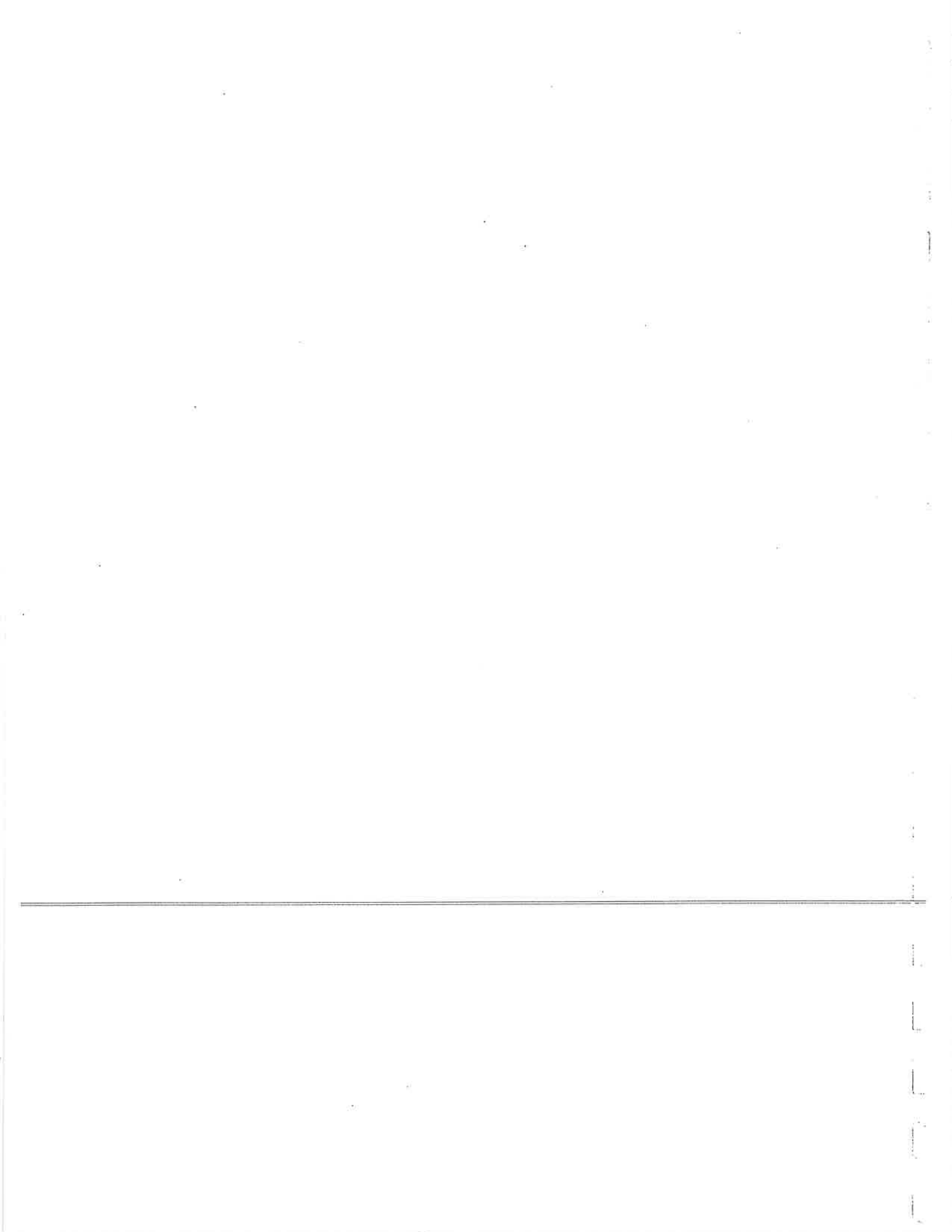


CLAY COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2014



CLAY COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2014

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Financial Section

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INDEPENDENT AUDITORS' REPORT

To the Honorable County Judge and Commissioner's Comprising the
Commissioners' Court of Clay County
Henrietta, Texas

We have audited the accompanying financial statements of the governmental activities, discrete component unit, each major fund, and the aggregate remaining fund information of Clay County, Texas, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Clay County Memorial Hospital, which represent 100 percent of the assets, net position, and revenues of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to Clay County Memorial Hospital, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Clay County, Texas, as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5–11 and 40–46 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 and other auditors 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clay County, Texas' basic financial statements. The combining and individual nonmajor fund financial statements, and 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 and 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 by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Prattledge Owen & Company, PC

July 2, 2015

Management's Discussion and Analysis

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CLAY COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2014

As management of Clay County, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended September 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information found in the footnotes to the financial statements.

Financial Highlights

- The assets of the County exceeded its liabilities at the close of the fiscal year ended September 30, 2014, by \$10,172,706 (net position). Of this amount, \$4,968,637 (unrestricted net position) may be used to meet the governments ongoing obligations to citizen's and creditors.
- The County's total net position increased by \$900,914. The majority of this increase is attributable to gains made on disposal of leased equipment, and capitol contributions of infrastructure from the state.
- The County's governmental funds reported combined ending fund balances of \$4,548,193 a decrease of \$274,235 in comparison to the previous year. The decrease was primarily the result of a closing the construction fund in prior year, a decrease in JP fees and fines, and a decrease in grant funds.
- The unreserved portion of the General Fund Balance at the end of the year was \$2,784,816., or 55.7% of total General Fund expenditures and transfers out.
- Clay County does not have any bonded indebtedness at this time.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements are comprised of four components: 1) government-wide financial statements, 2) fund financial statements, 3) fiduciary financial statements, and 4) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

- The government-wide financial statements are designed to provide readers with a broad overview of Clay County's finances. This is done in a manner similar to a private-sector business. Two statements, the Statement of Net Position and the Statement of Activities, are utilized to provide this financial overview.
- The Statement of Net Position presents information on all of the County's position and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.
- The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flow. Thus, revenues and expenses are reported in this statement

for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Fund Financial Statements

- The County, like other state and local governments, utilizes fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. All of the funds of the County can be categorized as governmental funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains fourteen individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, Road & Bridge Number One, Road & Bridge Number Two, Road & Bridge Number Three, and Road & Bridge Number Four, all of which are considered to be major funds. Data from the other nine funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in the report.

Fiduciary Funds. The County maintains funds used to report assets held in a trustee or agency capacity for others and which therefore cannot be used to support County programs.

Notes to Financial Statements. The notes provide additional information that is essential to gain a full understanding of the data provided in the government-wide, fund financial statements and fiduciary fund statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents other required supplementary information. Required supplementary information can be found after the notes to the financial statements. The combining statements referred to earlier in connection with non-major governmental funds are presented following the required supplementary information.

CLAY COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2014

Government-wide Financial Analysis

At the end of fiscal year 2014, the County's net position (assets exceeding liabilities) totaled \$10,172,706. This analysis focuses on the net position (Table 1) and changes in net position (Table 2).

Net Position. The largest portion of the County's net position, \$5,204,069, or 51%, reflects its investment in capital assets (land and improvements, building, infrastructure, machinery and equipment), less depreciation and any related debt used to acquire those assets that is still outstanding. The County uses these assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the County reports its capital assets net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of unrestricted net position, \$4,968,637, or 49%, may be used to meet the government's ongoing obligations to citizens and creditors.

Table 1
 Condensed Statement of Net Position

| | 2014 | | 2013 | |
|---|----------------------------|--------------------|----------------------------|--------------------|
| | Governmental Activities | Component Unit | Governmental Activities | Component Unit |
| ASSETS | | | | |
| Current and other assets | \$5,325,658 | \$4,470,319 | \$5,540,169 | \$4,394,177 |
| Capital assets, net of depreciation | 6,880,400 | 3,592,186 | 5,410,106 | 2,838,106 |
| Total assets | 12,206,058 | 8,062,505 | 10,950,275 | 7,232,283 |
| LIABILITIES | | | | |
| Long-term liabilities | 1,763,126 | 224,114 | 1,440,520 | 325,449 |
| Other liabilities | 242,148 | 1,045,774 | 237,963 | 441,764 |
| Total liabilities | 2,005,274 | 1,269,888 | 1,678,483 | 767,213 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unearned revenues | 28,078 | -- | -- | -- |
| NET POSITION | | | | |
| Invested in capital assets, net of related debt | 5,204,069 | 3,368,072 | 4,044,163 | 2,512,657 |
| Restricted | -- | -- | 28,728 | -- |
| Unrestricted | 4,968,637 | 3,424,545 | 5,198,901 | 3,952,413 |
| TOTAL NET POSITION | \$10,172,706 | \$6,792,617 | \$9,271,792 | \$6,465,070 |

CLAY COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2014

Changes in Net Position. The net position of the County increased by \$900,914 for the fiscal year ended September 30, 2014.

