
| Office Equipment | | 5,755 | |
| Total Election Commission | | | \$ 125,822 |

Register of Deeds

| | | | |
|--|----|--------|--------|
| County Official/Administrative Officer | \$ | 58,343 | |
| Deputy(ies) | | 17,531 | |
| Communication | | 1,861 | |
| Data Processing Services | | 2,745 | |
| Dues and Memberships | | 583 | |
| Maintenance Agreements | | 1,000 | |
| Postal Charges | | 231 | |
| Printing, Stationery, and Forms | | 1,000 | |
| Travel | | 234 | |
| Duplicating Supplies | | 1,000 | |
| Office Supplies | | 833 | |
| Total Register of Deeds | | | 85,361 |

County Buildings

| | | | |
|---|----|--------|---------|
| Custodial Personnel | \$ | 54,842 | |
| Communication | | 961 | |
| Evaluation and Testing | | 160 | |
| Maintenance and Repair Services - Buildings | | 28,754 | |
| Maintenance and Repair Services - Vehicles | | 4,934 | |
| Pest Control | | 335 | |
| Custodial Supplies | | 5,042 | |
| Electricity | | 11,247 | |
| Gasoline | | 3,368 | |
| Natural Gas | | 3,041 | |
| Uniforms | | 602 | |
| Water and Sewer | | 3,064 | |
| Motor Vehicles | | 1,218 | |
| Total County Buildings | | | 117,568 |

Other General Administration

| | | | |
|------------------------------------|----|-------|-------|
| On-behalf Payments to OPEB | \$ | 1,450 | |
| Total Other General Administration | | | 1,450 |

Finance

Property Assessor's Office

| | | | |
|--|----|--------|--|
| County Official/Administrative Officer | \$ | 58,343 | |
| Deputy(ies) | | 21,091 | |
| Part-time Personnel | | 4,928 | |

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

| | | | |
|----------------------------------|----|-------|-----------|
| Communication | \$ | 1,522 | |
| Contracts with Private Agencies | | 2,748 | |
| Data Processing Services | | 2,911 | |
| Dues and Memberships | | 800 | |
| Postal Charges | | 1,030 | |
| Travel | | 2,272 | |
| Office Supplies | | 1,292 | |
| Office Equipment | | 536 | |
| Total Property Assessor's Office | | | \$ 97,473 |

County Trustee's Office

| | | | |
|---|----|-------|--------|
| Data Processing Services | \$ | 4,234 | |
| Dues and Memberships | | 388 | |
| Legal Notices, Recording, and Court Costs | | 63 | |
| Maintenance and Repair Services - Equipment | | 8,197 | |
| Postal Charges | | 1,805 | |
| Printing, Stationery, and Forms | | 92 | |
| Office Supplies | | 1,525 | |
| Office Equipment | | 221 | |
| Total County Trustee's Office | | | 16,525 |

County Clerk's Office

| | | | |
|---|----|--------|---------|
| County Official/Administrative Officer | \$ | 58,343 | |
| Deputy(ies) | | 46,763 | |
| Other Per Diem and Fees | | 8,704 | |
| Communication | | 3,156 | |
| Data Processing Services | | 2,000 | |
| Dues and Memberships | | 488 | |
| Maintenance and Repair Services - Equipment | | 805 | |
| Postal Charges | | 2,500 | |
| Rentals | | 4,800 | |
| Office Supplies | | 2,995 | |
| Total County Clerk's Office | | | 130,554 |

Administration of Justice

Circuit Court

| | | | |
|---|----|--------|--|
| County Official/Administrative Officer | \$ | 58,343 | |
| Deputy(ies) | | 25,920 | |
| Clerical Personnel | | 37,387 | |
| Other Salaries and Wages | | 2,725 | |
| Jury and Witness Expense | | 2,807 | |
| Communication | | 2,567 | |
| Dues and Memberships | | 488 | |
| Legal Notices, Recording, and Court Costs | | 143 | |
| Maintenance Agreements | | 10,712 | |
| Maintenance and Repair Services - Equipment | | 205 | |
| Postal Charges | | 1,516 | |

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court (Cont.)

| | | | |
|---------------------------------|----|-------|------------|
| Printing, Stationery, and Forms | \$ | 134 | |
| Remittance of Revenue Collected | | 8,419 | |
| Office Supplies | | 3,015 | |
| Office Equipment | | 460 | |
| Total Circuit Court | | | \$ 154,841 |

General Sessions Court

| | | | |
|------------------------------|----|--------|--------|
| Judge(s) | \$ | 74,714 | |
| Total General Sessions Court | | | 74,714 |

Chancery Court

| | | | |
|---|----|--------|--------|
| County Official/Administrative Officer | \$ | 58,343 | |
| Deputy(ies) | | 17,306 | |
| Communication | | 1,554 | |
| Data Processing Services | | 4,000 | |
| Dues and Memberships | | 548 | |
| Legal Notices, Recording, and Court Costs | | 224 | |
| Maintenance Agreements | | 252 | |
| Postal Charges | | 1,459 | |
| Office Supplies | | 1,062 | |
| Premiums on Corporate Surety Bonds | | 1,381 | |
| Total Chancery Court | | | 86,129 |

Juvenile Court

| | | | |
|---------------------------|----|--------|--------|
| Supervisor/Director | \$ | 9,000 | |
| Social Security | | 688 | |
| Unemployment Compensation | | 134 | |
| Other Contracted Services | | 10,950 | |
| Other Charges | | 14,041 | |
| Total Juvenile Court | | | 34,813 |

Judicial Commissioners

| | | | |
|--|----|--------|--------|
| County Official/Administrative Officer | \$ | 11,527 | |
| Other Salaries and Wages | | 300 | |
| Office Supplies | | 76 | |
| Premiums on Corporate Surety Bonds | | 200 | |
| Office Equipment | | 150 | |
| Total Judicial Commissioners | | | 12,253 |

Public Safety

Sheriff's Department

| | | | |
|--|----|---------|--|
| County Official/Administrative Officer | \$ | 64,178 | |
| Assistant(s) | | 34,246 | |
| Deputy(ies) | | 298,024 | |
| Accountants/Bookkeepers | | 24,253 | |
| Salary Supplements | | 15,000 | |
| Dispatchers/Radio Operators | | 193,765 | |

(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.)

| | | | |
|---|----|--------|------------|
| Cafeteria Personnel | \$ | 26,036 | |
| Other Salaries and Wages | | 22,456 | |
| In-service Training | | 5,000 | |
| Other Per Diem and Fees | | 1,546 | |
| Communication | | 11,012 | |
| Contracts with Government Agencies | | 400 | |
| Contracts with Other Public Agencies | | 6,621 | |
| Dues and Memberships | | 2,700 | |
| Evaluation and Testing | | 3,004 | |
| Licenses | | 140 | |
| Maintenance and Repair Services - Buildings | | 333 | |
| Maintenance and Repair Services - Equipment | | 13,498 | |
| Maintenance and Repair Services - Vehicles | | 36,877 | |
| Pest Control | | 643 | |
| Postal Charges | | 1,046 | |
| Printing, Stationery, and Forms | | 2,037 | |
| Travel | | 10,504 | |
| Remittance of Revenue Collected | | 10,900 | |
| Food Supplies | | 1,313 | |
| Gasoline | | 45,421 | |
| Law Enforcement Supplies | | 5,000 | |
| Office Supplies | | 3,174 | |
| Tires and Tubes | | 6,091 | |
| Uniforms | | 2,816 | |
| Other Supplies and Materials | | 868 | |
| Premiums on Corporate Surety Bonds | | 268 | |
| Other Charges | | 884 | |
| Other Equipment | | 25,872 | |
| Total Sheriff's Department | | | \$ 875,926 |

Drug Enforcement

| | | | |
|------------------------|----|--------|--------|
| Motor Vehicles | \$ | 49,604 | |
| Total Drug Enforcement | | | 49,604 |

