

CASS COUNTY, TEXAS
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Caver and Setser, Inc.
Certified Public Accountants



CASS COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
for the Year Ended September 30, 2017

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FINANCIAL SECTION





CAVER and SETSER, Inc.

Certified Public Accountants

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Independent Auditor's Report

Honorable Judge and Commissioners
Cass County, Texas
Linden, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cass County, Texas (the County) as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Cass County, Texas as of September 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information on pages 3 through 10 and 44 through 47 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 Cass County, Texas's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of state and federal awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the Comptroller of the State of Texas, and is also not a required part of the basic financial statements.

The combining governmental fund and combining agency fund financial statements and the schedule of expenditures of state and federal awards 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 governmental and combining agency fund financial statements and schedule of expenditures federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2018, on our consideration of Cass County, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cass County, Texas's internal control over financial reporting and compliance.



CAVER and SETSER, Inc.
Certified Public Accountants

January 19, 2018

**Management's Discussion and Analysis
Cass County, Texas
For the Fiscal Year Ended September 30, 2017**

-UNAUDITED-

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the commissioners of Cass County, discuss and analyze the County's financial performance for the fiscal year ended September 30, 2017. Please read it in conjunction with the independent auditors' report on page 1, and the County's Basic Financial Statements which begin on page 12.

FINANCIAL HIGHLIGHTS

The County's net position increased by \$875,875 as a result of this year's operations. Fines, forfeitures, charges for services and program revenues accounted for \$2,244,156 or 15.75% of total revenue, operating and capital grants provided revenues totaling \$1,763,837 or 12.38% and general revenues (including taxes) accounted for \$10,237,852 or 71.87%. Due to adjustments relating to valuation changes in fixed assets (increase of \$3,874), total net position increased \$879,749.

During the year, the County had expenses that were \$875,875 less than the \$14,245,845 generated in tax and other revenues for governmental programs (before special items).

The general fund (which includes "The General Fund" and "Tobacco Fund") reported a positive fund balance of \$4,158,521.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 12 and 13-14). These provide information about the activities of the County as a whole and present a longer-term view of the County's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 15) report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. The remaining statements, fiduciary statements, provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of individuals and entities as required by statute or judicial order.

The notes to the financial statements (starting on page 20) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for nonmajor funds contain even more information about the County's individual funds.



Management's Discussion and Analysis
Cass County, Texas
For the Fiscal Year Ended September 30, 2017

-UNAUDITED-

Reporting the County as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the County's overall financial condition and operations begins on page 12. Its primary purpose is to show whether the County is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the County's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the County's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The County's revenues are divided into those provided by outside parties who share the costs of some programs and revenues provided by the taxpayers or by other non-grant sources (general revenues). All the County's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the County's net position and changes in it. The County's net position (the difference between assets plus deferred outflows and liabilities plus deferred inflows) provide one measure of the County's financial health, or financial position. Over time, increases or decreases in the County's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the County, however, you should consider nonfinancial factors as well, such as changes in the County's property tax base and the condition of the County's facilities.

In the Statement of Net Position and the Statement of Activities, the County's activities are presented as:

Governmental activities—the County's basic services are reported here. Property taxes, state and federal grants finance most of these activities.

Reporting the County's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 15 and provide detailed information about the most significant funds—not the County as a whole. Laws and contracts require the County to establish some funds. The County's administration establishes many other funds to help it control and manage money for particular purposes (like roads and bridge, jury, etc.). The County has one kind of fund—governmental, which uses the modified-accrual basis of accounting.

Governmental funds—most of the County's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the County's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.



Management's Discussion and Analysis
Cass County, Texas
For the Fiscal Year Ended September 30, 2017

-UNAUDITED-

The County as Trustee

Reporting the County's Fiduciary Responsibilities

The County is the trustee, or fiduciary, for money raised by escrow accounts held by the District Clerk and other monies held temporarily such as taxes and fines. All of the County's fiduciary activities are reported in separate Statements of Fiduciary Net Position on page 19. We exclude these resources from the County's other financial statements because the County cannot use these assets to finance its operations. The County is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.



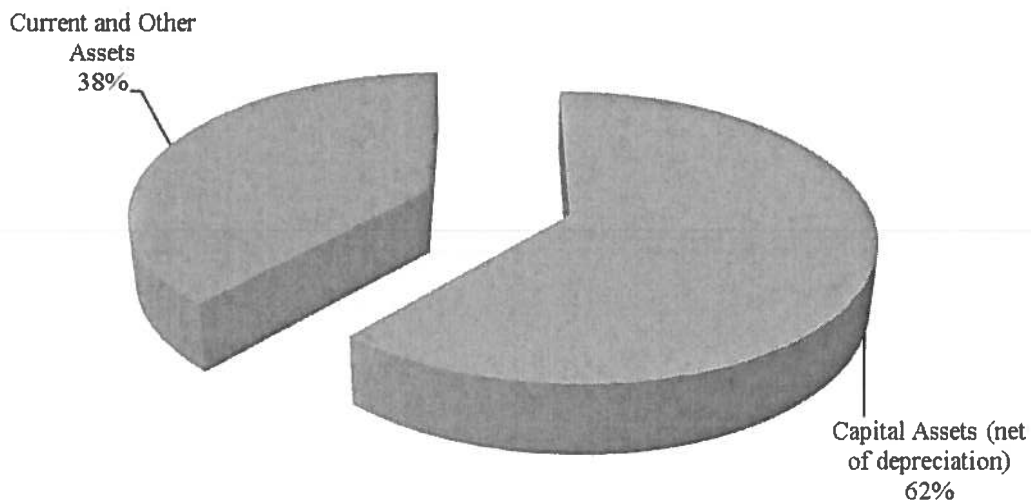
**Management's Discussion and Analysis
Cass County, Texas
For the Fiscal Year Ended September 30, 2017**

-UNAUDITED-

**Table I
Cass County**

NET POSITION

	%	Governmental Activities 2017	Governmental Activities 2016
	Change		
Current and other assets	5.47	\$ 9,934,823	\$ 9,419,967
Capital assets	0.55	15,903,842	15,816,572
Total assets	2.39	<u>25,838,665</u>	<u>25,236,539</u>
Deferred Outflows – Pension	(20.76)	<u>1,414,777</u>	<u>1,785,536</u>
Long-term liabilities	(3.36)	9,047,828	9,362,026
Other liabilities	(17.57)	<u>1,667,640</u>	<u>2,023,030</u>
Total liabilities	(5.88)	<u>10,715,468</u>	<u>11,385,056</u>
Deferred Outflows – Pension	38.91	<u>75,709</u>	<u>54,503</u>
Net Position:			
Invested in capital assets net of related debt	5.99	9,930,803	9,369,453
Restricted	29.97	305,954	235,405
Unrestricted – including			
reserved for capital projects	4.15	<u>6,225,508</u>	<u>5,977,658</u>
Total net position	5.65	<u>\$ 16,462,265</u>	<u>\$ 15,582,516</u>



**Management's Discussion and Analysis
Cass County, Texas
For the Fiscal Year Ended September 30, 2017**

-UNAUDITED-

**Table II
Cass County**

CHANGES IN NET POSITION

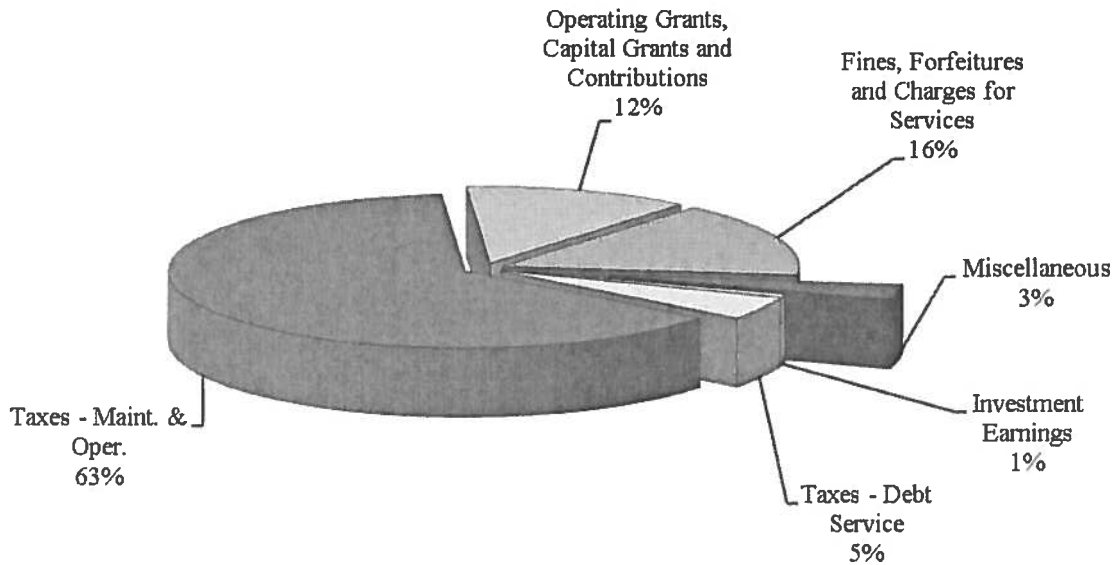
	%	Governmental	Governmental
	Change	Activities 2017	Activities 2016
Revenues:			
Program Revenues:			
Fines, forfeitures and charges for services	(11.82)	\$ 2,244,156	\$ 2,545,056
Operating grants and contributions	0.20	1,749,110	1,745,559
Capital grants and contributions	100.00	14,727	-0-
General Revenues:			
Maintenance and operations taxes	0.90	9,011,241	8,931,263
Debt service taxes	37.18	678,219	494,416
Investment earnings	93.20	87,117	45,092
Miscellaneous	89.44	461,275	243,491
Total Revenue	1.72	14,245,845	14,004,877
Expenses:			
Administration and Financial	5.75	2,623,617	2,480,895
Roads and Public Works	(2.14)	2,360,783	2,412,484
Corrections	5.85	1,671,633	1,579,257
Law Enforcement	(0.76)	3,501,979	3,528,640
Judicial	6.38	1,937,596	1,821,433
Community Services	92.61	909,762	472,343
Debt Service	(14.03)	149,850	174,302
Other	15.41	214,750	186,081
Total Expenses	5.65	13,369,970	12,655,435
Increase in net position before adj. to Net Position		875,875	1,349,442
Adjustment to Net Position – see Note IV-D		3,874	847,487
Net position Beginning of Year		15,582,516	13,385,587
Net position End of Year		\$ 16,462,265	\$ 15,582,516



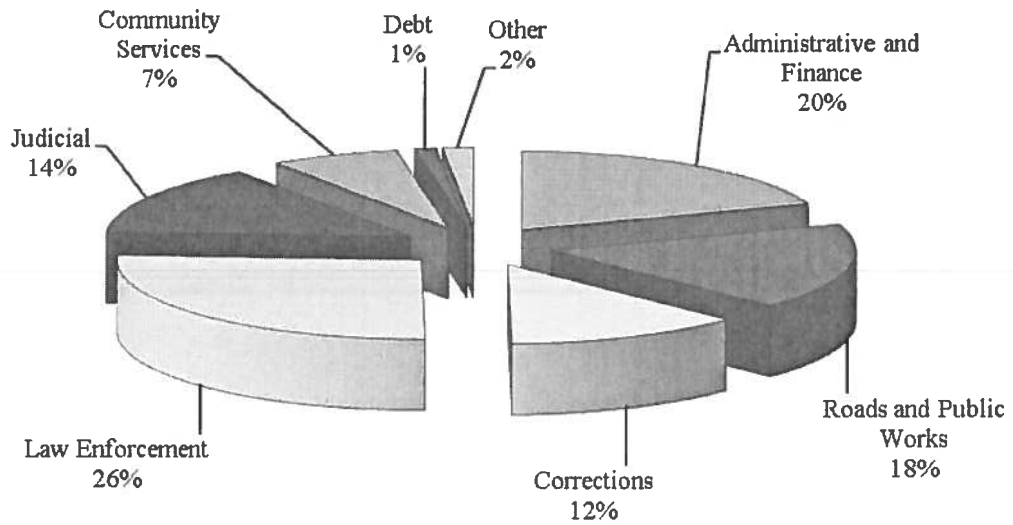
**Management's Discussion and Analysis
Cass County, Texas
For the Fiscal Year Ended September 30, 2017**

-UNAUDITED-

**TABLE II
CHART A – REVENUES**



**TABLE II
CHART B - EXPENSES**



**Management's Discussion and Analysis
Cass County, Texas
For the Fiscal Year Ended September 30, 2017**

-UNAUDITED-

During the year, the Commissioners court amended various appropriations of funds relating to preliminary studies of internal control systems and related to changing, unforeseen, costs.

