

RUTLEDGE CRAIN & COMPANY, PC
CERTIFIED PUBLIC ACCOUNTANTS
2401 Garden Park Court, Suite B
Arlington, Texas 76013

June 19, 2014

To the Honorable County Judge and Commissioners
Clay County
Henrietta, Texas

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clay County, Texas (the "County") as of and for the year ended September 30, 2013, which collectively comprise Clay County, Texas' basic financial statements and have issued our report thereon dated June 19, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

In planning and performing our audit we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

Other Matters

The following are matters we want to bring to your attention which are not control deficiencies, but which should be considered by the Commissioner's Court:

1. Tax Rate

The Commissioner's Court passes a court order to levy taxes for the maintenance and operation of the County's funds and for debt service when outstanding debt exists. At present the court order is unduly complex in that a rate is passed for Road and Bridge, Farm to Market Funds, and the General Fund. The General Fund rate is further divided into amounts for the General Fund, General Road and Bridge, and Debt Service (when a debt issue is outstanding). This procedure is unduly cumbersome and could potentially result in an error when the rate is used to divide the tax levy. Indeed, in the year ended September 30, 2013, our audit procedures revealed that the cash receipts had been misallocated between the funds in a significant amount, resulting in material adjustments to the funds receiving property tax revenue.

We recommend that the court consider a simplified approach whereby a rate is set for the General Fund, the Road and Bridge Funds, and Debt Service when appropriate. The Road and Bridge Rate can then be allocated based upon the relative miles in each precinct.

2. Sheriff's Forfeiture Fund

In the year ended September 30, 2012, the Sheriff's Forfeiture fund was not included in the County's basic financial statements. Although the ending cash amount and related fund balance were only \$250, all operating funds of the County should be included in the County's basic financial statements.

We recommend that County management review all of the activities of various County offices to insure that the activities of the county are properly included in the County's basic financial statements.

3. Implementation of GASB 63

GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, is effective as of fiscal 2013, and provides financial reporting guidance for deferred outflows and deferred inflows of resources. Additionally, GASB 63 amends GASB 34 by incorporating deferred outflows and deferred inflows of resources into the definitions of the required components of the residual measure, and renaming the measure from net assets to net position. GASB 63 has been implemented and is reflected in the Clay County Financial Statements as of September 30, 2013.

4. New Statements from the Governmental Accounting Standards Board

The following GASB Statements take effect in fiscal 2014, and the County should determine how these statements will effect the County.

- A. GASB Statement No. 65, Items Previously Reported as Assets and Liabilities is effective as of fiscal 2014. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities.
- B. GASB Statement No. 66, Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62 is effective as of fiscal 2014. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.
- C. GASB Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27, effective as of fiscal 2015. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.
- D. GASB Statement No. 69, Government Combinations and Disposals of Government Operations, effective as of fiscal 2015. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations.
- E. GASB Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees, effective fiscal 2015. Some governments extend financial guarantees for the obligations of another government, a not-for-profit organization, a private entity, or individual without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). As a part of this nonexchange financial guarantee, a government commits to indemnify the holder of the obligation if the entity or individual that issued the obligation does not fulfill its payment requirements. Also, some governments issue obligations that are guaranteed by other entities in a nonexchange transaction. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.



We would like to express our appreciation to offices of the County Treasurer and County Auditor and other county offices for their prompt responses to our requests for information and their efforts in preparing the numerous audit schedules and analyses needed in our audit of the County's basic financial statements.

The foregoing conditions were considered in determining the nature, timing, and extent of audit tests to be applied in our examination of the financial statements, and this report of such condition does not modify our report dated June 19, 2014 on such financial statements. We would be pleased to discuss our recommendations in more detail and to assist in implementing them at your request.

This communication is intended solely for the information and use of the Clay County Commissioners' Court, management, and others within the administration and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Buttledge Crain & Company, PC

CLAY COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2013

CLAY COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2013

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Financial Section

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RUTLEDGE CRAIN & COMPANY, PC
CERTIFIED PUBLIC ACCOUNTANTS
2401 Garden Park Court, Suite B
Arlington, Texas 76013

INDEPENDENT AUDITORS' REPORT

To the Honorable County Judge and Commissioners 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, 2013, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Clay County, Texas' management. 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 assets, 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.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Clay County, Texas, as of September 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note V. E. to the financial statements, the County has adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and Statement No. 65, Items Previously Reported as Assets and Liabilities. Our opinion is not modified with respect to this matter.

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 40-44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Clay County, Texas, 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. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Buttledge Crain & Company, PC

Arlington, Texas
June 19, 2014

Management's Discussion and Analysis

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CLAY COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2013

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, 2013. 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, 2013, by \$9,049,539 (net assets). Of this amount, \$5,137,389 (unrestricted net assets) may be used to meet the governments ongoing obligations to citizen's and creditors.
- The County's total net assets increased by \$222,885. The majority of this increase is attributable to a decrease in expenses in several departments.
- The County's governmental funds reported combined ending fund balances of \$4,822,428 a decrease of \$1,084,577 in comparison to the previous year. The decrease was primarily the result of paying off bond principal for the Courthouse Annex two years early.
- The unreserved portion of the General Fund Balance at the end of the year was \$3,022,978 or 65% of total General Fund expenditures.
- 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 Assets and the Statement of Activities, are utilized to provide this financial overview.
- The Statement of Net Assets presents information on all of the County's assets and liabilities with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 thirteen 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, Road & Bridge Number Four, all of which are considered to be major funds. Data from the other eight 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.

Government-wide Financial Analysis

At the end of fiscal year 2013, the County's net assets (assets exceeding liabilities) totaled \$9,049,539. This analysis focuses on the net assets (Table 1) and changes in net assets (Table 2).

CLAY COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2013

Net Assets. The largest portion of the County's net assets, \$3,883,422, or 42.9%, 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.

An additional portion of the County's net assets, \$28,728, represents resources that are subject to external restrictions on how they may be used. The net assets which are restricted for debt service are due to debt being issued for construction of capital assets. The remaining balance of unrestricted net assets, \$5,137,389, or 56.8%, may be used to meet the government's ongoing obligations to citizens and creditors.

Table 1
 Condensed Statement of Net Assets

	2013		2012	
	Governmental Activities	Component Unit	Governmental Activities	Component Unit
ASSETS				
Current and other assets	\$5,483,667	\$4,394,177	\$6,485,268	\$4,762,028
Capital assets, net of depreciation	4,324,768	2,838,106	4,287,745	3,079,465
Total assets	9,808,435	7,232,283	10,773,013	7,841,493
LIABILITIES				
Long-term liabilities	515,923	325,449	1,767,467	425,465
Other liabilities	242,973	441,764	178,892	582,291
Total liabilities	758,896	767,213	1,946,359	1,007,756
NET ASSETS				
Invested in capital assets, net of related debt	3,883,422	2,512,657	2,607,540	2,654,000
Restricted	28,728	—	1,090,937	—
Unrestricted	5,137,389	3,952,413	5,128,177	4,179,737
	\$9,049,539	\$6,465,070	\$8,826,654	\$6,833,737

Changes in Net Assets. The net assets of the County increased by \$222,885. for the fiscal year ended September 30, 2013.