Jail

| | | | |
|---|----|---------|---------|
| Guards | \$ | 24,331 | |
| Communication | | 12,635 | |
| Contracts with Government Agencies | | 283,835 | |
| Maintenance and Repair Services - Buildings | | 7,106 | |
| Other Contracted Services | | 3,467 | |
| Custodial Supplies | | 1,277 | |
| Drugs and Medical Supplies | | 53,934 | |
| Electricity | | 17,830 | |
| Food Preparation Supplies | | 1,824 | |
| Food Supplies | | 37,835 | |
| Water and Sewer | | 1,648 | |
| Other Charges | | 6,343 | |
| Total Jail | | | 452,065 |

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Correctional Incentive Program Improvements

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

Juvenile Services

| | | |
|-------------------------|-----------|--------|
| School Resource Officer | \$ 55,989 | |
| Total Juvenile Services | | 55,989 |

Fire Prevention and Control

| | | |
|-----------------------------------|-----------|--------|
| Disability Insurance | \$ 15,348 | |
| Contributions | 20,000 | |
| Total Fire Prevention and Control | | 35,348 |

Other Emergency Management

| | | |
|---|----------|--------|
| Supervisor/Director | \$ 4,800 | |
| Secretary(ies) | 4,800 | |
| Other Salaries and Wages | 15,000 | |
| Communication | 1,682 | |
| Maintenance Agreements | 600 | |
| Maintenance and Repair Services - Equipment | 39,040 | |
| Office Supplies | 547 | |
| Road Signs | 1,138 | |
| Other Charges | 1,606 | |
| Other Equipment | 7,459 | |
| Total Other Emergency Management | | 76,672 |

County Coroner/Medical Examiner

| | | |
|---------------------------------------|----------|--------|
| Other Salaries and Wages | \$ 1,232 | |
| Other Per Diem and Fees | 22,725 | |
| Total County Coroner/Medical Examiner | | 23,957 |

Other Public Safety

| | | |
|---------------------------|-----------|--------|
| Guards | \$ 53,010 | |
| Total Other Public Safety | | 53,010 |

Public Health and Welfare

Local Health Center

| | | |
|---|----------|--------|
| Other Salaries and Wages | \$ 6,600 | |
| Communication | 2,761 | |
| Maintenance and Repair Services - Buildings | 1,586 | |
| Custodial Supplies | 295 | |
| Drugs and Medical Supplies | 991 | |
| Instructional Supplies and Materials | 9,834 | |
| Office Supplies | 2,535 | |
| Utilities | 14,368 | |
| Total Local Health Center | | 38,970 |

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services

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

Alcohol and Drug Programs

| | | |
|---------------------------------|------------|---------|
| Other Salaries and Wages | \$ 114,419 | |
| Postal Charges | 69 | |
| Travel | 18,338 | |
| Office Supplies | 14,756 | |
| Other Charges | 24,437 | |
| Total Alcohol and Drug Programs | | 172,019 |

Other Local Health Services

| | | |
|-----------------------------------|--------|--------|
| Temporary Personnel | \$ 78 | |
| Other Salaries and Wages | 23,145 | |
| Unemployment Compensation | 184 | |
| Travel | 2,126 | |
| Other Supplies and Materials | 7,600 | |
| Total Other Local Health Services | | 33,133 |

Appropriation to State

| | | |
|------------------------------|-----------|--------|
| Other Contracted Services | \$ 10,720 | |
| Total Appropriation to State | | 10,720 |

Social, Cultural, and Recreational Services

Senior Citizens Assistance

| | | |
|----------------------------------|-----------|--------|
| Supervisor/Director | \$ 17,910 | |
| Social Security | 1,010 | |
| Unemployment Compensation | 189 | |
| Communication | 1,646 | |
| Postal Charges | 54 | |
| Travel | 1,510 | |
| Utilities | 22,349 | |
| Other Supplies and Materials | 1,296 | |
| Other Charges | 5,966 | |
| Total Senior Citizens Assistance | | 51,930 |

Libraries

| | | |
|---------------------------|-----------|--|
| Supervisor/Director | \$ 22,547 | |
| Part-time Personnel | 8,289 | |
| Other Salaries and Wages | 18,533 | |
| Communication | 1,966 | |
| Dues and Memberships | 479 | |
| Postal Charges | 420 | |
| Travel | 193 | |
| Other Contracted Services | 425 | |
| Custodial Supplies | 1,304 | |
| Electricity | 5,659 | |

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Libraries (Cont.)

| | | | |
|--------------------------------------|----|--------|-----------|
| Instructional Supplies and Materials | \$ | 1,265 | |
| Library Books/Media | | 11,091 | |
| Office Supplies | | 4,350 | |
| Periodicals | | 511 | |
| Water and Sewer | | 486 | |
| Other Supplies and Materials | | 8,677 | |
| Other Charges | | 911 | |
| Office Equipment | | 6,028 | |
| Total Libraries | | | \$ 93,134 |

Parks and Fair Boards

| | | | |
|---|----|--------|--------|
| Other Salaries and Wages | \$ | 9,600 | |
| Maintenance and Repair Services - Buildings | | 15,241 | |
| Custodial Supplies | | 2,937 | |
| Electricity | | 13,678 | |
| Natural Gas | | 2,684 | |
| Water and Sewer | | 1,054 | |
| Total Parks and Fair Boards | | | 45,194 |

Other Social, Cultural, and Recreational

| | | | |
|--|----|--------|--------|
| Contributions | \$ | 11,005 | |
| Total Other Social, Cultural, and Recreational | | | 11,005 |

Agriculture and Natural Resources

Agricultural Extension Service

| | | | |
|--------------------------------------|----|--------|--------|
| Salary Supplements | \$ | 58,778 | |
| Social Security | | 6,422 | |
| Extension Service Medicare | | 492 | |
| Communication | | 1,583 | |
| Contributions | | 13,293 | |
| Travel | | 5,569 | |
| Other Charges | | 85 | |
| Data Processing Equipment | | 2,829 | |
| Total Agricultural Extension Service | | | 89,051 |

Forest Service

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

Soil Conservation

| | | | |
|--------------------------|----|--------|--------|
| Secretary(ies) | \$ | 18,730 | |
| Other Salaries and Wages | | 29,994 | |
| Communication | | 1,779 | |
| Utilities | | 1,032 | |
| Total Soil Conservation | | | 51,535 |

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Other Operations

Tourism

| | | | |
|----------------------|----|--------|-----------|
| Clerical Personnel | \$ | 6,886 | |
| Advertising | | 22,142 | |
| Communication | | 3,237 | |
| Contributions | | 450 | |
| Dues and Memberships | | 335 | |
| Postal Charges | | 196 | |
| Office Supplies | | 186 | |
| Other Charges | | 14,069 | |
| Total Tourism | | | \$ 47,501 |

Industrial Development

| | | | |
|--------------------------------------|----|--------|--------|
| Advertising | \$ | 4,869 | |
| Consultants | | 25,956 | |
| Travel | | 1,187 | |
| Instructional Supplies and Materials | | 491 | |
| Office Supplies | | 599 | |
| Other Charges | | 16,753 | |
| Total Industrial Development | | | 49,855 |

Other Economic and Community Development

| | | | |
|--|----|-------|-------|
| Other Capital Outlay | \$ | 5,000 | |
| Total Other Economic and Community Development | | | 5,000 |

Veterans' Services

| | | | |
|--------------------------|----|--------|--------|
| Other Salaries and Wages | \$ | 16,640 | |
| In-service Training | | 399 | |
| Total Veterans' Services | | | 17,039 |

Other Charges

| | | | |
|---------------------------------|----|--------|---------|
| Liability Insurance | \$ | 84,858 | |
| Trustee's Commission | | 51,679 | |
| Workers' Compensation Insurance | | 78,987 | |
| Other Debt Issuance Charges | | 100 | |
| Total Other Charges | | | 215,624 |

Employee Benefits

| | | | |
|---------------------------|----|---------|---------|
| Social Security | \$ | 141,184 | |
| Pensions | | 129,460 | |
| Medical Insurance | | 58,355 | |
| Unemployment Compensation | | 8,553 | |
| Total Employee Benefits | | | 337,552 |

Highways

Litter and Trash Collection

| | | | |
|-----------------------------------|----|--------|--------|
| Supervisor/Director | \$ | 24,451 | |
| Laborers | | 8,216 | |
| Other Charges | | 1,900 | |
| Total Litter and Trash Collection | | | 34,567 |