The cost of all governmental activities this year was \$13,369,970. However, as shown in the Statement of Activities on pages 13-14, the amount that our taxpayers ultimately financed for these activities through County taxes was only \$8,813,585 because some of the costs were paid by fines, forfeitures and those who benefited from the programs (\$2,244,156) or by other governments and organizations that subsidized certain programs with grants and contributions (\$1,763,837) or by interest income and other revenues.

THE COUNTY'S FUNDS

As the County completed the year, its governmental funds (as presented in the balance sheet on page 15) reported a combined fund balance of \$7,371,593, which is \$821,526 above last year's total of \$6,550,067. Included in this year's total change in fund balance is an increase in the General Fund of \$322,943, an increase in the Road and Bridge Funds of \$390,696, an increase in Debt Service Fund of \$70,549, and a net increase in all other funds totaling \$37,338.

Over the course of the year, the Commissioners Court revised the County's budget several times. These budget amendments fall into two categories. These revisions included amendments and supplemental appropriations that were approved shortly after the beginning of the year to reflect the actual beginning balances (versus the amounts we estimated in September 2016). The second category involved amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs.

The County's General Fund balance of \$4,158,521 reported on page 15 differs from the General Fund's budgetary fund balance of \$4,588,854 reported in the budgetary comparison schedule on page 44.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2017, the County had \$19,767,340 invested in a broad range of capital assets, including facilities and equipment, administration, law enforcement, court and maintenance. There was a net increase in capital assets of \$387,481 over last year.

Debt

At year-end, the County had outstanding notes and bonds of \$5,803,000, which was a decrease of \$461,000 or 7.36% of the beginning balance.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES



**Management's Discussion and Analysis
Cass County, Texas
For the Fiscal Year Ended September 30, 2017**

-UNAUDITED-

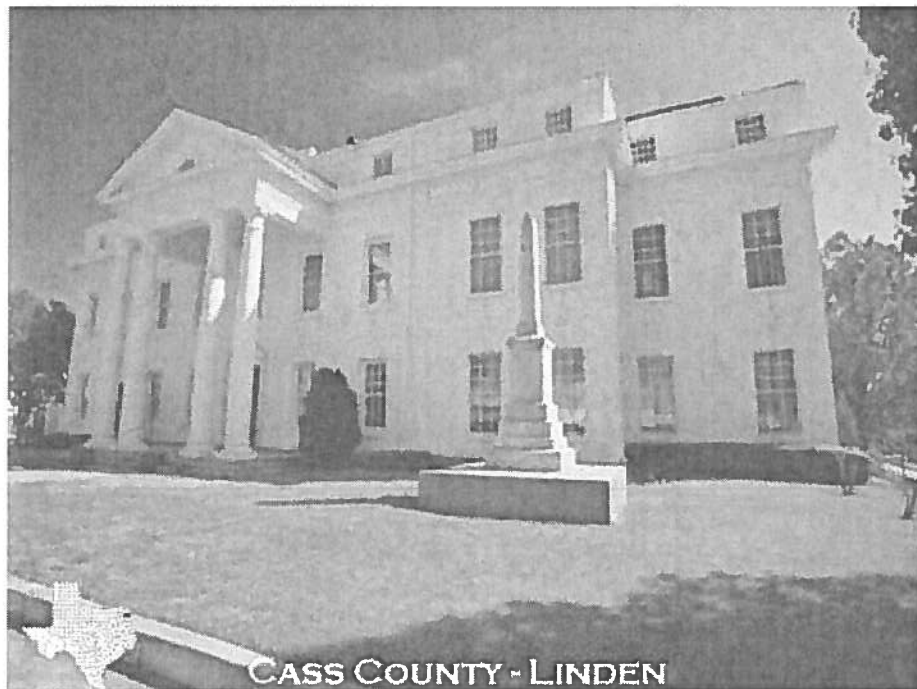
The County's elected and appointed officials considered many factors when setting the fiscal-year 2018 budget, tax rates.

These indicators were taken into account when adopting the General Fund budget for 2018. Indicators and factors which materially influence the budget are amounts available for appropriation in the General Fund budget, budgeted expenditures and the County future capital expenditure needs.

If these estimates are realized, the County's budgetary General Fund balance is expected to remain unchanged as of the close of 2018.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County's business office, at Cass County, P.O. Box 152, Linden, Texas 75563.



BASIC FINANCIAL STATEMENTS



CASS COUNTY, TEXAS

Exhibit A-1

Statement of Net Position**September 30, 2017****ASSETS:**

Cash and Cash Equivalents	\$3,918,221
Investments	4,583,791
Accounts Receivable	328,220
Due from Other Governments	67,480
Prepaid Expenses	79,800
Property Taxes Receivable (Delinquent)	1,029,368
Allowance for Uncollectible Taxes	(72,057)
Land	156,820
Buildings, net	12,226,475
Furniture and Equipment, net	3,520,547
Total Assets	25,838,665

DEFERRED OUTFLOWS - PENSION

1,414,777

LIABILITIES**Current**

Accounts Payable	262,831
Due to Other Governments	144,228
Unearned Revenues	1,260,581

Long-term Liabilities:

Net Pension Liability	3,074,789
Due Within One Year	468,000
Due in More Than One Year	5,505,039
Total Liabilities	10,715,468

DEFERRED INFLOWS - PENSION

75,709

NET POSITION

Invested in Capital Assets, Net of Related Debt	9,930,803
Assigned - Debt Service	305,954
Unassigned - including reserved for capital projects	6,225,508
Total Net Position	\$16,462,265

CASS COUNTY , TEXAS

Statement of Activities

For The Year Ended September 30, 2017

	FINES, FORFEITURES AND OPERATING EXPENSES	REVENUES	OPERATING GRANTS AND CONTRIBUTIONS
GOVERNMENTAL ACTIVITIES			
Administration and Finance	\$2,623,617	\$693,693	
Roads and Public Works	2,360,783	599,887	\$569,337
Corrections	1,671,633	450,016	959,248
Law Enforcement	3,501,979	80,580	43,624
Judicial	1,937,596	419,980	153,406
Community Services	909,762		23,495
Debt Service	149,850		
Other Expenses	214,750		
TOTAL PRIMARY GOVERNMENT	13,369,970	2,244,156	1,749,110

General Revenues:

Property Taxes Levied for General Purposes
 Property Taxes Levied for Debt Purposes
 Other Taxes
 Investment Earnings
 Miscellaneous Local and Intermediate Revenue
 Total General Revenues and Transfers

Change in Net Position

Adjustments to Net Position - See Note IV-D

Net Position, Beginning

Net Position, Ending

Exhibit B-1

CAPITAL GRANTS AND CONTRIBUTIONS	TOTAL GOVERNMENTAL ACTIVITIES
	(\$1,929,924)
	(1,191,559)
	(262,369)
	(3,377,775)
	(1,364,210)
\$14,727	(871,540)
	(149,850)
	(214,750)
14,727	(9,361,977)
	9,011,241
	678,219
	168,971
	87,117
	292,304
	10,237,852
	875,875
	3,874
	15,582,516
	\$16,462,265

CASS COUNTY, TEXAS
 BALANCE SHEET - GOVERNMENTAL FUNDS
 September 30, 2017

Exhibit C-1

ASSETS:	General Fund	Road and Bridge Fund	Debt Service Fund	Other Funds	Total Governmental Funds
Cash	\$1,649,192	\$1,050,678	\$360,593	\$1,113,498	\$4,173,961
Investments	3,199,686	983,913		400,192	4,583,791
Accounts receivable	152,598	112,147	1,343	62,132	328,220
Property taxes receivable - delinquent	772,852	145,294	73,525	37,697	1,029,368
Allowance for uncollectible taxes	(54,100)	(10,171)	(5,147)	(2,639)	(72,057)
Prepaid Expenditures	79,800				79,800
Due from other funds	92,661			92,651	185,312
Due from other governmental agencies	6,000			61,480	67,480
TOTAL ASSETS	\$5,898,689	\$2,281,861	\$430,314	\$1,765,011	\$10,375,875
LIABILITIES & FUND EQUITY:					
LIABILITIES:					
Accounts payable	\$86,496	\$126,149		\$50,186	\$262,831
Accounts payable-bank overdraft				255,740	255,740
Due to other funds		92,651	\$60,000	32,661	185,312
Unearned Revenues	837,407			423,174	1,260,581
Due to other governments	144,228				144,228
TOTAL LIABILITIES	1,068,131	218,800	60,000	761,761	2,108,692
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Property Taxes	672,037	126,413	64,360	32,780	895,590
TOTAL DEFERRED INFLOWS OF RESOURCES	672,037	126,413	64,360	32,780	895,590
FUND BALANCES:					
Restricted fund balance					0
Assigned fund balance	127,117	1,936,648	305,954	970,470	3,340,189
Unassigned fund balance	4,031,404				4,031,404
TOTAL FUND BALANCES	4,158,521	1,936,648	305,954	970,470	7,371,593
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$5,898,689	\$2,281,861	\$430,314	\$1,765,011	\$10,375,875

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
September 30, 2017

Total Fund Balances - Governmental Funds	\$7,371,593
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$ 19,379,859 and the accumulated depreciation was \$ 3,563,287. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position.	9,369,453
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the current year's capital outlays and debt principal payments is to increase (decrease) net position.	980,872
The current year's depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(366,580)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.	842,648
Included in the items related to debt is the recognition of the County's proportionate share of the net pension liabilities required by GASB 68 in the amount of \$3,074,789, a Deferred Resource Inflow related to the pension in the amount amount of \$75,709 and a Deferred Resource Outflow related to the pension in the amount of \$1,414,777. The effects of these changes resulted in a change to Net Position in the amount of (\$1,735,721).	(1,735,721)
Net Position of Governmental Activities	<u><u>\$16,462,265</u></u>

CASS COUNTY , TEXAS

Exhibit C-3

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

For The Year Ended September 30, 2017

	General Fund	Road and Bridge Fund	Debt Service Fund	Other Funds	Total Governmental Funds
REVENUES:					
Taxes	\$7,467,700	\$1,368,759	\$678,219	\$355,543	\$9,870,221
Licenses and permits	167,195	690,837			858,032
Intergovernmental revenues - miscellaneous				65,470	65,470
Intergovernmental revenues - Federal & State	292,665	569,337		991,839	1,853,841
Charges for services	287,080			452,881	739,961
Fines and forfeitures	387,145	209,050			596,195
Earnings on investments	58,890	13,075	3,180	11,972	87,117
Miscellaneous revenues	17,447	60,879		74,720	153,046
Total revenues	8,678,122	2,911,937	681,399	1,952,425	14,223,883
EXPENDITURES:					
Current:					
Administration and finance	2,405,915				2,405,915
Roads and public works		2,261,259			2,261,259
Corrections				1,433,142	1,433,142
Law enforcement	3,357,901				3,357,901
Judicial	1,321,602			557,660	1,879,262
Community services	863,433			36,128	899,561
Other expenditures	197,250			17,500	214,750
Debt service:					
Principal on debt			461,000		461,000
Interest on debt			149,500		149,500
Related fees			350		350
Capital outlay	124,336	259,982			384,318
Total expenditures	8,270,437	2,521,241	610,850	2,044,430	13,446,958
Excess of revenues over (under) expenditures	407,685	390,696	70,549	(92,005)	776,925
OTHER FINANCING SOURCES & (USES):					
Transfers to other governmental entities	44,601				44,601
Transfers from other funds		2,125,009		197,547	2,322,556
Transfers to other funds	(129,343)	(2,125,009)		(68,204)	(2,322,556)
Total other financing sources (uses)	(84,742)	0	0	129,343	44,601
Excess of revenues and other sources over (under) expenditures and other uses	322,943	390,696	70,549	37,338	821,526
Fund balance, October 1	3,835,578	1,545,952	235,405	933,132	6,550,067
Adjustments					0
Fund balance, September 30	\$4,158,521	\$1,936,648	\$305,954	\$970,470	\$7,371,593

CASS COUNTY, TEXAS

Exhibit C-4

**Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended September 30, 2017**

Total Net Change in Fund Balances - Governmental Funds	\$821,526
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the current year's capital outlays and debt principal payments is to increase (decrease) net position.	980,872
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(366,580)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.	(65,182)
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/2016 caused the change in the ending net position to increase in the amount of \$57,146. The City's proportionate share of the pension expense on the plan as a whole had to be recorded as an expense. The net pension expense decreased the change in net position by \$551,907. The impact of all of these is to decrease the change in net position by 494,761.	(494,761)
Change in Net Position of Governmental Activities	<u><u>875,875</u></u>

CASS COUNTY, TEXAS
Statement of Fiduciary Net Position
September 30, 2017

Exhibit D-1

	AGENCY FUNDS
ASSETS	
Cash	\$1,046,918
Restricted investments - District Clerk	217,965
Total Assets	<u>1,264,883</u>
LIABILITIES	
Accounts payable	590,553
Due to other governments	311,573
Due to other entities	362,595
Total Liabilities	<u>1,264,721</u>
NET POSITION	
Unrestricted Net Position	<u>162</u>
Total Net Position	<u><u>\$162</u></u>

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cass County, Texas (the "County") is governed by an elected four-member Commissioners' Court and an elected County Judge, with the Commissioners' Court serving as the principal decision-making body of the County. The County Judge serves as an administrative official and votes with the Court as a tiebreaker only. The County performs all local governmental functions within its jurisdiction.

