

**CASS COUNTY, TEXAS**  
**ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

*Caver and Setser, Inc.*  
Certified Public Accountants



**CASS COUNTY, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
**for the Year Ended September 30, 2016**

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**FINANCIAL SECTION**





**CAVER and SETSER, Inc.**

**Certified Public Accountants**

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Governmental Audit Quality Center

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UNMODIFIED OPINIONS ON BASIC FINANCIAL STATEMENTS  
ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION  
AND OTHER SUPPLEMENTARY INFORMATION

Independent Auditor's Report

To the Honorable County Judge and  
Honorable Commissioners' Court  
Cass County, Texas

Members of the Court:

**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 County of Cass, Texas (the County) as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 the 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 County of Cass, Texas as of September 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis budgetary comparison information and other required supplementary information on pages 3-10 and 42-45 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 County of Cass, Texas's basic, combining and fiduciary funds financial statements. The introductory section and combining and individual non major 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 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 is also not a required part of the basic financial statements.

The combining and individual non major fund, combining and fiduciary funds financial statements and schedule of expenditures of federal and state 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 and individual non major 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 February 7, 2017, on our consideration of County of Cass, 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 County of Cass, Texas's internal control over financial reporting and compliance.

This report is intended for the information of the County's governing body (commissioners), the audit committee, the administration, the State of Texas and various state or federal awarding agencies and pass-through entities, and is not intended to be used and should not be used by anyone other than these specified parties.

*Caver and Setser, Inc.*

*Caver and Setser, Inc.*  
Certified Public Accountants

February 7, 2017

**Management's Discussion and Analysis  
Cass County, Texas  
For the Fiscal Year Ended September 30, 2016**

**-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, 2016. 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 \$1,349,442 as a result of this year's operations. Fines, forfeitures, charges for services and program revenues accounted for \$2,545,056 or 18.17% of total revenue, operating and capital grants provided revenues totaling \$1,745,559 or 12.46% and general revenues (including taxes) accounted for \$9,714,262 or 69.37%. Due to adjustments relating to prior period retirement balances (increase in net position of \$516,938) and valuation changes in fixed assets (increase of \$330,549), total net position increased \$2,196,929.

During the year, the County had expenses that were \$1,349,442 less than the \$14,004,877 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 \$3,835,578.

**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, 2016**

**-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



**Management's Discussion and Analysis**  
**Cass County, Texas**  
**For the Fiscal Year Ended September 30, 2016**

**-UNAUDITED-**

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.

**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.



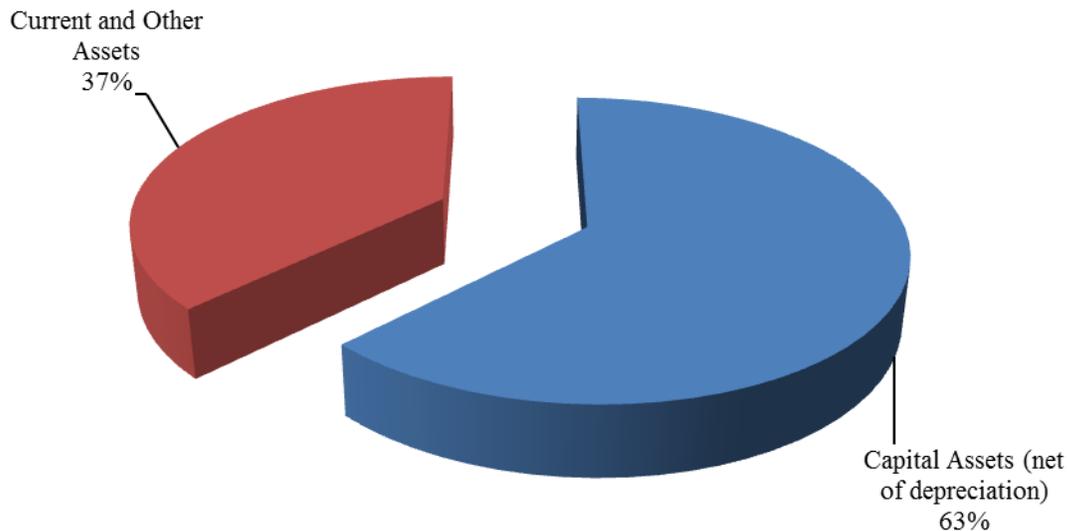
**Management's Discussion and Analysis  
Cass County, Texas  
For the Fiscal Year Ended September 30, 2016**

**-UNAUDITED-**

**Table I  
Cass County**

**NET POSITION**

	%	Governmental Activities 2015	Governmental Activities 2016
	Change		
Current and other assets	14.41	\$ 8,233,385	\$ 9,419,967
Capital assets	9.68	14,420,239	15,816,572
Total assets	11.40	22,653,624	25,236,539
Deferred Outflows – Pension	954.86	169,267	1,785,536
Long-term liabilities	21.75	7,689,423	9,362,026
Other liabilities	15.74	1,747,881	2,023,030
Total liabilities	20.64	9,437,304	11,385,056
Deferred Outflows – Pension	+100.00	-0-	54,503
<b>Net Position:</b>			
Invested in capital assets net of related debt	8.11	8,666,832	9,369,453
Restricted	30.13	180,897	235,405
Unrestricted – including reserved for capital projects	31.73	4,537,858	5,977,658
Total net position	14.69	\$ 13,586,721	\$ 15,582,516



**Management's Discussion and Analysis**  
**Cass County, Texas**  
**For the Fiscal Year Ended September 30, 2016**

**-UNAUDITED-**

**Table II**  
**Cass County**

**CHANGES IN NET POSITION**

	%	Governmental	Governmental
	Change	Activities	Activities
		2015	2016
<b>Revenues:</b>			
<b>Program Revenues:</b>			
Fines, forfeitures and charges for services	(7.94)	\$ 2,764,510	\$ 2,545,056
Operating grants and contributions	53.05	1,140,549	1,745,559
Capital grants and contributions	0.00	-0-	-0-
<b>General Revenues:</b>			
Maintenance and operations taxes	3.98	8,589,488	8,931,263
Debt service taxes	(15.49)	585,058	494,416
Investment earnings	10.28	40,888	45,092
Miscellaneous	(15.62)	288,553	243,491
Total Revenue	4.44	13,409,046	14,004,877
<b>Expenses:</b>			
Administration and Financial	(20.46)	3,119,244	2,480,895
Road and Bridge	33.72	1,804,074	2,412,484
Corrections	23.04	1,283,573	1,579,257
Law Enforcement	8.99	3,237,490	3,528,640
Judicial	(4.80)	1,913,314	1,821,433
Community Services	(2.77)	485,780	472,343
Debt Service	(65.84)	510,298	174,302
Other	6.36	174,946	186,081
Total Expenses	1.01	12,528,719	12,655,435
Increase in net position before adj. to Net Position		880,327	1,349,442
Adjustment to Net Position – see Note IV-Q		(1,475,511)	847,487
Net position Beginning of Year		13,980,771	13,385,587
Net position End of Year		\$ 13,385,587	\$ 15,582,516