Table 2
Changes in Net Position

| | 2014 | | 2013 | |
|---|----------------------------|--------------------|----------------------------|--------------------|
| | Governmental Activities | Component Unit | Governmental Activities | Component Unit |
| Program Revenues: | | | | |
| Charges for services | \$1,676,332 | \$6,090,642 | \$1,691,784 | \$5,898,250 |
| Operating grants and contributions | 178,944 | 32,809 | 152,425 | 63,600 |
| Capital grants and contributions | 1,033,612 | 58,391 | -- | 13,300 |
| General Revenues: | | | | |
| Property taxes | 4,783,430 | -- | 5,187,007 | -- |
| Miscellaneous | 57,447 | 542,411 | 18,951 | 1,097,713 |
| Interest | 7,936 | 161,649 | 51,214 | 168,481 |
| Gain (loss) on disposal of capital assets | 790,680 | -- | 49,510 | -- |
| Total Revenues | 8,528,381 | 6,885,902 | 7,150,891 | 7,241,344 |
| Expenses: | | | | |
| General government | 655,162 | -- | 644,010 | -- |
| Judicial | 565,873 | -- | 569,211 | -- |
| Legal | 181,599 | -- | 178,502 | -- |
| Financial administration | 209,858 | -- | 202,050 | -- |
| Public facilities | 128,435 | -- | 73,477 | -- |
| Public safety | 1,934,543 | -- | 1,927,628 | -- |
| Public transportation | 2,681,491 | -- | 2,367,065 | -- |
| Health and welfare | 152,574 | -- | 124,713 | -- |
| Conservation | 102,035 | -- | 97,532 | -- |
| Nondepartmental | 991,037 | -- | 969,107 | -- |
| Interest & Fiscal Charges | 24,860 | -- | 31,886 | -- |
| Hospital Operations | -- | 7,047,865 | -- | 7,610,011 |
| Total Expenses | 7,627,467 | 7,047,865 | 7,185,181 | 7,610,011 |
| Increase (decrease) in net assets | 900,914 | (161,963) | (34,290) | (368,667) |
| Net position, October 1 | 9,271,792 | 6,995,700 | 9,306,082 | 6,833,737 |
| Net position, September 30 | \$10,172,706 | \$6,833,737 | \$9,271,792 | \$6,465,070 |

CLAY COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2014

Clay County's net position increased by \$900,914. Key elements of this increase are as follows:

- The new bridge valued at \$1,033,612 constructed and contributed by the state.
- Significant gain on disposal of capital assets from leased road equipment.

Financial Analysis of the Government's Funds

Government funds. The focus of the County's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balances may serve as a useful measure of the governments net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined fund balances of \$4,548,193.

The General Fund is the main operating fund of the County. At the end of the current fiscal year, the General Fund unassigned fund balance was \$2,784,816. The fund balance decreased by \$238,162 during the current fiscal year. A key factor of the decrease was in Fines and Fees, due to fewer tickets issued because of Highway Patrol officers being temporarily being transferred to the border. Additionally, operating grants were down.

General Fund Budgetary Highlights. Each year the County performs periodic reviews of the budget. State law prohibits increasing total budgeted expenditures except during an emergency, however, an amount budgeted for one line item can be transferred to another budgeted item without authorizing an emergency expenditure.

There was no significant change in the total appropriations for the final amended budget compared to the original budget.

During the year there was a \$1,325,852 positive variance in appropriations between the final amended budget and actual. Following are the main components of the variance:

- \$110,185 in general government - Election judges and election expense represent most of this amount.
- \$102,054 in judicial - district court due to cancellation
- \$179,469 in Public Safety-Sheriff prisoner expense down, fewer employees on health insurance, and salary decreased.
- \$107,372 in health and welfare - Indigent health care cost were down.
- \$788,737 in nondepartmental - a number of items are over budgeted, postage meter, county property renovation, right of way, grants paid out, utilities, emergency reserve and contingency.

There was no change in the estimated revenues for the final amended budget compared to the original budget.

CLAY COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2014

Capital Assets and Debt Administration

Capital Assets. The County's investment in capital assets for its governmental activities as of September 30, 2014, amounts to \$6,880,399. (net of accumulated depreciation). The investment in capital assets includes land, buildings, machinery and equipment, and infrastructure.

Table 3
 Capital Assets at Year End
 Net of Accumulated Depreciation

| | Governmental Activities | | Component Unit | |
|--------------------------|-------------------------|-------------|----------------|-------------|
| | 2014 | 2013 | 2014 | 2013 |
| Land | \$140,695 | \$140,695 | \$361,951 | \$361,951 |
| Construction in progress | -- | -- | -- | -- |
| Buildings | 2,647,857 | 2,715,640 | 1,041,787 | 1,120,734 |
| Machinery and equipment | 2,743,467 | 2,204,406 | 2,188,448 | 1,355,421 |
| Infrastructure | 1,348,381 | 349,365 | -- | -- |
| Total | \$6,880,400 | \$5,410,106 | \$3,592,186 | \$2,838,106 |

Additional information on the County's capital assets can be found in the foot notes to the financial statements.

Debt Administration.

From time to time Clay County signs lease agreements to finance equipment purchases in the General Fund and Road and Bridge Funds. At September 30, 2014 the County had capital lease obligations of \$1,676,331.

Table 4
 Outstanding Debt at Year End

| | Governmental Activities | | Component Unit | |
|---------------------------|-------------------------|-------------|----------------|-----------|
| | 2014 | 2013 | 2014 | 2013 |
| Capital lease obligations | \$1,676,331 | \$1,365,943 | \$224,114 | \$325,449 |
| Compensated absences | 86,795 | 74,577 | -- | -- |
| Total | \$1,763,126 | \$1,440,520 | \$224,114 | \$325,449 |

Clay County does not have a current bond rating from either Standard & Poor Corporation or Moody's Investor Service.

Additional information on the County's long-term debt can be found in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The Clay County economy remains stable compared to the national economy. Clay County's unemployment rate is currently 4.2%, which is below the state and national average. Economic Development is in the process of determining the need for and feasibility of a travel center that should be built at the corner of highway 287 and 148 south in the fall of 2015. A new 40 apartment complex will be started sometime before the end of 2015. A wind farm is being developed consisting 119 towers. A \$65,000,000 brick plant will begin production in January 1, 2016.

The County maintained the ad valorem tax rate of \$.65518 in fiscal year 2014. The County had a 98.5% collection rate in 2014, which was a higher rate from the prior year. This maintains the ratio of delinquent taxes to the total tax levy of less than 3%.

Requests for Information

This financial report is designed to provide a general overview of Clay County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Treasurer's Office, 214 North Main, Henrietta Texas, 76365.

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Basic Financial Statements

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CLAY COUNTY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

| | Primary Government <u>Governmental Activities</u> | <u>Component Unit</u> |
|---|---|---------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 4,549,594 | 2,066,141 |
| Receivables (net of allowances for uncollectibles): | | |
| Taxes | 240,878 | -- |
| Fines | 446,019 | -- |
| Accounts | -- | 819,352 |
| Other | -- | 400,178 |
| Intergovernmental | 24,222 | -- |
| Inventories | -- | 90,401 |
| Prepaid items | 64,945 | -- |
| Restricted assets: | | |
| Cash and cash equivalents | -- | 1,094,247 |
| Capital assets (net of accumulated depreciation) | | |
| Land | 140,695 | 361,951 |
| Buildings | 2,647,857 | 1,041,787 |
| Infrastructure | 1,348,381 | -- |
| Machinery and equipment | 2,743,467 | 2,188,448 |
| Total Assets | <u>12,206,058</u> | <u>8,062,505</u> |
| LIABILITIES | | |
| Accounts payable | 19,179 | 117,740 |
| Accrued liabilities and other payables | 27,622 | 928,034 |
| Due to other governments | 153,426 | -- |
| Due to others | 41,921 | -- |
| Noncurrent liabilities: | | |
| Due within one year | 195,921 | 102,654 |
| Due in more than one year | 1,567,205 | 121,460 |
| Total Liabilities | <u>2,005,274</u> | <u>1,269,888</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Unearned revenue | 28,078 | -- |
| Total Deferred Inflows of Resources | <u>28,078</u> | <u>--</u> |
| NET POSITION: | | |
| Net Investment in Capital Assets | 5,204,069 | 3,368,072 |
| Unrestricted | 4,968,637 | 3,424,545 |
| Total Net Position | <u>\$ 10,172,706</u> | <u>6,792,617</u> |

The accompanying notes are an integral part of this statement.

CLAY COUNTY, TEXAS
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

| Functions/Programs | Expenses | Program Revenues | | |
|---------------------------------|---------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| PRIMARY GOVERNMENT | | | | |
| Governmental activities: | | | | |
| General government | \$ 655,162 | \$ 244,891 | \$ 598 | \$ -- |
| Judicial | 565,873 | 275,735 | 27,000 | -- |
| Legal | 181,599 | 1,150 | 23,333 | -- |
| Financial administration | 209,858 | -- | -- | -- |
| Public facilities | 128,435 | -- | -- | -- |
| Public Safety | 1,934,543 | 499,312 | 128,013 | -- |
| Public transportation | 2,681,491 | 644,144 | -- | 1,033,612 |
| Health and welfare | 152,574 | -- | -- | -- |
| Conservation | 102,035 | -- | -- | -- |
| Nondepartmental | 991,037 | 11,100 | -- | -- |
| Interest and fiscal charges | 24,860 | -- | -- | -- |
| Total Primary Government | \$ 7,627,467 | \$ 1,676,332 | \$ 178,944 | \$ 1,033,612 |
| COMPONENT UNIT: | | | | |
| Clay County Memorial Hospital | \$ 8,374,984 | \$ 6,835,902 | \$ 72,391 | \$ 88,402 |

General Revenues:
 Property Taxes
 Miscellaneous
 Unrestricted Investment Earnings
 Gain (Loss) on Sale of Capital Assets
 Total General Revenues and Transfers
 Change in Net Assets
 Net Position - Beginning
 Prior Period Adjustment
 Net Position - Ending

The accompanying notes are an integral part of this statement.

| <u>Net (Expense) Revenue and Changes in Net Position</u> | |
|--|---------------------------|
| <u>Governmental Activities</u> | <u>Component Unit</u> |
| \$ (409,673) | |
| (263,138) | |
| (157,116) | |
| (209,858) | |
| (128,435) | |
| (1,307,218) | |
| (1,003,735) | |
| (152,574) | |
| (102,035) | |
| (979,937) | |
| (24,860) | |
| <u>(4,738,579)</u> | |
| | \$ <u>(1,378,289)</u> |
| 4,783,430 | -- |
| 57,447 | 1,606,623 |
| 7,936 | 99,213 |
| 790,680 | -- |
| <u>5,639,493</u> | <u>1,705,836</u> |
| 900,914 | 327,547 |
| 9,049,539 | 6,465,070 |
| 222,253 | -- |
| <u>\$ 10,172,706</u> | <u>\$ 6,792,617</u> |