The County prepares its general purpose financial statements in conformity with generally accepted accounting principles promulgated by Governmental Accounting Standards Board and other authoritative sources identified in *Statements on Auditing Standards No. 69* of the American Institute of Public Accountants and the requirements of contracts and grants of agencies from which it receives funds.

Pensions: The fiduciary net position of the Texas County and District Retirement Plan (TCDRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TCDRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Cass County applies Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements. The County's investments are accounted for using the cost amortization method.

A. REPORTING ENTITY

In evaluating how to define the County, for financial 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 basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits geographic boundaries of the County and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the County is able to exercise oversight responsibilities. Based upon the application of these criteria, no potential component units met the above criteria; therefore, none were included in the reporting entity.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Cass County, Texas' nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, grants and other intergovernmental revenues.

The Statement of Activities demonstrates how other people or entities that participate in programs the County operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the County. The "grants and contributions" column includes amounts paid by organizations outside the County to help meet the operational or capital requirements of a given function. If the revenue is not a program revenue, it is a general revenue used to support all of the County's functions. Taxes are always general revenues.

Interfund activities between governmental funds appear as due to/due from on the Governmental Fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance. All inter-fund transactions between governmental funds and between governmental funds and internal service funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for two fund categories - governmental and fiduciary. Since the resources in the fiduciary funds cannot be used for County operations, they are not included in the government-wide statements. The County considers some governmental funds major and reports their financial condition and results of operations in a separate column.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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 use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net position.

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for un-matured interest on General Long-Term Debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are to be liquidated with expendable available financial resources. The County considers all revenues available if they are collectible within 60 days after year-end.

Revenues – Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis of accounting, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current year and are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the County, the phrase "available" for exchange transactions means expected to be received within 60 days of year-end.

Revenues – Non-exchange Transactions – Non-exchange transactions in which the County receives value without directly giving equal value in return, include sales taxes, property taxes, grants, and donations. On the government-wide financial statements revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the County must provide local resources to be used for a specified purpose; and expenditures requirements, in which the resources are provided to the County on a reimbursement basis. On modified accrual basis, revenue from non-exchange transactions also must be available (i.e., collected within 60 days) before it can be recognized in the governmental funds.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the County to refund all or part of the unused amount.

Expenditures/Expenses – On the accrual basis of accounting (government-wide financial statements), expenses are recognized at the time they are incurred. On the modified accrual basis (fund based financial statements), expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

D. FUND ACCOUNTING

The County reports its financial activities through the use of “fund accounting.” The activities of the County are organized on the basis of funds. The operations of each fund are accounted for within a separated set of self-balancing accounts to reflect results of activities. Fund accounts segregate funds according to their intended purpose and are used to assist management in demonstrating compliance with finance-related legal and contractual provisions. The County reports the following major governmental funds:

The General Fund – The general fund is the County's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

Road And Bridge Special Revenue Fund(s) – These funds are aggregated on the financial statement and have the primary purpose of allocating revenues to the various precincts of the County where each elected commissioner is responsible for maintenance of County infrastructure.

Debt Service Fund – The County accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

Additionally, the County reports the following fund type(s):

Governmental Funds:

Special Revenue Funds – The County accounts for resources restricted to, or designated for, specific purposes by the County or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and, occasionally, unused balances must be returned to the grantor at the close of specified project periods.

Fiduciary Funds:

Agency Funds – These custodial funds are used to account for organizational activities requiring clearing accounts. Financial resources for the Agency funds are recorded as assets and liabilities; therefore, these funds do not include revenues and expenditures and have no fund equity. If any unused resources are declared surplus, they are transferred to the General Fund with a recommendation to the Commissioners' Court for an appropriate utilization through a budgeted program

E. OTHER ACCOUNTING POLICIES

1. Cash Equivalents

The County considers highly liquid investments to be cash equivalents if they have maturity of three months or less when purchased.

2. Investments

In accordance with GASB Statement No. 31, the County's policy is to report market investments and short-term interest earning investment contracts at amortized cost. The term "short-term" refers to investments, which have a remaining term of one year or less at time of purchase which approximates market value (generally recorded at fair value).

3. Inventories

Inventories of supplies on the balance sheet are stated at FIFO cost and they include consumable maintenance, instructional, and office items. Supplies are recorded as expenditures when they are consumed. Inventories as of the balance sheet date are considered immaterial and not booked.

4. Receivables and Payables

All trade and property tax receivables are shown at face value. The property tax receivable allowance is shown at 7% of outstanding property taxes receivable as of year-end.

5. Long-term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Amounts recorded as long-term debt represent obligations that will be met by future revenue resources that are not available as of the current balance sheet date.

6. Vacation and Sick Leave

Vacations are granted to all full-time permanent employees of the County. The number of days range from five (5) to fifteen (15) days, depending upon length of continuous service. No more than one year's vacation accrual may be carried over at the end of any calendar year, and at termination, all accrued vacation must be used. Therefore, no liability has been accrued in the accompanying general-purpose financial statements. However, in the event of an employee's death, any accrued vacation shall be paid to his or her beneficiary.

All full-time permanent employees of the County are eligible to accrue up to a maximum of sixty (60) days of compensated sick leave at a rate of six days per year. Employees are not entitled to payment for unused sick leave upon termination. Sick leave is allowed to be accumulated but does not vest. Therefore, a liability for unused sick leave has not been recorded in the accompanying general-purpose financial statements

7. General Fixed Assets

Capital assets, which include land, buildings, furniture and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The County defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment of the County are depreciated using the straight-line method over the following estimated useful lives:

Buildings	20 - 50 years
Other Vehicles	5 - 8 years
Furniture	5 - 8 years
Computer Equipment	3 - 5 years

The County has no restriction on any assets.

8. Due From (To) Other Funds

Interfund receivables and payables arise from inter-fund transactions and are recorded in all affected funds in the period in which transactions are executed in the normal course of operations. See Note IV-C for additional discussion of inter-fund receivables and payables.

9. Fund Equity

Nonspendable fund balances are amounts that are not in a spendable form (such as inventory) or are required to be maintained intact (such as the corpus of an endowment fund). *Restricted fund balances* are amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation. *Committed fund balances* are amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint. *Assigned fund balances* are amounts a government *intends* to use for a specific purpose; intent can be expressed by the governing body.

As of September 30, 2017, Assigned Fund Balance included \$127,117 in the General Fund, \$305,954 in Debt Service, \$1,936,648 in Road and Bridge, and \$970,470 in other funds, Unassigned Fund Balance includes \$4,031,404 in the General Fund.

Net Position - Net position represents the difference between assets and deferred outflow of resources, and liabilities and deferred inflow of resources. Net investments in capital consists of cost of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowing used for the acquisition, construction, or improvements if those assets. This net investments in capital assets amount also is adjusted by any bond issuance deferred amounts. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislature adopted by the County or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net position is reported unrestricted.

10. Risk Management

The County is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2017, the County purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there are no settlements exceeding insurance coverage for each of the past three fiscal years.

11. Application of Restricted or Unrestricted Resources

During the budgeting process, allocation of expenses are determined as to whether it originated following specific guidelines related to restricted assets retained in the fund or whether for other purposes (non-restricted). Restricted assets will be used before unrestricted assets when payments are budgeted for an expenditure, which meets the specific guidelines, set forth by the granting agency.

12. Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the beginning of the year are as follows:

<u>Capital Assets at the Beginning of the year</u>	<u>Historic Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value at the Beginning of the Year</u>	<u>Change in Net Position</u>
Land	156,820		156,820	
Buildings	14,407,565	1,970,607	12,436,958	
Furniture & Equipment	4,815,474	1,592,680	3,222,794	
Construction in Progress	-0-	-0-	-0-	
Change in Net Position				15,816,572
<u>Long-term Liabilities At the Beginning of the year</u>			<u>Payables at the Beginning of the Year</u>	
Bonds Payable			5,230,000	
Bond Premium			183,119	
Loans Payable			<u>1,034,000</u>	
Change in Net Position				(6,447,119)
Adjustment to Net Position				<u>9,369,453</u>

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Exhibit C-4 provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net position of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net position balance and the change in net position. The details of this adjustment are as follows:

	<u>Amount</u>	<u>Adjustments to Changes in Net Position</u>	<u>Adjustments to Net Position</u>
<u>Net Current Year Capital Outlay</u>			
Land	-0-		
Buildings	-0-		
Construction in Progress	-0-		
Furniture and Fixtures	506,792		
Leased Equipment	<u>-0-</u>		
Total Capital Outlay	<u>506,792</u>	506,792	506,792
<u>Debt Principal Payments(Receipts)</u>			
Bond Premium Amortization	13,080		
Bond Principal	320,000		
Note Principal	<u>141,000</u>		
Total Principal Pmts	<u>474,080</u>	<u>474,080</u>	<u>474,080</u>
 Total Adjustment to Net Position		<u><u>\$980,872</u></u>	<u><u>\$980,872</u></u>

Another element of the reconciliation on Exhibit C-4 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. This adjustment is the result of several items. The details for this element are as follows:

	<u>Amount</u>	<u>Adjustments to Change in Net Position</u>	<u>Adjustments to Net Position</u>
<u>Adjustments to Revenue and Deferred Revenue</u>			
Taxes Collected from Prior Year Levies	259,557	(259,557)	
Uncollected Taxes (assumed collectible) from Current Year Levy	251,192	251,192	251,192
Uncollected Taxes (assumed collectible) from Prior Year Levy	644,397		644,397
Adjustment to Fixed Asset Inventory	3,876		3,876
Disposal and Sale of Assets – Gain/(Loss)	(56,817)	(56,817)	(56,817)
Other Adjustments –	-0-	<u>-0-</u>	<u>-0-</u>
Total		<u><u>\$(65,182)</u></u>	<u><u>\$842,648</u></u>

NOTE III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

The Commissioner's Court adopts an "appropriated budget" for the General Fund and Debt Service Fund. The County is required to present the adopted and final amended budgeted revenues and expenditures compared to actual revenues and expenditures for each of these funds. The County compares the final amended budgeted to actual revenues and expenditures. The General Fund, Road and Bridge and, Debt Service Fund Budget(s) reports appear in Exhibit E-1 through E-3.