**Management's Discussion and Analysis  
Cass County, Texas  
For the Fiscal Year Ended September 30, 2016**

**-UNAUDITED-**

TABLE II  
CHART A – REVENUES

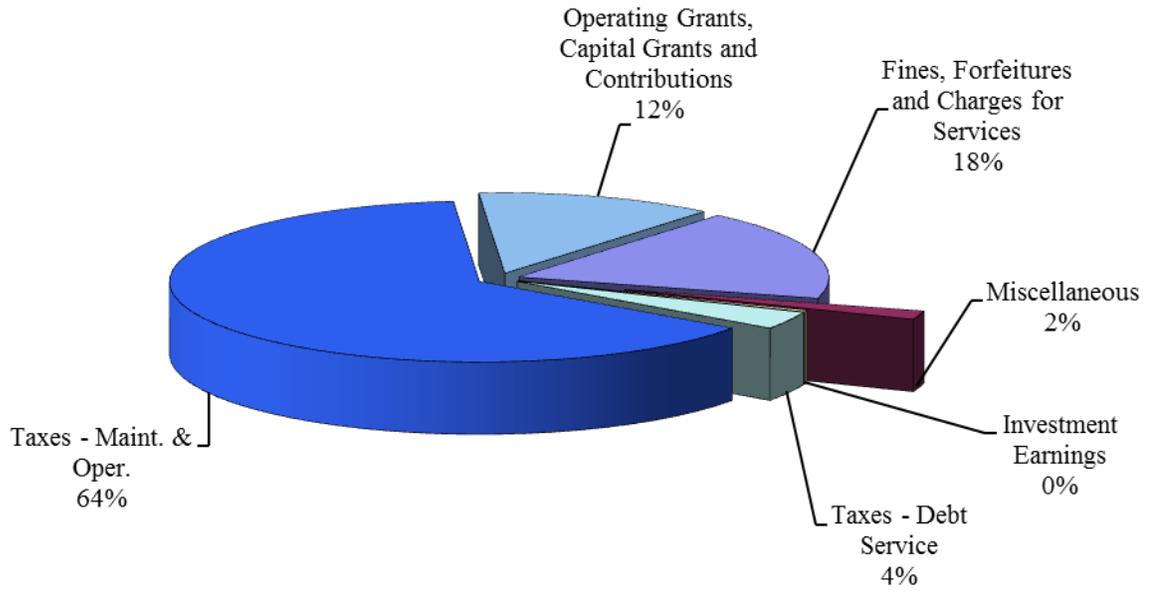
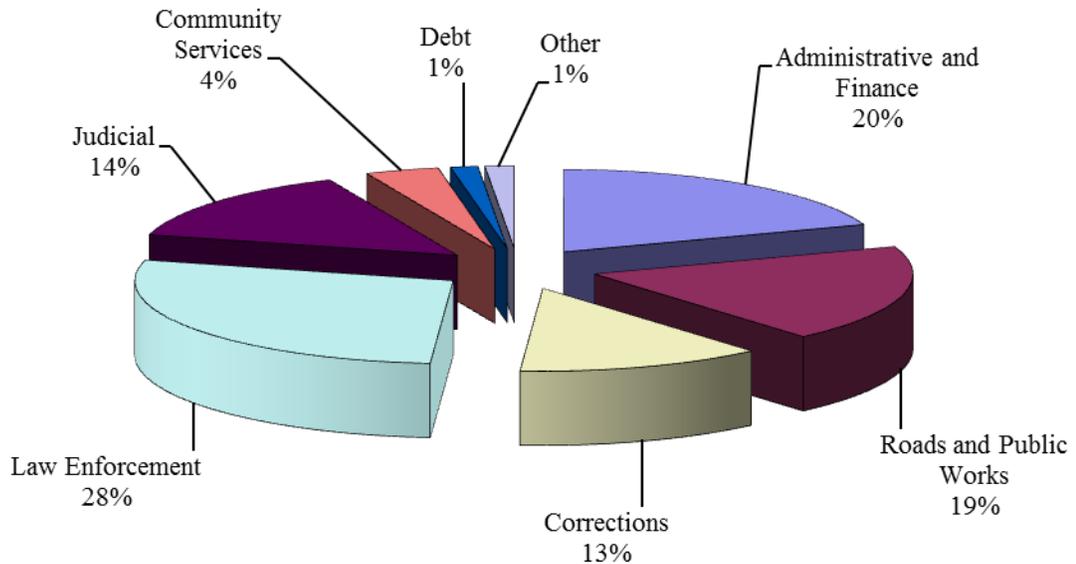


TABLE II  
CHART B - EXPENSES



**Management's Discussion and Analysis  
Cass County, Texas  
For the Fiscal Year Ended September 30, 2016**

**-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 \$12,655,435. 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 \$8,076,237 because some of the costs were paid by fines, forfeitures and those who benefited from the programs (\$2,545,056) or by other governments and organizations that subsidized certain programs with grants and contributions (\$1,745,559) or by interest income, other revenues or usage of fund balance (\$288,583).

### **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 \$6,553,068, which is \$856,333 above last year's total of \$5,696,735. Included in this year's total change in fund balance is an increase in the General Fund of \$617,531, an increase in the Road and Bridge Funds \$125,871, a increase in Debt Service Fund of \$54,508, and a net increase in all other funds totaling \$58,423 (\$52,509 decrease due to operations and \$110,932 increase due to net transfers).

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 2015). 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 \$3,835,578 reported on page 15 differs from the General Fund's budgetary fund balance of \$3,971,323 reported in the budgetary comparison schedule on page 42.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### ***Capital Assets***

At the end of 2016, the County had \$19,379,859 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 \$1,065,602 over last year.

#### ***Debt***

At year-end, the County had outstanding bonds of \$5,230,000, which was a decrease of \$310,000 or 5.60% of the beginning balance. The County also had a net increase of \$1,016,792 of notes and leases payable.



**Management's Discussion and Analysis  
Cass County, Texas  
For the Fiscal Year Ended September 30, 2016**

**-UNAUDITED-**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The County's elected and appointed officials considered many factors when setting the fiscal-year 2017 budget, tax rates.

These indicators were taken into account when adopting the General Fund budget for 2017. 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 2017.

**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, 2015****ASSETS:**

Cash and Cash Equivalents	\$5,563,139
Investments	2,701,657
Accounts Receivable	250,250
Due from Other Governments	14,078
Property Taxes Receivable (Delinquent)	957,896
Allowance for Uncollectible Taxes	(67,053)
Land	156,820
Buildings, net	12,436,958
Furniture and Equipment, net	3,222,794
<b>Total Assets</b>	<b>25,236,539</b>

**DEFERRED OUTFLOWS - PENSION**1,785,536**LIABILITIES****Current**

Accounts Payable	598,780
Due to Other Governments	137,569
Unearned Revenues	1,286,681

**Long-term Liabilities:**

Net Pension Liability	2,914,907
Due Within One Year	461,000
Due in More Than One Year	5,986,119
<b>Total Liabilities</b>	<b>11,385,056</b>

**DEFERRED INFLOWS - PENSION**54,503**NET POSITION**

Invested in Capital Assets, Net of Related Debt	9,369,453
Assigned - Debt Service	235,405
Unassigned - including reserved for capital projects	5,977,658
<b>Total Net Position</b>	<b>\$15,582,516</b>

**CASS COUNTY , TEXAS**

**Statement of Activities**

**For The Year Ended September 30, 2016**

	FINES, FORFEITURES AND OPERATING EXPENSES	REVENUES	OPERATING GRANTS AND CONTRIBUTIONS
<b>GOVERNMENTAL ACTIVITIES</b>			
Administration and Finance	\$2,480,895	\$625,424	
Roads and Public Works	2,412,484	915,369	648,002
Corrections	1,579,257	431,725	834,245
Law Enforcement	3,528,640	92,549	129,760
Judicial	1,821,433	448,487	96,742
Community Services	472,343	31,502	36,810
Debt Service	174,302		
Other Expenses	186,081		
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>12,655,435</b>	<b>2,545,056</b>	<b>1,745,559</b>

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-Q
- Adjustments to Net Position - See Note IV-Q
- Net Position, Beginning
- Net Position, Ending