CLAY COUNTY, TEXAS
 BALANCE SHEET - GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2014

| | <u>General Fund</u> | <u>Road & Bridge Number One</u> | <u>Road & Bridge Number Two</u> |
|--|-------------------------|---|---|
| ASSETS | | | |
| Cash and cash equivalents | \$ 2,790,058 | \$ 367,198 | \$ 264,868 |
| Receivables (net of allowances for uncollectibles): | | | |
| Taxes | 99,851 | 33,255 | 34,466 |
| Fines | 446,019 | -- | -- |
| Intergovernmental | 18,910 | 1,157 | 936 |
| Total Assets | <u>\$ 3,354,838</u> | <u>\$ 401,610</u> | <u>\$ 300,270</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable | \$ 12,632 | \$ 895 | \$ 875 |
| Due to other governments | 153,426 | -- | -- |
| Due to others | 41,921 | -- | -- |
| Total Liabilities | <u>207,979</u> | <u>895</u> | <u>875</u> |
| Deferred Inflows of Resources: | | | |
| Unavailable revenue-property taxes | 83,293 | 32,150 | 33,572 |
| Unavailable revenue-fines | 250,672 | -- | -- |
| Unavailable revenue-other | 28,078 | -- | -- |
| Total deferred inflows of resources | <u>362,043</u> | <u>32,150</u> | <u>33,572</u> |
| Fund balances: | | | |
| Restricted | -- | -- | -- |
| Committed | -- | 368,565 | 265,823 |
| Unassigned | 2,784,816 | -- | -- |
| Total fund balances | <u>2,784,816</u> | <u>368,565</u> | <u>265,823</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | <u>\$ 3,354,838</u> | <u>\$ 401,610</u> | <u>\$ 300,270</u> |

The accompanying notes are an integral part of this statement.

| <u>Road & Bridge Number Three</u> | <u>Road & Bridge Number Four</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|--|---|---|
| \$ 342,022 | \$ 468,127 | \$ 317,323 | \$ 4,549,596 |
| 36,997 | 36,309 | -- | 240,878 |
| -- | -- | -- | 446,019 |
| 1,568 | 1,651 | -- | 24,222 |
| <u>\$ 380,587</u> | <u>\$ 506,087</u> | <u>\$ 317,323</u> | <u>\$ 5,260,715</u> |
| | | | |
| \$ 3,866 | \$ 911 | \$ -- | \$ 19,179 |
| -- | -- | -- | 153,426 |
| -- | -- | -- | 41,921 |
| <u>3,866</u> | <u>911</u> | <u>--</u> | <u>214,526</u> |
| | | | |
| 35,499 | 34,732 | -- | 219,246 |
| -- | -- | -- | 250,672 |
| -- | -- | -- | 28,078 |
| <u>35,499</u> | <u>34,732</u> | <u>--</u> | <u>497,996</u> |
| | | | |
| -- | -- | 317,323 | 317,323 |
| 341,222 | 470,444 | -- | 1,446,054 |
| -- | -- | -- | 2,784,816 |
| <u>341,222</u> | <u>470,444</u> | <u>317,323</u> | <u>4,548,193</u> |
| <u>\$ 380,587</u> | <u>\$ 506,087</u> | <u>\$ 317,323</u> | <u>\$ 5,260,715</u> |

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CLAY COUNTY, TEXASRECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

| | |
|--|----------------------|
| Total fund balances - governmental funds balance sheet | \$ 4,548,193 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | |
| Capital assets used in governmental activities are not reported in the funds. | 6,880,400 |
| Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds. | 219,245 |
| Payables for capital leases which are not due in the current period are not reported in the funds. | (1,676,331) |
| Payables for bond interest which are not due in the current period are not reported in the funds. | (27,622) |
| Payables for compensated absences which are not due in the current period are not reported in the funds. | (86,795) |
| Other long-term assets are not available to pay for current period expenditures and are deferred in the funds. | 64,944 |
| Court fines receivable unavailable to pay for current period expenditures are deferred in the funds. | <u>250,672</u> |
| Net position of governmental activities - Statement of Net Position | <u>\$ 10,172,706</u> |

The accompanying notes are an integral part of this statement.

CLAY COUNTY, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2014

| | General Fund | Road & Bridge Number One | Road & Bridge Number Two |
|--|---------------------|-----------------------------|-----------------------------|
| Revenues: | | | |
| Taxes | \$ 3,611,644 | \$ 256,090 | \$ 207,426 |
| Licenses and permits | 153,207 | 124,709 | 124,709 |
| Intergovernmental | 128,013 | -- | -- |
| Fines and fees | 377,015 | 27,015 | 24,143 |
| Interest | 5,355 | 664 | 527 |
| Miscellaneous | 453,555 | 6,916 | 5,909 |
| Total revenues | <u>4,728,789</u> | <u>415,394</u> | <u>362,714</u> |
| Expenditures: | | | |
| Current: | | | |
| General government | 616,091 | -- | -- |
| Judicial | 567,613 | -- | -- |
| Legal | 155,771 | -- | -- |
| Financial administration | 210,163 | -- | -- |
| Public facilities | 127,204 | -- | -- |
| Public Safety | 1,910,804 | -- | -- |
| Public transportation | -- | 1,247,769 | 1,203,543 |
| Health and welfare | 153,507 | -- | -- |
| Conservation | 101,120 | -- | -- |
| Nondepartmental | 919,811 | -- | -- |
| Total expenditures | <u>4,762,084</u> | <u>1,247,769</u> | <u>1,203,543</u> |
| Excess (deficiency) of revenues over (under) expenditures | (33,295) | (832,375) | (840,829) |
| Other financing sources (uses): | | | |
| Transfers in | 28,729 | 60,000 | 60,000 |
| Transfers out | (240,096) | -- | -- |
| Sale of capital assets | 6,500 | 692,000 | 456,251 |
| Capital leases | -- | 79,130 | 322,153 |
| Total other financing sources (uses) | <u>(204,867)</u> | <u>831,130</u> | <u>838,404</u> |
| Net change in fund balances | (238,162) | (1,245) | (2,425) |
| Fund balances, October 1 | 3,022,978 | 369,810 | 268,248 |
| Fund balances, September 30 | <u>\$ 2,784,816</u> | <u>\$ 368,565</u> | <u>\$ 265,823</u> |

The accompanying notes are an integral part of this statement.

| Road & Bridge Number Three | Road & Bridge Number Four | Other Governmental Funds | Total Governmental Funds |
|-------------------------------|------------------------------|--------------------------------|--------------------------------|
| \$ 347,097 | \$ 365,438 | \$ -- | \$ 4,787,695 |
| 124,709 | 124,709 | -- | 652,043 |
| -- | -- | 12,000 | 140,013 |
| 32,362 | 33,433 | 88,064 | 582,032 |
| 652 | 738 | -- | 7,936 |
| 9,816 | 9,640 | 4,654 | 490,490 |
| <u>514,636</u> | <u>533,958</u> | <u>104,718</u> | <u>6,660,209</u> |
| -- | -- | 45,084 | 661,175 |
| -- | -- | -- | 567,613 |
| -- | -- | 25,346 | 181,117 |
| -- | -- | -- | 210,163 |
| -- | -- | -- | 127,204 |
| -- | -- | 364 | 1,911,168 |
| 594,885 | 957,735 | -- | 4,003,932 |
| -- | -- | -- | 153,507 |
| -- | -- | -- | 101,120 |
| -- | -- | 23,755 | 943,566 |
| <u>594,885</u> | <u>957,735</u> | <u>94,549</u> | <u>8,860,565</u> |
| (80,249) | (423,777) | 10,169 | (2,200,356) |
| 60,000 | 60,000 | 96 | 268,825 |
| -- | -- | (28,729) | (268,825) |
| -- | 242,000 | -- | 1,396,751 |
| -- | 128,087 | -- | 529,370 |
| <u>60,000</u> | <u>430,087</u> | <u>(28,633)</u> | <u>1,926,121</u> |
| (20,249) | 6,310 | (18,464) | (274,235) |
| 361,471 | 464,134 | 335,787 | 4,822,428 |
| <u>\$ 341,222</u> | <u>\$ 470,444</u> | <u>\$ 317,323</u> | <u>\$ 4,548,193</u> |

CLAY COUNTY, TEXAS
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

| | |
|--|-------------------|
| Net change in fund balances - total governmental funds | \$ (274,235) |
| Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because: | |
| Capital outlays are not reported as expenses in the SOA. | 1,818,363 |
| The depreciation of capital assets used in governmental activities is not reported in the funds. | (524,779) |
| Trade-in or disposal of capital assets decrease net position in the SOA but not in the funds. | (856,901) |
| Donations of capital assets increase net position in the SOA but not in the funds. | 1,033,612 |
| Certain property tax revenues are deferred in the funds. This is the change in these amounts this year. | (4,266) |
| Expenses not requiring the use of current financial resources are not reported as expenditures in the funds. | 8,441 |
| Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA. | 218,982 |
| (Increase) decrease in accrued interest from beginning of period to end of period. | (24,860) |
| Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds. | (12,219) |
| Certain fine revenues are deferred in the funds. This is the change in these amounts this year. | 48,146 |
| Proceeds of leases do not provide revenue in the SOA, but are reported as current resources in the funds. | <u>(529,370)</u> |
| Change in net position of governmental activities - Statement of Activities | <u>\$ 900,914</u> |

The accompanying notes are an integral part of this statement.

CLAY COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2014

| | <u>Agency Funds</u> |
|---------------------------|-------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 337,009 |
| Total Assets | <u>\$ 337,009</u> |
| LIABILITIES | |
| Due to other governments | \$ 228,076 |
| Due to others | 108,933 |
| Total Liabilities | <u>\$ 337,009</u> |

The accompanying notes are an integral part of this statement.