Total General Fund \$ 4,402,234

(Continued)

Exhibit J-7

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

Courthouse and Jail Maintenance Fund

General Government

County Buildings

| | | |
|---|-----------|-----------|
| Maintenance and Repair Services - Buildings | \$ 10,730 | |
| Total County Buildings | | \$ 10,730 |

Other Operations

Other Charges

| | | |
|----------------------|--------|-----|
| Trustee's Commission | \$ 194 | |
| Total Other Charges | | 194 |

| | | |
|--|--|-----------|
| Total Courthouse and Jail Maintenance Fund | | \$ 10,924 |
|--|--|-----------|

Solid Waste/Sanitation Fund

Public Health and Welfare

Waste Pickup

| | | |
|---|-----------|------------|
| Truck Drivers | \$ 42,203 | |
| Laborers | 115,615 | |
| Clerical Personnel | 15,131 | |
| Social Security | 13,192 | |
| Unemployment Compensation | 1,592 | |
| Communication | 1,571 | |
| Contracts with Private Agencies | 160,565 | |
| Evaluation and Testing | 120 | |
| Maintenance and Repair Services - Buildings | 4,355 | |
| Maintenance and Repair Services - Equipment | 6,920 | |
| Maintenance and Repair Services - Vehicles | 20,406 | |
| Postal Charges | 49 | |
| Rentals | 1,400 | |
| Custodial Supplies | 1,277 | |
| Electricity | 4,790 | |
| Gasoline | 17,302 | |
| Natural Gas | 526 | |
| Office Supplies | 981 | |
| Tires and Tubes | 7,301 | |
| Uniforms | 2,399 | |
| Water and Sewer | 574 | |
| Other Charges | 1,494 | |
| Site Development | 259 | |
| Solid Waste Equipment | 7,638 | |
| Total Waste Pickup | | \$ 427,660 |

Other Operations

Other Charges

| | | |
|----------------------|----------|-------|
| Trustee's Commission | \$ 9,167 | |
| Total Other Charges | | 9,167 |

| | | |
|-----------------------------------|--|---------|
| Total Solid Waste/Sanitation Fund | | 436,827 |
|-----------------------------------|--|---------|

(Continued)

Exhibit J-7

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

Drug Control Fund

Public Safety

Drug Enforcement

| | | | |
|--|----|-------|----------|
| Contributions | \$ | 983 | |
| Confidential Drug Enforcement Payments | | 200 | |
| Other Supplies and Materials | | 4,933 | |
| Other Charges | | 730 | |
| Law Enforcement Equipment | | 2,534 | |
| Total Drug Enforcement | | | \$ 9,380 |

Other Operations

Other Charges

| | | | |
|----------------------|----|-----|-----|
| Trustee's Commission | \$ | 160 | |
| Total Other Charges | | | 160 |

Total Drug Control Fund \$ 9,540

Constitutional Officers - Fees Fund

Finance

County Trustee's Office

| | | | |
|---|----|--------|-----------|
| County Official/Administrative Officer | \$ | 58,343 | |
| Deputy(ies) | | 28,859 | |
| Constitutional Officers' Operating Expenses | | 672 | |
| Total County Trustee's Office | | | \$ 87,874 |

County Clerk's Office

| | | | |
|---|----|-------|-------|
| Constitutional Officers' Operating Expenses | \$ | 1,088 | |
| Total County Clerk's Office | | | 1,088 |

Administration of Justice

Chancery Court

| | | | |
|---|----|--------|--------|
| Special Commissioner Fees/Special Master Fees | \$ | 13,155 | |
| Total Chancery Court | | | 13,155 |

Total Constitutional Officers - Fees Fund 102,117

Highway/Public Works Fund

Highways

Administration

| | | | |
|--|----|--------|------------|
| County Official/Administrative Officer | \$ | 64,178 | |
| Accountants/Bookkeepers | | 30,509 | |
| Secretary(ies) | | 20,440 | |
| Advertising | | 260 | |
| Communication | | 2,481 | |
| Data Processing Services | | 6,383 | |
| Dues and Memberships | | 2,032 | |
| Postal Charges | | 294 | |
| Other Contracted Services | | 9,240 | |
| Other Charges | | 3,891 | |
| Total Administration | | | \$ 139,708 |

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance

| | | | |
|--------------------------------------|----|---------|------------|
| Equipment Operators | \$ | 152,815 | |
| Truck Drivers | | 98,644 | |
| Laborers | | 155,592 | |
| Rentals | | 1,876 | |
| Other Contracted Services | | 2,950 | |
| Asphalt - Liquid | | 39,422 | |
| Concrete | | 5,960 | |
| Crushed Stone | | 101,548 | |
| Pipe | | 10,302 | |
| Road Signs | | 679 | |
| Salt | | 14,460 | |
| Wood Products | | 2,610 | |
| Other Supplies and Materials | | 777 | |
| Other Charges | | 2,999 | |
| Highway Construction | | 2,000 | |
| State Aid Projects | | 32,392 | |
| Other Construction | | 475 | |
| Total Highway and Bridge Maintenance | | | \$ 625,501 |

Operation and Maintenance of Equipment

| | | | |
|--|----|--------|---------|
| Mechanic(s) | \$ | 26,012 | |
| Maintenance and Repair Services - Equipment | | 14,997 | |
| Diesel Fuel | | 64,268 | |
| Equipment and Machinery Parts | | 36,188 | |
| Gasoline | | 13,971 | |
| Lubricants | | 5,051 | |
| Natural Gas | | 975 | |
| Small Tools | | 94 | |
| Tires and Tubes | | 19,832 | |
| Other Supplies and Materials | | 2,674 | |
| Other Charges | | 387 | |
| Total Operation and Maintenance of Equipment | | | 184,449 |

Other Charges

| | | | |
|---------------------------------|----|--------|---------|
| Electricity | \$ | 3,798 | |
| Water and Sewer | | 794 | |
| Trustee's Commission | | 14,026 | |
| Vehicle and Equipment Insurance | | 14,406 | |
| Workers' Compensation Insurance | | 97,801 | |
| Total Other Charges | | | 130,825 |

Employee Benefits

| | | | |
|---------------------------|----|--------|---------|
| Social Security | \$ | 33,058 | |
| Pensions | | 34,672 | |
| Medical Insurance | | 38,885 | |
| Unemployment Compensation | | 7,136 | |
| Employer Medicare | | 7,731 | |
| Total Employee Benefits | | | 121,482 |

(Continued)

Exhibit J-7

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

| | | |
|---|------------|--------------|
| <u>Highway/Public Works Fund (Cont.)</u> | | |
| <u>Highways (Cont.)</u> | | |
| <u>Capital Outlay</u> | | |
| Bridge Construction | \$ 518,155 | |
| Total Capital Outlay | | \$ 518,155 |
| Total Highway/Public Works Fund | | \$ 1,720,120 |
| <u>General Debt Service Fund</u> | | |
| <u>Principal on Debt</u> | | |
| <u>General Government</u> | | |
| Principal on Other Loans | \$ 87,570 | |
| Total General Government | | \$ 87,570 |
| <u>Education</u> | | |
| Principal on Other Loans | \$ 268,000 | |
| Total Education | | 268,000 |
| <u>Interest on Debt</u> | | |
| <u>General Government</u> | | |
| Interest on Other Loans | \$ 9,135 | |
| Total General Government | | 9,135 |
| <u>Education</u> | | |
| Interest on Other Loans | \$ 14,585 | |
| Total Education | | 14,585 |
| <u>Other Debt Service</u> | | |
| <u>General Government</u> | | |
| Trustee's Commission | \$ 2,602 | |
| Total General Government | | 2,602 |
| <u>Education</u> | | |
| Other Debt Service | \$ 39,618 | |
| Total Education | | 39,618 |
| Total General Debt Service Fund | | 421,510 |
| Total Governmental Funds - Primary Government | | \$ 7,103,272 |

Exhibit J-8

Clay County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Clay County School Department
For the Year Ended June 30, 2016