CLAY COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2013

Table 2
Changes in Net Assets

	2013		2012	
	Governmental	Component	Governmental	Component
	Activities	Unit	Activities	Unit
Program Revenues:				
Charges for services	\$1,691,784	\$5,898,250	\$1,670,362	\$6,090,642
Operating grants and contributions	152,425	63,600	359,572	32,809
Capital grants and contributions		13,300	263,800	58,391
General Revenues:				
Property taxes	5,187,007	--	4,888,370	--
Interest	51,214	168,481	136,101	161,648
Miscellaneous	18,951	1,097,713	24,558	542,411
Gain (loss) on disposal of capital assets	49,510	--	101,319	--
Total Revenues	7,150,891	7,241,344	7,444,082	6,885,901
Expenses:				
General government	643,888	--	623,224	--
Judicial	569,128	--	515,373	--
Legal	151,476	--	160,807	--
Financial administration	202,011	--	197,126	--
Public facilities	73,454	--	72,599	--
Public safety	1,954,324	--	1,762,811	--
Public transportation	2,110,528	--	2,100,119	--
Health and welfare	124,686	--	374,372	--
Conservation	97,518	--	95,310	--
Nondepartmental	969,107	--	1,110,598	--
Interest & Fiscal Charges	31,886	--	51,021	--
Hospital Operations	--	7,610,011	--	7,047,865
Total Expenses	6,928,006	7,610,011	7,063,360	7,047,865
Increase (decrease) in net assets	222,885	(368,667)	380,722	(161,964)
Net assets, October 1	8,826,654	6,833,737	8,445,932	6,995,701
Net assets, September 30	\$9,049,539	\$6,465,070	\$8,826,654	\$6,833,737

CLAY COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2013

Clay County's net assets increased by \$222,885. Key elements of this increase are as follows:

- Property taxes increased by \$299,000 due to higher assessed property values.
- Nondepartmental expenses decreased by \$135,354, primarily due to less grants being paid out.
- These gains were partially offset by decreases in interest income of \$85,000 and a decrease of gain on disposal of capital assets of \$52,000.

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 \$4,822,428.

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 \$3,022,978. The fund balance increased by \$61,278 during the current fiscal year. A key factor of the increase shown is due to a transfer of \$275,000 from the Annex Capital Project Fund. These funds were left after completion of the project and the pay off of the bond issue.

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 change in the total appropriations for the final amended budget compared to the original budget.

During the year there was a \$1,326,575 positive variance in appropriations between the final amended budget and actual. Following are the main components of the variance:

- \$86,524 - in general government - scheduled computer hardware/software not purchased.
- \$117,485 - in public safety - reduced costs in utilities, health insurance, juvenile housing, and prorata costs.
- \$130,892 - in health and welfare - indigent health care costs were over budgeted.
- \$919,899 - in nondepartmental - a number of items are over budgeted, postage meter, equipment purchases, property renovation and repairs, 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, 2013

Capital Assets and Debt Administration

Capital Assets. The County's investment in capital assets for its governmental activities as of September 30, 2013, amounts to \$00 (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
	2013	2012	2013	2012
Land	\$140,695	\$140,695	\$361,951	\$361,951
Construction in progress	--	--		
Buildings	2,715,639	2,784,500	1,120,734	1,099,446
Machinery and equipment	1,119,069	1,063,614	1,355,421	1,618,068
Infrastructure	349,365	298,936	--	--
Total	\$4,324,768	\$4,287,745	\$2,838,106	\$3,079,465

Additional information on the County's capital assets can be found in the foot notes to the financial statements on page 32.

Debt Administration. Clay County does not have any bonded indebtedness.

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, 2013 the County had capital lease obligations of \$441,346.

Table 4
 Outstanding Debt at Year End

	Governmental	Activities	Component	Unit
	2013	2012	2013	2012
Notes payable	\$	\$1,270,000	\$ --	\$ --
Capital lease obligations	441,346	410,205	325,449	425,465
Compensated absences	74,577	87,262	--	--
Total	\$515,923	\$1,767,467	\$325,449	\$425,465

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 on page 34.

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 6.1%, which is below the state and national average. Economic Development is in the process of determining the needs and feasibility of a complex for the elderly, and land has been purchased with intent of opening a large Brick Company on Hwy 287. A new Travel Center located on the corner of Hwy.287 and 148 South will open sometime in late 2014.

During the current fiscal year, fund balance in the General Fund increased by \$61,278.

The County decreased the ad valorem tax rate to \$.65518 in fiscal year 2013 from \$.72818 in fiscal year 2012. The County had a 98.49% collection rate in 2013, compared to 97.8% in fiscal year 2012. This improves the ratio of total delinquent taxes which is currently 5% of the current year levy.

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, 2013

EXHIBIT A-1

	Primary Governmental Activities	Component Unit
ASSETS		
<i>Cash and cash equivalents</i>		
Receivables (net of allowances for uncollectibles):	\$ 4,839,405	2,085,740
<i>Taxes</i>		
<i>Fines</i>	256,080	--
<i>Accounts</i>	363,714	--
<i>Other</i>	--	855,356
<i>Intergovernmental</i>	--	177,625
<i>Internal balances</i>	15,683	--
<i>Inventories</i>	--	--
<i>Prepaid items</i>	--	87,849
<i>Other assets</i>	--	20,919
Restricted assets:		102,714
<i>Cash and cash equivalents</i>		
<i>Note receivable</i>	--	1,063,974
Capital assets (net of accumulated depreciation)	8,785	--
<i>Land</i>		
<i>Buildings</i>	140,695	361,951
<i>Infrastructure</i>	2,715,639	1,120,734
<i>Machinery and equipment</i>	349,365	--
Total Assets	<u>1,119,069</u>	<u>1,355,421</u>
	<u>9,808,435</u>	<u>7,232,283</u>
LIABILITIES		
<i>Accounts payable</i>	73,786	176,894
<i>Accrued liabilities and other payables</i>	8,000	264,870
<i>Due to other governments</i>	126,240	--
<i>Due to others</i>	34,947	--
Noncurrent liabilities:		
<i>Due within one year</i>	139,869	101,328
<i>Due in more than one year</i>	376,054	224,121
Total Liabilities	<u>758,896</u>	<u>767,213</u>
NET POSITION		
<i>Net Investment in Capital Assets</i>	3,883,422	2,512,657
Restricted For:		
<i>Debt Service</i>	28,728	--
<i>Unrestricted</i>	5,137,389	3,952,413
Total Net Position	<u>\$ 9,049,539</u>	<u>6,465,070</u>

The accompanying notes are an integral part of this statement.