**Exhibit B-1**

<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>	<u>TOTAL GOVERNMENTAL ACTIVITIES</u>
	(\$1,855,471)
	(849,113)
	(313,287)
	(3,306,331)
	(1,276,204)
	(404,031)
	(174,302)
	(186,081)
<u>0</u>	<u>(8,364,820)</u>
	8,931,263
	494,416
	85,000
	45,092
	158,491
	<u>9,714,262</u>
	1,349,442
	330,549
	516,938
	13,385,587
	<u>\$15,582,516</u>

CASS COUNTY, TEXAS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
September 30, 2016

Exhibit C-1

ASSETS:	General Fund	Road and Bridge Fund	Debt Service Fund	Other Funds	Total Governmental Funds
Cash	\$2,844,633	\$1,554,234	\$291,357	\$1,043,720	\$5,733,944
Investments	1,780,442	251,383		499,027	2,530,852
Accounts receivable	139,392	77,661	1,806	31,391	250,250
Property taxes receivable - delinquent	716,970	135,720	66,430	38,776	957,896
Allowance for uncollectible taxes	(50,188)	(9,500)	(4,650)	(2,715)	(67,053)
Due from Fiduciary Funds	6,000				6,000
Due from other funds	92,661			92,651	185,312
Due from other governmental agencies				8,078	8,078
<b>TOTAL ASSETS</b>	<b>\$5,529,910</b>	<b>\$2,009,498</b>	<b>\$354,943</b>	<b>\$1,710,928</b>	<b>\$9,605,279</b>
<b>LIABILITIES &amp; FUND EQUITY:</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$95,272	\$250,649	\$503	\$30,328	\$376,752
Accounts payable-bank overdraft				222,028	222,028
Due to other funds		92,651	60,000	32,661	185,312
Unearned Revenues	831,002			455,679	1,286,681
Due to other governments	137,569				137,569
<b>TOTAL LIABILITIES</b>	<b>1,063,843</b>	<b>343,300</b>	<b>60,503</b>	<b>740,696</b>	<b>2,208,342</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenue - Property Taxes	630,489	120,245	59,035	34,100	843,869
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>630,489</b>	<b>120,245</b>	<b>59,035</b>	<b>34,100</b>	<b>843,869</b>
<b>FUND BALANCES:</b>					
Restricted fund balance					0
Assigned fund balance	127,117	1,545,953	235,405	936,132	2,844,607
Unassigned fund balance	3,708,461			0	3,708,461
<b>TOTAL FUND BALANCES</b>	<b>3,835,578</b>	<b>1,545,953</b>	<b>235,405</b>	<b>936,132</b>	<b>6,553,068</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$5,529,910</b>	<b>\$2,009,498</b>	<b>\$354,943</b>	<b>\$1,710,928</b>	<b>\$9,605,279</b>

**CASS COUNTY, TEXAS****Exhibit C-2****Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
September 30, 2016**

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<b>Total Fund Balances - Governmental Funds</b>	\$6,553,068
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 \$ 18,314,257 and the accumulated depreciation was \$ 3,894,018. 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.	8,666,832
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.	1,989,359
The current year's depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(353,588)
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.	(89,281)
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 \$2,914,907, a Deferred Resource Inflow related to the pension in the amount amount of \$54,503, a Deferred Resource Outflow related to the pension in the amount of \$1,785,536. The effects of these changes resulted in a change to Net Position in the amount of \$1,183,874.	(1,183,874)
<b>Net Position of Governmental Activities</b>	<u><u>\$15,582,516</u></u>

**CASS COUNTY , TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**For The Year Ended September 30, 2016**

Exhibit C-3

	General Fund	Road and Bridge Fund	Debt Service Fund	Other Funds	Total Governmenta Funds
<b>REVENUES:</b>					
Taxes	\$7,294,543	\$1,365,680	\$501,236	\$394,229	\$9,555,688
Licenses and permits	163,179	664,403			827,582
Intergovernmental revenues - miscellaneous	6,081	115,398		49,466	170,945
Intergovernmental revenues - Federal & State	343,626	348,882		1,050,277	1,742,785
Intergovernmental revenues - local					
Charges for services	380,271			468,331	848,602
Fines and forfeitures	435,717	250,966		0	686,683
Earnings on investments	27,801	7,156	1,108	9,027	45,092
Miscellaneous revenues	8,612	67,593		79,820	156,025
<b>Total revenues</b>	<b>8,659,830</b>	<b>2,820,078</b>	<b>502,344</b>	<b>2,051,150</b>	<b>14,033,402</b>
<b>EXPENDITURES:</b>					
<b>Current:</b>					
Administration and finance	2,327,751			152	2,327,903
Roads and public works		2,248,189			2,248,189
Corrections				1,548,291	1,548,291
Law enforcement	3,367,915			95	3,368,010
Judicial	1,226,633			534,599	1,761,232
Community services	492,046			20,522	512,568
Other expenditures	186,081			0	186,081
<b>Debt service:</b>					
Principal on debt		17,208	310,000		327,208
Interest on debt			139,450		139,450
Related fees		34,000	852		34,852
Capital outlay	326,169	1,431,116		0	1,757,285
<b>Total expenditures</b>	<b>7,926,595</b>	<b>3,730,513</b>	<b>450,302</b>	<b>2,103,659</b>	<b>14,211,069</b>
Excess of revenues over (under) expenditures	733,235	(910,435)	52,042	(52,509)	(177,667)
<b>OTHER FINANCING SOURCES &amp; (USES):</b>					
Loan and bond proceeds		1,034,000		0	1,034,000
Transfers to other governmental entities				0	0
Transfers from other funds	7,258	2,938,368	2,466	160,932	3,109,024
Transfers to other funds	(122,962)	(2,936,062)		(50,000)	(3,109,024)
<b>Total other financing sources (uses)</b>	<b>(115,704)</b>	<b>1,036,306</b>	<b>2,466</b>	<b>110,932</b>	<b>1,034,000</b>
Excess of revenues and other sources over (under) expenditures and other uses	617,531	125,871	54,508	58,423	856,333
Fund balance, October 1	3,218,047	1,420,082	180,897	877,709	5,696,735
Adjustments					0
<b>Fund balance, September 30</b>	<b>\$3,835,578</b>	<b>\$1,545,953</b>	<b>\$235,405</b>	<b>\$936,132</b>	<b>\$6,553,068</b>

**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, 2016**

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**Total Net Change in Fund Balances - Governmental Funds** \$856,333

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. 1,989,359

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. (353,588)

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. (1,076,725)

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 12/31/2015 caused the change in the ending net position to increase in the amount of \$120,440. 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 increased the change in net position by \$54,503. The impact of all of these is to decrease the change in net position by \$65,937. (65,937)

**Change in Net Position of Governmental Activities** 1,349,442

**CASS COUNTY, TEXAS**  
**Statement of Fiduciary Net Position**  
**September 30, 2016**

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**Exhibit D-1**

	<b><u>AGENCY FUNDS</u></b>
<b>ASSETS</b>	
Cash	\$1,061,874
Restricted investments - District Clerk	<u>677,423</u>
Total Assets	<u>1,739,297</u>
<b>LIABILITIES</b>	
Accounts payable	578,045
Due to other governments	348,042
Due to other entities	<u>811,710</u>
Total Liabilities	<u>1,737,797</u>
<b>NET POSITION</b>	
Unrestricted Net Position	<u>1,500</u>
Total Net Position	<u><u>\$1,500</u></u>

**CASS COUNTY, TEXAS**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2016**

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**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.

**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.

*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 TCERS'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.

**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.

**CASS COUNTY, TEXAS**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2016**

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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.