The following procedures are followed in establishing the budgetary data reflected in the general-purpose financial statements:

CASS COUNTY, TEXAS
Notes to the Financial Statements
For the Year Ended September 30, 2017

1. Prior to September 20 the County prepares a budget for the next succeeding fiscal year beginning October 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Court is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to October 1, the Court legally enacts the budget through passage of a resolution. Once a budget is approved, it can only be amended at the fund level by approval of a majority of the members of the Court. Amendments are presented to the Court at its regular meetings. Each amendment must have Court approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Court, and are not made after fiscal year end. Because the County has a policy of careful budgetary control, several amendments were necessary during the year. There were no significant amendments.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure account level. Budgeted amounts are as amended by the Court. All budget appropriations lapse at year-end. A reconciliation of fund balances for both appropriated budget and non-appropriated budget special revenue funds is as follows:

	September 30, 2017
	<u>Fund Balance</u>
Appropriated Budget Funds	\$ -0-
Non-appropriated Budget Funds	<u>-0-</u>
All Special Revenue Funds	<u>\$ -0-</u>

5. The County does not employ encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase order and contracts. An encumbrance represents a commitment of Court appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent an expenditure for the period, only a commitment to expend resources.
6. During the year ending September 30, 2017, the actual expenditures in the General Fund exceeded budgetary constraints. See 2017-1 on page 64 for more information.

NOTE IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITORY CONTRACT LAW

The funds of the County must be deposited and invested under terms of a contract, contents of which are set out in the **Depository Contract Law**. The depository bank places approved pledged securities for safekeeping and trust with the County's agency bank in an amount sufficient to protect County funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At September 30, 2017, the carrying amount of the County's deposits (cash, certificates of deposit, and interest-bearing savings accounts) was \$5,220,879 and the bank balance was \$5,309,113. The County's combined deposits were fully insured at all times by federal depository insurance or collateralized with securities pledged to the County and held by the County's agent.

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit (under secured):

- a. Depository: (1) Guaranty Bond Bank, Atlanta, Tx, (2) Domino FCU, Atlanta, Tx, (3) Red River FCU, Atlanta, Tx, (4) 1st National of Hughes Springs, (5) Texana Bank and, (6) Texar FCU.

CASS COUNTY, TEXAS
Notes to the Financial Statements
For the Year Ended September 30, 2017

- b. The fair market value of bond and/or security pledged as of the date of the highest combined balance on deposit was: (1) \$15,640,824, (2) \$-0-, (3) \$-0-, (4) \$-0-, (5) \$-0- and, (6)\$-0-.
- c. The largest combined balances of cash, savings, and time deposit accounts totaled (1) \$15,302,940 (on Feb 8, 2017), (2) \$245,150 (on Jun 30, 2017), (3) \$248,515 (on Jun 30, 2017), (4) \$49,633 (on Feb 28, 2017), (5) \$122,590 (on Mar 30, 2017) and, (6) \$246,815 (on Aug 14, 2017)
- d. The total amount of FDIC, including TLG Program, coverage at the time of the largest combined balance was (1) \$500,000 and (2-6) \$250,000.
- e. Amount under-secured: \$-0- (at all financial institutions)

Custodial Credit Risk for Deposits State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the County complies with this law, it has no custodial credit risk for deposits.

Foreign Currency Risk The County does not invest in securities relating to foreign currencies.

As of September 30, 2017, the following are the County's cash and cash equivalents with respective maturities and credit rating:

<u>Type of Deposit</u>	<u>Fair Value</u>	<u>Percent</u>	<u>Maturity in Less than 1 year</u>	<u>Maturity in 1-10 Years</u>	<u>Maturity in Over 10 Years</u>	<u>Credit Rating</u>
Cash	\$215,030	2.5%	\$215,030			N/A
Money markets CDs	<u>3,703,191</u>	<u>43.6%</u>	<u>3,703,191</u>			N/A
Total Insured Accounts	3,918,221	46.1%	3,918,221			
Investment Other:						
TexPool	791,642	9.3%	791,642			AAAm
TxClass	<u>3,792,149</u>	<u>44.6%</u>	<u>3,792,149</u>			AAAm
Total Investment Pools:	<u>4,583,791</u>	<u>53.9%</u>	<u>4,583,791</u>			
Total Cash and Cash Equivalents	<u>\$8,502,012</u>	<u>100.0%</u>	<u>\$8,502,012</u>			

Investments

County Policies and Legal and Contractual Provisions Governing Investments

Compliance with the Public Funds Investment Act

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas and its agencies; (2) guaranteed or secured certificates of deposit issued by state and national banks domiciled in Texas; (3) obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality not less than an "A"; (4) no load money market funds with a weighted average maturity of 90 days or less; (5) fully collateralized repurchase agreements; (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies OR one nationally recognized credit agency and is fully secured by an irrevocable letter of credit; (7) secured corporate bonds rated not lower than "AA-" or the equivalent; (8) public funds

CASS COUNTY, TEXAS
Notes to the Financial Statements
For the Year Ended September 30, 2017

investment pools; and (9) guaranteed investment contracts for bond proceeds investments only, with a defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas public Funds Investment Act in an amount equal to the bond proceeds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. County is in substantial compliance with the requirements of the Act and with local policies.

Additional policies and contractual provisions governing investments for County are specified below:

Credit Risk To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the County limits investments in (list investments covered by the County's credit risk policy, such as commercial paper, corporate bonds, mutual bond funds) to the top (or top 2 or 3) ratings issued by nationally recognized statistical rating organizations (NRSROs). As of September 30, 2017, the County's investments at TexPool and TxClass are rated AAAM.

Custodial Credit Risk for Investments To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the County requires counterparties to register the securities in the name of the County and hand them over to the County or its designated agent. This includes securities in securities lending transactions. All of the securities are in the County's name and held by the County or its agent.

Concentration of Credit Risk To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the County diversifies its investments. The County further limits investments in a single issuer when they would cause investment risks to be significantly greater in the governmental and business-type activities, individual major funds, aggregate non-major funds and fiduciary fund types than they are in the primary government. Usually this limitation is 20%.

Interest Rate Risk To limit the risk that changes in interest rates will adversely affect the fair value of investments, the County shall use final and weighted-average-maturity limits and diversification. The County monitors interest rate risk using weighted-average-maturity and specific identification.

Foreign Currency Risk for Investments The County does not engage in any deposit or investment in transactions involving foreign currency.

The County categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below. In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The County's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

In this discussion and in the table below, investment are defined according to GASB 72 as a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. An asset initially reported as a capital asset and later held for sale would not subsequently be reclassified as an investment.

As of September 30, 2017, County had the following investments subject to the fair value measurement.

CASS COUNTY, TEXAS
Notes to the Financial Statements
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<u>Investment by Fair Value Level</u>	<u>Fair Value Measurements Using</u>			
	<u>Balance at September 30, 2017</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Debt Securities:				
TxClass	\$3,792,149	\$3,792,149	-0-	-0-
TexPool	791,642	791,642	-0-	-0-
Total Debt Securities	4,583,791	4,583,791	-0-	-0-
Total Investments by Fair Value Level				
Level	4,583,791	4,583,791	-0-	-0-
Total	\$4,583,791	\$4,583,791	-0-	-0-

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

County has no investments measured at the Net Asset Value (NAV) per Share (or its equivalent).

B. PROPERTY TAXES

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The County levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll on August 1, 2016, upon which the levy for the 2016-17 fiscal year was based, was \$1,608,046,877. The roll was subsequently increased to a year-end assessed value of \$1,617,893,011. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to penalty and interest charges plus delinquent collection fees for attorney costs.

The tax rates assessed for the year ended September 30, 2017, to finance General Fund operations, Special Revenue and the payment of principal and interest on general obligation long-term debt were \$.477171, \$.071646 and \$.040606 per \$100 valuation, respectively, for a total of \$.589243 per \$100 valuation.

Current tax collections for the year ended September 30, 2017, were 101.66% of the year-end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the County is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of September 30, 2017, property taxes receivable, net of estimated uncollectible taxes, totaled \$718,752, \$135,123, \$35,058 and \$68,378 for the General, Road and Bridge, Other Special Revenue and Debt Service Funds respectively.

C. INTERFUND PAYABLES AND RECEIVABLES

Inter-fund balances at September 30, 2017, consisted of the following individual fund receivables and payables:

CASS COUNTY, TEXAS
Notes to the Financial Statements
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	Due to Other Funds	Due from Other Funds
General Fund:		
Special Revenue		\$32,661
Debt Service		60,000
Special Revenue Fund		
General Fund	32,661	
Road and Bridge	92,651	
Road and Bridge		
Special Revenue		92,651
Debt Service Fund:		
General Fund	60,000	
Total	<u>\$185,312</u>	<u>\$185,312</u>

D. CAPITAL ASSET ACTIVITY

Capital asset activity for the County for the year ended September 30, 2017, was as follows:

	Primary Government				Balance 9/30
	Balance 10/01	Adjustments	Addition	Deletions	
Land	\$156,820	\$-0-	\$-0-	\$-0-	\$ 156,820
Buildings and Impr.	14,407,565	2,000	-0-	-0-	14,409,565
Furniture & Equipment	4,815,474	24,408	506,792	145,719	5,200,955
Construction in Progress	-0-	-0-	-0-	-0-	-0-
Leased Equipment – Capital Leases	-0-	-0-	-0-	-0-	-0-
Total at Historical Cost	<u>\$19,379,859</u>	<u>\$26,408</u>	<u>\$506,792</u>	<u>\$145,719</u>	<u>\$19,767,340</u>

	Primary Government				Balance 9/30
	Balance 10/01	Adjustments	Addition	Deletions	
Less Accumulated Depreciation for:					
Buildings	\$1,970,607	(\$432)	\$213,915	\$-0-	\$2,184,090
Furniture & Equipment	1,592,680	22,965	152,665	88,902	1,679,408
Leased Equipment – Capital Leases	-0-	-0-	-0-	-0-	-0-
Total Accumulated Depreciation	<u>\$3,563,287</u>	<u>\$22,533</u>	<u>\$366,580</u>	<u>\$88,902</u>	<u>\$3,863,498</u>

Depreciation expense was charged to governmental functions as follows:

Administration and Finance	\$41,091
Roads and Public Works	111,617
Law Enforcement	126,609
Judicial	59,334
Corrections	17,728
Community Services	10,201
Total Depreciation Expense	<u>\$366,580</u>

E. LOANS PAYABLE

During July 2016, the County authorized the issuance of County Tax Note in the amount of \$1,034,000. The effective interest rate is 1.65% with a maturity date of August 15, 2023. As of September 30, 2017, the unpaid balance was \$893,000.

	Balance October 1, 2016	Additions	Retirements	Balance September 30, 2017
County Tax Note	\$1,034,000	\$-0-	\$141,000	\$893,000

CASS COUNTY, TEXAS
Notes to the Financial Statements
For the Year Ended September 30, 2017

Presented below is a summary of the loan's annual requirements to maturity:

<u>Fiscal Year</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total</u>
2018	\$143,000	\$14,735	\$157,735
2019	145,000	12,375	157,375
2020	148,000	9,983	157,983
2021	150,000	7,541	157,541
2022	152,000	5,066	157,066
2023	<u>155,000</u>	<u>2,558</u>	<u>157,558</u>
Total	<u>\$893,000</u>	<u>\$52,258</u>	<u>\$945,258</u>

F. COMMITMENTS UNDER LEASES

Operating Leases

There were several commitments under operating (non-capitalized) lease agreements for equipment as of year-end. Net rental expense for the year ended September 30, 2017, was \$32,145.

Capital Leases

The County had no capital leases in effect as of year-end.

G. BONDS PAYABLE

Long-term debt includes general obligation bonds, certificates of obligation, and loans.

During the year ended September 30, 2017, the following changes occurred in bond liabilities reported in the general long-term debt account group:

	<u>Balance October 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance September 30, 2017</u>
Series 2015 Ref. Bond.	<u>\$5,230,000</u>	<u>-0-</u>	<u>\$320,000</u>	<u>\$4,910,000</u>
Totals	<u>\$5,230,000</u>	<u>\$-0-</u>	<u>\$320,000</u>	<u>\$4,910,000</u>

Certificates of Obligation

On May 1, 2015, the County issued \$5,540,000 of Tax Refunding Bonds, Series 2015, for the purpose of refinancing previous issued bonds. The Refunding Bonds were issued pursuant to the Certificate of Obligation Act of 1971, Section 271.041, Texas Local Government Code. As of September 30, 2017, the balance due on these Bonds were \$4,910,000.