CLAY COUNTY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental activities:				
General government	\$ 643,888	\$ 188,285	\$ --	\$ --
Judicial	569,128	359,610	15,000	--
Legal	151,476	1,950	20,833	--
Financial administration	202,011	--	--	--
Public facilities	73,454	--	--	--
Public Safety	1,954,324	471,255	116,592	--
Public transportation	2,110,528	660,692	--	--
Health and welfare	124,686	--	--	--
Conservation	97,518	--	--	--
Nondepartmental	969,107	9,992	--	--
Interest and fiscal charges	31,886	--	--	--
Total Primary Government	<u>\$ 6,928,006</u>	<u>\$ 1,691,784</u>	<u>\$ 152,425</u>	<u>\$ --</u>
 COMPONENT UNIT:				
Clay County Memorial Hospital	<u>\$ 7,610,011</u>	<u>\$ 5,898,250</u>	<u>\$ 63,600</u>	<u>\$ 13,300</u>

General Revenues:
 Property Taxes
 Miscellaneous
 Unrestricted Investment Earnings
 Gain (Loss) on Sale of Capital Assets
 Total General Revenues
 Change in Net Assets
 Net Assets - Beginning
 Net Assets - 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>
\$ (455,603)	
(194,518)	
(128,693)	
(202,011)	
(73,454)	
(1,366,477)	
(1,449,836)	
(124,686)	
(97,518)	
(959,115)	
(31,886)	
<u>(5,083,797)</u>	
	\$ <u>(1,634,861)</u>
5,187,007	--
18,951	1,097,713
51,214	168,481
49,510	--
<u>5,306,682</u>	<u>1,266,194</u>
222,885	(368,667)
8,826,654	6,833,737
<u>\$ 9,049,539</u>	<u>\$ 6,465,070</u>

CLAY COUNTY, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

	<u>General Fund</u>	<u>Road & Bridge Number One</u>	<u>Road & Bridge Number Two</u>
ASSETS			
<i>Cash and cash equivalents</i>	\$ 3,079,759	\$ 354,102	\$ 258,392
<i>Receivables (net of allowances for uncollectibles):</i>			
<i>Taxes</i>	111,419	34,043	35,093
<i>Fines</i>	363,714	--	--
<i>Intergovernmental</i>	11,443	671	543
<i>Due from other funds</i>	--	13,711	11,092
<i>Note receivable</i>	8,785	--	--
Total Assets	<u>\$ 3,575,120</u>	<u>\$ 402,527</u>	<u>\$ 305,120</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
<i>Accounts payable</i>	\$ 36,753	\$ --	\$ 2,784
<i>Accrued liabilities and other payables</i>	--	228	--
<i>Due to other funds</i>	65,942	--	--
<i>Due to other governments</i>	126,240	--	--
<i>Due to others</i>	34,947	--	--
Total Liabilities	<u>263,882</u>	<u>228</u>	<u>2,784</u>
DEFERRED INFLOWS OF RESOURCES			
<i>Unavailable revenue-property taxes</i>	85,733	32,489	34,087
<i>Unavailable revenue-fines</i>	202,527	--	--
Total deferred inflows of resources	<u>288,260</u>	<u>32,489</u>	<u>34,087</u>
Fund balances:			
<i>Restricted</i>	--	--	--
<i>Committed</i>	--	369,810	268,249
<i>Unassigned</i>	3,022,978	--	--
Total fund balances	<u>3,022,978</u>	<u>369,810</u>	<u>268,249</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 3,575,120</u>	<u>\$ 402,527</u>	<u>\$ 305,120</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>
\$ 344,311	\$ 471,206	\$ 331,634	\$ 4,839,404
38,076	37,449	--	256,080
--	--	--	363,714
909	957	1,160	15,683
18,583	19,565	2,991	65,942
--	--	--	8,785
<u>\$ 401,879</u>	<u>\$ 529,177</u>	<u>\$ 335,785</u>	<u>\$ 5,549,608</u>
\$ 4,437	\$ 29,812	\$ --	\$ 73,786
--	--	--	228
--	--	--	65,942
--	--	--	126,240
--	--	--	34,947
<u>4,437</u>	<u>29,812</u>	<u>--</u>	<u>301,143</u>
35,970	35,231	--	223,510
--	--	--	202,527
<u>35,970</u>	<u>35,231</u>	<u>--</u>	<u>426,037</u>
361,472	--	335,785	335,785
--	464,134	--	1,463,665
--	--	--	3,022,978
<u>361,472</u>	<u>464,134</u>	<u>335,785</u>	<u>4,822,428</u>
<u>\$ 401,879</u>	<u>\$ 529,177</u>	<u>\$ 335,785</u>	<u>\$ 5,549,608</u>

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CLAY COUNTY, TEXAS

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2013**

EXHIBIT A-4

Total fund balances - governmental funds balance sheet	\$ 4,822,428
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.	4,324,768
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	223,511
Payables for capital leases which are not due in the current period are not reported in the funds.	(441,346)
Payables for bond interest which are not due in the current period are not reported in the funds.	(7,771)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(74,577)
Court fines receivable unavailable to pay for current period expenditures are deferred in the funds.	<u>202,527</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 9,049,539</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, 2013**

	General Fund	Road & Bridge Number One	Road & Bridge Number Two
Revenues:			
<i>Taxes</i>	\$ 3,528,355	\$ 250,485	\$ 202,391
<i>Licenses and permits</i>	123,748	125,502	125,502
<i>Intergovernmental</i>	116,592	--	--
<i>Fines and fees</i>	449,341	28,069	25,612
<i>Interest</i>	30,327	4,016	408
<i>Miscellaneous</i>	399,392	9,517	5,559
Total revenues	<u>4,647,755</u>	<u>417,589</u>	<u>359,472</u>
Expenditures:			
Current:			
<i>General government</i>	596,409	--	--
<i>Judicial</i>	568,644	--	--
<i>Legal</i>	149,323	--	--
<i>Financial administration</i>	202,117	--	--
<i>Public facilities</i>	73,454	--	--
<i>Public Safety</i>	1,901,336	--	--
<i>Public transportation</i>	--	547,662	416,258
<i>Health and welfare</i>	124,951	--	--
<i>Conservation</i>	97,595	--	--
<i>Nondepartmental</i>	912,001	--	--
Debt service:			
<i>Principal</i>	--	--	--
<i>Interest and fiscal charges</i>	--	--	--
Total expenditures	<u>4,625,830</u>	<u>547,662</u>	<u>416,258</u>
Excess (deficiency) of revenues over (under) expenditures	21,925	(130,073)	(56,786)
Other financing sources (uses):			
<i>Transfers in</i>	275,000	60,000	60,000
<i>Transfers out</i>	(240,147)	--	--
<i>Sale of capital assets</i>	4,500	22,000	--
<i>Capital leases</i>	--	--	--
Total other financing sources (uses)	<u>39,353</u>	<u>82,000</u>	<u>60,000</u>
Net change in fund balances	61,278	(48,073)	3,214
Fund balances, October 1	2,961,700	417,883	265,035
Fund balances, September 30	<u>\$ 3,022,978</u>	<u>\$ 369,810</u>	<u>\$ 268,249</u>

The accompanying notes are an integral part of this statement.