**CASS COUNTY, TEXAS**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2016**

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**Revenues – Non-exchange Transactions** – Non-exchange transactions in which the County receives value without directly giving equal value in return, includes 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 District 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 Funds** – 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

**CASS COUNTY, TEXAS**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2016**

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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

**CASS COUNTY, TEXAS**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2016**

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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, 2016, Assigned Fund Balance included \$127,117 in the General Fund, \$235,405 in Debt Service, \$1,545,953 in Road and Bridge, and \$936,132 in other funds, Unassigned Fund Balance includes \$3,708,461 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.

**CASS COUNTY, TEXAS**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2016**

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**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 2016, 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</u> <u>at the Beginning of the year</u>	<u>Historic Cost</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Net Value at the</u> <u>Beginning of the Year</u>	<u>Change in</u> <u>Net Position</u>
Land	156,820		156,820	
Buildings	9,350,076	1,767,569	7,582,507	
Furniture & Equipment	3,734,053	2,126,449	1,607,604	
Leased Equipment	-0-	-0-	-0-	
Construction in Progress	5,073,308	-0-	5,073,308	
Change in Net Position				14,420,239
<u>Long-term Liabilities</u> <u>At the Beginning of the year</u>			<u>Payables at the</u> <u>Beginning of the Year</u>	
Bonds Payable			5,540,000	
Bond Premium			199,199	
Loans Payable			<u>17,208</u>	
Change in Net Position				<u>(5,753,407)</u>
Adjustment to Net Position				<u>8,666,832</u>

**CASS COUNTY, TEXAS**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2016**

**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	1,649,071		
Leased Equipment	<u>-0-</u>		
Total Capital Outlay	<u>1,649,071</u>	1,649,071	1,649,071
<u>Debt Principal Payments(Receipts)</u>			
Bond Principal	310,000		
Notes Payable	17,208		
Bond Premium	<u>13,080</u>		
Total Principal Pmts	<u>340,288</u>	<u>340,288</u>	<u>340,288</u>
 Total Adjustment to Net Position		 <u>\$1,989,359</u>	 <u>\$1,989,359</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	318,033	(318,033)	
Uncollected Taxes (assumed collectible) from Current Year Levy	285,038	275,029	275,029
Uncollected Taxes (assumed collectible) from Prior Year Levy	568,831		568,831
Adjustment to Fixed Asset Inventory	100,859		100,859
Other Adjustments	279	279	
Tax Note (Resources)	1,034,000	<u>(1,034,000)</u>	<u>(1,034,000)</u>
Total		<u>\$(1,076,725)</u>	<u>\$ (89,281)</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 and Debt Service Fund Budget(s) reports appear in Exhibit E-1 and 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, 2016**

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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, 2016 <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, 2016, the actual expenditures in the General Fund and Road and Bridge (combined) Fund exceeded budgetary constraints. See 2016-1 on page 62 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, 2016, the carrying amount of the County's deposits (cash, certificates of deposit, and interest-bearing savings accounts) was \$6,244,216 and the bank balance was \$6,632,157. 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):

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- a. Depository: (1) Guaranty Bond Bank, Atlanta, Tx, (2) Domino FCU, Atlanta, Tx, (3) Red River FCU, Atlanta, Tx, (4) 1<sup>st</sup> National of Hughes Springs, (5) Texana Bank and, (6) Texar FCU.
- b. The fair market value of bond and/or security pledged as of the date of the highest combined balance on deposit was: (1) \$15,498,401, (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) \$16,485,710 (on Jan 29, 2016), (2) \$243,201 (on Sep 30, 2016), (3) \$245,312 (on Sep 30, 2016), (4) \$76,216 (on Feb 29, 2016), (5) \$172,942 (on Mar 14, 2016) and, (6) \$243,577 (on Sep 30, 2016)
- 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- for all depositories.

The **Public Funds Investments Act** (Government Code Chapter 2256) contains specific provisions in the area of investment practice, management reports and establishment of appropriate policies. Among other things, it requires the County to adopt, implement, and publicize an investment policy. That policy addresses the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments (4) acceptable risk levels, (5) expected rate of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity date for the portfolio, (8) investment staff quality and capability, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the County to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) banker's acceptance notes, (7) Mutual Funds, (8) Investments pools, (9) guaranteed investment contracts, (10) and common trust funds. Temporary investments are reported at cost, which approximates market, and are secured, when necessary, by the Federal Deposit Insurance Corporation (FDIC) or obligations of items 1-4 above at 102% of the investment's market value. The Act also requires the County to have independent auditors perform test procedures related to investment practices as provided by the Act. The County is in substantial compliance with the requirements of the Act and with local policies.

Both cash deposits and investments held at a financial institution can be categorized according to three levels of risk. These three levels of risk are:

Category 1 - Cash or investments that are insured, registered, or held by the County or its agent in the County's name.

Category 2 - Cash or investments that are uninsured and unregistered held by the counter-party's trust department or agency in the County's name.

Category 3 - Uninsured and unregistered held by the counter-party, its trust department, or its agency, but not in the County's name.

Based on these three levels of risk, the following table categorizes the County's investments at September 30, 2016.

Investment	Category 1	Category 2	Category 3	Carrying Amount	Market Value
General Fund					
Certificates of Deposit	630,732			630,732	630,732
TexPool			137,365	137,365	137,365
TexClass			1,012,345	1,012,345	1,012,345
Special Revenue Fund					
Certificates of Deposit	101,596			101,596	101,596
TexPool			648,814	648,814	648,814
Totals	<u>\$ 732,328</u>	<u>\$ -0-</u>	<u>\$ 1,798,524</u>	<u>\$ 2,530,852</u>	<u>\$ 2,530,852</u>

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Maturity information relating to the County's investments at September 30, 2016 are shown below:

	Weighted Average Maturity (Years)
Tex Pool, TClass - Texas Local Government Investment Pool	less than 1 year
Certificates of Deposit	less than 1 year

County's Policies Governing Deposits and Investments

In compliance with the Public Funds Investment Act, the County has adopted a deposit and investment policy.

Custodial Credit Risk - 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. Authorized collateral to secure funds must be by eligible securities to the extent and in the manner required by the Public Funds Collateral Act. 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 foreign currency, therefore has no foreign currency risk.

Custodial Credit Risk – Investments: For an investment, this is the risk that, in the event of the failure of the counter-party, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Since the government invests in only external investment pools that meet the requirements of Government Code 2256.016 and 2256.019, they have no custodial credit risk for investments.

The County invests in an external investment pool. Financial reports issued by the pool can be obtained from First Public, LLC, 7620 Guadalupe, Austin, TX 78752. The pool is registered with the SEC and has an AAA rating.

**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 January 1, 2015, upon which the levy for the 2015-16 fiscal year was based, was \$1,654,227,635. The roll was subsequently increased to a year-end assessed value of \$1,655,412,144. 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, 2016, to finance General Fund operations, Special Revenue and the payment of principal and interest on general obligation long-term debt were \$.469031 \$.069085 and \$.028785 per \$100 valuation, respectively, for a total of \$.566901 per \$100 valuation.