Presented below is a summary of Series 2015 Tax Refunding Bonds requirements to maturity:

<u>Fiscal Year</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total</u>
2018	\$325,000	\$126,700	\$451,700
2019	335,000	120,100	455,100
2020	340,000	113,350	453,350
2021	345,000	106,500	451,500
2022	355,000	99,500	454,500
2023-2027	1,910,000	356,000	2,266,000
2028-2030	<u>1,300,000</u>	<u>64,350</u>	<u>1,364,350</u>
Total	<u>\$4,910,000</u>	<u>\$986,500</u>	<u>\$5,896,500</u>

CASS COUNTY, TEXAS
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For the Year Ended September 30, 2017

H. CHANGES IN LONG-TERM LIABILITIES

Long-term activity for the year ended September 30, 2017, was as follows:

	<u>Balance October 1</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance September 30</u>	<u>Due Within One Year</u>
Series 2015 Tax Refund. B	\$5,230,000	\$-0-	\$320,000	\$4,910,000	\$325,000
County Tax Note	<u>1,034,000</u>	<u>-0-</u>	<u>141,000</u>	<u>893,000</u>	<u>143,000</u>
Totals	<u>\$6,264,000</u>	<u>\$-0-</u>	<u>\$461,000</u>	<u>\$5,803,000</u>	<u>\$468,000</u>
Premium on Ser. 2015	<u>\$183,119</u>	<u>\$-0-</u>	<u>\$13,080</u>	<u>\$170,039</u>	

I. DEFERRED COMPENSATION PLAN

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all County employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the County subject only to the claims of the County's general creditors. Participants' rights under the plan are equal to those of general creditors of the County in an amount equal to the fair market value of the deferred account for each participant.

It is the County's opinion that the County has no liability for losses under the plan, but does have the duty of due care that would be required of an ordinary prudent investor. The County believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

J. UNEARNED REVENUE and DEFERRED INFLOWS OF RESOURCES

Deferred revenue at year-end consisted of the following:

	<u>General Fund</u>	<u>Rd & Bridge Fund</u>	<u>Debt Service</u>	<u>Other Funds</u>	<u>Total</u>
Deferred Inflows - Net Prop. Tax	\$672,037	\$126,413	\$64,360	\$32,780	\$895,590
Unearned Revenues	<u>837,407</u>	<u>-0-</u>	<u>-0-</u>	<u>423,174</u>	<u>1,260,581</u>
Totals	<u>\$1,509,444</u>	<u>\$126,413</u>	<u>\$64,360</u>	<u>\$455,954</u>	<u>\$2,156,171</u>

K. DUE FROM OTHER GOVERNMENTS

The County participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. As of year-end, there are no material amounts classified as due from other governments.

L. INDIVIDUAL FUND DISCLOSURES

At September 30, 2017, the following funds reflected either deficit cash balances or deficit fund balances:

<u>Fund</u>	<u>Cash Balance</u>	<u>Fund Balance</u>
Court At Law	(198,009)	(205,270)
County AIP	(36,419)	(36,419)
Home Grants	(9,096)	-0-
Park	(-0-)	(4,033)
Law Library	(12,160)	(12,671)
Dist. Attorney State	(56)	(56)

M. LITIGATION AND CONTINGENCIES

1. As of the report date, the County was not involved in any litigation that would have a material effect on the general-purpose financial statement.
2. The County participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the County has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at September 30, 2017 may be impaired. In the opinion of the County, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

N. SUBSEQUENT EVENTS

There were no significant subsequent events reportable as of January 19, 2018.

O. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at September 30, 2017, were as follows:

	<u>Other Governments</u>	<u>Due From Other Funds</u>	<u>Other</u>	<u>Total Receivables</u>
Governmental Activities:				
General Fund	\$-0-	\$92,661	\$158,598	\$251,259
Debt Service	-0-	-0-	1,343	1,343
Road and Bridge	-0-	-0-	112,147	112,147
Nonmajor Gov. Funds	<u>61,480</u>	<u>92,651</u>	<u>62,132</u>	<u>216,263</u>
Total - Governmental Activities	<u>\$61,480</u>	<u>\$185,312</u>	<u>\$334,220</u>	<u>\$581,012</u>
Amounts not scheduled for collection during the subsequent year	<u>\$-0-</u>	<u>\$-0-</u>	<u>\$-0-</u>	<u>\$-0-</u>

Payables at September 30, 2017, were as follows:

	<u>Accounts and Accr. Wages</u>	<u>Due To Other Funds</u>	<u>Due to Other Governments</u>	<u>Other</u>	<u>Total Payables</u>
Governmental Activities:					
General Fund	\$86,496	\$ -0-	\$144,228	\$-0-	\$230,724
Debt Service	-0-	60,000	-0-	-0-	60,000
Road and Bridge	126,149	92,651	-0-	-0-	218,800
Non-major Gov. Funds	<u>50,186</u>	<u>32,661</u>	<u>-0-</u>	<u>-0-</u>	<u>82,847</u>
Total - Gov. Activities	<u>\$262,831</u>	<u>\$185,312</u>	<u>\$144,228</u>	<u>\$-0-</u>	<u>\$592,371</u>
Amounts not scheduled for payment during the subsequent year	<u>\$-0-</u>	<u>\$-0-</u>	<u>\$-0-</u>	<u>\$-0-</u>	<u>\$-0-</u>

P. INTERFUND TRANSFERS

	<u>Transfers out</u>	<u>Transfers in</u>
General Fund	\$129,343	
Road and Bridge	2,125,009	\$2,125,009
Non-Major Special Revenue Funds	<u>68,204</u>	<u>197,547</u>
Total	<u>\$2,322,556</u>	<u>\$2,322,556</u>

Q. PENSION PLAN OBLIGATION

Plan Description:

The County provides retirement, disability and death benefits for all of its full-time employees through a non-traditional, joint contributory, defined benefit plan in the state-wide Texas County and District Retirement Plan (TCDRS), one of over 574 administered by TCDRS, an agent multiple-employee public employee retirement system. The system provides service retirement and disability retirement benefits, and death benefits to plan members and their beneficiaries. The System's annual financial report and other required disclosure information is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, TX 78768-2034.

The plan provisions are adopted by the governing body of the employer, with the options available in the Texas state statutes governing TCDRS (TCDRS Act).

Benefits:

Plan benefits depend upon the sum of the employee's contributions to the plan, the interest, and the County-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial 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 contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Members can retire, with full benefits, when their age and years of service total 75, at ages 60 and above with 8 or more years of service, or with 30 years of service regardless of age. A member is vested after 8 years but must leave their accumulated contributions in the plan to receive any employer-financed benefits. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Contributions:

A combination of three elements funds each employee's portion of the plan: employee deposits, employer contributions and investment income.

Funding Policy:

The employer has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both the employee and the employer based on the covered payroll of the employee member. The contribution rate for the employees is 7% and the County is currently 9.31%, both as adopted by the governing body of the County. Under the TCDRS Act, the actuary annually determines the County contribution rate. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act. The TCDRS Act allows and the employer may elect to make an additional optional contribution to its account during the year, in addition to its regular monthly contributions.

Annual Pension Cost:

The required contribution was determined as part of the December 31, 2016 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2013 included (a) 8.0 percent investment rate of return (net of administrative expenses), and (b) projected salary increases of 5.4 percent. Both (a) and (b) included an inflation component of 3.5 percent. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a ten-year period. The unfounded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization

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period at December 31, 2016 was 20 years. For December 31, 2016, the annual pension cost for the TCDRS plan for the employees were \$19,392 and the actual contributions, including employer contributions, were \$1,016,874.

Net Pension Liability (Asset)

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Total pension liability	\$28,278,887	\$27,038,174
Fiduciary net position	25,204,098	24,123,267
Net pension liability (asset)	3,074,789	2,914,907
Fiduciary net position as a % of total pension liability	89.13%	89.22%
Pensionable covered payroll	\$5,458,268	\$5,077,983
Net pension liability as a % of covered payroll	56.33%	57.40%

Discount Rate

Discount rate	8.10%	8.10%
Long-term expected rate of return, net of invest. exp	8.10%	8.10%
Municipal bond rate	does not apply	does not apply

Other Key Actuarial Assumptions:

The actuarial assumptions that determined the total pension liability as of December 31, 2016 were based on the results of an actuarial experience study for the period January 1, 2009 throughout December 31, 2012, except where required to be different by GASB 68.

Valuation Timing	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	Same as funding valuation (3.0%)
Salary Increases	Rates of increases assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 2.5% and a merit, promotion and longevity component that on average approximates ¼% per year for a career employee.
Investment Rate of Return	8.10%
Cost-of-Living Adjustments	Cost of living adjustment for the entity are not considered to be substantively automatic under GASB 68. Therefore, no assumptions for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.

Retirement Age

CASS COUNTY, TEXAS
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Annual Rates of Service Retirement*

Age	Male	Female	Age	Male	Female
40-44	4.5%	4.5%	82	25.0%	25.0%
45-49	9.0	9.0	83	18.0	16.0
50	10.0	10.0	84	16.0	16.0
51	10.0	10.0	85	30.0	30.0
52	10.5	10.5	86	25.0	25.0
53	10.5	10.5	87	24.0	24.0
54	10.5	10.5	88	22.0	22.0
55	11.0	11.0	89	22.0	22.0
56	11.0	11.0	90	22.0	22.0
57	11.0	11.0	91	22.0	22.0
58	12.0	12.0	92	22.0	22.0
59	12.0	12.0	93	22.0	22.0
60	14.0	14.0	94**	22.0	22.0
61	12.0	12.0			

* Deferred members are assumed to retire (100% probability) at the later of
a) age 60
b) earliest retirement eligibility.

** For all eligible members ages 75 and later, retirement is assumed to occur immediately

Turnover

Probability of Withdrawal

Years of Service	Probability	Years of Service	Probability
0	100%	15	40
1	100	16	38
2	100	17	36
3	100	18	34
4	100	19	32
5	100	20	30
6	100	21	28
7	100	22	26
8	50	23	24
9	49	24	22
10	48	25	20
11	47	26	15
12	46	27	10
13	44	28*	5
14	42		

* Members with more than 28 years of service are not assumed to refund

Mortality

Depositing members	The RP-2000 Active Employee Mortality Table for males with a two-year set-forward and the RP-2000 Active Employee Mortality Table for females with a four-year setback, both projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that.
Service retirees, beneficiaries and non-depositing members	The RP-2000 Combined Mortality Table projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that, with a one-year set-forward for males and no age adjustment for females.
Disabled retirees	RP-2000 Disabled Mortality Table projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that, with no age adjustment for males and a two- year set-forward for females.

CASS COUNTY, TEXAS
Notes to the Financial Statements
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Long-Term Expected Rate of Return

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2017 information for a 7-10 year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2013. See Milliman's TCDRS Investigation of Experience report for the period January 1, 2009 – December 31, 2012 for more details.

Asset Class	Benchmark	Target Allocation ⁽¹⁾	Geometric Real Rate of Return ⁽²⁾
U.S. Equities	Dow Jones U.S. Total Stock Market Index	13.50%	4.70%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽³⁾	16.00%	7.70%
Global Equities	MSCI World (net) Index	1.50%	5.00%
Int'l Equities - Developed Markets	MSCI World Ex USA (net)	10.00%	4.70%
Int'l Equities - Emerging Markets	MSCI EM Standard (net) Index	7.00%	5.70%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	0.60%
High-Yield Bonds	Citigroup High-Yield Cash-Pay Capped Index	3.00%	3.70%
Opportunistic Credit	Citigroup High-Yield Cash-Pay Capped Index	2.00%	3.83%
Direct Lending	S&P/LSTA Leveraged Loan Index	10.00%	8.15%
Distressed Debt	Cambridge Associates Distressed Securities Index ⁽⁴⁾	3.00%	6.70%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FTSE EPRA/NAREIT Global Real Estate Index	2.00%	3.85%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	5.60%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁵⁾	6.00%	7.20%
Hedge Funds	Hedge Fund Research, Inc. (HFR) Fund of Funds Composite Index	20.00%	3.85%

(1) Target asset allocation adopted at the April 2017 TCDRS Board meeting.

(2) Geometric real rates of return equal the expected return minus the assumed inflation rate of 2.0%, per Cliffwater's 2017 capital market assumptions.

(3) Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

(4) Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

(5) Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

Depletion of Plan Assets/GASB Discount Rate:

The discount rate is the single rate of return that, when applied to all projected benefit payments, results in an actuarial present value of projected benefit payments equal to the total of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and, (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on pension plan investments.
2. The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.