EXHIBIT A-5

Road & Bridge Number Three	Road & Bridge Number Four	Other Governmental Funds	Total Governmental Funds
\$ 339,500	\$ 357,443	\$ 516,113	\$ 5,194,287
125,501	125,501	--	625,754
--	--	--	116,592
32,641	33,562	73,242	642,467
792	5,657	10,014	51,214
8,136	20,645	4,397	447,646
<u>506,570</u>	<u>542,808</u>	<u>603,766</u>	<u>7,077,960</u>
--	--	43,376	639,785
--	--	--	568,644
--	--	2,072	151,395
--	--	--	202,117
--	--	--	73,454
706,960	641,515	28,769	1,930,105
--	--	--	2,312,395
--	--	--	124,951
--	--	--	97,595
--	--	21,948	933,949
--	--	1,270,000	1,270,000
--	--	27,361	27,361
<u>706,960</u>	<u>641,515</u>	<u>1,393,526</u>	<u>8,331,751</u>
(200,390)	(98,707)	(789,760)	(1,253,791)
60,000	60,000	147	515,147
--	--	(275,000)	(515,147)
15,000	8,010	--	49,510
73,000	46,704	--	119,704
<u>148,000</u>	<u>114,714</u>	<u>(274,853)</u>	<u>169,214</u>
(52,390)	16,007	(1,064,613)	(1,084,577)
413,862	448,127	1,400,398	5,907,005
<u>\$ 361,472</u>	<u>\$ 464,134</u>	<u>\$ 335,785</u>	<u>\$ 4,822,428</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, 2013*

Net change in fund balances - total governmental funds	\$ (1,084,577)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	401,296
The depreciation of capital assets used in governmental activities is not reported in the funds.	(364,273)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(7,282)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	1,270,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	88,563
(Increase) decrease in accrued interest from beginning of period to end of period.	(4,525)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	12,685
Certain fine revenues are deferred in the funds. This is the change in these amounts this year.	30,702
Proceeds of leases do not provide revenue in the SOA, but are reported as current resources in the funds.	<u>(119,704)</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 222,885</u>

The accompanying notes are an integral part of this statement.

CLAY COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2013

	<u>Agency Funds</u>
ASSETS	
<i>Cash and cash equivalents</i>	\$ 479,283
Total Assets	<u>\$ 479,283</u>
LIABILITIES	
<i>Due to other governments</i>	\$ 259,228
<i>Due to others</i>	220,055
Total Liabilities	<u>\$ 479,283</u>

The accompanying notes are an integral part of this statement.

CLAY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2013

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, 2013

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.

The *County Courthouse Annex Capital Projects Fund* accounts for revenues and expenditures for the acquisition or construction of capital assets used in the operation 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, 2013

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, 2013

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, 2013

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	\$76,520
District clerk fines	75,923
Justice of the peace fines	50,083
Total	<u>\$202,526</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 \$8,468,402, and the bank balance was \$9,225,218. At year end, the County's depository had pledged securities, with a face value of \$13,629,000 and fair value of \$9,540,371.

Reconciliation of Carrying Amount to Balance Sheets:

	Primary <u>Government</u>	Component <u>Unit</u>	Reporting <u>Entity</u>
Cash and cash equivalents	\$4,839,405	\$2,085,740	\$6,925,145
Restricted cash and cash equivalents	--	1,063,974	1,063,974
Total government wide	4,839,405	3,149,714	7,989,119
Agency funds	479,283	--	479,283
	<u>\$5,318,688</u>	<u>\$3,149,714</u>	<u>\$8,468,402</u>

CLAY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2013

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	\$111,419	\$34,043	\$35,093	\$38,076	\$37,449	\$ --	\$256,080
Fines receivable	\$587,507	\$ --	\$ --	\$ --	\$ --	\$ --	\$587,507
Allowance	(223,793)	--	--	--	--	--	(223,793)
	\$363,714	\$ --	\$ --	\$ --	\$ --	\$ --	\$363,714
Intergovernmental	\$11,443	\$671	\$543	\$909	\$957	\$1,160	\$15,683

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)	\$85,733	\$ --	\$85,733
Deferred fines revenue (General Fund)	202,527	--	202,527
Deferred tax revenue (Road & Bridge Fund #1)	32,489	--	32,489
Deferred tax revenue (Road & Bridge Fund #2)	34,087	--	34,087
Deferred tax revenue (Road & Bridge Fund #3)	35,970	--	35,970
Deferred tax revenue (Road & Bridge Fund #4)	35,231	--	35,231
Total deferred/unearned revenue for governmental funds	\$426,037	\$ --	\$426,037

CLAY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2013

C. Capital assets

Capital asset activity for the year ended September 30, 2013:

	Balance 9/30/12	Additions	Retirements	Completed Construction	Balance 9/30/13
GOVERNMENTAL ACTIVITIES:					
Capital assets, not being depreciated:					
Land	\$140,695	\$ --	\$ --	\$ --	\$140,695
Construction in progress--	--	--	--	--	--
Total capital assets not being depreciated	<u>140,695</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>140,695</u>
Capital assets, being depreciated:					
Buildings	3,646,901	--	--	--	3,646,901
Infrastructure	45,236,895	65,481	--	--	45,302,376
Machinery and equipment	3,040,725	335,815	(178,749)	--	3,197,791
Total capital assets being depreciated	<u>51,924,521</u>	<u>401,296</u>	<u>(178,749)</u>	<u>--</u>	<u>52,147,068</u>
Less accumulated depreciation for:					
Buildings	(862,401)	(68,861)	--	--	(931,262)
Infrastructure	(44,937,959)	(15,052)	--	--	(44,953,011)
Machinery and equipment	(1,977,111)	(280,360)	178,749	--	(2,078,722)
Total accumulated depreciation	<u>(47,777,471)</u>	<u>(364,273)</u>	<u>178,749</u>	<u>--</u>	<u>(47,962,995)</u>
Total capital assets being depreciated, net	<u>4,147,050</u>	<u>37,023</u>	<u>--</u>	<u>--</u>	<u>4,184,073</u>
Governmental activities capital assets, net	<u>\$4,287,745</u>	<u>\$37,023</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$4,324,768</u>

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

Governmental activities:

General government	\$5,344
Public safety	33,899
Public transportation	231,366
Nondepartmental	93,664
Total depreciation expense - governmental activities	<u>\$364,273</u>

CLAY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2013

	Balance 9/30/12	Additions	Retirements	Reclassify	Balance 9/30/13
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	2,569,320	67,905	--	29,678	2,666,903
Land improvements	16,779	--	--	--	16,779
Equipment	5,042,242	139,326	--	(29,678)	5,151,890
Leased assets	524,009	--	--	--	524,009
Total capital assets being depreciated	8,152,350	207,231	--	--	8,359,581
Less accumulated depreciation for:					
Buildings	(1,484,229)	(75,176)	--	--	(1,559,405)
Land improvements	(2,424)	(1,119)	--	--	(3,543)
Equipment	(3,859,161)	(267,754)	--	--	(4,126,915)
Leased assets	(89,022)	(104,541)	--	--	(193,563)
Total accumulated depreciation	(5,434,836)	(448,590)	--	--	(5,883,426)
Total capital assets being depreciated, net	2,717,514	(241,359)	--	--	2,476,155
Governmental activities capital assets, net	\$3,079,465	(\$241,359)	\$ --	\$ --	\$2,838,106

D. Interfund receivables, payables, and transfers

There were no interfund receivable balances as of September 30, 2013.