General Purpose School Fund

Instruction

Regular Instruction Program

| | | | |
|---|----|-----------|--------------|
| Teachers | \$ | 2,271,961 | |
| Career Ladder Program | | 10,000 | |
| Educational Assistants | | 84,892 | |
| Longevity Pay | | 425 | |
| Certified Substitute Teachers | | 40,745 | |
| Non-certified Substitute Teachers | | 18,882 | |
| Social Security | | 132,029 | |
| Pensions | | 192,587 | |
| Medical Insurance | | 296,159 | |
| Unemployment Compensation | | 3,875 | |
| Local Retirement | | 16,098 | |
| Employer Medicare | | 32,410 | |
| Maintenance and Repair Services - Equipment | | 1,089 | |
| Other Contracted Services | | 114,357 | |
| Instructional Supplies and Materials | | 70,338 | |
| Textbooks | | 101,523 | |
| Other Charges | | 1,345 | |
| Regular Instruction Equipment | | 141,715 | |
| Total Regular Instruction Program | | | \$ 3,530,430 |

Alternative Instruction Program

| | | | |
|---------------------------------------|----|--------|--------|
| Teachers | \$ | 29,918 | |
| Certified Substitute Teachers | | 208 | |
| Non-certified Substitute Teachers | | 205 | |
| Social Security | | 1,848 | |
| Pensions | | 2,705 | |
| Unemployment Compensation | | 31 | |
| Employer Medicare | | 432 | |
| Instructional Supplies and Materials | | 177 | |
| Total Alternative Instruction Program | | | 35,524 |

Special Education Program

| | | | |
|--------------------------------------|----|---------|---------|
| Teachers | \$ | 314,971 | |
| Career Ladder Program | | 5,000 | |
| Homebound Teachers | | 26,959 | |
| Educational Assistants | | 23,652 | |
| Speech Pathologist | | 28,487 | |
| Certified Substitute Teachers | | 5,923 | |
| Non-certified Substitute Teachers | | 2,297 | |
| Social Security | | 23,065 | |
| Pensions | | 33,286 | |
| Medical Insurance | | 43,537 | |
| Unemployment Compensation | | 636 | |
| Local Retirement | | 1,963 | |
| Employer Medicare | | 5,473 | |
| Contracts with Other Public Agencies | | 745 | |
| Special Education Equipment | | 364 | |
| Total Special Education Program | | | 516,358 |

(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 | \$ | 140,734 | |
| Career Ladder Program | | 1,000 | |
| Certified Substitute Teachers | | 1,744 | |
| Non-certified Substitute Teachers | | 2,627 | |
| Social Security | | 8,497 | |
| Pensions | | 12,827 | |
| Medical Insurance | | 12,649 | |
| Unemployment Compensation | | 171 | |
| Employer Medicare | | 2,010 | |
| Travel | | 3,955 | |
| Other Contracted Services | | 48,362 | |
| Instructional Supplies and Materials | | 9,092 | |
| Vocational Instruction Equipment | | 4,899 | |
| Total Vocational Education Program | | | \$ 248,567 |

Support Services

Attendance

| | | | |
|------------------------------|----|--------|--------|
| Supervisor/Director | \$ | 64,533 | |
| Career Ladder Program | | 1,000 | |
| Social Security | | 3,807 | |
| Pensions | | 5,924 | |
| Medical Insurance | | 6,771 | |
| Unemployment Compensation | | 48 | |
| Employer Medicare | | 890 | |
| Travel | | 4,379 | |
| Other Contracted Services | | 9,166 | |
| Other Supplies and Materials | | 349 | |
| Administration Equipment | | 1,224 | |
| Total Attendance | | | 98,091 |

Health Services

| | | | |
|------------------------------|----|--------|---------|
| Medical Personnel | \$ | 67,137 | |
| Longevity Pay | | 450 | |
| Other Salaries and Wages | | 59,142 | |
| Social Security | | 7,392 | |
| Pensions | | 10,848 | |
| Medical Insurance | | 13,143 | |
| Unemployment Compensation | | 147 | |
| Employer Medicare | | 1,729 | |
| Licenses | | 200 | |
| Travel | | 2,586 | |
| Drugs and Medical Supplies | | 684 | |
| Other Supplies and Materials | | 11,216 | |
| Total Health Services | | | 174,674 |

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support

| | | | |
|-----------------------------|----|---------|------------|
| Guidance Personnel | \$ | 130,674 | |
| Social Security | | 7,482 | |
| Pensions | | 11,813 | |
| Medical Insurance | | 11,015 | |
| Unemployment Compensation | | 144 | |
| Employer Medicare | | 1,750 | |
| Evaluation and Testing | | 1,831 | |
| Travel | | 2,507 | |
| Other Charges | | 3,388 | |
| Total Other Student Support | | | \$ 170,604 |

Regular Instruction Program

| | | | |
|-----------------------------------|----|---------|---------|
| Supervisor/Director | \$ | 50,532 | |
| Career Ladder Program | | 2,000 | |
| Librarians | | 125,830 | |
| Education Media Personnel | | 28,512 | |
| Other Salaries and Wages | | 3,488 | |
| Social Security | | 11,977 | |
| Pensions | | 18,174 | |
| Medical Insurance | | 24,620 | |
| Unemployment Compensation | | 203 | |
| Employer Medicare | | 2,851 | |
| Travel | | 3,987 | |
| Library Books/Media | | 8,593 | |
| Other Supplies and Materials | | 2,269 | |
| In Service/Staff Development | | 7,734 | |
| Total Regular Instruction Program | | | 290,770 |

Special Education Program

| | | | |
|---------------------------------|----|--------|---------|
| Supervisor/Director | \$ | 32,266 | |
| Psychological Personnel | | 20,317 | |
| Clerical Personnel | | 15,061 | |
| Longevity Pay | | 1,167 | |
| Other Salaries and Wages | | 14,491 | |
| Social Security | | 5,005 | |
| Pensions | | 5,951 | |
| Medical Insurance | | 2,230 | |
| Unemployment Compensation | | 136 | |
| Local Retirement | | 974 | |
| Employer Medicare | | 1,171 | |
| Other Contracted Services | | 25,650 | |
| Total Special Education Program | | | 124,419 |

Vocational Education Program

| | | | |
|---------------------------|----|--------|--|
| Supervisor/Director | \$ | 27,567 | |
| Unemployment Compensation | | 48 | |

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Vocational Education Program (Cont.)

| | | | |
|--------------------------------------|----|-------|-----------|
| Employer Medicare | \$ | 387 | |
| Travel | | 1,147 | |
| Instructional Supplies and Materials | | 197 | |
| Total Vocational Education Program | | | \$ 29,346 |

Other Programs

| | | | |
|----------------------------|----|--------|--------|
| On-behalf Payments to OPEB | \$ | 67,170 | |
| Total Other Programs | | | 67,170 |

Board of Education

| | | | |
|--|----|--------|---------|
| Other Salaries and Wages | \$ | 2,600 | |
| Board and Committee Members Fees | | 14,300 | |
| Social Security | | 963 | |
| Pensions | | 93 | |
| Life Insurance | | 3,326 | |
| Unemployment Compensation | | 100 | |
| Employer Medicare | | 244 | |
| Advertising | | 2,998 | |
| Audit Services | | 4,500 | |
| Dues and Memberships | | 7,250 | |
| Legal Services | | 20,613 | |
| Trustee's Commission | | 53,020 | |
| Workers' Compensation Insurance | | 57,139 | |
| Refund to Applicant for Criminal Investigation | | 760 | |
| Other Charges | | 2,198 | |
| Total Board of Education | | | 170,104 |

Director of Schools

| | | | |
|--|----|--------|---------|
| County Official/Administrative Officer | \$ | 75,786 | |
| Career Ladder Program | | 1,000 | |
| Social Security | | 4,504 | |
| Pensions | | 6,941 | |
| Medical Insurance | | 6,771 | |
| Unemployment Compensation | | 48 | |
| Employer Medicare | | 1,053 | |
| Communication | | 34,576 | |
| Dues and Memberships | | 1,097 | |
| Postal Charges | | 2,990 | |
| Travel | | 4,132 | |
| Office Supplies | | 1,195 | |
| Administration Equipment | | 1,080 | |
| Total Director of Schools | | | 141,173 |

Office of the Principal

| | | | |
|-----------------------|----|---------|--|
| Principals | \$ | 177,615 | |
| Career Ladder Program | | 3,000 | |

(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.)