CASS COUNTY, TEXAS
Notes to the Financial Statements
For the Year Ended September 30, 2017

Therefore, if plan investments in a given future year are greater than projected benefit payments in that year and are invested such that they are expected to earn the long-term rate of return, the discount rate applied to projected benefit payments in that year should be the long-term expected rate of return on plan investments. If future years exist where this is not the case, then an index rate reflecting the yield on a 20-year, tax exempt municipal bond should be used to discount the projected benefit payments for those years.

The determination of a future date when plan investments are not sufficient to pay projected benefit payments is often referred to a depletion date projection. A depletion date projection compares projections of the pension plan's fiduciary net position to projected benefit payments and aims to determine a future date, if one exists, when the fiduciary net position is projected to be less than projected benefit payments. If an evaluation of the sufficiency of the projected fiduciary net position compared to projected benefit payments can be made with sufficient reliability without performing a depletion date projection, alternative methods to determine sufficiency may be applied.

In order to determine the discount rate to be used by the employer, TCDRS used the following method:

1. TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as level percent of pay over a 20 year closed layered periods.
2. Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.
3. The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.
4. Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. The long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. Therefore, a discount rate of 8.10% has been used. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8.00%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

Sensitivity Analysis:

	1% Decrease 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
Total pension liability	\$31,617,201	\$28,278,887	\$25,476,670
Fiduciary net position	25,204,098	25,204,098	25,204,098
Net pension liability (asset)	\$6,413,103	\$3,074,789	\$272,572

CASS COUNTY, TEXAS
Notes to the Financial Statements
For the Year Ended September 30, 2017

Pension Expense / (Income)

Pension Expense / (Income)	January 1, 2016 to December 31, 2016
Service cost	\$670,964
Interest on total pension liability ⁽¹⁾	2,155,836
Effect of plan changes	57,279
Administrative expenses	19,392
Member contributions	(382,079)
Expected investment return net of investment expenses	(1,926,149)
Recognition of deferred inflows/outflows of resources	-0-
Recognition of economic/demographic gains or losses	(15,266)
Recognition of assumption changes or inputs	76,979
Recognition of investment gains or losses	422,129
Other ⁽²⁾	<u>107,556</u>
Pension expense / (income)	<u>\$1,186,641</u>

(1) Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

(2) Relates to allocation of system-wide items.

As of December 31, 2016, the deferred inflows and outflows of resources are as follows:

Deferred Inflows / Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$75,709	\$16,026
Changes of assumptions	0	153,959
Net difference between projected and actual earnings	0	1,244,792
Contributions made subsequent to measurement date ⁽³⁾	N/A	Employer determined

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

Year ended December 31:	
2017	\$483,842
2018	467,816
2019	358,535
2020	28,875
2021	0
Thereafter ⁽⁴⁾	0

⁽³⁾ Any eligible employer contributions made subsequent to the measurement date through the employer's fiscal year end should be reflected as outlined in Appendix D of this report.

⁽⁴⁾ Total remaining balance to be recognized in future years, if any. Note that additional future deferred inflows and outflows of resources may impact these numbers.

Schedule of Employer Contributions

Year Ending December 31	Actuarially Determined Contribution ⁽¹⁾	Actual Employer Contribution ⁽¹⁾	Contribution Deficiency (Excess)	Pensionable Covered Payroll ⁽²⁾	Actual Contribution as a % of Covered Payroll
2007	\$398,278	\$398,278	\$0	\$4,904,901	8.1%
2008	450,039	450,039	0	5,245,205	8.6%
2009	461,011	461,011	0	5,341,964	8.6%
2010	491,128	491,128	0	5,367,522	9.1%
2011	448,849	453,808	(4,959)	4,959,652	9.1%
2012	438,057	438,057	0	4,525,364	9.7%
2013	509,079	509,079	0	4,775,569	10.7%
2014	571,250	571,250	0	5,095,902	11.2%
2015	576,858	576,858	0	5,077,983	11.4%
2016	634,795	634,795	0	5,458,268	11.6%

⁽¹⁾ TCDRS calculates actuarially determined contributions on a calendar year basis. GASB Statement No. 68 indicates the employer should report employer contribution amounts on a fiscal year basis.

⁽²⁾ Payroll is calculated based on contributions as reported to TCDRS.

CASS COUNTY, TEXAS
Notes to the Financial Statements
For the Year Ended September 30, 2017

Changes in Net Pension Liability / (Asset)

Changes in Net Pension Liability / (Asset)	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) - (b)
Balances as of December 31, 2015	\$27,038,174	\$24,123,267	\$2,914,907
Changes for the year:			
Service cost	670,964		670,964
Interest on total pension liability ⁽¹⁾	2,155,836		2,155,836
Effect of plan changes ⁽²⁾	57,279		57,279
Effect of economic/demographic gains or losses	(52,499)		(52,499)
Effect of assumptions changes or inputs	0		0
Refund of contributions	(58,941)	(58,941)	0
Benefit payments	(1,531,926)	(1,531,926)	0
Administrative expenses		(19,392)	19,392
Member contributions		382,079	(382,079)
Net investment income		1,781,774	(1,781,774)
Employer contributions		634,795	(634,795)
Other ⁽³⁾	0	(107,556)	107,556
Balances as of December 31, 2016	\$28,278,887	\$25,204,098	\$3,074,789

⁽¹⁾ Reflects the change in the liability due to the time value of money. TCERS does not charge fees or interest.

⁽²⁾ No plan changes valued.

⁽³⁾ Relates to allocation of system-wide items.

Projection of Fiduciary Net Position*

Calendar Year Ending**	Projected Beginning Fiduciary Net Position (a)	Projected Total Contributions (b)	Projected Benefit Payments (c)	Projected Administrative Expenses*** (d)	Projected Investment Earnings (e)	Projected Ending Fiduciary Net Position (a)+(b)-(c)-(d)+(e)
2017	\$25,204,098	\$1,010,317	\$1,917,053	\$25,204	\$2,004,523	\$28,278,681
2018	26,276,681	989,014	1,783,418	28,277	2,095,857	27,552,780
2019	27,552,760	987,073	1,869,381	27,553	2,195,642	28,838,541
2020	28,838,541	985,346	1,963,230	28,839	2,295,983	30,128,802
2021	30,128,802	986,932	2,069,477	30,129	2,398,247	31,412,375
2022	31,412,375	989,202	2,186,054	31,412	2,494,832	32,658,942
2023	32,658,942	957,216	2,286,230	32,659	2,591,300	33,888,563
2024	33,888,563	938,757	2,429,122	33,889	2,684,443	35,048,753
2025	35,048,753	925,065	2,560,219	35,049	2,772,623	36,151,173
2026	36,151,173	916,820	2,659,927	36,151	2,857,588	37,229,503
:						
2036	41,236,705	335,558	3,659,842	41,237	3,206,523	41,077,707
:						
2046	35,244,104	54,374	3,619,882	35,244	2,711,789	34,355,251
:						
2056	26,296,559	6,783	2,715,051	26,297	2,021,428	25,583,422
:						
2066	23,028,513	63	1,523,659	23,029	1,803,891	23,285,780
:						
2076	32,409,393	0	835,599	32,409	2,598,633	34,340,018
:						
2086	63,660,849	0	156,253	63,661	5,147,796	68,588,731
:						
2096	136,139,790	0	14,249	136,140	11,021,351	147,010,752

* Projection values include no assumed future cost-of-living adjustments.

** Note that only select years have been shown for formatting purposes

*** Administrative expenses are assumed to be 0.10% of Fiduciary Net Position.

R. CAPITAL ASSET ADJUSTMENTS TO VALUATION AND DEPRECIATION

The County also changed asset valuations relating to their capital assets and accumulated depreciation as a result of an inventory of assets on hand and estimated life left. See Note IV-D for valuation changes.

OTHER REQUIRED SUPPLEMENTARY SCHEDULES



CASS COUNTY, TEXAS

Exhibit E-1

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET TO ACTUAL - GENERAL FUND

For The Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes	\$7,233,295	\$7,301,582	\$7,467,700	\$166,118
Licenses and permits	256,100	163,179	167,195	4,016
Intergovernmental revenues - miscellaneous	146,900	114,045	0	(114,045)
Intergovernmental revenues - grants	217,607	224,069	292,665	68,596
Charges for services	414,667	380,271	287,080	(93,191)
Fines and forfeitures	462,000	425,039	387,145	(37,894)
Earnings on investments	10,000	17,925	58,890	40,965
Miscellaneous revenues	4,156	108,895	17,447	(91,448)
Total revenues	<u>8,744,725</u>	<u>8,735,005</u>	<u>8,678,122</u>	<u>(56,883)</u>
EXPENDITURES:				
Current:				
Administration and finance	2,669,038	2,449,743	2,405,915	43,828
Roads and public works				0
Corrections				0
Law enforcement	3,475,885	3,211,653	3,357,901	(146,248)
Judicial	1,339,775	1,289,998	1,321,602	(31,604)
Community services	860,890	493,404	863,433	(370,029)
Other expenditures	188,081	186,081	197,250	(11,169)
Debt service:				
Principal on debt	79,156		0	0
Interest on debt			0	0
Related fees			0	0
Capital outlay	118,692	326,169	124,336	201,833
Total expenditures	<u>8,731,517</u>	<u>7,957,048</u>	<u>8,270,437</u>	<u>(313,389)</u>
Excess (deficiency) of Revenues over (under) Expenditures	<u>13,208</u>	<u>777,957</u>	<u>407,685</u>	<u>(370,272)</u>
OTHER FINANCING SOURCES (USES)				
Loan proceeds	50,000	40,512	0	(40,512)
Transfers to other entities		0	44,601	44,601
Transfers in	3,792	7,769	0	(7,769)
Transfers out	(67,000)	(72,962)	(129,343)	(56,381)
Total other financing sources (uses)	<u>(13,208)</u>	<u>(24,681)</u>	<u>(84,742)</u>	<u>(60,061)</u>
Net Change In Fund Balances	0	753,276	322,943	(430,333)
Fund balance, October 1 (Beginning)	<u>3,835,578</u>	<u>3,835,578</u>	<u>3,835,578</u>	<u>0</u>
Fund balance, September 30 (Ending)	<u>\$3,835,578</u>	<u>\$4,588,854</u>	<u>\$4,158,521</u>	<u>(\$430,333)</u>

CASS COUNTY, TEXAS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET TO ACTUAL - ROAD AND BRIDGE FUND
 For The Year Ended September 30, 2017

Exhibit E-2

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes	\$1,366,106	\$1,366,023	\$1,368,759	\$2,736
Licenses and permits	671,100	706,005	690,837	(15,168)
Intergovernmental revenues - miscellaneous	100,000	113,600	0	(113,600)
Intergovernmental revenues - grants		424,025	569,337	145,312
Charges for services			0	0
Fines and forfeitures	200,000	196,581	209,050	12,469
Earnings on investments	6,000	13,075	13,075	0
Miscellaneous revenues	25,000	58,180	60,879	2,699
Total revenues	<u>2,368,206</u>	<u>2,877,489</u>	<u>2,911,937</u>	<u>34,448</u>
EXPENDITURES:				
Current:				
Roads and public works	2,273,978	2,268,131	2,261,259	6,872
Debt service:				
Principal on debt			0	0
Interest on debt			0	0
Related fees			0	0
Capital outlay	473,000	260,790	259,982	808
Total expenditures	<u>2,746,978</u>	<u>2,528,921</u>	<u>2,521,241</u>	<u>7,680</u>
Excess (deficiency) of Revenues over (under) Expenditures	<u>(378,772)</u>	<u>348,568</u>	<u>390,696</u>	<u>42,128</u>
OTHER FINANCING SOURCES (USES)				
Loan proceeds		100,627	0	(100,627)
Transfers to other entities			0	0
Transfers in	2,110,820	2,125,009	2,125,009	0
Transfers out	(2,084,720)	(2,125,009)	(2,125,009)	0
Total other financing sources (uses)	<u>26,100</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change In Fund Balances	<u>(352,672)</u>	<u>348,568</u>	<u>390,696</u>	<u>42,128</u>
Fund balance, October 1 (Beginning)	<u>1,545,952</u>	<u>1,545,952</u>	<u>1,545,952</u>	<u>0</u>
Fund balance, September 30 (Ending)	<u>\$1,193,280</u>	<u>\$1,894,520</u>	<u>\$1,936,648</u>	<u>\$42,128</u>