Current tax collections for the year ended September 30, 2016, were 99.19% 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

**CASS COUNTY, TEXAS**  
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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, 2016, property taxes receivable, net of estimated uncollectible taxes, totaled \$666,782, \$126,220, \$36,061 and \$61,780 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, 2016, consisted of the following individual fund receivables and payables:

	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, 2016, 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.	9,350,076	(15,819)	5,073,308	-0-	14,407,565
Furniture & Equipment	3,734,053	227,328	1,649,071	(794,978)	4,815,474
Construction in Progress	5,073,308	-0-	-0-	(5,073,308)	-0-
Leased Equipment – Capital Leases	-0-	-0-	-0-	-0-	-0-
Total at Historical Cost	<u>\$18,314,257</u>	<u>\$211,509</u>	<u>\$6,722,379</u>	<u>(\$5,868,286)</u>	<u>\$19,379,859</u>

	Primary Government				Balance 9/30
	Balance 10/01	Adjustments	Addition	Balance Deletions	
<b>Less Accumulated Depreciation for:</b>					
Buildings	\$1,767,569	(\$15,819)	\$218,857	\$ -0-	\$1,970,607
Furniture & Equipment	2,126,449	(103,221)	134,731	(565,279)	1,592,680
Leased Equipment – Capital Leases	-0-	-0-	-0-	-0-	-0-
Total Accumulated Depreciation	<u>\$3,894,018</u>	<u>(\$119,040)</u>	<u>\$353,588</u>	<u>(\$565,279)</u>	<u>\$3,563,287</u>

Depreciation expense was charged to governmental functions as follows:

Administration and Finance	\$ 32,961
Roads and Public Works	109,055
Law Enforcement	160,630
Judicial	10,201
Corrections	30,966
Community Services	9,775
Total Depreciation Expense	<u>\$353,588</u>

**CASS COUNTY, TEXAS**  
**Notes to the Financial Statements**  
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**E. LOANS PAYABLE**

During 2012, the County acquired a Tractor for Precinct #3. A loan in the amount of \$32,450 was obtained from Cass County Bank under Local Government Code Section 271.005. The capitalized cost of the asset, as of the date of purchase, was \$32,450. The loan has a life of thirty-six (36) monthly payments of \$761.00. It has an effective interest rate of 4.0%. As of September 30, 2016, the balance due on this loan was \$-0-.

During 2012, the County acquired a Loader for Precinct #1. A loan in the amount of \$90,928 was obtained from Texana Bank of Linden under Local Government Code Section 271.005. The capitalized cost of the asset, as of the date of purchase, was \$90,928. The loan has a life of thirty-six (36) monthly payments of \$2,646.00. It has an effective interest rate of 3.0%. As of September 30, 2016, the balance due on this loan was \$-0-.

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, 2016, the unpaid balance was \$1,034,000.

	Balance October 1, <u>2015</u>	<u>Additions</u>	<u>Retirements</u>	Balance September 30, <u>2016</u>
Pct. #3 Tractor	\$9,334	\$-0-	\$9,334	\$-0-
County Tax Note	-0-	1,034,000	-0-	1,034,000
Pct. #1 Loader	<u>7,874</u>	<u>-0-</u>	<u>7,874</u>	<u>-0-</u>
Totals	<u>\$17,208</u>	<u>\$1,034,000</u>	<u>\$17,208</u>	<u>\$1,034,000</u>

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>
2017	\$141,000	\$16,350	\$157,350
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
2022-2027	<u>307,000</u>	<u>7,624</u>	<u>314,624</u>
Total	<u>\$1,034,000</u>	<u>\$68,608</u>	<u>\$1,102,608</u>

**F. COMMITMENTS UNDER LEASES**

Operating Leases

There were several commitments under operating (noncapitalized) lease agreements for equipment as of year-end. Net rental expense for the year ended September 30, 2016, 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, 2016, the following changes occurred in bond liabilities reported in the general long-term debt account group:

**CASS COUNTY, TEXAS**  
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	Balance October 1, 2015	Additions	Retirements	Balance September 30, 2016
Series 2015 Ref. Bond.	<u>\$5,540,000</u>	<u>-0-</u>	<u>\$310,000</u>	<u>\$5,230,000</u>
Totals	<u>\$5,540,000</u>	<u>\$-0-</u>	<u>\$310,000</u>	<u>\$5,230,000</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, 2016, the balance due on these Bonds were \$5,230,000.

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

Fiscal Year	Principal Amount	Interest Amount	Total
2017	320,000	133,150	453,150
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
2022-2026	1,860,000	407,175	2,267,175
2027-2030	<u>1,705,000</u>	<u>112,675</u>	<u>1,817,675</u>
Total	<u>\$ 5,230,000</u>	<u>\$ 1,119,650</u>	<u>\$ 6,349,650</u>

**H. CHANGES IN LONG-TERM LIABILITIES**

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

	Balance October 1, 2015	Additions	Retirements	Balance September 30, 2016	Due Within One Year
Loans Payable	\$17,208	\$-0-	\$17,208	\$-0-	\$-0-
Series 2015 Tax Refund. B	5,540,000	-0-	310,000	5,230,000	320,000
County Tax Note	<u>-0-</u>	<u>1,034,000</u>	<u>-0-</u>	<u>1,034,000</u>	<u>141,000</u>
Totals	<u>\$5,557,208</u>	<u>\$1,034,000</u>	<u>\$327,208</u>	<u>\$6,264,000</u>	<u>\$461,000</u>
Premium on Ser. 2015	<u>\$196,199</u>	<u>\$-0-</u>	<u>\$13,080</u>	<u>\$183,119</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.

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**For the Year Ended September 30, 2016**

**J. UNEARNED REVENUE and DEFERRED INFLOWS OF RESOURCES**

Deferred revenue at year-end consisted of the following:

	General Fund	Rd & Bridge Fund	Debt Service	Other Funds	Total
Deferred Inflows - Net Prop. Tax	\$630,489	\$120,245	\$59,035	\$34,100	\$843,869
Unearned Revenues	<u>831,002</u>	-0-	-0-	455,679	<u>1,286,681</u>
Totals	<u>\$1,461,491</u>	<u>\$120,245</u>	<u>\$59,035</u>	<u>\$489,779</u>	<u>\$2,130,550</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, 2016, the following funds reflected either deficit cash balances or deficit fund balances:

Fund	Cash Balance	Fund Balance
Court At Law	(177,079)	(198,497)
County AIP	(35,073)	(35,283)
CSCD Mental Health Pgm	(3)	(3)
Park	(-0-)	(1,350)
Law Library	(9,873)	(10,111)
Juvenile Probation	(-0-)	(5,551)

**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, 2016 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.

**O. DISAGGREGATION OF RECEIVABLES AND PAYABLES**

Receivables at September 30, 2016, were as follows:

	Other Governments	Due From Other Funds	Other	Total Receivables
<b>Governmental Activities:</b>				
General Fund	\$ -0-	\$92,661	\$145,392	\$238,053
Debt Service	-0-	-0-	1,806	1,806
Road and Bridge	-0-	-0-	77,661	77,661
Nonmajor Gov. Funds	<u>8,078</u>	<u>92,651</u>	<u>31,391</u>	<u>132,120</u>
Total - Governmental Activities	<u>\$8,078</u>	<u>\$185,312</u>	<u>\$256,250</u>	<u>\$449,640</u>
Amounts not scheduled for collection during the subsequent year	<u>\$-0-</u>	<u>\$-0-</u>	<u>\$-0-</u>	<u>\$-0-</u>

**CASS COUNTY, TEXAS**  
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Payables at September 30, 2016, 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>
<b>Governmental Activities:</b>					
General Fund	\$95,272	\$ -0-	\$137,569	\$-0-	\$232,841
Debt Service	503	60,000	-0-	-0-	60,503
Road and Bridge	250,649	92,651	-0-	-0-	343,300
Non-major Gov. Funds	<u>30,328</u>	<u>32,661</u>	<u>-0-</u>	<u>-0-</u>	<u>62,989</u>
Total - Gov. Activities	<u>\$376,752</u>	<u>\$185,312</u>	<u>\$137,569</u>	<u>\$-0-</u>	<u>\$699,633</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. 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 District 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

**CASS COUNTY, TEXAS**  
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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, 2015 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 period at December 31, 2015 was 20 years. For December 31, 2015, the annual pension cost for the TCDRS plan for the employees were \$15,606 and the actual contributions, including employer contributions, were \$37,393.