Interfund transfers:

Fund	Transfer In	Transfer Out
Major Governmental Funds		
General Fund	\$275,000	\$240,147
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	--	275,000
County Attorney	147	--
Total	\$515,147	\$515,147

Transfers were made to subsidize the Road and Bridge Funds, and the County Attorney Fund. The Debt Service Fund prepared to shut down upon payoff of the bond issue, and reimbursed the General Fund for payments by the General Fund on the capital project before the bond proceeds were available.

CLAY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2013

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 \$925,277 and \$592,378, respectively, under capital lease arrangements.

Capital Lease Obligations Currently Outstanding:

Purpose	Original Amount	Date of Lease	Final Maturity	Interest Rate	Balance 09/30/13
Backhoe with trailer	\$48,838	8/24/09	08/24/14	5.14%	\$10,741
Motor grader	149,500	5/01/10	5/01/15	3.62%	129,664
Motor grader	177,065	3/15/11	3/15/16	3.50%	158,730
Motor grader	80,701	5/15/11	5/15/14	3.50%	22,507
Cat track loader	46,704	5/06/13	5/06/18	3.20%	46,704
Backhoe loader	73,000	12/10/12	12/10/17	3.30%	73,000
Total Leases Payable					<u>\$441,346</u>

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

Year	Total
2014	\$79,179
2015	200,606
2016	150,257
2017	25,256
2018	25,256
Total payments	480,554
Less imputed interest	(39,208)
Total Capital Lease Obligations	<u>\$441,346</u>

CLAY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2013

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended September 30, 2013, was as follows:

	Balance 09/30/12	Additions	Retirements	Balance 09/30/13	Due Within One Year
Governmental activities:					
Tax Notes Payable	\$1,270,000	\$ --	(\$1,270,000)	\$ --	\$ --
Capital leases	410,205	119,704	(88,563)	441,346	65,292
Compensated absences	87,262	74,577	(87,262)	74,577	74,577
Governmental activity long-term liabilities	\$1,767,467	\$194,281	(\$1,445,825)	\$515,923	\$139,869

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

	Balance 09/30/12	Additions	Retirements	Balance 09/30/13	Due Within One Year
Discrete Component Unit:					
Capital leases	\$425,465	\$ --	(\$100,016)	\$325,449	\$101,328
Governmental activity long-term liabilities	\$425,465	\$ --	(\$100,016)	\$325,449	\$101,328

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, 2013, 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, 2013

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 2012 and 11.00% for the months of the accounting year in 2013.

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, 2013, the annual pension cost for the TCDRS plan for its employees was \$302,981 and the actual contributions were \$302,981.

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, 2011, the basis for determining the contribution rates for fiscal year 2013. The December 31, 2012 actuarial valuation is the most recent valuation.

CLAY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2013

Actuarial Valuation Information

Actuarial valuation date	12/31/10	12/31/11	12/31/12
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	15.8	15.3	15.6
Actuarial valuation method	SAF: 10-yr smoothed value. ESF: Fund value.	SAF: 10-yr smoothed value. ESF: Fund value.	SAF: 10-yr smoothed value. ESF: Fund value.
Actuarial assumptions:			
Investment return	8.00%	8.00%	8.00%
Projected salary increases	5.40%	5.40%	5.40%
Inflation	3.50%	3.50%	3.50%
Cost-of-living adjustments	0.00%	0.00%	0.00%
Trend Information			
Accounting year ended	9/30/11	9/30/12	9/30/13
Annual Pension Cost (APC)	\$272,846	\$276,405	\$302,981
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.

E. Implementation of new GASB Accounting Standards/Reclassification/Restatement of Prior Year Amounts

The County has implemented new GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Under GASB-63, amounts previously reported as deferred charges as a part of total assets and deferred amounts from refunded debt have been reported in a separate section as deferred outflows of resources and amounts previously reported as deferred revenue as a part of total liabilities have been reported in a separate section as deferred inflows of resources. Under GASB-65, bond issue costs (excluding bond insurance) are recognized as expenses in the period incurred rather than as assets to be amortized.

GASB 63 resulted in the reclassification of \$402,619 of deferred ad valorem tax revenue to deferred inflows of resources for governmental funds.

The Sheriff Forfeiture Fund was not included in the September 30, 2012 basic financial statements. The restatement of last years financial statements increases cash and fund balance by \$250 in the nonmajor special revenue funds.

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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, 2013

EXHIBIT B-1

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
<i>Taxes</i>	\$ 3,283,739	\$ 3,283,739	\$ 3,528,355	\$ 244,616
<i>Licenses and permits</i>	35,000	35,000	123,748	88,748
<i>Intergovernmental</i>	257,500	257,500	116,592	(140,908)
<i>Fines and fees</i>	281,650	281,650	449,341	167,691
<i>Interest</i>	40,000	40,000	30,327	(9,673)
<i>Miscellaneous</i>	338,042	338,042	399,392	61,350
Total revenues	<u>4,235,931</u>	<u>4,235,931</u>	<u>4,647,755</u>	<u>411,824</u>
Expenditures:				
Current:				
<i>General government</i>	682,933	682,933	596,409	86,524
<i>Judicial</i>	598,464	603,544	568,644	34,900
<i>Legal</i>	163,378	163,378	149,323	14,055
<i>Financial administration</i>	213,083	213,083	202,117	10,966
<i>Public facilities</i>	82,433	82,433	73,454	8,979
<i>Public Safety</i>	2,018,821	2,018,821	1,901,336	117,485
<i>Health and welfare</i>	255,843	255,843	124,951	130,892
<i>Conservation</i>	100,470	100,470	97,595	2,875
<i>Nondepartmental</i>	1,836,980	1,831,900	912,001	919,899
Total expenditures	<u>5,952,405</u>	<u>5,952,405</u>	<u>4,625,830</u>	<u>1,326,575</u>
Excess (deficiency) of revenues over (under) expenditures	(1,716,474)	(1,716,474)	21,925	1,738,399
Other financing sources (uses):				
<i>Transfers in</i>	275,000	275,000	275,000	--
<i>Transfers out</i>	(240,504)	(240,504)	(240,147)	357
<i>Sale of capital assets</i>	--	--	4,500	4,500
Total other financing sources (uses)	<u>34,496</u>	<u>34,496</u>	<u>39,353</u>	<u>4,857</u>
Net change in fund balances	(1,681,978)	(1,681,978)	61,278	1,743,256
Fund balances, October 1	2,961,700	2,961,700	2,961,700	--
Fund balances, September 30	<u>\$ 1,279,722</u>	<u>\$ 1,279,722</u>	<u>\$ 3,022,978</u>	<u>\$ 1,743,256</u>

CLAY COUNTY, TEXAS
ROAD & BRIDGE NUMBER ONE
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2013