CASS COUNTY, TEXAS

Exhibit E-3

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL - DEBT SERVICE FUND
For The Year Ended September 30, 2017**

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes	\$639,150	\$676,945	\$678,219	\$1,274
Intergovernmental Revenue			0	0
Earnings on investments		3,180	3,180	0
Total revenues	639,150	680,125	681,399	1,274
EXPENDITURES:				
Current:				
Debt service:				
Principal on debt	460,000	461,000	461,000	0
Interest on debt	159,150	149,500	149,500	0
Related fees	20,000	350	350	0
Total expenditures	639,150	610,850	610,850	0
Excess (deficiency) of Revenues over (under) Expenditures	0	69,275	70,549	0
Other financing sources (uses):				
Loan and bond proceeds			0	0
Transfers to other governmental entities			0	0
Transfers from other funds			0	0
Transfers to other funds			0	0
Total other financing sources (uses)	0	0	0	0
Net Change In Fund Balances	0	69,275	70,549	1,274
Fund balance, October 1 (Beginning)	235,405	235,405	235,405	0
Fund balance, September 30 (Ending)	\$235,405	\$304,680	\$305,954	\$1,274

CASS COUNTY, TEXAS

Exhibit E-4

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY, RELATED RATIOS AND ASSUMPTIONS
For The Year Ended September 30, 2017**

Schedule of Changes in Net Pension Liability and Related Ratios

Year Ended December 31

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Total Pension Liability										
Service cost	\$670,964	\$599,717	\$598,656	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest on total pension liability	2,155,836	2,062,352	1,955,128	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of plan changes	57,279	(74,087)	83,377	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of assumption changes or inputs	0	307,917	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of economic/demographic (gains) or losses	(52,499)	(72,671)	64,106	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	(1,590,868)	(1,643,071)	(1,267,834)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total pension liability	1,240,713	1,180,158	1,433,433	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability, beginning	27,038,174	25,858,016	24,424,583	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability, ending (a)	\$28,278,887	\$27,038,174	\$25,858,016	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary Net Position										
Employer contributions	\$634,795	\$576,858	\$571,250	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Member contributions	382,079	355,459	356,713	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Investment income net of investment expenses	17,841,774	260,228	1,627,067	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	(1,590,868)	(1,643,071)	(1,267,834)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Administrative expenses	(19,392)	(17,467)	(18,318)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other	107,556	152,323	35,299	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in fiduciary net position	1,080,831	(315,671)	1,304,177	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position, beginning	24,123,267	24,438,938	23,134,761	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position, ending (b)	\$25,204,098	\$24,123,267	\$24,438,938	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability / (asset), ending = (a) - (b)	\$3,074,789	\$2,914,907	\$1,419,078	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position as a % of total pension liability	89.13%	89.22%	94.51%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Pensionable covered payroll	\$5,458,268	\$5,077,983	\$5,095,902	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability as a % of covered payroll	56.33%	57.40%	27.85%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 67/68, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been implemented.

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the period covered as of the measurement date of December 31, 2016.

Note: Only two years of data is presented in accordance with GASB 68, Paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

There were no changes in assumptions or other inputs that affected measurement of the pension liability during the measurement period.
There were no changes in benefit terms or other inputs that affected measurement of the pension liability during the measurement period.

COMBINING SCHEDULES



CASS COUNTY, TEXAS
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
September 30, 2017

ASSETS:	COURT AT LAW	JUVENILE PROBATION	INDIGENT DEFENSE GRANT	CASS COUNTY PARK	LAW LIBRARY	DISTRICT ATTORNEY ESCROW	DISTRICT ATTORNEY STATE	DRUG COURT
Cash		\$202,728	\$2,243			\$311		\$15,159
Investments		140,611	25,456					
Accounts receivable	\$4,977	4,873			\$1,871			
Property taxes receivable - delinquent	37,175							
Allowance for uncollectible taxes	(2,602)							
Due from other governmental units		61,480						
Due from other funds								
TOTAL ASSETS	\$39,550	\$409,692	\$27,699	\$0	\$1,871	\$311	\$0	\$15,159
LIABILITIES & FUND BALANCES								
LIABILITIES:								
Accounts payable	\$14,485	\$4		\$4,033	\$2,382			\$1,600
Acct. payable-Negative cash balance	198,009				12,160		\$56	
Due to State								
Due to Other Funds								
Unearned Revenues		353,645						
TOTAL LIABILITIES	212,494	353,649	0	4,033	14,542	0	56	1,600
DEFERRED INFLOWS OF RESOURCES								
Unavailable Revenue - Property Taxes	32,326							
TOTAL DEF. INFLOWS OF RESOURCES	32,326	0	0	0	0	0	0	0
FUND BALANCES:								
Restricted	(205,270)	56,043	27,699	(4,033)	(12,671)	311	(56)	13,559
Unreserved								
TOTAL FUND BALANCES	(205,270)	56,043	27,699	(4,033)	(12,671)	311	(56)	13,559
TOTAL LIABILITIES AND FUND BALANCES	\$39,550	\$409,692	\$27,699	\$0	\$1,871	\$311	\$0	\$15,159

REGIONAL INTRASTATE TASK FORCE	FORESTRY FUND	DISTRICT ATTORNEY FORFEITURE	DISTRICT ATTORNEY DISCR.	CAPITAL PROJECTS FUND	ROW PROJECTS FUND	HAVA FUNDS	SHERIFF FEDERAL FORFEITURE	LINDEN ENTERPRISE FUND
\$44,270	\$236,228 47,087	\$49,685 39,316	\$7,684 62	\$6,587 11,889	\$75,597 29,076 10 522 (37)	\$5,224	\$4,335	\$10,127
	92,651							
\$44,270	\$375,966	\$89,001	\$7,746	\$18,476	\$105,168	\$5,224	\$4,335	\$10,127
			\$762					
\$24,086		\$27,856						\$9,850
24,086	0	27,856	762	0	0	0	0	9,850
					454			
0	0	0	0	0	454	0	0	0
20,184	375,966	61,145	6,984	18,476	104,714	5,224	4,335	277
20,184	375,966	61,145	6,984	18,476	104,714	5,224	4,335	277
\$44,270	\$375,966	\$89,001	\$7,746	\$18,476	\$105,168	\$5,224	\$4,335	\$10,127

CASS COUNTY, TEXAS
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
September 30, 2017

ASSETS:	CIVIL CHILD SUPPORT	TEXAS CDBG 3069 & 6247	FEMA GRANTS	ROAD IMPR. GRANT 0710197	BEAR CREEK FMAG	TEXAS HIST. COURTHOUSE GRANT	HOME GRANTS
Cash	\$69,417	\$75	\$530	\$1,786	\$37,064	\$26,923	
Investments							
Accounts receivable							\$9,096
Property taxes receivable - delinquent							
Allowance for uncollectible taxes							
Due from other governmental units							
Due from other funds							
TOTAL ASSETS	\$69,417	\$75	\$530	\$1,786	\$37,064	\$26,923	\$9,096
LIABILITIES & FUND BALANCES							
LIABILITIES:							
Accounts payable							
Acct. payable-Negative cash balance							\$9,096
Due to State							
Due to Other Funds					\$32,661		
Unearned Revenues						\$7,737	
TOTAL LIABILITIES	0	0	0	0	32,661	7,737	9,096
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue - Property Taxes							
TOTAL DEF. INFLOWS OF RESOURCES	0	0	0	0	0	0	0
FUND BALANCES:							
Restricted	69,417	75	530	1,786	4,403	19,186	0
Unreserved							
TOTAL FUND BALANCES	69,417	75	530	1,786	4,403	19,186	0
TOTAL LIABILITIES AND FUND BALANCES	\$69,417	\$75	\$530	\$1,786	\$37,064	\$26,923	\$9,096

CSCD BASIC GRANT	CSCD SATP III FUND	CSCD COMM. SVC. FUND	COUNTY AIP FUND	CSCD MHI PGM FUND	CSCD MNTL HLTH FUND	CSCD HIGH RISK FUND	AGGRESSIVE BEHAVIOR GRANT	TOTAL NONMAJOR GOVERNMENTAL FUNDS
\$227,455	\$23,187	\$6,255		\$22,426		\$31,956	\$6,246	\$1,113,498
106,757								400,192
40,572		671						62,132
								37,697
								(2,639)
								61,480
								92,651
\$374,784	\$23,187	\$6,926	\$0	\$22,426	\$0	\$31,956	\$6,246	\$1,765,011
\$5,977	\$2,508		\$36,419	\$7,728		\$10,707		\$50,186
								255,740
								0
								32,661
								423,174
5,977	2,508	0	36,419	7,728	0	10,707	0	761,761
								32,780
0	0	0	0	0	0	0	0	32,780
368,807	20,679	6,926	(36,419)	14,698	0	21,249	6,246	970,470
								0
368,807	20,679	6,926	(36,419)	14,698	0	21,249	6,246	970,470
\$374,784	\$23,187	\$6,926	\$0	\$22,426	\$0	\$31,956	\$6,246	\$1,765,011

CASS COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For The Year Ended September 30, 2017

	COURT AT LAW	JUVENILE PROBATION	INDIGENT DEFENSE GRANT	CASS COUNTY PARK	LAW LIBRARY	DISTRICT ATTORNEY ESCROW	DISTRICT ATTORNEY STATE	DRUG COURT
REVENUES:								
Taxes	\$350,606							
Licenses and permits								
Intergovernmental revenues - miscellaneous	7,582				\$11,638		\$27,500	\$18,750
Intergovernmental revenues - grants		\$405,805	\$23,495	\$6				
Charges for services		206						
Fines and forfeitures								
Earnings on investments		2,422	482			\$2	21	
Miscellaneous revenues	18,307							
Total revenues	376,495	408,433	23,977	6	11,638	2	27,521	18,750
EXPENDITURES:								
Current:								
Administration and finance								
Roads and public works								
Corrections		401,839						
Law enforcement								
Judicial	483,268		755		14,198		40,094	5,191
Community services				27,032				
Other expenditures								
Debt service:								
Principal on debt								
Interest on debt								
Capital outlay								
Total expenditures	483,268	401,839	755	27,032	14,198	0	40,094	5,191
Excess of revenues over (under) expenditures	(106,773)	6,594	23,222	(27,026)	(2,560)	2	(12,573)	13,559
Other financing sources (uses)								
Loan proceeds								
Transfers to other governmental entities								
Transfers from other funds	100,000	55,000		24,343				
Transfers to other funds			(50,000)					
Total other financing sources (uses)	100,000	55,000	(50,000)	24,343	0	0	0	0
Excess of revenues and other sources over expenditures and other uses	(6,773)	61,594	(26,778)	(2,683)	(2,560)	2	(12,573)	13,559
Fund balance, October 1	(198,497)	(5,551)	54,477	(1,350)	(10,111)	309	12,517	0
Prior Period Adjustments								
Fund balance, September 30	(\$205,270)	\$56,043	\$27,699	(\$4,033)	(\$12,671)	\$311	(\$56)	\$13,559

REGIONAL INTRASTATE TASK FORCE	FORESTRY FUND	DISTRICT ATTORNEY FORFEITURE	DISTRICT ATTORNEY DISCRETIONARY	CAPITAL PROJECTS FUND	ROW PROJECTS FUND	HAVA FUNDS	SHERIFF FEDERAL FORFEITURES	LINDEN ENTERPRISE FUND
					\$4,937			
			\$2,859					
\$298	\$2,692	\$458 22,237	54	\$126	707	\$35	\$30	\$69
298	2,692	22,695	2,913	126	5,644	35	30	69
		12,053	2,101					
0	0	12,053	2,101	0	0	0	0	0
298	2,692	10,642	812	126	5,644	35	30	69
0	0	0	0	0	0	0	0	0
298 19,886	2,692 373,274	10,642 50,503	812 6,172	126 18,350	5,644 99,070	35 5,189	30 4,305	69 208
\$20,184	\$375,966	\$61,145	\$6,984	\$18,476	\$104,714	\$5,224	\$4,335	\$277

CASS COUNTY, TEXAS
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For The Year Ended September 30, 2017