CLAY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The County, a political subdivision of the State of Texas is governed by an elected judge and four county commissioners which comprise the commissioner's court. The county's operational activities include general administrative services, judicial, public safety, the construction and maintenance of roads, health and welfare assistance, permanent records preservation, and conservation.

The accounting policies of Clay County, Texas, conform to generally accepted accounting principals issued by the Governmental Accounting Standards Board which is the recognized financial accounting standard setting body for governmental entities. The notes to the financial statements are an integral part of the County's basic financial statements.

The accompanying basic financial statements comply with the provisions of the GASB Statement No. 14, "The Financial Reporting Entity," in that the financial statements include all organizations, activities, functions and component units for which the County (the "primary government") is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the County's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the County.

Discretely Presented Component Unit

For financial statement reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The criteria used are as follows:

Financial Accountability - The primary government is deemed to be a financially accountable if it appoints a voting majority of the organization's governing body and, (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits or impose specific financial burdens on the primary government. Additionally, the primary government may be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government or a jointly appointed board.

Clay County Memorial Hospital (CCMH) operates a primary critical care hospital. The County Commissioners' Court appoints CCMH's board, approves its annual budget, regularly scheduled payment of bills, and major capital additions. CCMH is reported as a discretely presented component unit because its services are provided entirely to the public. Separate financial statements are available from hospital management at CCMH, 310 W. South Street, Henrietta, Texas, 76365.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent, on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

CLAY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2014

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 proprietary fund and fiduciary fund financial statements. 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.

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 are 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 to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Fines and permits, and miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The County reports the following major governmental funds:

The *General Fund* 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.

The *Road and Bridge Number One Special Revenue Fund* accounts for certain revenues and expenditures related to the construction and maintenance of roads and bridges within precinct one.

The *Road and Bridge Number Two Special Revenue Fund* accounts for certain revenues and expenditures related to the construction and maintenance of roads and bridges within precinct two.

The *Road and Bridge Number Three Special Revenue Fund* accounts for certain revenues and expenditures related to the construction and maintenance of roads and bridges within precinct three.

The *Road and Bridge Number Four Special Revenue Fund* accounts for certain revenues and expenditures related to the construction and maintenance of roads and bridges within precinct four.

Additionally, the County reports the following fund types:

The *Special Revenue Funds* account for specific revenue sources that are legally restricted to expenditures for specified purposes (not including private purpose trusts or major capital projects).

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

Agency Funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments, and/or other agency funds.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

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, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes, miscellaneous revenue, and interest income.

CLAY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2014

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the County to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies; (3) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States; (4) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (5) certificates of deposit by state and national banks domiciled in this state that are (A) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (B) secured by obligations that are described by (1) - (4); or, (6) fully collateralized direct repurchase agreements having a defined termination date, secured by obligations described by (1), pledged with third party selected or approved by the County, and placed through a primary government securities dealer.

Investments maturing within one year of date of purchase are stated at cost or amortized cost, all other investments are stated at fair value which is based on quoted market prices.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter fund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectibles.

Property taxes are levied on October 1 by the County based on the January 1 property values as appraised by the Clay County Central Appraisal District. Taxes are due without penalty until January 31, of the next calendar year. After January 31 the County has an enforceable lien with respect to both real and personal property. Under state law, property taxes levied on real property constitute a perpetual lien on the real property which cannot be forgiven without specific approval of the State Legislature. Taxes applicable to personal property can be deemed uncollectible by the County.

3. Inventories and prepaid items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

4. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. 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.

CLAY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2014

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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

| | |
|-------------------------|---------------|
| Buildings | 20 - 30 years |
| Infrastructure | 20 - 45 years |
| Machinery and Equipment | 5 - 10 years |

5. Long-term obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method which approximate the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond 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.

6. Fund equity

Nonspendable Fund Balance Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact.

Restricted Fund Balance - Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation.

Committed Fund Balance - Amounts that can only be used for specific purposes pursuant to constraints imposed by the Commissioners Court through legislation, resolution or court order, unless the Commissioners Court removes or changes the specified use by taking the same type of action used to commit the amounts.

Assigned Fund Balance - Amounts that are constrained by the Commissioners Court, or by another County official or the finance division to which the Commissioners Court has delegated authority, that are to be used for specific purposes but are neither restricted nor committed.

Unassigned Fund Balance - Amounts that are available for any purpose; these amounts can be reported only in the County's General Fund.

Fund balance amounts represent the nature of the net resources that are reported in a governmental fund. The County fund balance classifications include non-spendable resources, restricted, and non-restricted (committed, assigned and unassigned) amounts. When the County incurs an expenditure and both restricted and unrestricted amounts are available, the County considers restricted amounts to have been spent. When the County incurs an expenditure for an unrestricted amount, committed amounts are reduced first, followed by assigned amounts and then unassigned amounts for purposes in which any of those unrestricted fund balance classifications could be used.

CLAY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2014

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "Fines receivable unavailable to pay for current period expenditures are deferred in the funds." The details of this difference are as follows:

| | |
|----------------------------|------------------|
| County clerk fines | \$102,579 |
| District clerk fines | 91,821 |
| Justice of the peace fines | <u>56,272</u> |
| Total | <u>\$250,672</u> |

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

At year end, the carrying amount of the County's cash and cash equivalents was \$8,046,991, and the bank balance was \$7,016,470. At year end, the County's depository had pledged securities, with a face value of \$10,162,508 and fair value of \$10,321,505.

Reconciliation of Carrying Amount to Balance Sheets:

| | Primary <u>Government</u> | Component <u>Unit</u> | Reporting <u>Entity</u> |
|--------------------------------------|------------------------------|--------------------------|----------------------------|
| Cash and cash equivalents | \$4,549,594 | \$2,066,141 | \$6,615,735 |
| Restricted cash and cash equivalents | -- | <u>1,094,247</u> | <u>1,094,247</u> |
| Total government wide | 4,549,594 | 3,160,388 | 7,709,982 |
| Agency funds | <u>337,009</u> | -- | <u>337,009</u> |
| | <u>\$4,886,603</u> | <u>\$3,160,388</u> | <u>\$8,046,991</u> |

CLAY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2014

B. Receivables

Receivables as of year-end for the government's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

| | General | Road and Bridge #1 | Road and Bridge #2 | Road and Bridge #3 | Road and Bridge #4 | NonMajor and Other | Total |
|-------------------|-----------|--------------------|--------------------|--------------------|--------------------|--------------------|-----------|
| Taxes receivable | \$99,851 | \$33,255 | \$34,466 | \$36,997 | \$36,309 | \$ -- | \$240,878 |
| Fines receivable | \$723,845 | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$723,845 |
| Allowance | (277,826) | -- | -- | -- | -- | -- | (277,826) |
| | \$446,019 | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$446,019 |
| Intergovernmental | \$18,910 | \$1,157 | \$936 | \$1,568 | \$1,651 | \$ -- | \$24,222 |

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

| | Unavailable | Unearned | Total |
|--|-------------|----------|-----------|
| Major Funds: | | | |
| Deferred tax revenue (General Fund) | \$83,293 | \$ -- | \$83,293 |
| Deferred fines revenue (General Fund) | 250,672 | -- | 250,672 |
| Deferred tax revenue (Road & Bridge Fund #1) | 32,150 | -- | 32,150 |
| Deferred tax revenue (Road & Bridge Fund #2) | 33,572 | -- | 33,572 |
| Deferred tax revenue (Road & Bridge Fund #3) | 35,499 | -- | 35,499 |
| Deferred tax revenue (Road & Bridge Fund #4) | 34,732 | -- | 34,732 |
| Dferred revenue - other | -- | 28,078 | 28,078 |
| Total deferred/unearned revenue for governmental funds | \$469,918 | \$28,078 | \$497,996 |

CLAY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2014

C. Capital assets

Capital asset activity for the year ended September 30, 2014:

| | Balance 9/30/13 | Additions | Retirements | Completed Construction | Balance 9/30/14 |
|---|--------------------|-------------|-------------|---------------------------|--------------------|
| GOVERNMENTAL ACTIVITIES: | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | \$140,695 | \$ -- | \$ -- | \$ -- | \$140,695 |
| Construction in progress | -- | -- | -- | -- | -- |
| Total capital assets not being depreciated | 140,695 | -- | -- | -- | 140,695 |
| Capital assets, being depreciated: | | | | | |
| Buildings | 3,646,901 | -- | -- | -- | 3,646,901 |
| Infrastructure | 45,302,377 | 1,033,612 | -- | -- | 46,335,989 |
| Machinery and equipment | 5,024,674 | 1,818,363 | (1,817,999) | -- | 5,025,038 |
| Total capital assets being depreciated | 53,973,952 | 2,851,975 | (1,817,999) | -- | 55,007,928 |
| Less accumulated depreciation for: | | | | | |
| Buildings | (931,262) | (67,782) | -- | -- | (999,044) |
| Infrastructure | (44,953,012) | (34,596) | -- | -- | (44,987,608) |
| Machinery and equipment | (2,820,267) | (422,402) | 961,098 | -- | (2,281,571) |
| Total accumulated depreciation | (48,704,541) | (524,780) | 961,098 | -- | (48,268,223) |
| Total capital assets being depreciated, net | 5,269,411 | 2,327,195 | (856,901) | -- | 6,739,705 |
| Governmental activities capital assets, net | \$5,410,106 | \$2,327,195 | (\$856,901) | \$ -- | \$6,880,400 |

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

Governmental activities:

| | |
|--|------------------|
| General government | \$2,750 |
| Public safety | 18,551 |
| Public transportation | 403,861 |
| Nondepartmental | 99,618 |
| Total depreciation expense - governmental activities | <u>\$524,780</u> |