EXHIBIT B-2

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
<i>Taxes</i>	\$ 234,539	\$ 234,539	\$ 250,485	\$ 15,946
<i>Licenses and permits</i>	110,000	110,000	125,502	15,502
<i>Fines and fees</i>	6,000	6,000	28,069	22,069
<i>Interest</i>	3,000	3,000	4,016	1,016
<i>Miscellaneous</i>	--	--	9,517	9,517
Total revenues	<u>353,539</u>	<u>353,539</u>	<u>417,589</u>	<u>64,050</u>
Expenditures:				
Current:				
<i>Public transportation</i>	618,890	618,890	547,662	71,228
Total expenditures	<u>618,890</u>	<u>618,890</u>	<u>547,662</u>	<u>71,228</u>
Excess (deficiency) of revenues over (under) expenditures	(265,351)	(265,351)	(130,073)	135,278
Other financing sources (uses):				
<i>Transfers in</i>	60,000	60,000	60,000	--
<i>Sale of capital assets</i>	--	--	22,000	22,000
Total other financing sources (uses)	<u>60,000</u>	<u>60,000</u>	<u>82,000</u>	<u>22,000</u>
Net change in fund balances	(205,351)	(205,351)	(48,073)	157,278
Fund balances, October 1	417,883	417,883	417,883	--
Fund balances, September 30	<u>\$ 212,532</u>	<u>\$ 212,532</u>	<u>\$ 369,810</u>	<u>\$ 157,278</u>

CLAY COUNTY, TEXAS
ROAD & BRIDGE NUMBER TWO
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2013

EXHIBIT B-3

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
<i>Taxes</i>	\$ 189,772	\$ 189,772	\$ 202,391	\$ 12,619
<i>Licenses and permits</i>	110,000	110,000	125,502	15,502
<i>Fines and fees</i>	6,000	6,000	25,612	19,612
<i>Interest</i>	2,500	2,500	408	(2,092)
<i>Miscellaneous</i>	--	--	5,559	5,559
Total revenues	<u>308,272</u>	<u>308,272</u>	<u>359,472</u>	<u>51,200</u>
Expenditures:				
Current:				
<i>Public transportation</i>	514,990	514,990	416,258	98,732
Total expenditures	<u>514,990</u>	<u>514,990</u>	<u>416,258</u>	<u>98,732</u>
Excess (deficiency) of revenues over (under) expenditures	(206,718)	(206,718)	(56,786)	149,932
Other financing sources (uses):				
<i>Transfers in</i>	60,000	60,000	60,000	--
Total other financing sources (uses)	<u>60,000</u>	<u>60,000</u>	<u>60,000</u>	<u>--</u>
Net change in fund balances	(146,718)	(146,718)	3,214	149,932
Fund balances, October 1	265,035	265,035	265,035	--
Fund balances, September 30	<u>\$ 118,317</u>	<u>\$ 118,317</u>	<u>\$ 268,249</u>	<u>\$ 149,932</u>

CLAY COUNTY, TEXAS
ROAD & BRIDGE NUMBER THREE
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2013

EXHIBIT B-4

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
<i>Taxes</i>	\$ 317,814	\$ 317,814	\$ 339,500	\$ 21,686
<i>Licenses and permits</i>	110,000	110,000	125,501	15,501
<i>Fines and fees</i>	6,000	6,000	32,641	26,641
<i>Interest</i>	2,500	2,500	792	(1,708)
<i>Miscellaneous</i>	--	--	8,136	8,136
Total revenues	<u>436,314</u>	<u>436,314</u>	<u>506,570</u>	<u>70,256</u>
Expenditures:				
Current:				
<i>Public transportation</i>	686,650	686,650	706,960	(20,310)
Total expenditures	<u>686,650</u>	<u>686,650</u>	<u>706,960</u>	<u>(20,310)</u>
Excess (deficiency) of revenues over (under) expenditures	(250,336)	(250,336)	(200,390)	49,946
Other financing sources (uses):				
<i>Transfers in</i>	60,000	60,000	60,000	--
<i>Sale of capital assets</i>	--	--	15,000	15,000
<i>Capital leases</i>	--	--	73,000	73,000
Total other financing sources (uses)	<u>60,000</u>	<u>60,000</u>	<u>148,000</u>	<u>88,000</u>
Net change in fund balances	(190,336)	(190,336)	(52,390)	137,946
Fund balances, October 1	413,862	413,862	413,862	--
Fund balances, September 30	<u>\$ 223,526</u>	<u>\$ 223,526</u>	<u>\$ 361,472</u>	<u>\$ 137,946</u>

CLAY COUNTY, TEXAS
ROAD & BRIDGE NUMBER FOUR
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2013

EXHIBIT B-5

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
<i>Taxes</i>	\$ 334,777	\$ 334,777	\$ 357,443	\$ 22,666
<i>Licenses and permits</i>	110,000	110,000	125,501	15,501
<i>Fines and fees</i>	6,000	6,000	33,562	27,562
<i>Interest</i>	3,000	3,000	5,657	2,657
<i>Miscellaneous</i>	--	--	20,645	20,645
Total revenues	<u>453,777</u>	<u>453,777</u>	<u>542,808</u>	<u>89,031</u>
Expenditures:				
Current:				
<i>Public transportation</i>	706,200	706,200	641,515	64,685
Total expenditures	<u>706,200</u>	<u>706,200</u>	<u>641,515</u>	<u>64,685</u>
 Excess (deficiency) of revenues over (under) expenditures	 (252,423)	 (252,423)	 (98,707)	 153,716
Other financing sources (uses):				
<i>Transfers in</i>	60,000	60,000	60,000	--
<i>Sale of capital assets</i>	--	--	8,010	8,010
<i>Capital leases</i>	--	--	46,704	46,704
Total other financing sources (uses)	<u>60,000</u>	<u>60,000</u>	<u>114,714</u>	<u>54,714</u>
 Net change in fund balances	 (192,423)	 (192,423)	 16,007	 208,430
 Fund balances, October 1	 448,127	 448,127	 448,127	 --
Fund balances, September 30	<u>\$ 255,704</u>	<u>\$ 255,704</u>	<u>\$ 464,134</u>	<u>\$ 208,430</u>

CLAY COUNTY, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended September 30, 2013

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, 2013
(Unaudited)

EXHIBIT B-6

Actuarial valuation date	Actuarial Valuation Information		
	12/31/10	12/31/11	12/31/12
Actuarial value of assets	\$7,155,702	\$7,116,002	\$7,454,183
Actuarial Accrued Liability (AAL)	\$8,630,093	\$8,672,485	\$9,153,114
Unfunded AAL (UAAL)	\$1,474,391	\$1,556,483	\$1,698,931
Funded Ratio	82.92%	82.05%	81.44%
Annual Covered Payroll (actuarial)	\$2,273,023	\$2,501,176	\$2,598,039
UAAL as a Percentage of Covered	64.86%	62.23%	65.39%

*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, 2013

	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS			
<i>Cash and cash equivalents</i>	\$ 307,057	\$ 24,577	\$ 331,634
<i>Intergovernmental</i>	--	1,160	1,160
<i>Due from other funds</i>	--	2,991	2,991
Total Assets	<u>\$ 307,057</u>	<u>\$ 28,728</u>	<u>\$ 335,785</u>
FUND BALANCES			
<i>Restricted</i>	\$ 307,057	\$ 28,728	\$ 335,785
Total fund balances	<u>307,057</u>	<u>28,728</u>	<u>335,785</u>
Total Liabilities and Fund Balances	<u>\$ 307,057</u>	<u>\$ 28,728</u>	<u>\$ 335,785</u>