Office of the Principal (Cont.)

| | | | |
|-------------------------------|----|---------|------------|
| Assistant Principals | \$ | 103,665 | |
| Secretary(ies) | | 52,026 | |
| Clerical Personnel | | 10,186 | |
| Longevity Pay | | 450 | |
| Social Security | | 20,700 | |
| Pensions | | 29,702 | |
| Medical Insurance | | 26,778 | |
| Unemployment Compensation | | 445 | |
| Employer Medicare | | 4,841 | |
| Communication | | 4,083 | |
| Travel | | 4,274 | |
| Other Contracted Services | | 3,000 | |
| Other Charges | | 4,962 | |
| Data Processing Equipment | | 255 | |
| Total Office of the Principal | | | \$ 445,982 |

Fiscal Services

| | | | |
|---------------------------|----|--------|---------|
| Accountants/Bookkeepers | \$ | 60,803 | |
| Secretary(ies) | | 42,156 | |
| Longevity Pay | | 1,083 | |
| Social Security | | 5,089 | |
| Pensions | | 6,070 | |
| Medical Insurance | | 2,172 | |
| Unemployment Compensation | | 170 | |
| Employer Medicare | | 1,455 | |
| Travel | | 1,379 | |
| Other Contracted Services | | 11,090 | |
| Data Processing Supplies | | 1,077 | |
| Office Supplies | | 2,298 | |
| Other Charges | | 260 | |
| Administration Equipment | | 2,373 | |
| Total Fiscal Services | | | 137,475 |

Operation of Plant

| | | | |
|---|----|---------|--|
| Custodial Personnel | \$ | 118,132 | |
| Longevity Pay | | 3,100 | |
| Social Security | | 7,298 | |
| Pensions | | 8,525 | |
| Medical Insurance | | 8,307 | |
| Unemployment Compensation | | 400 | |
| Employer Medicare | | 1,707 | |
| Maintenance and Repair Services - Equipment | | 14,104 | |
| Travel | | 75 | |
| Contracts for Landfill Facilities | | 10,490 | |
| Other Contracted Services | | 84,167 | |
| Custodial Supplies | | 26,727 | |

(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.)

| | | | |
|---------------------------------|----|---------|------------|
| Electricity | \$ | 314,483 | |
| Fuel Oil | | 7,412 | |
| Water and Sewer | | 30,751 | |
| Building and Contents Insurance | | 55,967 | |
| Other Charges | | 475 | |
| Plant Operation Equipment | | 29,437 | |
| Total Operation of Plant | | | \$ 721,557 |

Maintenance of Plant

| | | | |
|---|----|---------|---------|
| Other Salaries and Wages | \$ | 103,118 | |
| Social Security | | 4,897 | |
| Pensions | | 6,272 | |
| Medical Insurance | | 17,094 | |
| Unemployment Compensation | | 222 | |
| Employer Medicare | | 1,391 | |
| Maintenance and Repair Services - Buildings | | 6,835 | |
| Maintenance and Repair Services - Equipment | | 5,738 | |
| Rentals | | 1,457 | |
| Food Supplies | | 202 | |
| Other Supplies and Materials | | 22,279 | |
| Other Charges | | 180 | |
| Administration Equipment | | 10,400 | |
| Maintenance Equipment | | 1,005 | |
| Total Maintenance of Plant | | | 181,090 |

Transportation

| | | | |
|--|----|---------|--|
| Mechanic(s) | \$ | 28,426 | |
| Bus Drivers | | 153,269 | |
| Longevity Pay | | 3,900 | |
| Social Security | | 11,290 | |
| Pensions | | 12,349 | |
| Medical Insurance | | 7,569 | |
| Unemployment Compensation | | 803 | |
| Employer Medicare | | 2,651 | |
| Communication | | 5,286 | |
| Licenses | | 599 | |
| Maintenance and Repair Services - Vehicles | | 7,995 | |
| Medical and Dental Services | | 1,745 | |
| Travel | | 1,324 | |
| Other Contracted Services | | 1,400 | |
| Diesel Fuel | | 44,497 | |
| Gasoline | | 2,976 | |
| Lubricants | | 1,961 | |
| Tires and Tubes | | 12,365 | |
| Vehicle Parts | | 18,416 | |
| Other Supplies and Materials | | 694 | |

(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.)

| | | | |
|---------------------------------|----|--------|------------|
| Vehicle and Equipment Insurance | \$ | 20,525 | |
| Other Charges | | 4,010 | |
| Transportation Equipment | | 2,950 | |
| Total Transportation | | | \$ 347,000 |

Operation of Non-Instructional Services

Food Service

| | | | |
|---------------------------|----|--------|--------|
| Supervisor/Director | \$ | 61,994 | |
| Career Ladder Program | | 1,000 | |
| Social Security | | 3,593 | |
| Pensions | | 5,695 | |
| Medical Insurance | | 8,737 | |
| Unemployment Compensation | | 48 | |
| Employer Medicare | | 840 | |
| Communication | | 995 | |
| Travel | | 1,859 | |
| Total Food Service | | | 84,761 |

Community Services

| | | | |
|------------------------------|----|--------|--------|
| Supervisor/Director | \$ | 24,625 | |
| Other Salaries and Wages | | 8,579 | |
| Social Security | | 1,982 | |
| Pensions | | 2,452 | |
| Unemployment Compensation | | 64 | |
| Employer Medicare | | 464 | |
| Travel | | 295 | |
| Other Supplies and Materials | | 645 | |
| Other Charges | | 250 | |
| Total Community Services | | | 39,356 |

Early Childhood Education

| | | | |
|--------------------------------------|----|---------|---------|
| Principals | \$ | 10,500 | |
| Supervisor/Director | | 15,001 | |
| Teachers | | 141,715 | |
| Clerical Personnel | | 6,000 | |
| Educational Assistants | | 48,108 | |
| Longevity Pay | | 1,100 | |
| Certified Substitute Teachers | | 1,737 | |
| Non-certified Substitute Teachers | | 770 | |
| Social Security | | 13,349 | |
| Pensions | | 18,930 | |
| Medical Insurance | | 12,229 | |
| Unemployment Compensation | | 333 | |
| Employer Medicare | | 3,145 | |
| Travel | | 6,613 | |
| Instructional Supplies and Materials | | 18,991 | |
| Other Equipment | | 11,882 | |
| Total Early Childhood Education | | | 310,403 |

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Capital Outlay

Regular Capital Outlay

| | | | |
|--|----|---------|------------|
| Architects | \$ | 2,732 | |
| Building Improvements | | 445,650 | |
| Heating and Air Conditioning Equipment | | 867 | |
| Site Development | | 14,454 | |
| Other Capital Outlay | | 35,352 | |
| Total Regular Capital Outlay | | | \$ 499,055 |

Principal on Debt

Education

| | | | |
|---|----|---------|---------|
| Debt Service Contribution to Primary Government | \$ | 268,000 | |
| Total Education | | | 268,000 |

Interest on Debt

Education

| | | | |
|---|----|--------|--------|
| Debt Service Contribution to Primary Government | \$ | 14,585 | |
| Total Education | | | 14,585 |

Other Debt Service

Education

| | | | |
|---|----|--------|--------|
| Debt Service Contribution to Primary Government | \$ | 39,618 | |
| Total Education | | | 39,618 |

Total General Purpose School Fund \$ 8,686,112

School Federal Projects Fund

Instruction

Regular Instruction Program

| | | | |
|--------------------------------------|----|---------|------------|
| Teachers | \$ | 184,685 | |
| Educational Assistants | | 72,088 | |
| Other Salaries and Wages | | 28,612 | |
| Social Security | | 15,905 | |
| Pensions | | 24,891 | |
| Medical Insurance | | 48,814 | |
| Unemployment Compensation | | 772 | |
| Employer Medicare | | 3,724 | |
| Other Contracted Services | | 34,180 | |
| Instructional Supplies and Materials | | 31,224 | |
| Regular Instruction Equipment | | 11,843 | |
| Total Regular Instruction Program | | | \$ 456,738 |

Special Education Program

| | | | |
|------------------------|----|--------|--|
| Teachers | \$ | 39,873 | |
| Educational Assistants | | 83,669 | |
| Speech Pathologist | | 17,728 | |
| Social Security | | 8,356 | |
| Pensions | | 10,689 | |

(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.)