CLAY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2014

| | Balance 9/30/13 | Additions | Retirements | Reclassify | Balance 9/30/14 |
|---|--------------------|-----------|-------------|------------|--------------------|
| DISCRETE COMPONENT UNIT: | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | \$361,951 | \$ -- | \$ -- | \$ -- | \$361,951 |
| Construction in progress | -- | -- | -- | -- | -- |
| Total capital assets not being depreciated | 361,951 | -- | -- | -- | 361,951 |
| Capital assets, being depreciated: | | | | | |
| Buildings | 2,666,903 | -- | -- | -- | 2,666,903 |
| Land improvements | 16,779 | -- | -- | -- | 16,779 |
| Equipment | 5,151,890 | 1,217,858 | -- | -- | 6,369,748 |
| Leased assets | 524,009 | -- | -- | -- | 524,009 |
| Total capital assets being depreciated | 8,359,581 | 1,217,858 | -- | -- | 9,577,439 |
| Less accumulated depreciation for: | | | | | |
| Buildings | (1,559,405) | (77,828) | -- | -- | (1,637,233) |
| Land improvements | (3,543) | (1,119) | -- | -- | (4,662) |
| Equipment | (4,126,915) | (283,155) | -- | -- | (4,410,070) |
| Leased assets | (193,563) | (101,676) | -- | -- | (295,239) |
| Total accumulated depreciation | (5,883,426) | (463,778) | -- | -- | (6,347,204) |
| Total capital assets being depreciated, net | 2,476,155 | 754,080 | -- | -- | 3,230,235 |
| Governmental activities capital assets, net | \$2,838,106 | \$754,080 | \$ -- | \$ -- | \$3,592,186 |

D. Interfund receivables, payables, and transfers

There were no interfund receivable balances as of September 30, 2014.

Interfund transfers:

| Fund | Transfer In | Transfer Out |
|------------------------------------|------------------|------------------|
| Major Governmental Funds | | |
| General Fund | \$28,729 | \$240,096 |
| Road and Bridge Number One | 60,000 | -- |
| Road and Bridge Number Two | 60,000 | -- |
| Road and Bridge Number Three | 60,000 | -- |
| Road and Bridge Number Four | 60,000 | -- |
| NonMajor Governmental Funds | | |
| Debt Service Fund | -- | 28,729 |
| County Attorney | 96 | -- |
| Total | \$268,825 | \$268,825 |

Transfers were made to subsidize the Road and Bridge Funds, and the County Attorney Fund. The Debt Service Fund was closed to the General Fund.

CLAY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2014

E. Long-term debt

From time to time, the County issues general obligation bonds, certificates of obligation bonds, notes payable and capital lease obligations to provide funds for the acquisition and construction of equipment and major capital facilities. These issues are direct obligations and pledge the full faith and credit of the County. During the year ended the County called the outstanding bonds and paid them off.

The County leases equipment with a historical cost and accumulated amortization of \$2,748,606 and \$454,316, respectively, under capital lease arrangements.

Capital Lease Obligations Currently Outstanding:

| Purpose | Original Amount | Date of Lease | Final Maturity | Interest Rate | Balance 09/30/14 |
|------------------------------|-----------------|---------------|----------------|---------------|--------------------|
| 2012 JD Motor Grader | \$178,047 | 2/15/14 | 2/15/17 | 2.25% | \$169,098 |
| 2012 JD Motor Grader | 176,009 | 2/15/14 | 2/15/17 | 2.25% | 167,631 |
| 2011 Cat Motor Grader | 165,399 | 2/15/14 | 2/15/16 | 2.25% | 152,899 |
| 2011 Cat Motor Grader | 165,399 | 2/15/14 | 2/15/16 | 2.25% | 152,899 |
| 2013 Cat Skid Steer | 47,887 | 2/15/14 | 2/15/18 | 2.25% | 40,387 |
| 2013 JD 310K Backhoe Loader | 60,738 | 2/15/14 | 2/15/18 | 2.25% | 45,738 |
| 2013 CAT 140 M2 Motor Grader | 56,423 | 1/13/14 | 1/13/18 | 2.25% | 41,423 |
| 2013 CAT 420F Backhoe Loader | 71,664 | 3/14/14 | 3/15/19 | 2.25% | 41,664 |
| 2014 CAT 140 M2 Motor Grader | 136,845 | 3/14/14 | 3/15/19 | 2.25% | 129,858 |
| 2014 CAT 140 M2 Motor Grader | 122,637 | 3/14/14 | 3/15/18 | 2.25% | 113,097 |
| 2014 CAT 140 M2 Motor Grader | 151,794 | 3/14/14 | 3/15/18 | 2.25% | 144,863 |
| 2014 CAT 140 M2 Motor Grader | 122,531 | 3/14/14 | 3/15/18 | 2.25% | 112,990 |
| 2014 CAT 140 M2 Motor Grader | 120,361 | 3/14/14 | 3/15/18 | 2.25% | 110,812 |
| 2014 CAT 914G Wheel Loader | 97,365 | 3/14/14 | 3/15/19 | 2.25% | 87,365 |
| 2014 CAT 140M2 Motor Grader | 165,607 | 2/15/14 | 2/15/17 | 2.25% | 165,607 |
| Total Leases Payable | | | | | \$1,676,331 |

Capital lease obligation debt service requirements to maturity are as follows:

| Year | Total |
|---------------------------------|--------------------|
| 2015 | \$147,325 |
| 2016 | 147,327 |
| 2017 | 536,091 |
| 2018 | 391,020 |
| 2019 | 591,150 |
| Total payments | 1,812,913 |
| Less imputed interest | (136,582) |
| Total Capital Lease Obligations | <u>\$1,676,331</u> |

CLAY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2014

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended September 30, 2014, was as follows:

| | Balance 09/30/13 | Additions | Retirements | Balance 09/30/14 | Due Within One Year |
|--|---------------------|------------------|--------------------|---------------------|------------------------|
| Governmental activities: | | | | | |
| Capital leases | \$1,365,943 | \$529,370 | (\$218,982) | \$1,676,331 | \$109,126 |
| Compensated absences | 74,577 | 86,795 | (74,577) | 86,795 | 86,795 |
| Governmental activity long-term liabilities | \$1,440,520 | \$616,165 | (\$293,559) | \$1,763,126 | \$195,921 |

For the governmental activities, claims and judgements are generally liquidated by the general fund.

| | Balance 09/30/13 | Additions | Retirements | Balance 09/30/14 | Due Within One Year |
|--|---------------------|--------------|--------------------|---------------------|------------------------|
| Discrete Component Unit: | | | | | |
| Capital leases | \$325,449 | \$ -- | (\$101,335) | \$224,114 | \$102,654 |
| Governmental activity long-term liabilities | \$325,449 | \$ -- | (\$101,335) | \$224,114 | \$102,654 |

V. OTHER INFORMATION

A. Risk management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; employee health benefits; and other claims of various nature. The County participates in the Texas Association of Counties Intergovernmental Risk Pool (Pool) which provides protection for risks of loss. Premiums are paid to the Pool which retains the risk of loss beyond the County's policy deductibles. Any losses reported but unsettled or incurred and not reported, are believed to be insignificant to the County's basic financial statements. For the last three years, there have been no significant reductions of insurance coverage or insurance settlements in excess of insurance coverage.

B. Contingent Liabilities and Commitments

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies. Any disallowed claims, including amounts already collected may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

The County periodically is defendant in various lawsuits. As of September 30, 2014, after consultation with the County's attorney, the County is not aware of any pending or threatened litigation which would have a material effect on the financial statements.

The District Clerk has invested trust funds at various financial institutions in accordance with court orders. The County has a fiduciary responsibility over these funds until their final disposition.

CLAY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2014

C. Employee Retirement Systems and Pension Plans

1. Plan Description

The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit plan in the state-wide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multi-employer public employee retirement system consisting of 641 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas, 78768-20343.

The plan provisions are adopted by the County commissioners court, within the options available in the state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 10 or more years of service or with 30 years regardless of age or when the sum of their age and years of service equals 80 or more. Members are vested after 10 years but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump-sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the County commissioners court within the constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contribution and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

2. Funding Policy

The County has elected the annually determined contribution rate (Variable Rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The employer contributed using the actuarially determined rate of 11.00% for the months of the accounting year in 2013 and 11.00% for the months of the accounting year in 2014.

The contribution rate payable by the employee members is the rate of 7% as adopted by the commissioner's court. The employee contribution rate and the employer contribution rate may be changed by the commissioners court with the options available in the TCDRS Act.

3. Annual Pension Cost

For the County's accounting year ended September 30, 2014, the annual pension cost for the TCDRS plan for its employees was \$315,030 and the actual contributions were \$315,030.

The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees, and were in compliance with the GASB Statement No. 27 parameters based on the actuarial valuations as of December 31, 2012, the basis for determining the contribution rates for fiscal year 2014. The December 31, 2013 actuarial valuation is the most recent valuation.

CLAY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2014

Actuarial Valuation Information

| Actuarial valuation date | 12/31/11 | 12/31/12 | 12/31/13 |
|------------------------------|--|--|---|
| Actuarial cost method | Entry age | Entry age | Entry age |
| Amortization method | Level percentage of payroll, closed | Level percentage of payroll, closed | Level percentage of payroll, closed |
| Amortization period in years | 15.3 | 15.6 | 13.1 |
| Actuarial valuation method | SAF: 10-yr smoothed value. ESF: Fund value. | SAF: 10-yr smoothed value. ESF: Fund value. | SAF: 5-yr smoothed value. ESF: Fund value. |
| Actuarial assumptions: | | | |
| Investment return | 8.00% | 8.00% | 8.00% |
| Projected salary increases | 5.40% | 5.40% | 4.90% |
| Inflation | 3.50% | 3.50% | 3.00% |
| Cost-of-living adjustments | 0.00% | 0.00% | 0.00% |

Trend Information

| Accounting year ended | 9/30/12 | 9/30/13 | 9/30/14 |
|-------------------------------|-----------|-----------|-----------|
| Annual Pension Cost (APC) | \$276,405 | \$302,981 | \$315,030 |
| Percentage of APC Contributed | 100.00% | 100.00% | 100.00% |
| Net Pension Obligation | \$ -- | \$ -- | \$ -- |

D. Concentrations of Credit Risk

Taxes receivable are due from citizens and businesses within the County's boundaries. Risk of loss is immaterial due to wide dispersion of receivables and because of policies which address procedures for filing property tax liens.