CLAY COUNTY, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

EXHIBIT C-2

	Special Revenue Funds	Debt Service Fund	Capital Projects Fund Courthouse Annex	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:				
<i>Taxes</i>	\$ --	\$ 516,113	\$ --	\$ 516,113
<i>Fines and fees</i>	73,242	--	--	73,242
<i>Interest</i>	185	253	9,576	10,014
<i>Miscellaneous</i>	4,397	--	--	4,397
Total revenues	<u>77,824</u>	<u>516,366</u>	<u>9,576</u>	<u>603,766</u>
Expenditures:				
Current:				
<i>General government</i>	43,376	--	--	43,376
<i>Legal</i>	2,072	--	--	2,072
<i>Public Safety</i>	1,769	--	--	1,769
<i>Nondepartmental</i>	21,948	--	--	21,948
<i>Capital outlay</i>	27,000	--	--	27,000
Debt service:				
<i>Principal</i>	--	599,259	670,741	1,270,000
<i>Interest and fiscal charges</i>	--	25,689	1,672	27,361
Total expenditures	<u>96,165</u>	<u>624,948</u>	<u>672,413</u>	<u>1,393,526</u>
Excess (deficiency) of revenues over (under) expenditures	(18,341)	(108,582)	(662,837)	(789,760)
Other financing sources (uses):				
<i>Transfers in</i>	147	--	--	147
<i>Transfers out</i>	--	(275,000)	--	(275,000)
Total other financing sources (uses)	<u>147</u>	<u>(275,000)</u>	<u>--</u>	<u>(274,853)</u>
Net change in fund balances	(18,194)	(383,582)	(662,837)	(1,064,613)
Fund balances, October 1	325,251	412,310	662,837	1,400,398
Fund balances, September 30	<u>\$ 307,057</u>	<u>\$ 28,728</u>	<u>\$ --</u>	<u>\$ 335,785</u>

CLAY COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2013

	<u>Records Management Fee</u>	<u>Court Reporter Service</u>	<u>Records Preservation</u>	<u>Courthouse Security</u>
ASSETS				
<i>Cash and cash equivalents</i>	\$ 117,206	\$ 24,309	\$ 20,262	\$ 88,489
Total Assets	<u>\$ 117,206</u>	<u>\$ 24,309</u>	<u>\$ 20,262</u>	<u>\$ 88,489</u>
FUND BALANCES				
<i>Restricted</i>	\$ 117,206	\$ 24,309	\$ 20,262	\$ 88,489
Total fund balances	<u>117,206</u>	<u>24,309</u>	<u>20,262</u>	<u>88,489</u>
Total Liabilities and Fund Balances	<u>\$ 117,206</u>	<u>\$ 24,309</u>	<u>\$ 20,262</u>	<u>\$ 88,489</u>

<u>County Attorney</u>	<u>Sheriff's Forfeiture</u>	<u>Juvenile Case Manager</u>	<u>Court Technology</u>	<u>Total Nonmajor Special Revenue Funds (See Exhibit C-1)</u>
\$ 147	\$ 2,878	\$ 7,292	\$ 46,474	\$ 307,057
<u>\$ 147</u>	<u>\$ 2,878</u>	<u>\$ 7,292</u>	<u>\$ 46,474</u>	<u>\$ 307,057</u>
\$ 147	\$ 2,878	\$ 7,292	\$ 46,474	\$ 307,057
<u>147</u>	<u>2,878</u>	<u>7,292</u>	<u>46,474</u>	<u>307,057</u>
<u>\$ 147</u>	<u>\$ 2,878</u>	<u>\$ 7,292</u>	<u>\$ 46,474</u>	<u>\$ 307,057</u>

CLAY COUNTY, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Records Management Fee	Court Reporter Service	Records Preservation	Courthouse Security
Revenues:				
<i>Fines and fees</i>	\$ 27,496	\$ 1,170	\$ 5,811	\$ 12,397
<i>Interest</i>	77	14	12	52
<i>Miscellaneous</i>	--	--	--	--
Total revenues	<u>27,573</u>	<u>1,184</u>	<u>5,823</u>	<u>12,449</u>
Expenditures:				
Current:				
<i>General government</i>	34,526	--	8,850	--
<i>Legal</i>	--	--	--	--
<i>Public Safety</i>	--	--	--	--
<i>Nondepartmental</i>	--	--	--	10,556
Total expenditures	<u>34,526</u>	<u>--</u>	<u>8,850</u>	<u>10,556</u>
 Excess (deficiency) of revenues over (under) expenditures	 (6,953)	 1,184	 (3,027)	 1,893
Other financing sources (uses):				
<i>Transfers in</i>	--	--	--	--
Total other financing sources (uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
 Net change in fund balances	 (6,953)	 1,184	 (3,027)	 1,893
 Fund balances, October 1	 124,159	 23,125	 23,289	 86,596
Fund balances, September 30	\$ <u>117,206</u>	\$ <u>24,309</u>	\$ <u>20,262</u>	\$ <u>88,489</u>

EXHIBIT C-4

County Attorney	Sheriff's Forfeiture	Juvenile Case Manager	Court Technology	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$ 1,950	\$ --	\$ 11,383	\$ 13,035	\$ 73,242
--	--	5	25	185
<u>1,950</u>	<u>4,397</u>	--	--	<u>4,397</u>
	<u>4,397</u>	<u>11,388</u>	<u>13,060</u>	<u>77,824</u>
--	--	--	--	43,376
2,072	--	--	--	2,072
--	1,769	27,000	--	28,769
--	--	--	11,392	21,948
<u>2,072</u>	<u>1,769</u>	<u>27,000</u>	<u>11,392</u>	<u>96,165</u>
(122)	2,628	(15,612)	1,668	(18,341)
147	--	--	--	147
<u>147</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>147</u>
25	2,628	(15,612)	1,668	(18,194)
122	250	22,904	44,806	325,251
<u>\$ 147</u>	<u>\$ 2,878</u>	<u>\$ 7,292</u>	<u>\$ 46,474</u>	<u>\$ 307,057</u>

CLAY COUNTY, TEXAS
RECORDS MANAGEMENT FEE
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2013

EXHIBIT C-5

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
<i>Fines and fees</i>	\$ 28,200	\$ 27,496	\$ (704)
<i>Interest</i>	200	77	(123)
Total revenues	<u>28,400</u>	<u>27,573</u>	<u>(827)</u>
Expenditures:			
Current:			
<i>General government</i>	90,000	34,526	55,474
Total expenditures	<u>90,000</u>	<u>34,526</u>	<u>55,474</u>
Net change in fund balances	(61,600)	(6,953)	54,647
Fund balances, October 1	124,159	124,159	--
Fund balances, September 30	<u>\$ 62,559</u>	<u>\$ 117,206</u>	<u>\$ 54,647</u>

CLAY COUNTY, TEXAS
COURT REPORTER SERVICE
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2013