Special Education Program (Cont.)

| | | | |
|--------------------------------------|----|--------|------------|
| Medical Insurance | \$ | 12,910 | |
| Unemployment Compensation | | 528 | |
| Employer Medicare | | 1,955 | |
| Instructional Supplies and Materials | | 6,589 | |
| Special Education Equipment | | 5,657 | |
| Total Special Education Program | | | \$ 187,954 |

Vocational Education Program

| | | | |
|--------------------------------------|----|---------|---------|
| Other Salaries and Wages | \$ | 20,194 | |
| Social Security | | 1,252 | |
| Pensions | | 1,824 | |
| Unemployment Compensation | | 95 | |
| Employer Medicare | | 293 | |
| Instructional Supplies and Materials | | 19,030 | |
| Other Supplies and Materials | | 3,758 | |
| Vocational Instruction Equipment | | 156,429 | |
| Total Vocational Education Program | | | 202,875 |

Support Services

Other Student Support

| | | | |
|------------------------------|----|-------|-------|
| Travel | \$ | 3,625 | |
| Other Contracted Services | | 627 | |
| In Service/Staff Development | | 2,000 | |
| Other Charges | | 324 | |
| Total Other Student Support | | | 6,576 |

Regular Instruction Program

| | | | |
|-----------------------------------|----|--------|--------|
| Supervisor/Director | \$ | 29,002 | |
| Other Salaries and Wages | | 8,973 | |
| Social Security | | 556 | |
| Pensions | | 645 | |
| Unemployment Compensation | | 198 | |
| Employer Medicare | | 530 | |
| Postal Charges | | 500 | |
| Travel | | 1,119 | |
| Other Supplies and Materials | | 1,524 | |
| In Service/Staff Development | | 15,830 | |
| Other Charges | | 302 | |
| Total Regular Instruction Program | | | 59,179 |

Special Education Program

| | | | |
|-------------------------|----|--------|--|
| Psychological Personnel | \$ | 20,732 | |
| Assessment Personnel | | 28,612 | |
| Social Security | | 2,685 | |
| Pensions | | 4,411 | |
| Medical Insurance | | 10,814 | |

(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 (Cont.)

| | | | |
|---|----|--------|------------|
| Unemployment Compensation | \$ | 72 | |
| Employer Medicare | | 628 | |
| Maintenance and Repair Services - Equipment | | 274 | |
| Postal Charges | | 400 | |
| Travel | | 4,919 | |
| Other Contracted Services | | 24,480 | |
| Other Supplies and Materials | | 958 | |
| In Service/Staff Development | | 8,032 | |
| Total Special Education Program | | | \$ 107,017 |

Vocational Education Program

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

Transportation

| | | | |
|---------------------------|----|-------|-------|
| Bus Drivers | \$ | 5,008 | |
| Social Security | | 310 | |
| Pensions | | 361 | |
| Unemployment Compensation | | 34 | |
| Employer Medicare | | 73 | |
| Total Transportation | | | 5,786 |

Total School Federal Projects Fund \$ 1,027,125

Central Cafeteria Fund

Operation of Non-instructional Services

Food Service

| | | | |
|---|----|---------|--|
| Cafeteria Personnel | \$ | 184,054 | |
| Longevity Pay | | 4,100 | |
| In-service Training | | 856 | |
| Social Security | | 10,990 | |
| Pensions | | 12,641 | |
| Medical Insurance | | 29,223 | |
| Unemployment Compensation | | 768 | |
| Employer Medicare | | 2,570 | |
| Communication | | 1,612 | |
| Maintenance and Repair Services - Equipment | | 5,851 | |
| Transportation - Other than Students | | 1,770 | |
| Other Contracted Services | | 2,640 | |
| Food Preparation Supplies | | 6,907 | |
| Food Supplies | | 247,689 | |
| Office Supplies | | 4,191 | |
| USDA - Commodities | | 31,554 | |
| Other Supplies and Materials | | 10,877 | |
| Workers' Compensation Insurance | | 8,810 | |
| In Service/Staff Development | | 521 | |

(Continued)

Exhibit J-8

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

| | | |
|--|----|----------------------|
| <u>Central Cafeteria Fund (Cont.)</u> | | |
| <u>Operation of Non-instructional Services (Cont.)</u> | | |
| <u>Food Service (Cont.)</u> | | |
| Other Charges | \$ | 61 |
| Food Service Equipment | | <u>3,420</u> |
| Total Food Service | | <u>\$ 571,105</u> |
| Total Central Cafeteria Fund | | <u>\$ 571,105</u> |
| Total Governmental Funds - Clay County School Department | | <u>\$ 10,284,342</u> |

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, 2016

| | Cities - Sales Tax Fund |
|--|-------------------------------|
| <hr/> | |
| <u>Cash Receipts</u> | |
| Local Option Sales Tax | \$ 276,977 |
| Total Cash Receipts | <u>\$ 276,977</u> |
| <u>Cash Disbursements</u> | |
| Remittance of Revenues Collected | \$ 274,207 |
| Trustee's Commission | 2,770 |
| Total Cash Disbursements | <u>\$ 276,977</u> |
| Excess of Cash Receipts Over (Under) Cash Disbursements | \$ 0 |
| Cash Balance, July 1, 2015 | <u>0</u> |
| Cash Balance, June 30, 2016 | <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
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**Independent Auditor's 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***

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, 2016, and the related notes to the financial statements, which collectively comprise Clay County's basic financial statements, and have issued our report thereon dated September 16, 2016.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies: 2016-001, 2016-002, and 2016-003.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

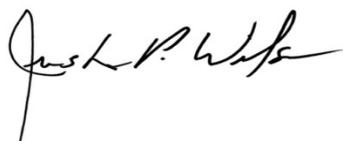
Clay County's Responses to Findings

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

Purpose of this Report

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

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

September 16, 2016

JPW/sb



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT AUDIT
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**Independent Auditor's 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 the Uniform Guidance**

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 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, 2016. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance

require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Clay County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Clay County's compliance.

Opinion on Each Major Federal Program

In our opinion, Clay County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

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 the Uniform Guidance, 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.

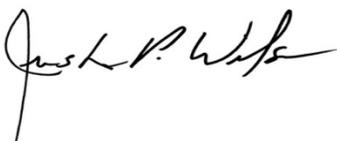
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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, 2016, and the related notes to the financial statements, which collectively comprise Clay County's basic financial statements. We issued our report thereon dated September 16, 2016, 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 the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