**Net Pension Liability (Asset)**

	<u>December 31, 2014</u>	<u>December 31, 2015</u>
Total pension liability	\$25,858,016	\$27,038,174
Fiduciary net position	24,438,938	24,123,267
Net pension liability (asset)	1,419,078	2,914,907
Fiduciary net position as a % of total pension liability	94.51%	89.22%
Pensionable covered payroll	\$5,095,902	\$5,077,983
Net pension liability as a % of covered payroll	27.85%	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, 2015 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.

<b>Valuation Timing</b>	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
<b>Actuarial Cost Method</b>	Entry Age Normal
<b>Asset Valuation Method</b>	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
<b>Inflation</b>	Same as funding valuation (3.0%)
<b>Salary Increases</b>	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.
<b>Investment Rate of Return</b>	8.10%
<b>Cost-of-Living Adjustments</b>	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.

**CASS COUNTY, TEXAS**  
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**Retirement Age**

**Annual Rates of Service Retirement\***

Age	Male	Female	Age	Male	Female
40-44	4.5%	4.5%	62	25.0%	25.0%
45-40	9.0	9.0	63	16.0	16.0
50	10.0	10.0	64	16.0	16.0
51	10.0	10.0	65	30.0	30.0
52	10.5	10.5	66	25.0	25.0
53	10.5	10.5	67	24.0	24.0
54	10.5	10.5	68	22.0	22.0
55	11.0	11.0	69	22.0	22.0
56	11.0	11.0	70	22.0	22.0
57	11.0	11.0	71	22.0	22.0
58	12.0	12.0	72	22.0	22.0
59	12.0	12.0	73	22.0	22.0
60	14.0	14.0	74**	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 set-back, both with the projection scale AA.
Service retirees, beneficiaries and non-depositing members	The RP-2000 Combined Mortality Table with the projection scale AA, with a one-year set-forward for males and no age adjustment for females.
Disabled retirees	RP-2000 Disabled Mortality Table for males with no age adjustment and RP-2000 Disabled Mortality Table for females with a two-year set-forward, both with the projection scale AA.

**CASS COUNTY, TEXAS**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2016**

**Rate of Return**

**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 2016 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 <sup>(1)</sup>	Geometric Real Rate of Return (Expected Minus Inflation) <sup>(2)</sup>
US Equities	Dow Jones U.S. Total Stock Market Index	14.50%	5.45%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index <sup>(3)</sup>	14.00%	8.45%
Global Equities	MSCI World (net) Index	1.50%	5.75%
International Equities - Developed	MSCI World Ex USA (net)	10.00%	5.45%
International Equities - Emerging	MSCI World Ex USA (net)	8.00%	6.45%
Investment-Grade Bonds	Barclays Capital Aggregate Bond Index	3.00%	1.00%
High-Yield Bonds	Citigroup High-Yield Cash-Pay Capped Index	3.00%	5.10%
Opportunistic Credit	Citigroup High-Yield Cash-Pay Capped Index	2.00%	5.00%
Direct Lending	Citigroup High-Yield Cash-Pay Capped Index	5.00%	6.40%
Distressed Debt	Citigroup High-Yield Cash-Pay Capped Index	3.00%	8.10%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FRSE EPRA/NAREIT Global Real Estate Index	3.00%	4.00%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	6.80%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index <sup>(4)</sup>	5.00%	6.90%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	25.00%	5.25%

<sup>(1)</sup> Target asset allocation adopted at the April 2016 TCDRS Board meeting.

<sup>(2)</sup> Geometric real rates of return in addition to assumed inflation of 1.6%, per Cliffwater's 2016 capital market assumptions.

<sup>(3)</sup> Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

<sup>(4)</sup> 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.

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.

**CASS COUNTY, TEXAS**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2016**

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	Current Discount Rate	1% Increase
	7.10%	8.10%	9.10%
Total pension liability	\$30,228,527	\$27,038,174	\$24,364,519
Fiduciary net position	24,123,267	24,123,267	24,123,267
Net pension liability (asset)	\$6,105,260	\$2,914,907	(\$241,252)

**Pension Expense / (Income)**

<b>Pension Expense / (Income)</b>	<b>January 1, 2015 to December 31, 2015</b>
Service cost	\$599,717
Interest on total pension liability <sup>(1)</sup>	2,062,352
Effect of plan changes	(74,087)
Administrative expenses	17,467
Member contributions	(355,459)
Expected investment return net of investment expenses	(1,974,151)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	(2,141)
Recognition of assumption changes or inputs	76,979
Recognition of investment gains or losses	393,253
Other <sup>(2)</sup>	(152,323)
<b>Pension expense / (income)</b>	<b>\$591,608</b>

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

<sup>(2)</sup> Relates to allocation of system-wide items.

**CASS COUNTY, TEXAS**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2016**

Deferred Inflows / Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$54,503	\$32,053
Changes of assumptions	0	230,938
Net difference between projected and actual earnings	0	1,522,545
Contributions made subsequent to measurement date <sup>(3)</sup>	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:	
2016	\$468,092
2017	468,092
2018	452,065
2019	342,785
2020	0
Thereafter <sup>(4)</sup>	0

(1) Investment (gains)/losses are recognized in pension expense over a period of five years; economic/demographic (gains)/losses and assumption changes or inputs are recognized over the average remaining service life for all active, inactive, and retired members.

(2) 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.

**Schedule of Employer Contributions**

Year Ending December 31	Actuarially Determined Contribution <sup>(1)</sup>	Actual Employer Contribution <sup>(1)</sup>	Contribution Deficiency (Excess)	Pensionable Covered Payroll <sup>(2)</sup>	Actual Contribution as a % of Covered Payroll
2006	\$386,357	\$386,357	\$0	\$4,758,089	8.1%
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%

<sup>(1)</sup> 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.

<sup>(2)</sup> Payroll is calculated based on contributions as reported to TCDRS.

**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, 2014	\$25,858,016	\$24,438,938	\$1,419,078
Changes for the year:			
Service cost	599,717		599,717
Interest on total pension liability <sup>(1)</sup>	2,062,352		2,062,352
Effect of plan changes <sup>(2)</sup>	(74,087)		(74,087)
Effect of economic/demographic gains or losses	(72,671)		(72,671)
Effect of assumptions changes or inputs	307,917		307,917
Refund of contributions	(112,321)	(112,321)	0
Benefit payments	(1,530,750)	(1,530,750)	0
Administrative expenses		(17,467)	17,467
Member contributions		355,459	(355,459)
Net investment income		260,228	(260,228)
Employer contributions		576,858	(576,858)
Other <sup>(3)</sup>	0	152,323	(152,323)
Balances as of December 31, 2015	\$27,038,174	\$24,123,267	\$2,914,907

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

<sup>(2)</sup> Reflects new annuity purchase rates applicable to all TCDRS employers effective January 1, 2018.

<sup>(3)</sup> Relates to allocation of system-wide items.