CLAY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2014

E. Restatement of Financial Statements

In prior years, the County entered into a series of lease transactions which were treated as operating leases. However, a review of the terms of the leases as modified indicates that the leases should be treated as capital leases. Additionally, the County has been recording prepaid health insurance as an expense in the government wide financial statements.

The September 30, 2013 government-wide financial statements have been restated to reflect these changes as follows:

| | Current | Capital | Long-term | Other | Net |
|-------------------------------|--------------------|--------------------|----------------------|--------------------|----------------------|
| Statement of Net Position | Assets | Assets | Liabilities | Liabilities | Position |
| As reported 9/30/13 | \$5,483,667 | \$4,324,768 | (\$515,923) | (\$242,973) | (\$9,049,539) |
| Restate for capital leases | -- | 1,085,338 | (924,597) | 5,010 | (165,751) |
| Restate for prepaid insurance | 56,502 | -- | -- | -- | (56,502) |
| As restated 9/30/13 | <u>\$5,540,169</u> | <u>\$5,410,106</u> | <u>(\$1,440,520)</u> | <u>(\$237,963)</u> | <u>(\$9,271,792)</u> |

| | Total | Total | Increase | Net Position | Net Position |
|-------------------------------|--------------------|----------------------|------------------|--------------------|--------------------|
| Statement of Activities | Revenues | Expenses | (Decrease) | Net Position | Net Position |
| | | | Net Position | Beginning | Ending |
| As reported 9/30/13 | \$7,150,891 | (\$6,928,006) | \$222,885 | \$8,826,654 | \$9,049,539 |
| Restate for capital leases | -- | 165,751 | 165,751 | -- | 165,751 |
| Restate for prepaid insurance | -- | 56,502 | 56,502 | -- | 56,502 |
| As restated 9/30/13 | <u>\$7,150,891</u> | <u>(\$6,705,753)</u> | <u>\$445,138</u> | <u>\$8,826,654</u> | <u>\$9,271,792</u> |

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

CLAY COUNTY, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2014

EXHIBIT B-1

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|-------------------|-------------------|---------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Taxes | \$ 3,380,038 | \$ 3,380,038 | \$ 3,611,644 | \$ 231,606 |
| Licenses and permits | 55,000 | 55,000 | 153,207 | 98,207 |
| Intergovernmental | 257,500 | 257,500 | 128,013 | (129,487) |
| Fines and fees | 281,650 | 281,650 | 377,015 | 95,365 |
| Interest | 5,000 | 5,000 | 5,355 | 355 |
| Miscellaneous | 360,542 | 360,542 | 453,555 | 93,013 |
| Total revenues | <u>4,339,730</u> | <u>4,339,730</u> | <u>4,728,789</u> | <u>389,059</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 726,176 | 726,176 | 616,091 | 110,085 |
| Judicial | 628,696 | 669,667 | 567,613 | 102,054 |
| Legal | 172,013 | 172,013 | 155,771 | 16,242 |
| Financial administration | 220,629 | 220,629 | 210,163 | 10,466 |
| Public facilities | 84,960 | 133,861 | 127,204 | 6,657 |
| Public Safety | 2,090,273 | 2,090,273 | 1,910,804 | 179,469 |
| Health and welfare | 260,879 | 260,879 | 153,507 | 107,372 |
| Conservation | 105,890 | 105,890 | 101,120 | 4,770 |
| Nondepartmental | 1,823,420 | 1,708,548 | 919,811 | 788,737 |
| Total expenditures | <u>6,112,936</u> | <u>6,087,936</u> | <u>4,762,084</u> | <u>1,325,852</u> |
| Excess (deficiency) of revenues over (under) expenditures | (1,773,206) | (1,748,206) | (33,295) | 1,714,911 |
| Other financing sources (uses): | | | | |
| Transfers in | 16,889 | 16,889 | 28,729 | 11,840 |
| Transfers out | (315,504) | (340,504) | (240,096) | 100,408 |
| Sale of capital assets | -- | -- | 6,500 | 6,500 |
| Total other financing sources (uses) | <u>(298,615)</u> | <u>(323,615)</u> | <u>(204,867)</u> | <u>118,748</u> |
| Net change in fund balances | (2,071,821) | (2,071,821) | (238,162) | 1,833,659 |
| Fund balances, October 1 | 3,022,978 | 3,022,978 | 3,022,978 | -- |
| Fund balances, September 30 | <u>\$ 951,157</u> | <u>\$ 951,157</u> | <u>\$ 2,784,816</u> | <u>\$ 1,833,659</u> |

CLAY COUNTY, TEXAS
ROAD & BRIDGE NUMBER ONE
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2014

EXHIBIT B-2

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Taxes | \$ 240,672 | \$ 240,672 | \$ 256,090 | \$ 15,418 |
| Licenses and permits | 110,000 | 110,000 | 124,709 | 14,709 |
| Fines and fees | 6,000 | 6,000 | 27,015 | 21,015 |
| Interest | 500 | 500 | 664 | 164 |
| Miscellaneous | -- | -- | 6,916 | 6,916 |
| Total revenues | <u>357,172</u> | <u>357,172</u> | <u>415,394</u> | <u>58,222</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Public transportation | <u>562,050</u> | <u>562,050</u> | <u>1,247,769</u> | <u>(685,719)</u> |
| Total expenditures | <u>562,050</u> | <u>562,050</u> | <u>1,247,769</u> | <u>(685,719)</u> |
| Excess (deficiency) of revenues over (under) expenditures | (204,878) | (204,878) | (832,375) | (627,497) |
| Other financing sources (uses): | | | | |
| Transfers in | 60,000 | 60,000 | 60,000 | -- |
| Sale of capital assets | -- | -- | 692,000 | 692,000 |
| Capital leases | -- | -- | 79,130 | 79,130 |
| Total other financing sources (uses) | <u>60,000</u> | <u>60,000</u> | <u>831,130</u> | <u>771,130</u> |
| Net change in fund balances | (144,878) | (144,878) | (1,245) | 143,633 |
| Fund balances, October 1 | 369,810 | 369,810 | 369,810 | -- |
| Fund balances, September 30 | <u>\$ 224,932</u> | <u>\$ 224,932</u> | <u>\$ 368,565</u> | <u>\$ 143,633</u> |

CLAY COUNTY, TEXAS
ROAD & BRIDGE NUMBER TWO
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2014

EXHIBIT B-3

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|------------------|------------------|-------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Taxes | \$ 194,734 | \$ 194,734 | \$ 207,426 | \$ 12,692 |
| Licenses and permits | 110,000 | 110,000 | 124,709 | 14,709 |
| Fines and fees | 6,000 | 6,000 | 24,143 | 18,143 |
| Interest | 250 | 250 | 527 | 277 |
| Miscellaneous | -- | -- | 5,909 | 5,909 |
| Total revenues | <u>310,984</u> | <u>310,984</u> | <u>362,714</u> | <u>51,730</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Public transportation | 554,380 | 554,380 | 1,203,543 | (649,163) |
| Total expenditures | <u>554,380</u> | <u>554,380</u> | <u>1,203,543</u> | <u>(649,163)</u> |
| Excess (deficiency) of revenues over (under) expenditures | (243,396) | (243,396) | (840,829) | (597,433) |
| Other financing sources (uses): | | | | |
| Transfers in | 60,000 | 60,000 | 60,000 | -- |
| Sale of capital assets | -- | -- | 456,251 | 456,251 |
| Capital leases | -- | -- | 322,153 | 322,153 |
| Total other financing sources (uses) | <u>60,000</u> | <u>60,000</u> | <u>838,404</u> | <u>778,404</u> |
| Net change in fund balances | (183,396) | (183,396) | (2,425) | 180,971 |
| Fund balances, October 1 | 268,248 | 268,248 | 268,248 | -- |
| Fund balances, September 30 | <u>\$ 84,852</u> | <u>\$ 84,852</u> | <u>\$ 265,823</u> | <u>\$ 180,971</u> |

CLAY COUNTY, TEXAS
ROAD & BRIDGE NUMBER THREE
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2014

EXHIBIT B-4

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Taxes | \$ 326,127 | \$ 326,127 | \$ 347,097 | \$ 20,970 |
| Licenses and permits | 110,000 | 110,000 | 124,709 | 14,709 |
| Fines and fees | 6,000 | 6,000 | 32,362 | 26,362 |
| Interest | 500 | 500 | 652 | 152 |
| Miscellaneous | -- | -- | 9,816 | 9,816 |
| Total revenues | <u>442,627</u> | <u>442,627</u> | <u>514,636</u> | <u>72,009</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Public transportation | <u>680,750</u> | <u>680,750</u> | <u>594,885</u> | <u>85,865</u> |
| Total expenditures | <u>680,750</u> | <u>680,750</u> | <u>594,885</u> | <u>85,865</u> |
| Excess (deficiency) of revenues over (under) expenditures | (238,123) | (238,123) | (80,249) | 157,874 |
| Other financing sources (uses): | | | | |
| Transfers in | <u>60,000</u> | <u>60,000</u> | <u>60,000</u> | <u>--</u> |
| Total other financing sources (uses) | <u>60,000</u> | <u>60,000</u> | <u>60,000</u> | <u>--</u> |
| Net change in fund balances | (178,123) | (178,123) | (20,249) | 157,874 |
| Fund balances, October 1 | 361,471 | 361,471 | 361,471 | -- |
| Fund balances, September 30 | <u>\$ 183,348</u> | <u>\$ 183,348</u> | <u>\$ 341,222</u> | <u>\$ 157,874</u> |