September 16, 2016

JPW/sb

Clay County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2016

| Federal/Pass-through Agency/State Grantor Program Title | Federal CFDA Number | Passed-through Entity Identifying Number | Expenditures |
|--|---------------------------|--|----------------------|
| U.S. Department of Agriculture: | | | |
| Direct Program: | | | |
| Soil and Water Conservation | 10.902 | (4) | \$ 8,769 |
| Emergency Watershed Protection Program | 10.923 | N/A | 104,540 |
| Passed-through State Department of Education: | | | |
| Child Nutrition Cluster: | | | |
| School Breakfast Program | 10.553 | N/A | 146,835 |
| National School Lunch Program | 10.555 | N/A | 315,097 (5) |
| State Administrative Expenses for Child Nutrition | 10.560 | N/A | 1,800 |
| Child Nutrition Discretionary Grants Limited Availability | 10.579 | N/A | 5,091 |
| Passed-through State Department of Agriculture: | | | |
| National School Lunch Program (Commodities - Noncash Assistance) | 10.555 | N/A | <u>32,686 (5)</u> |
| Total U.S. Department of Agriculture | | | <u>\$ 614,818</u> |
| U.S. Department of Defense: | | | |
| Passed-through State Department of General Services: | | | |
| Section 1033 Excess Property Program (Noncash Assistance) | 12.U01 | N/A | <u>\$ 19,443 (6)</u> |
| U.S. Department of Housing and Urban Development: | | | |
| Passed-through State Department of Economic and Community Development: | | | |
| Community Development Block Grants/State's Program | 14.228 | (3) | <u>\$ 6,015</u> |
| U.S. Department of the Interior: | | | |
| Direct Program: | | | |
| Payments in-Lieu-of Taxes | 15.226 | N/A | <u>\$ 76,370</u> |
| U.S. Department of Justice: | | | |
| Passed-through State Commission on Children and Youth: | | | |
| Juvenile Justice and Delinquency Prevention | 16.540 | (3) | <u>\$ 10,215</u> |
| U.S. Department of Labor: | | | |
| Passed-through Upper Cumberland Human Resource Agency: | | | |
| WIA Youth Activities | 17.259 | (3) | <u>\$ 11,000</u> |
| U.S. Department of Transportation: | | | |
| Passed-through State Department of Transportation: | | | |
| Alcohol Open Container Requirements | 20.607 | Z-16-GHSO-68 | <u>\$ 5,000</u> |
| Institute of Museum and Library Services : | | | |
| Passed-through Tennessee Secretary of State: | | | |
| Grants to States | 45.310 | (3) | <u>\$ 1,265</u> |
| U.S. Department of Education: | | | |
| Direct Program: | | | |
| Impact Aid | 84.041 | N/A | \$ 113,018 |
| Passed-through State Department of Education: | | | |
| Title I Grants to Local Educational Agencies | 84.010 | N/A | 434,068 |
| Special Education Cluster: | | | |
| Special Education - Grants to States | 84.027 | N/A | 298,976 |
| Special Education - Preschool Grants | 84.173 | N/A | 9,780 |
| Career and Technical Education - Basic Grants to States | 84.048 | N/A | 181,355 (7) |
| Rural Education | 84.358 | N/A | 19,860 |
| Improving Teacher Quality State Grants | 84.367 | N/A | 78,746 |
| Passed-through Putnam County, Tennessee Board of Education: | | | |
| Career and Technical Education - Basic Grants to States | 84.048 | N/A | <u>28,893 (7)</u> |
| Total U.S. Department of Education | | | <u>\$ 1,164,696</u> |

(Continued)

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

| Federal/Pass-through Agency/State Grantor Program Title | Federal CFDA Number | Passed-through Entity Identifying Number | Expenditures |
|---|---------------------------|--|---------------------|
| U.S. Department of Health and Human Services: | | | |
| Passed-through Upper Cumberland Development District: | | | |
| Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers | 93.044 | (3) | \$ 7,482 |
| Passed-through State Department of Mental Health and Substance Abuse Services: | | | |
| Drug-free Communities Support Program Grants | 93.276 | (3) | 127,616 |
| Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | (3) | 57,428 |
| Total U.S. Department of Health and Human Services | | | <u>\$ 192,526</u> |
| U.S. Department of Homeland Security: | | | |
| Passed-through State Department of Military: | | | |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | (8) | \$ 149,334 |
| Total Expenditures of Federal Awards | | | <u>\$ 2,250,682</u> |

| State Grants | | Contract Number | |
|---|-----|--------------------|-------------------|
| Juvenile Justice - State Commission on Children and Youth | N/A | (3) | \$ 9,000 |
| Aging Program - Upper Cumberland Development District | N/A | (3) | 6,287 |
| Rural Local Health Services - State Department of Health Prevention and Treatment of Substance Abuse - State Department of Mental Health and Substance Abuse Services | N/A | GG-16-45745-00 | 35,917 |
| Litter Program - State Department of Transportation | N/A | (3) | 2,987 |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) - State Department of Military | N/A | (3) | 33,700 |
| Three Star Program - State Department of Economic and Community Development | N/A | (9) | 24,478 |
| Pilot/State - Early Childhood Education - PreK - State Department of Education | N/A | (3) | 9,803 |
| Coordinated School Health - State Department of Education | N/A | (3) | 310,403 |
| Family Resource Center - State Department of Education | N/A | (3) | 90,000 |
| Safe Schools Act - State Department of Education | N/A | (3) | 29,437 |
| ConnecTN - State Department of Education | N/A | (3) | 6,680 |
| TN Arts Commission STS - State Department of Education | N/A | (3) | 2,787 |
| Total State Grants | | | <u>\$ 564,383</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) Clay County elected not to use the 10% de minimus cost rate permitted in the Uniform Guidance.
- (3) Information not available.
- (4) 6847414046: \$1,309; 6847415041: \$7,460.
- (5) Total for CFDA No. 10.555 is \$347,783.
- (6) During the year ended June 30, 2016, Clay County received excess military equipment from the U.S. Department of Military valued at \$19,443.
- (7) Total for CFDA No. 84.048 is \$210,248.
- (8) 4211-DR-TN: \$376; 1909-DR-TN: \$148,958.
- (9) 4211-DR-TN: \$61; 1909-DR-TN: \$24,417.

Clay County, Tennessee
Summary Schedule of Prior-year Findings
For the Year Ended June 30, 2016

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. In addition, OMB's Uniform Guidance requires auditees to report the status of all prior-year findings whether corrected or uncorrected. Presented below are financial statement findings, along with their current status from the Annual Financial Report for Clay County, Tennessee, for the year ended June 30, 2016.

Prior-year Financial Statement Findings

| Fiscal Year | Page Number | Finding Number | Title of Finding | CFDA Number | Current Status |
|-------------|-------------|----------------|------------------|-------------|----------------|
|-------------|-------------|----------------|------------------|-------------|----------------|

CLAY COUNTY

| | | | | | |
|------|-----|----------|--|-----|-----------|
| 2015 | 161 | 2015-001 | The County had Deficiencies in its Budget Approval Process for the 2016 Budget | N/A | Corrected |
|------|-----|----------|--|-----|-----------|

OFFICES OF COUNTY MAYOR AND ROAD SUPERINTENDENT

| | | | | | |
|------|-----|----------|---|-----|---|
| 2015 | 162 | 2015-002 | The Offices had Not Established Formal Purchase Order Systems | N/A | Not Corrected - See Explanation on Corrective Action Plan |
|------|-----|----------|---|-----|---|

OFFICE OF ROAD SUPERINTENDENT

| | | | | | |
|------|-----|----------|--|-----|---|
| 2015 | 163 | 2015-003 | A Cash Shortage of \$3,911.36 Existed from the Fraudulent Use of a Highway Department Fuel Card by a Former Employee | N/A | Former employee was indicted and is awaiting court appearance |
|------|-----|----------|--|-----|---|

OFFICE OF DIRECTOR OF SCHOOLS

| | | | | | |
|------|-----|----------|--|-----|-----------|
| 2015 | 163 | 2015-004 | Longevity Payments were made to Employees without County Commission Approval | N/A | Corrected |
|------|-----|----------|--|-----|-----------|

Clay County, Tennessee
Summary Schedule of Prior-year Findings (Cont.)

| Fiscal Year | Page Number | Finding Number | Title of Finding | CFDA Number | Current Status |
|-------------|-------------|----------------|------------------|-------------|----------------|
|-------------|-------------|----------------|------------------|-------------|----------------|

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

| | | | | | |
|------|-----|----------|--|-----|-----------|
| 2015 | 164 | 2015-005 | Execution Docket Trial Balances did not Reconcile with General Ledger Accounts | N/A | Corrected |
|------|-----|----------|--|-----|-----------|

OFFICES OF COUNTY CLERK AND SHERIFF

| | | | | | |
|------|-----|----------|---|-----|---|
| 2015 | 165 | 2015-006 | Multiple Employees Operated from the Same Cash Drawer | N/A | Corrected |
| 2015 | 165 | 2015-007 | Duties were not Segregated Adquately | N/A | Not Corrected - See Explanation on Corrective Action Plan |

Prior-year Federal Award Findings

There were no prior-year federal award findings to report.