	CIVIL CHILD SUPPORT	TEXAS CDBG 3069 & 6247	FEMA GRANTS	ROAD IMPR. GRANT 0710197	BEAR CREEK FMAG	TEXAS HIST. COURTHOUSE GRANT	HOME GRANTS
REVENUES:							
Taxes							
Licenses and permits							
Intergovernmental revenues							
Intergovernmental revenues - grants							9,096
Charges for services							
Fines and forfeitures							
Earnings on investments		65	520	\$12	\$252	\$188	
Miscellaneous revenues	16,024	17,500					
Total revenues	16,024	17,565	520	12	252	188	9,096
EXPENDITURES:							
Current:							
Administration and finance							
Roads and public works							
Corrections							
Law enforcement							
Judicial							
Community services							9,096
Other expenditures		17,500					
Debt service:							
Principal on debt							
Interest on debt							
Capital outlay	0						
Total expenditures	0	17,500	0	0	0	0	9,096
Excess of revenues over (under) expenditures	16,024	65	520	12	252	188	0
Other financing sources (uses)							
Loan proceeds							
Transfers to other governmental entities							
Transfers from other funds							
Transfers to other funds							
Total other financing sources (uses)	0	0	0	0	0	0	0
Excess of revenues and other sources over expenditures and other uses	16,024	65	520	12	252	188	0
Fund balance, October 1	53,393	10	10	1,774	4,151	18,998	
Adjustments							
Fund balance, September 30	\$69,417	\$75	\$530	\$1,786	\$4,403	\$19,186	\$0

CSCD BASIC GRANT	CSCD SATP III FUND	CSCD COMM. SVC. FUND	COUNTY AIP FUND	CSCD MHI PGM FUND	CSCD MNTL HLTH FUND	CSCD HIGH RISK FUND	AGGRESSIVE BEHAVIOR GRANT	TOTAL NONMAJOR GOVERNMENTAL FUNDS
								\$355,543
								0
								65,470
\$182,006	\$117,151	\$50,323		\$77,459	\$3	\$110,386	\$16,115	991,839
449,810								452,881
								0
3,539								11,972
652								74,720
636,007	117,151	50,323	0	77,459	3	110,386	16,115	1,952,425
								0
								0
612,076	130,209	73,269	1,136	81,199		122,369	11,045	1,433,142
								0
								557,660
								36,128
								17,500
								0
								0
								0
612,076	130,209	73,269	1,136	81,199	0	122,369	11,045	2,044,430
23,931	(13,058)	(22,946)	(1,136)	(3,740)	3	(11,983)	5,070	(92,005)
								0
								0
(17,058)	640	16,213		1,351			(1,146)	197,547
								(68,204)
(17,058)	640	16,213	0	1,351	0	0	(1,146)	129,343
6,873	(12,418)	(6,733)	(1,136)	(2,389)	3	(11,983)	3,924	37,338
361,934	33,097	13,659	(35,283)	17,087	(3)	33,232	2,322	933,132
								0
\$368,807	\$20,679	\$6,926	(\$36,419)	\$14,698	\$0	\$21,249	\$6,246	\$970,470

CASS COUNTY, TEXAS

COMBINING BALANCE SHEET - ALL TRUST AND AGENCY FUNDS

September 30, 2017

	TAX OFFICE	SHERIFF	JUSTICE COURT #1	JUSTICE COURT #2	JUSTICE COURT #3	JUSTICE COURT #4
ASSETS:						
Cash	\$255,525	\$62,278	\$15,575	\$7,373	\$22,681	\$10,419
Restricted Investments - District Clerk						
Accounts receivable						
TOTAL ASSETS	\$255,525	\$62,278	\$15,575	\$7,373	\$22,681	\$10,419
LIABILITIES & FUND BALANCES						
LIABILITIES:						
Accounts payable						
Due to other governments	\$255,525		\$15,575	\$7,373	\$22,681	\$10,419
Due to other entities		\$62,278				
TOTAL LIABILITIES	255,525	62,278	15,575	7,373	22,681	10,419
FUND BALANCE						
Fund balance September 30,	0	0	0	0	0	0
TOTAL LIABILITIES AND FUND BALANCES	\$255,525	\$62,278	\$15,575	\$7,373	\$22,681	\$10,419

Exhibit H-3

COUNTY CLERK	DISTRICT ATTORNEY	JUVENILE PROBATION	DISTRICT CLERK	CSCD	TOTALS SEPTEMBER 30
\$76,018	\$22,261	\$6,334	\$568,292 217,965	\$162	\$1,046,918 217,965 0
\$76,018	\$22,261	\$6,334	\$786,257	\$162	\$1,264,883
	\$22,261		\$568,292		\$590,553
\$76,018		\$6,334	217,965		311,573
76,018	22,261	6,334	786,257	0	1,264,721
0	0	0	0	162	162
\$76,018	\$22,261	\$6,334	\$786,257	\$162	\$1,264,883

COMPLIANCE AND INTERNAL CONTROL SECTION





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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Honorable Judge and Commissioners
Cass County, Texas
Linden, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cass County, Texas (the County) as of and for the year ended September 30, 2017 and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated January 19, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Cass County, Texas's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cass County, Texas's internal control. Accordingly, we do not express an opinion on the effectiveness of Cass County, Texas'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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cass County, Texas's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our tests disclosed one instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* (2017-1 as described in the accompanying Schedule of Findings and Questioned Costs).

Cass County's Response to Findings

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

Purpose of this report

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



CAVER and SETSER, Inc.
Certified Public Accountants

January 19, 2018



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Honorable Judge and Commissioners
County of Cass, Texas
Linden, Texas

Report on compliance for Each Major State and Federal Program

We have audited Cass County's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and regulations described in the various grant supplements from the Comptroller of the State of Texas that could have a direct and material effect on each of Cass County's major state and federal programs for the year ended September 30, 2017. Cass County's major state and federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with state and federal statutes, regulations, and the terms and conditions of its state and federal awards applicable to its state and federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Cass County's major state and federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2, U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), requirements relating to the grants received from the Texas Juvenile Justice Department or those received from the Texas Department of Criminal Justice. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state and federal program occurred. An audit includes examining, on a test basis, evidence about Cass County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State and Federal Program

In our opinion, Cass County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state and federal programs for the year ended September 30, 2017.

Report on Internal Control Over Compliance

Management of Cass County is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered Cass County's internal control over compliance with the types of requirements that could have a direct and material effect on each major state and federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state and federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion of the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Cass County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cass County, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Cass County's basic financial statements. We issued our report thereon dated January 19, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of state and federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state and federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



CAVER and SETSER, Inc.
Certified Public Accountants
January 19, 2018

CASS COUNTY, TEXAS
Schedule of Findings and Questioned Costs
For The Year Ended September 30, 2017

I. Summary of Auditor's Results

1. Type of auditor's report issued on the financial statements: Unmodified
2. Internal control over Financial Reporting:
 - Material weakness(es) identified? Yes No
 - Significant deficiency(ies) identified that are not considered to be material weakness(es) Yes None reported
 - Noncompliance material to financial statements noted? Yes No
3. Federal and State Awards:
 - Material weakness(es) identified? Yes No
 - Significant deficiency(ies) identified that are not considered to be material weakness(es) Yes None reported
 - Type of auditor's report on compliance for major programs: Unmodified
 - Did the audit disclose findings which are required to be reported under Sec. 5 I 0(a): Yes No
4. Major programs include:

<u>Prog. #</u>	<u>Program</u>
<u>State Programs :</u>	
Pgm # 900	CSCD Basic Supervision
A-2017-034	Tx. Juvenile Probation Commission
5. Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.
6. Low risk auditee: Yes No

II. Findings Related to the Financial Statements

2017-01

Expenditures exceeding budgetary allowance

Criteria: Governmental Standards dictate that all expenditures must be approved by the governing body through means of budget allowances.

Condition Found: During the review of the September 30, 2017 General Fund expenditures exceeded the final approved budget.

Effect: Future resources were decreased more than expected.

Cause: Budget was not amended to reflect current activities of the County.

Recommendation: Management should proactively notify the governing body of potential and known future expenditure needs so that approval of budget amendments can be performed in an efficient and timely manner.

III. Findings and Questioned Costs Related to the Federal Awards

None noted

CASS COUNTY, TEXAS
Schedule of Status of Prior Audit Findings
For The Year Ended September 30, 2017

2016-1 Expenditures exceeding Budgetary Allowance

During the year ending September 30, 2016, various General Fund line items expenditures exceeded final amended budget due to adjustments discovered and approved for entry during the external audit.

As of 9/30/17 the County repeated this deficiency.

Contact person: Tammy Wells, County Auditor 903-756-5067

CASS COUNTY, TEXAS
Corrective Action Plan
For The Year Ended September 30, 2017

2017-01 Expenditures exceeding budgetary allowance

Proper management of current and future resources and obligations require enacting and amending budgetary allowances for various expenditure categories. During the year ended September 30, 2017, the General Fund expended amounts exceeding the final approved budgetary amounts. Management will properly amend the budgetary allowances and post expenditures in the upcoming periods.

Contact Person: Tammy Wells, County Auditor

Anticipated Completion Date: Immediately

CASS COUNTY, TEXAS

Exhibit K-1

**Schedule of Expenditures of State and Federal Awards
For The Year Ended September 30, 2017**

STATE OR FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	State ID or CFDA NUMBER	EXPENDITURES, INDIRECT COSTS AND REFUNDS
FEDERAL AWARDS:		
<u>U.S. Dept. of Federal Emergency Management Assistance</u>		
FEMA 4266	97.036	55,869
FEMA 4269	97.036	95,036
Total U.S. Department of Federal Emergency Management Assistance		<u>150,905</u>
<u>U.S. Dept. of Health and Human Services</u>		
Title IV-E - Juvenile Probation Dept	97.036	56,043
Total U.S. Department of Health and Human Services		<u>56,043</u>
Total Federal Assistance		<u>206,948</u>
STATE AWARDS:		
CITF 01 034	01 034	224,646
CDBG 72162	721.62	68,061
Supplement for Salary - Lake Patrol (Corp. of Engineers)		16,940
E-Grant CJAD	5805701	26,684
Court at Law Grant		84,000
CSCD Basic		182,006
CSCD Aggressive Behavior		16,115
CSCD Comm Svc Restitutuion (#2)		50,323
CSCD Substance Abuse (#13)		117,151
CSCD Mental Health Initiative (#10)		77,459
CSCD High Risk Treatment Program (#11)		110,386
Crime Victims Coordinator	1336460	42,000
Tx. Juvenile Justice Department	A-2017-034	268,706
Tx. Juvenile Justice Department	R-2017-034	8,928
Total State Assistance		<u>1,293,405</u>
TOTAL FEDERAL AND STATE ASSISTANCE		<u><u>\$1,500,353</u></u>

CASS COUNTY, TEXAS

Notes to the Supplementary Schedule of Expenditures of State and Federal Awards For The Year Ended September 30, 2017

1. For all State and Federal programs, the County uses the fund types specified under Generally Accepted Accounting Principles for State and Local Governments. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types and Expendable Trust Funds are accounted for using a current financial resources measurement focus. All State and Federal grant funds were accounted for in a Special Revenue Fund, which is a Governmental Fund type. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current position.

The modified accrual basis of accounting is used for the Governmental Fund types, the Expendable Trust Funds, and Agency Funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

State and Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received, they are recorded as deferred revenue until earned.

3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extends 30 days beyond the federal project period ending date, in accordance with provisions in the Uniform Guidance.
4. The County does not use the 10% de minimis indirect cost rate for federal programs.



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N. Preston Caver, CPA

Jalyn L. Setser, CPA

January 19, 2018

Honorable Judge and Commissioners of Cass County
Linden, Texas

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of County of Cass, Texas for the year ended September 30, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 20, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by County of Cass, Texas are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2017. We noted no transactions entered into by County of Cass, Texas during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the County of Cass, Texas's financial statements was: Management's estimate of the useful life for fixed assets presented in the entity-wide financial statements which are based on industry and local evaluations of effective service life of these assets. We evaluated the key factors and assumptions used to develop the depreciable life estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure(s) affecting the financial statements were: The disclosure of Pension deferred inflows, outflows and liability in Note IV-P to the financial statements which describe various assumptions made by the Texas County and District Retirement System in formulating their data and from which the County's proportionate share is calculated. The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 19, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to County of Cass, Texas's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as County of Cass, Texas's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis, budgetary comparison and pension exhibits, which are required supplementary information (RSI) that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining statements and agency fund statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of board of trustees and management of County of Cass, Texas and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Caver and Setter Inc.