CLAY COUNTY, TEXAS
ROAD & BRIDGE NUMBER FOUR
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2014

EXHIBIT B-5

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Taxes | \$ 343,529 | \$ 343,529 | \$ 365,438 | \$ 21,909 |
| Licenses and permits | 110,000 | 110,000 | 124,709 | 14,709 |
| Fines and fees | 6,000 | 6,000 | 33,433 | 27,433 |
| Interest | 500 | 500 | 738 | 238 |
| Miscellaneous | -- | -- | 9,640 | 9,640 |
| Total revenues | <u>460,029</u> | <u>460,029</u> | <u>533,958</u> | <u>73,929</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Public transportation | 751,950 | 751,950 | 957,735 | (205,785) |
| Total expenditures | <u>751,950</u> | <u>751,950</u> | <u>957,735</u> | <u>(205,785)</u> |
| Excess (deficiency) of revenues over (under) expenditures | (291,921) | (291,921) | (423,777) | (131,856) |
| Other financing sources (uses): | | | | |
| Transfers in | 60,000 | 60,000 | 60,000 | -- |
| Sale of capital assets | -- | -- | 242,000 | 242,000 |
| Capital leases | -- | -- | 128,087 | 128,087 |
| Total other financing sources (uses) | <u>60,000</u> | <u>60,000</u> | <u>430,087</u> | <u>370,087</u> |
| Net change in fund balances | (231,921) | (231,921) | 6,310 | 238,231 |
| Fund balances, October 1 | 464,134 | 464,134 | 464,134 | -- |
| Fund balances, September 30 | <u>\$ 232,213</u> | <u>\$ 232,213</u> | <u>\$ 470,444</u> | <u>\$ 238,231</u> |

CLAY COUNTY, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended September 30, 2014

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on the GAAP basis of accounting for the general fund and all special revenue funds. All annual appropriations lapse at fiscal year end.

The County Judge is, by statute, the Budget Officer of the County and has the responsibility of preparing the County's budget. Under the County's budgeting procedures, each department submits a budget request to the County Judge. The County Judge reviews budget requests and holds informal hearings when needed. Before October 1, a proposed budget is presented to the Commissioners' Court. A public hearing is then held and the Commissioners' Court takes action on the proposed budget. Before determining the final budget, the Commissioners' Court may increase or decrease the amounts requested by the various departments. Amounts finally budgeted may not exceed the estimate of revenues and available fund balance.

Once the budget has been adopted by the Commissioners' Court, the County Auditor is responsible for monitoring the expenditures of the various departments of the County to prevent expenditures from exceeding budgeted appropriations and for keeping members of the Commissioners' Court advised of the conditions of the various funds and accounts.

The appropriated budget is prepared by fund. Any transfers of appropriations are first approved by the Commissioners' Court. Thus, the legal level of budgetary control is at the fund level. No significant supplemental appropriations were required during the year.

Encumbrance accounting is not employed by the County because it is not considered necessary to assure effective budgetary control.

CLAY COUNTY, TEXAS
SCHEDULE OF FUNDING PROGRESS
 September 30, 2014
 (Unaudited)

EXHIBIT B-6

Actuarial Valuation Information

| Actuarial valuation date | <u>12/31/11</u> | <u>12/31/12</u> | <u>12/31/13</u> |
|------------------------------------|-----------------|-----------------|-----------------|
| Actuarial value of assets | \$7,116,002 | \$7,454,183 | \$7,872,908 |
| Actuarial Accrued Liability (AAL) | \$8,672,485 | \$9,153,114 | \$9,535,796 |
| Unfunded AAL (UAAL) | \$1,556,483 | \$1,698,931 | \$1,662,888 |
| Funded Ratio | 82.05% | 81.40% | 82.56% |
| Annual Covered Payroll (actuarial) | \$2,501,176 | \$2,598,039 | \$2,768,408 |
| UAAL as a Percentage of Covered | 62.23% | 65.39% | 60.07% |

Combining Statements and Budget Comparisons as Supplementary Information

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

CLAY COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2014

| | Special Revenue Funds | Total Nonmajor Governmental Funds (See Exhibit A-3) |
|-------------------------------------|-----------------------------|---|
| ASSETS | | |
| Cash and cash equivalents | \$ 317,323 | \$ 317,323 |
| Total Assets | <u>\$ 317,323</u> | <u>\$ 317,323</u> |
| FUND BALANCES | | |
| Restricted | \$ 317,323 | \$ 317,323 |
| Total fund balances | <u>317,323</u> | <u>317,323</u> |
| Total Liabilities and Fund Balances | <u>\$ 317,323</u> | <u>\$ 317,323</u> |

CLAY COUNTY, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

| | Special Revenue Funds | Debt Service Fund | Total Nonmajor Governmental Funds (See Exhibit A-5) |
|--|-----------------------------|-------------------------|---|
| Revenues: | | | |
| Intergovernmental | \$ 12,000 | \$ -- | \$ 12,000 |
| Fines and fees | 88,064 | -- | 88,064 |
| Miscellaneous | 4,654 | -- | 4,654 |
| Total revenues | <u>104,718</u> | <u>--</u> | <u>104,718</u> |
| Expenditures: | | | |
| Current: | | | |
| General government | 45,084 | -- | 45,084 |
| Legal | 25,346 | -- | 25,346 |
| Public Safety | 364 | -- | 364 |
| Nondepartmental | 23,755 | -- | 23,755 |
| Total expenditures | <u>94,549</u> | <u>--</u> | <u>94,549</u> |
| Excess (deficiency) of revenues over (under) expenditures | 10,169 | -- | 10,169 |
| Other financing sources (uses): | | | |
| Transfers in | 96 | -- | 96 |
| Transfers out | -- | (28,729) | (28,729) |
| Total other financing sources (uses) | <u>96</u> | <u>(28,729)</u> | <u>(28,633)</u> |
| Net change in fund balances | 10,265 | (28,729) | (18,464) |
| Fund balances, October 1 | 307,058 | 28,729 | 335,787 |
| Fund balances, September 30 | <u>\$ 317,323</u> | <u>\$ --</u> | <u>\$ 317,323</u> |

CLAY COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2014

| | <u>Records Management Fee</u> | <u>Court Reporter Service</u> | <u>Records Preservation</u> | <u>Courthouse Security</u> |
|----------------------------|---------------------------------------|---------------------------------------|---------------------------------|--------------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 133,171 | \$ 25,589 | \$ 14,986 | \$ 90,387 |
| Total Assets | <u>\$ 133,171</u> | <u>\$ 25,589</u> | <u>\$ 14,986</u> | <u>\$ 90,387</u> |
| FUND BALANCES | | | | |
| Restricted | \$ 133,171 | \$ 25,589 | \$ 14,986 | \$ 90,387 |
| Total fund balances | <u>\$ 133,171</u> | <u>\$ 25,589</u> | <u>\$ 14,986</u> | <u>\$ 90,387</u> |

| County Attorney | Sheriff's Forfeiture | Juvenile Case Manager | Court Technology | Total Nonmajor Special Revenue Funds (See Exhibit C-1) |
|------------------------------|------------------------------------|------------------------------------|--------------------------------------|---|
| <u>\$ 47</u> <u>\$ 47</u> | <u>\$ 7,169</u> <u>\$ 7,169</u> | <u>\$ 4,716</u> <u>\$ 4,716</u> | <u>\$ 41,258</u> <u>\$ 41,258</u> | <u>\$ 317,323</u> <u>\$ 317,323</u> |
| <u>\$ 47</u> <u>\$ 47</u> | <u>\$ 7,169</u> <u>\$ 7,169</u> | <u>\$ 4,716</u> <u>\$ 4,716</u> | <u>\$ 41,258</u> <u>\$ 41,258</u> | <u>\$ 317,323</u> <u>\$ 317,323</u> |

CLAY COUNTY, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

| | Records Management Fee | Court Reporter Service | Records Preservation | Courthouse Security |
|---|------------------------------|------------------------------|-------------------------|------------------------|
| Revenues: | | | | |
| Intergovernmental | \$ -- | \$ -- | \$ -- | \$ -- |
| Fines and fees | 52,121 | 1,785 | 3,148 | 11,170 |
| Miscellaneous | -- | -- | -- | -- |
| Total revenues | <u>52,121</u> | <u>1,785</u> | <u>3,148</u> | <u>11,170</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 36,156 | 504 | 8,424 | -- |
| Legal | -- | -- | -- | -- |
| Public Safety | -- | -- | -- | -- |
| Nondepartmental | -- | -- | -- | 9,273 |
| Total expenditures | <u>36,156</u> | <u>504</u> | <u>8,424</u> | <u>9,273</u> |
| Excess (deficiency) of revenues over (unnder) expenditures | 15,965 | 1,281 | (5,276) | 1,897 |
| Other financing sources (uses): | | | | |
| Transfers in | -- | -- | -- | -- |
| Total other financing sources (uses) | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> |
| Net change in fund balances | 15,965 | 1,281 | (5,276) | 1,897 |
| Fund balances, October 1 | 117,206 | 24,308 | 20,262 | 88,490 |
| Fund balances, September 30 | <u>\$ 133,171</u> | <u>\$ 25,589</u> | <u>\$ 14,986</u> | <u>\$ 90,387</u> |

| County Attorney | Sheriff's Forfeiture | Juvenile Case Manager | Court Technology | Total Nonmajor Special Revenue Funds (See Exhibit C-2) |
|-----------------|----------------------|-----------------------|------------------|--|
| \$ -- | \$ -- | \$ 12,000 | \$ -- | \$ 12,000 |
| 1,150 | -- | 9,424 | 9,266 | 88,064 |
| -- | 4,654 | -- | -- | 4,654 |
| <u>1,150</u> | <u>4,654</u> | <u>21,424</u> | <u>9,266</u> | <u>104,718</u> |
| -- | -- | -- | -- | 45,084 |
| 1,346 | -- | 24,000 | -- | 25,346 |
| -- | 364 | -- | -- | 364 |
| -- | -- | -- | 14,482 | 23,755 |
| <u>1,346</u> | <u>364</u> | <u>24,000</u> | <u>14,482</u> | <u>94,549</u> |
| (196) | 4,290 | (2,576) | (5,216) | 10,169 |
| 96 | -- | -- | -- | 96 |
| <u>96</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>96</u> |
| (100) | 4,290 | (2,576) | (5,216) | 10,265 |
| 147 | 2,879 | 7,292 | 46,474 | 307,058 |
| <u>\$ 47</u> | <u>\$ 7,169</u> | <u>\$ 4,716</u> | <u>\$ 41,258</u> | <u>\$ 317,323</u> |