EXHIBIT C-6

	Budget	Actual	Variance Positive (Negative)
Revenues:			
<i>Fines and fees</i>	\$ 1,800	\$ 1,170	\$ (630)
<i>Interest</i>	20	14	(6)
Total revenues	<u>1,820</u>	<u>1,184</u>	<u>(636)</u>
Expenditures:			
Current:			
<i>General government</i>	10,000	--	10,000
Total expenditures	<u>10,000</u>	<u>--</u>	<u>10,000</u>
Net change in fund balances	(8,180)	1,184	9,364
Fund balances, October 1	23,125	23,125	--
Fund balances, September 30	<u>\$ 14,945</u>	<u>\$ 24,309</u>	<u>\$ 9,364</u>

CLAY COUNTY, TEXAS
RECORDS PRESERVATION
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2013

EXHIBIT C-7

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
<i>Fines and fees</i>	\$ 3,900	\$ 5,811	\$ 1,911
<i>Interest</i>	20	12	(8)
Total revenues	<u>3,920</u>	<u>5,823</u>	<u>1,903</u>
Expenditures:			
Current:			
<i>General government</i>	20,000	8,850	11,150
Total expenditures	<u>20,000</u>	<u>8,850</u>	<u>11,150</u>
Net change in fund balances	(16,080)	(3,027)	13,053
Fund balances, October 1	23,289	23,289	--
Fund balances, September 30	<u>\$ 7,209</u>	<u>\$ 20,262</u>	<u>\$ 13,053</u>

CLAY COUNTY, TEXAS
COURTHOUSE SECURITY
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2013

EXHIBIT C-8

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
<i>Fines and fees</i>	\$ 11,650	\$ 12,397	\$ 747
<i>Interest</i>	100	52	(48)
Total revenues	<u>11,750</u>	<u>12,449</u>	<u>699</u>
Expenditures:			
Current:			
<i>Nondepartmental</i>	71,145	10,556	60,589
Total expenditures	<u>71,145</u>	<u>10,556</u>	<u>60,589</u>
Net change in fund balances	(59,395)	1,893	61,288
Fund balances, October 1	86,596	86,596	--
Fund balances, September 30	<u>\$ 27,201</u>	<u>\$ 88,489</u>	<u>\$ 61,288</u>

CLAY COUNTY, TEXAS
 COUNTY ATTORNEY
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

EXHIBIT C-9

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
<i>Fines and fees</i>	\$ 6,500	\$ 1,950	\$ (4,550)
Total revenues	<u>6,500</u>	<u>1,950</u>	<u>(4,550)</u>
Expenditures:			
Current:			
<i>Legal</i>	7,004	2,072	4,932
Total expenditures	<u>7,004</u>	<u>2,072</u>	<u>4,932</u>
Excess (deficiency) of revenues over (under) expenditures	(504)	(122)	382
Other financing sources (uses):			
<i>Transfers in</i>	504	147	(357)
Total other financing sources (uses)	<u>504</u>	<u>147</u>	<u>(357)</u>
Net change in fund balances	--	25	25
Fund balances, October 1	122	122	--
Fund balances, September 30	<u>\$ 122</u>	<u>\$ 147</u>	<u>\$ 25</u>

CLAY COUNTY, TEXAS
JUVENILE CASE MANAGER
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2013

EXHIBIT C-10

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
<i>Fines and fees</i>	\$ 10,000	\$ 11,383	\$ 1,383
<i>Interest</i>	30	5	(25)
Total revenues	<u>10,030</u>	<u>11,388</u>	<u>1,358</u>
Expenditures:			
Current:			
<i>Capital outlay</i>	27,000	27,000	--
Total expenditures	<u>27,000</u>	<u>27,000</u>	<u>--</u>
Net change in fund balances	(16,970)	(15,612)	1,358
Fund balances, October 1	22,904	22,904	--
Fund balances, September 30	<u>\$ 5,934</u>	<u>\$ 7,292</u>	<u>\$ 1,358</u>

CLAY COUNTY, TEXAS
COURT TECHNOLOGY
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2013

EXHIBIT C-11

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
<i>Fines and fees</i>	\$ 11,110	\$ 13,035	\$ 1,925
<i>Interest</i>	50	25	(25)
Total revenues	<u>11,160</u>	<u>13,060</u>	<u>1,900</u>
Expenditures:			
Current:			
<i>Nondepartmental</i>	34,300	11,392	22,908
Total expenditures	<u>34,300</u>	<u>11,392</u>	<u>22,908</u>
Net change in fund balances	(23,140)	1,668	24,808
Fund balances, October 1	44,806	44,806	--
Fund balances, September 30	<u>\$ 21,666</u>	<u>\$ 46,474</u>	<u>\$ 24,808</u>

CLAY COUNTY, TEXAS
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2013

EXHIBIT C-12

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
<i>Taxes</i>	\$ 492,172	\$ 516,113	\$ 23,941
<i>Interest</i>	600	253	(347)
Total revenues	<u>492,772</u>	<u>516,366</u>	<u>23,594</u>
Expenditures:			
Current:			
Debt service:			
<i>Principal</i>	599,259	599,259	--
<i>Interest and fiscal charges</i>	28,686	25,689	2,997
Total expenditures	<u>627,945</u>	<u>624,948</u>	<u>2,997</u>
Excess (deficiency) of revenues over (under) expenditures	(135,173)	(108,582)	26,591
Other financing sources (uses):			
<i>Transfers out</i>	(275,000)	(275,000)	--
Total other financing sources (uses)	<u>(275,000)</u>	<u>(275,000)</u>	<u>--</u>
Net change in fund balances	(410,173)	(383,582)	26,591
Fund balances, October 1	412,310	412,310	--
Fund balances, September 30	<u>\$ 2,137</u>	<u>\$ 28,728</u>	<u>\$ 26,591</u>

CLAY COUNTY, TEXAS

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

SEPTEMBER 30, 2013

	<u>District Clerk</u>	<u>County Clerk</u>	<u>Sheriff Agency</u>
ASSETS			
<i>Cash and cash equivalents</i>	\$ 73,419	\$ 15,451	\$ 109,009
Total Assets	<u>\$ 73,419</u>	<u>\$ 15,451</u>	<u>\$ 109,009</u>
LIABILITIES			
<i>Due to other governments</i>	\$ --	\$ --	\$ --
<i>Due to others</i>	73,419	15,451	109,009
Total Liabilities	<u>\$ 73,419</u>	<u>\$ 15,451</u>	<u>\$ 109,009</u>

Tax Assessor Collector	County Attorney Agency	County Treasurer	Officer's Fee	Total Agency Funds (See Exhibit A-7)
\$ 211,501 <u>211,501</u>	\$ 1,207 <u>1,207</u>	\$ 16,964 <u>16,964</u>	\$ 51,732 <u>51,732</u>	\$ 479,283 <u>479,283</u>
\$ 211,251 250 <u>211,501</u>	\$ -- 1,207 <u>1,207</u>	\$ -- 16,964 <u>16,964</u>	\$ 47,977 3,755 <u>51,732</u>	\$ 259,228 220,055 <u>479,283</u>

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