**CASS COUNTY, TEXAS**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2016**

**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)
2016	\$24,123,267	\$958,457	\$1,892,788	\$24,123	\$1,915,923	\$25,080,737
2017	25,080,737	898,396	1,757,346	25,081	1,999,433	26,193,139
2018	26,193,139	895,976	1,825,903	26,193	2,083,675	27,320,694
2019	27,320,694	902,314	1,916,440	27,321	2,171,619	28,450,866
2020	28,450,866	913,645	1,995,822	28,451	2,260,415	29,600,654
2021	29,600,654	920,518	2,088,404	29,601	2,350,099	30,753,266
2022	30,753,266	908,941	2,176,383	30,753	2,439,461	31,894,532
2023	31,894,532	901,297	2,282,506	31,895	2,528,135	33,029,593
2024	33,029,593	888,520	2,389,057	33,030	2,614,494	34,110,491
2025	34,110,491	878,977	2,509,385	34,110	2,696,849	35,142,822
:						
2035	40,140,753	329,981	3,474,470	40,141	3,124,935	40,081,057
:						
2045	35,702,277	52,076	3,484,567	35,702	2,754,181	34,988,866
:						
2055	29,217,132	7,620	2,622,578	29,217	2,261,583	28,834,539
:						
2065	30,420,382	266	1,472,445	30,420	2,404,381	31,322,164
:						
2075	48,917,455	0	617,646	48,917	3,935,844	52,186,735
:						
2085	99,410,100	0	158,145	99,410	8,041,990	107,194,536
:						
2095	213,247,949	0	15,895	213,248	17,263,984	230,282,790

\* Projection values include no assumption for 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.

**Q. PRIOR PERIOD ADJUSTMENTS**

During fiscal year 2015, the County adopted GASB Statement No. 68 for Accounting and Reporting for Pensions. Beginning net liability for the audit year (based on data provided in the “Milliman BASB 68 Report) differed from the prior year’s ending liability. The difference resulted in a prior period adjustment of \$516,938 (a decrease in the liability).

The County also changed asset valuations relating to their capital assets by \$330,549 (change in asset valuation \$211,509 and decrease in accumulated depreciation \$119,040), which is considered material to the County as a whole.

**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, 2016

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$7,233,295	\$7,301,582	\$7,294,543	(\$7,039)
Licenses and permits	256,100	163,179	163,179	0
Intergovernmental revenues - miscellaneous	146,900	114,045	6,081	(107,964)
Intergovernmental revenues - grants	217,607	224,069	343,626	119,557
Charges for services	414,667	380,271	380,271	0
Fines and forfeitures	462,000	425,039	435,717	10,678
Earnings on investments	10,000	17,925	27,801	9,876
Miscellaneous revenues	4,156	108,895	8,612	(100,283)
Total revenues	<u>8,744,725</u>	<u>8,735,005</u>	<u>8,659,830</u>	<u>(75,175)</u>
<b>EXPENDITURES:</b>				
Current:				
Administration and finance	2,669,038	2,449,743	2,327,751	121,992
Roads and public works				0
Corrections				0
Law enforcement	3,475,885	3,211,653	3,367,915	(156,262)
Judicial	1,339,775	1,289,998	1,226,633	63,365
Community services	860,890	493,404	492,046	1,358
Other expenditures	188,081	186,081	186,081	0
Debt service:				
Principal on debt	79,156		0	0
Interest on debt			0	0
Related fees			0	0
Capital outlay	118,692	326,169	326,169	0
Total expenditures	<u>8,731,517</u>	<u>7,957,048</u>	<u>7,926,595</u>	<u>30,453</u>
Excess (deficiency) of Revenues over (under) Expenditures	<u>13,208</u>	<u>777,957</u>	<u>733,235</u>	<u>(44,722)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Loan proceeds	50,000	40,512	0	(40,512)
Transfers to other entities		0	0	0
Transfers in	3,792	7,769	7,258	(511)
Transfers out	(67,000)	(72,962)	(122,962)	(50,000)
Total other financing sources (uses)	<u>(13,208)</u>	<u>(24,681)</u>	<u>(115,704)</u>	<u>(91,023)</u>
Net Change In Fund Balances	0	753,276	617,531	(135,745)
Fund balance, October 1 (Beginning)	<u>3,218,047</u>	<u>3,218,047</u>	<u>3,218,047</u>	<u>0</u>
Fund balance, September 30 (Ending)	<u>\$3,218,047</u>	<u>\$3,971,323</u>	<u>\$3,835,578</u>	<u>(\$135,745)</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, 2016**

**Exhibit E-2**

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance With Final Budget
	Original	Final		Positive or (Negative)
<b>REVENUES:</b>				
Taxes	\$1,328,997	\$1,366,108	\$1,365,680	(\$428)
Licenses and permits	704,600	678,092	664,403	(13,689)
Intergovernmental revenues - miscellaneous	80,000	115,398	115,398	0
Intergovernmental revenues - grants	224,646	358,438	348,882	(9,556)
Charges for services			0	0
Fines and forfeitures	200,000	237,277	250,966	13,689
Earnings on investments	7,500	7,156	7,156	0
Miscellaneous revenues	15,000	67,593	67,593	0
Total revenues	<u>2,560,743</u>	<u>2,830,062</u>	<u>2,820,078</u>	<u>(9,984)</u>
<b>EXPENDITURES:</b>				
Current:				
Roads and public works	2,440,449	2,186,925	2,248,189	(61,264)
Debt service:				
Principal on debt	41,752	17,182	17,208	(26)
Interest on debt	25,000		0	0
Related fees			34,000	(34,000)
Capital outlay	255,006	1,431,142	1,431,116	26
Total expenditures	<u>2,762,207</u>	<u>3,635,249</u>	<u>3,730,513</u>	<u>(95,264)</u>
Excess (deficiency) of Revenues over (under) Expenditures	<u>(201,464)</u>	<u>(805,187)</u>	<u>(910,435)</u>	<u>(105,248)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Loan proceeds		100,627	1,034,000	933,373
Transfers to other entities			0	0
Transfers in	1,979,613	2,938,861	2,938,368	(493)
Transfers out	(1,979,613)	(2,936,062)	(2,936,062)	0
Total other financing sources (uses)	<u>0</u>	<u>2,799</u>	<u>1,036,306</u>	<u>1,033,507</u>
Net Change In Fund Balances	(201,464)	(802,388)	125,871	928,259
Fund balance, October 1 (Beginning)	<u>1,420,082</u>	<u>1,420,082</u>	<u>1,420,082</u>	<u>0</u>
Fund balance, September 30 (Ending)	<u>\$1,218,618</u>	<u>\$617,694</u>	<u>\$1,545,953</u>	<u>\$928,259</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, 2016**

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$469,450	\$501,236	\$501,236	\$0
Intergovernmental Revenue			0	0
Earnings on investments	0	1,108	1,108	0
Total revenues	469,450	502,344	502,344	0
<b>EXPENDITURES:</b>				
Current:				
Debt service:				
Principal on debt	310,000	310,000	310,000	0
Interest on debt	139,450	139,450	139,450	0
Related fees	20,000	852	852	0
Total expenditures	469,450	450,302	450,302	0
Excess (deficiency) of Revenues over (under) Expenditures	0	52,042	52,042	0
Other financing sources (uses):				
Loan and bond proceeds		2,466	0	2,466
Transfers to other governmental entities			0	0
Transfers from other funds			2,466	(2,466)
Transfers to other funds			0	0
Total other financing sources (uses)	0	2,466	2,466	0
Net Change In Fund Balances	0	54,508	54,508	0
Fund balance, October 1 (Beginning)	180,897	180,897	180,897	0
Fund balance, September 30 (Ending)	\$180,897	\$235,405	\$235,405	\$0