CLAY COUNTY, TEXAS
 RECORDS MANAGEMENT FEE
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

EXHIBIT C-5

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|-----------------------------|------------------|-------------------|---|
| Revenues: | | | |
| Fines and fees | \$ 36,200 | \$ 52,121 | \$ 15,921 |
| Total revenues | <u>36,200</u> | <u>52,121</u> | <u>15,921</u> |
| Expenditures: | | | |
| Current: | | | |
| General government | 90,000 | 36,156 | 53,844 |
| Total expenditures | <u>90,000</u> | <u>36,156</u> | <u>53,844</u> |
| Net change in fund balances | (53,800) | 15,965 | 69,765 |
| Fund balances, October 1 | 117,206 | 117,206 | -- |
| Fund balances, September 30 | <u>\$ 63,406</u> | <u>\$ 133,171</u> | <u>\$ 69,765</u> |

CLAY COUNTY, TEXAS
 COURT REPORTER SERVICE
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

EXHIBIT C-6

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|-----------------------------|------------------|------------------|---|
| Revenues: | | | |
| Fines and fees | \$ 1,900 | \$ 1,785 | \$ (115) |
| Total revenues | <u>1,900</u> | <u>1,785</u> | <u>(115)</u> |
| Expenditures: | | | |
| Current: | | | |
| General government | <u>10,000</u> | <u>504</u> | <u>9,496</u> |
| Total expenditures | <u>10,000</u> | <u>504</u> | <u>9,496</u> |
| Net change in fund balances | (8,100) | 1,281 | 9,381 |
| Fund balances, October 1 | 24,308 | 24,308 | -- |
| Fund balances, September 30 | <u>\$ 16,208</u> | <u>\$ 25,589</u> | <u>\$ 9,381</u> |

CLAY COUNTY, TEXAS
 RECORDS PRESERVATION
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

EXHIBIT C-7

| | <u>Budget</u> | <u>Actual</u> | Variance Positive (Negative) |
|-----------------------------|-----------------|------------------|------------------------------------|
| Revenues: | | | |
| Fines and fees | \$ 4,100 | \$ 3,148 | \$ (952) |
| Total revenues | <u>4,100</u> | <u>3,148</u> | <u>(952)</u> |
| Expenditures: | | | |
| Current: | | | |
| General government | 15,000 | 8,424 | 6,576 |
| Total expenditures | <u>15,000</u> | <u>8,424</u> | <u>6,576</u> |
| Net change in fund balances | (10,900) | (5,276) | 5,624 |
| Fund balances, October 1 | 20,262 | 20,262 | -- |
| Fund balances, September 30 | <u>\$ 9,362</u> | <u>\$ 14,986</u> | <u>\$ 5,624</u> |

CLAY COUNTY, TEXAS
 COURTHOUSE SECURITY
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

EXHIBIT C-8

| | Budget | Actual | Variance Positive (Negative) |
|-----------------------------|------------------|------------------|------------------------------------|
| Revenues: | | | |
| Fines and fees | \$ 11,650 | \$ 11,170 | \$ (480) |
| Total revenues | <u>11,650</u> | <u>11,170</u> | <u>(480)</u> |
| Expenditures: | | | |
| Current: | | | |
| Nondepartmental | 73,680 | 9,273 | 64,407 |
| Total expenditures | <u>73,680</u> | <u>9,273</u> | <u>64,407</u> |
| Net change in fund balances | (62,030) | 1,897 | 63,927 |
| Fund balances, October 1 | 88,490 | 88,490 | -- |
| Fund balances, September 30 | <u>\$ 26,460</u> | <u>\$ 90,387</u> | <u>\$ 63,927</u> |

CLAY COUNTY, TEXAS
 COUNTY ATTORNEY
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

EXHIBIT C-9

| | <u>Budget</u> | <u>Actual</u> | Variance Positive (Negative) |
|---|---------------|---------------|------------------------------------|
| Revenues: | | | |
| Fines and fees | \$ 6,500 | \$ 1,150 | \$ (5,350) |
| Total revenues | <u>6,500</u> | <u>1,150</u> | <u>(5,350)</u> |
| Expenditures: | | | |
| Current: | | | |
| Legal | 7,004 | 1,346 | 5,658 |
| Total expenditures | <u>7,004</u> | <u>1,346</u> | <u>5,658</u> |
| Excess (deficiency) of revenues over (under) expenditures | (504) | (196) | 308 |
| Other financing sources (uses): | | | |
| Transfers in | 504 | 96 | (408) |
| Total other financing sources (uses) | <u>504</u> | <u>96</u> | <u>(408)</u> |
| Net change in fund balances | -- | (100) | (100) |
| Fund balances, October 1 | 147 | 147 | -- |
| Fund balances, September 30 | <u>\$ 147</u> | <u>\$ 47</u> | <u>\$ (100)</u> |

CLAY COUNTY, TEXAS
 JUVENILE CASE MANAGER
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

EXHIBIT C-10

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|-----------------------------|-----------------|-----------------|---|
| Revenues: | | | |
| Intergovernmental | \$ 14,000 | \$ 12,000 | \$ (2,000) |
| Fines and fees | 11,000 | 9,424 | (1,576) |
| Total revenues | <u>25,000</u> | <u>21,424</u> | <u>(3,576)</u> |
| Expenditures: | | | |
| Current: | | | |
| Legal | 28,000 | 24,000 | 4,000 |
| Total expenditures | <u>28,000</u> | <u>24,000</u> | <u>4,000</u> |
| Net change in fund balances | (3,000) | (2,576) | 424 |
| Fund balances, October 1 | 7,292 | 7,292 | -- |
| Fund balances, September 30 | <u>\$ 4,292</u> | <u>\$ 4,716</u> | <u>\$ 424</u> |

CLAY COUNTY, TEXAS

EXHIBIT C-11

COURT TECHNOLOGY
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|-----------------------------|------------------|------------------|---|
| Revenues: | | | |
| Fines and fees | \$ 11,115 | \$ 9,266 | \$ (1,849) |
| Total revenues | <u>11,115</u> | <u>9,266</u> | <u>(1,849)</u> |
| Expenditures: | | | |
| Current: | | | |
| Nondepartmental | 34,300 | 14,482 | 19,818 |
| Total expenditures | <u>34,300</u> | <u>14,482</u> | <u>19,818</u> |
| Net change in fund balances | (23,185) | (5,216) | 17,969 |
| Fund balances, October 1 | 46,474 | 46,474 | -- |
| Fund balances, September 30 | <u>\$ 23,289</u> | <u>\$ 41,258</u> | <u>\$ 17,969</u> |

CLAY COUNTY, TEXAS
 DEBT SERVICE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

EXHIBIT C-12

| | <u>Budget</u> | <u>Actual</u> | Variance Positive (Negative) |
|--------------------------------------|------------------|-----------------|------------------------------------|
| Other financing sources (uses): | | | |
| Transfers out | \$ (16,889) | \$ (28,729) | \$ (11,840) |
| Total other financing sources (uses) | <u>(16,889)</u> | <u>(28,729)</u> | <u>(11,840)</u> |
| Net change in fund balances | (16,889) | (28,729) | (11,840) |
| Fund balances, October 1 | 28,729 | 28,729 | -- |
| Fund balances, September 30 | <u>\$ 11,840</u> | <u>\$ --</u> | <u>\$ (11,840)</u> |

CLAY COUNTY, TEXAS

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

SEPTEMBER 30, 2014

| | <u>District Clerk</u> | <u>County Clerk</u> | <u>Sheriff Agency</u> |
|---------------------------|---------------------------|-------------------------|---------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 39,104 | \$ 2,585 | \$ 46,706 |
| Total Assets | <u>\$ 39,104</u> | <u>\$ 2,585</u> | <u>\$ 46,706</u> |
| LIABILITIES | | | |
| Due to other governments | \$ -- | \$ -- | \$ -- |
| Due to others | 39,104 | 2,585 | 46,706 |
| Total Liabilities | <u>\$ 39,104</u> | <u>\$ 2,585</u> | <u>\$ 46,706</u> |

| Tax Assessor Collector | County Attorney Agency | County Treasurer | Officer's Fee | Total Agency Funds (See Exhibit A-7) |
|--|-------------------------------|-------------------------------------|--|---|
| \$ 190,064 <u>\$ 190,064</u> | \$ 600 <u>\$ 600</u> | \$ 13,212 <u>\$ 13,212</u> | \$ 44,738 <u>\$ 44,738</u> | \$ 337,009 <u>\$ 337,009</u> |
| \$ 189,814 250 <u>\$ 190,064</u> | \$ -- 600 <u>\$ 600</u> | \$ -- 13,212 <u>\$ 13,212</u> | \$ 38,262 6,476 <u>\$ 44,738</u> | \$ 228,076 108,933 <u>\$ 337,009</u> |

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