CLAY COUNTY, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016

PART I, SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

1. Our report on the financial statements of Clay County is unmodified.
2. Internal Control Over Financial Reporting:
 - * Material weakness identified? **NO**
 - * Significant deficiency identified? **YES**
3. Noncompliance material to the financial statements noted? **NO**

Federal Awards:

4. Internal Control Over Major Federal Programs:
 - * Material weakness identified? **NO**
 - * Significant deficiency identified? **NONE REPORTED**
5. Type of report auditor issued on compliance for major programs: **UNMODIFIED**
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **NO**
7. Identification of Major Federal Programs:
 - * CFDA Numbers: 10.553 and 10.555 Nutrition Cluster: School Breakfast Program and National School Lunch Program
8. Dollar threshold used to distinguish between Type A and Type B Programs: **\$750,000**
9. Auditee qualified as low-risk auditee? **YES**

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our audit, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. Written responses for all findings are paraphrased and presented following each finding and recommendation. Management's corrective action plans provided by the county mayor, road superintendent, circuit and general sessions courts clerk, county clerk, and sheriff, are presented separately in the Management's Corrective Action Plan in the Single Audit Section of this report.

OFFICES OF COUNTY MAYOR AND ROAD SUPERINTENDENT

FINDING 2016-001

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

I agree with this finding. Clay County Government does not have a formal purchase order system.

MANAGEMENT'S RESPONSE – ROAD SUPERINTENDENT

I agree with this finding. The Clay County Highway Department does not have a formal purchase order system.

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

FINDING 2016-002

BANK STATEMENTS WERE NOT ACCURATELY RECONCILED WITH THE GENERAL LEDGERS

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

Bank statements for Circuit and General Sessions Courts were not accurately reconciled with the general ledgers. The office attempted to reconcile the bank statements monthly; however, errors between the bank statements and the general ledgers were not identified and corrected. Rather than identifying and correcting errors, the clerk posted adjustments to the cash accounts without supporting documentation in an attempt to balance the bank accounts on the general ledgers. As a result, an audit adjustment of \$6,608 was required for the cash account in General Sessions Court to properly present the year-end balance. Also, adjustments were required to the lists of outstanding checks in both courts to properly reconcile general ledger cash balances with bank statements at year-end. The monthly reconciliation of bank statements and the identification and correction of errors are necessary procedures to ensure all cash collections are recorded accurately in the accounting records. This deficiency exists because management failed to ensure that accounting records were reconciled properly.

RECOMMENDATION

The office should accurately reconcile bank statements with the general ledgers monthly, and any errors should be corrected promptly.

MANAGEMENT’S RESPONSE – CIRCUIT AND GENERAL SESSIONS COURTS CLERK

I concur with the finding.

OFFICES OF COUNTY CLERK AND SHERIFF

FINDING 2016-003

DUTIES WERE NOT SEGREGATED ADEQUATELY

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

Duties were not segregated adequately among the officials and employees in the Offices of County Clerk and Sheriff. Officials and employees responsible for maintaining accounting records were also involved in receipting, depositing, and/or disbursing funds. Sound business practices dictate that management is responsible for designing internal controls to give reasonable assurance of the reliability in financial reporting and of the effectiveness and efficiency of operations. This lack of segregation of duties is a significant deficiency in internal controls that increases the risk of unauthorized transactions and is the result of management’s decisions based on the availability of financial resources. Also, this deficiency is the result of management’s failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – COUNTY CLERK

I concur with this finding. Before the end of the 2016 fiscal year, I implemented internal controls for my office. I prepared an internal control plan and am responsible for implementing the plan. With only three employees in my office to handle daily duties, it was difficult to set up a plan to segregate all duties. However, with the help of County Technical Assistance Services and Local Government Audit, I was able to implement an action plan and have begun the full segregation of duties. So beginning in the 2016-2017 fiscal year, the internal control plan is in effect.

MANAGEMENT'S RESPONSE – SHERIFF

I agree and understand the finding that the duties of our department were not segregated adequately.

PART III, FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There were no findings and questioned costs related to federal awards for the year ended June 30, 2016. Our audit followed audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Findings relating specifically to the audit of the financial statements of Clay County, Tennessee, are separately presented under Part II, Findings Relating to the Financial Statements.

**Clay County, Tennessee
Management's Corrective Action Plan
For the Year Ended June 30, 2016**

We reviewed the financial statement and federal award findings and recommendations with management to provide an opportunity for their response as required by the auditee requirements within Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Management's corrective action plans for all financial statement findings and federal award findings are presented below:

Corrective Action - Financial Statement Findings

OFFICES OF COUNTY MAYOR AND ROAD SUPERINTENDENT

FINDING 2016-001 **THE OFFICES HAD NOT ESTABLISHED FORMAL PURCHASE ORDER SYSTEMS**

| | |
|--|--|
| Response and Corrective Action Plan Prepared by: | Dale Reagan, County Mayor and Jason Browning, Road Superintendent, of Clay County, Tennessee |
| Person Responsible for Implementing the Corrective Action: | Same |
| Anticipated Completion Date of Corrective Action: | N/A |
| Repeat Finding: | Yes |
| Reason Why Corrective Action was Not Taken – PY | Management decision |

Planned Corrective Action:

Neither the county mayor nor the road superintendent has plans to correct this situation in the near future. They feel that it will take financial resources that they do not currently have to implement a formal purchase order system.

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

FINDING 2016-002 **BANK STATEMENTS WERE NOT ACCURATELY RECONCILED WITH THE GENERAL LEDGER**

| | |
|--|---|
| Response and Corrective Action Plan Prepared by: | Susan Birdwell, Circuit and General Sessions Courts Clerk, Clay County, Tennessee |
| Person Responsible for Implementing the Corrective Action: | Same |
| Anticipated Completion Date of Corrective Action: | July 12, 2016 |
| Repeat Finding: | No |
| Reason Why Corrective Action was Not Taken – PY | N/A |

Planned Corrective Action:

To correct the finding, the bookkeeper will print a list of checks to be printed for the day that will be reviewed by the clerk each day. When the checks are printed, the clerk will check the numbers to verify their accuracy. Each month, the clerk and bookkeeper will reconcile the bank statements together with the general ledger and any errors will be identified and corrected promptly. We have implemented this plan as of July 12, 2016, and will continue same during my administration.

OFFICES OF COUNTY CLERK AND SHERIFF

FINDING 2016-003

DUTIES WERE NOT SEGREGATED ADEQUATELY

| | |
|--|--|
| Response and Corrective Action Plan Prepared by: | Donna Watson, County Clerk, and Brandon Boone, Sheriff of Clay County, Tennessee |
| Person Responsible for Implementing the Corrective Action: | Same |
| Anticipated Completion Date of Corrective Action: | July 1, 2016 |
| Repeat Finding: | Yes |
| Reason Why Corrective Action was Not Taken – PY | Management decision |

Planned Corrective Action:

County Clerk:

Before the end of the 2016 fiscal year, I implemented internal controls for my office. I prepared an internal control plan and am responsible for implementing the plan. With only three employees in my office to handle daily duties, it was difficult to set up a plan to segregate all duties. However, with the help of County Technical Assistance Services and Local Government Audit, I was able to implement an action plan and have begun the full segregation of duties. So beginning in the 2016-2017 fiscal year, the internal control plan is in effect.

Sheriff:

Chief Officer Jeff Allen and I have completed and plan to follow the internal control checklist. As of July 1, 2016, the Department's duties have been segregated as follows: the secretary takes the deposits out of the safe and gets ready to take to the bank, the sheriff or chief officer signs off on the receipt book and takes the deposit to bank. The secretary prepares a monthly journal showing all receipts, deposits and checks. After completion, the sheriff will check and sign off on the journal.

BEST PRACTICE

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

The Division of Local Government Audit strongly believes that the item noted below is a best practice that should be adopted by the governing body as a means of significantly improving accountability and the quality of services provided to the citizens of Clay County.

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

Clay County does not have a central system of accounting, budgeting, and purchasing. Sound business practices dictate that establishing a central system would significantly improve internal controls over the accounting, budgeting, and purchasing processes. The absence of a central system of accounting, budgeting, and purchasing has been a management decision by the County Commission resulting in decentralization and some duplication of effort. The Division of Local Government Audit strongly believes that the adoption of a central system of accounting, budgeting, and purchasing is a best practice that would significantly improve accountability and the quality of services provided to the citizens of Clay County. Therefore, we recommend the adoption of the County Financial Management System of 1981 or a private act, which would provide for a central system of accounting, budgeting, and purchasing covering all county departments.