**CASS COUNTY, TEXAS**

**Exhibit E-4**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**

**For The Year Ended September 30, 2016**

**Schedule of Changes in Net Pension Liability and Related Ratios**

**Year Ended December 31**

	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
<b>Total Pension Liability</b>										
Service cost	\$599,717	\$598,656	N/A							
Interest on total pension liability	2,062,352	1,955,128	N/A							
Effect of plan changes	(74,087)	83,377	N/A							
Effect of assumption changes or inputs	307,917	0	N/A							
Effect of economic/demographic (gains) or losses	(72,671)	64,106	N/A							
Benefit payments/refunds of contributions	(1,643,071)	(1,267,834)	<u>N/A</u>							
Net change in total pension liability	1,180,158	1,433,433	N/A							
Total pension liability, beginning	25,858,016	24,424,583	<u>N/A</u>							
Total pension liability, ending (a)	\$27,038,174	\$25,858,016	<u>N/A</u>							
<b>Fiduciary Net Position</b>										
Employer contributions	\$576,858	\$571,250	N/A							
Member contributions	355,459	356,713	N/A							
Investment income net of investment expenses	260,228	1,627,067	N/A							
Benefit payments/refunds of contributions	(1,643,071)	(1,267,834)	N/A							
Administrative expenses	(17,467)	(18,318)	N/A							
Other	152,323	35,299	N/A							
Net change in fiduciary net position	(315,671)	1,304,177	N/A							
Fiduciary net position, beginning	24,438,938	23,134,761	<u>N/A</u>							
Fiduciary net position, ending (b)	\$24,123,267	\$24,438,938	<u>N/A</u>							
Net pension liability / (asset), ending = (a) - (b)	\$2,914,907	\$1,419,078	<u>N/A</u>							
Fiduciary net position as a % of total pension liability	89.22%	94.51%	N/A							
Pensionable covered payroll	\$5,077,983	\$5,095,902	N/A							
Net pension liability as a % of covered payroll	57.40%	27.85%	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, 2015.

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."

## **COMBINING SCHEDULES**



**CASS COUNTY, TEXAS**  
**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**  
**September 30, 2016**

ASSETS:	COURT AT LAW	JUVENILE PROBATION	INDIGENT DEFENSE GRANT	CASS COUNTY PARK	LAW LIBRARY	DISTRICT ATTORNEY ESCROW	DISTRICT ATTORNEY STATE
Cash		\$240,921	\$24,118			\$309	\$12,517
Investments		139,641	25,281				
Accounts receivable	\$3,525				\$875		
Property taxes receivable - delinquent	38,281						
Allowance for uncollectible taxes	(2,680)						
Due from other governmental units			8,078				
Due from other funds							
<b>TOTAL ASSETS</b>	<b>\$39,126</b>	<b>\$380,562</b>	<b>\$57,477</b>	<b>\$0</b>	<b>\$875</b>	<b>\$309</b>	<b>\$12,517</b>
<b>LIABILITIES &amp; FUND BALANCES</b>							
<b>LIABILITIES:</b>							
Accounts payable	\$26,880	\$4		\$1,350	\$1,113		
Acct. payable-Negative cash balance	177,079				9,873		
Due to State							
Due to Other Funds							
Unearned Revenues		386,109					
<b>TOTAL LIABILITIES</b>	<b>203,959</b>	<b>386,113</b>	<b>0</b>	<b>1,350</b>	<b>10,986</b>	<b>0</b>	<b>0</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable Revenue - Property Taxes	33,664						
<b>TOTAL DEFERRED INFLOWS OF RI</b>	<b>33,664</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>FUND BALANCES:</b>							
Restricted	(198,497)	(5,551)	57,477	(1,350)	(10,111)	309	12,517
Unreserved							
<b>TOTAL FUND BALANCES</b>	<b>(198,497)</b>	<b>(5,551)</b>	<b>57,477</b>	<b>(1,350)</b>	<b>(10,111)</b>	<b>309</b>	<b>12,517</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$39,126</b>	<b>\$380,562</b>	<b>\$57,477</b>	<b>\$0</b>	<b>\$875</b>	<b>\$309</b>	<b>\$12,517</b>

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
\$43,972	\$132,265 148,358	\$39,356 39,044	\$6,437 506	\$6,543 11,807	\$70,155 28,875 16 495 (35)	\$5,189	\$4,305	\$10,058
	92,651							
\$43,972	\$373,274	\$78,400	\$6,943	\$18,350	\$99,506	\$5,189	\$4,305	\$10,058
			\$771					
\$24,086		\$27,897						\$9,850
24,086	0	27,897	771	0	0	0	0	9,850
					436			
0	0	0	0	0	436	0	0	0
19,886	373,274	50,503	6,172	18,350	99,070	5,189	4,305	208
19,886	373,274	50,503	6,172	18,350	99,070	5,189	4,305	208
\$43,972	\$373,274	\$78,400	\$6,943	\$18,350	\$99,506	\$5,189	\$4,305	\$10,058

**CASS COUNTY, TEXAS**  
**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**  
**September 30, 2016**

ASSETS:	CIVIL CHILD SUPPORT	TEXAS CDBG 713069	FEMA DR 1999 WILDFIRES	ROAD IMPR GRANT 0710197	BEAR CREEK FMAG	TEXAS HIST. COURTHOUSE GRANT	CSCD BASIC GRANT
Cash	\$53,393	\$10	\$10	\$1,774	\$36,812	\$26,735	\$229,444
Investments							106,021
Accounts receivable							26,469
Property taxes receivable - delinquent							
Allowance for uncollectible taxes							
Due from other governmental units							
Due from other funds							
<b>TOTAL ASSETS</b>	<b>\$53,393</b>	<b>\$10</b>	<b>\$10</b>	<b>\$1,774</b>	<b>\$36,812</b>	<b>\$26,735</b>	<b>\$361,934</b>
<b>LIABILITIES &amp; FUND BALANCES</b>							
<b>LIABILITIES:</b>							
Accounts payable							
Acct. payable-Negative cash balance							
Due to State							
Due to Other Funds					\$32,661		
Unearned Revenues						\$7,737	
<b>TOTAL LIABILITIES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>32,661</b>	<b>7,737</b>	<b>0</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable Revenue - Property Taxes							
<b>TOTAL DEFERRED INFLOWS</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>FUND BALANCES:</b>							
Restricted	53,393	10	10	1,774	4,151	18,998	361,934
Unreserved							
<b>TOTAL FUND BALANCES</b>	<b>53,393</b>	<b>10</b>	<b>10</b>	<b>1,774</b>	<b>4,151</b>	<b>18,998</b>	<b>361,934</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$53,393</b>	<b>\$10</b>	<b>\$10</b>	<b>\$1,774</b>	<b>\$36,812</b>	<b>\$26,735</b>	<b>\$361,934</b>

Exhibit H-1

CSCD SATP III FUND	CSCD COMM. SVC FUND	COUNTY AIP FUND	CSCD MHI PGM FUND	CSCD MNTL HLTE FUND	CSCD HIGH RISK FUND	AGGRESSIVE BEHAVIOR GRANT	TOTAL NONMAJOR GOVERNMENTAL FUNDS
\$33,097	\$13,659		\$17,087		\$33,232	\$2,322	\$1,043,720 499,027 31,391 38,776 (2,715) 8,078 92,651
\$33,097	\$13,659	\$0	\$17,087	\$0	\$33,232	\$2,322	\$1,710,928
		\$210 35,073		\$3			\$30,328 222,028 0 32,661 455,679
0	0	35,283	0	3	0	0	740,696
							34,100
0	0	0	0	0	0	0	34,100
33,097	13,659	(35,283)	17,087	(3)	33,232	2,322	936,132 0
33,097	13,659	(35,283)	17,087	(3)	33,232	2,322	936,132
\$33,097	\$13,659	\$0	\$17,087	\$0	\$33,232	\$2,322	\$1,710,928

**CASS COUNTY, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For The Year Ended September 30, 2016**

	<b>COURT AT LAW</b>	<b>JUVENILE PROBATION</b>	<b>INDIGENT DEFENSE GRANT</b>	<b>CASS COUNTY PARK</b>	<b>LAW LIBRARY</b>	<b>DISTRICT ATTORNEY ESCROW</b>	<b>DISTRICT ATTORNEY STATE</b>
<b>REVENUES:</b>							
Taxes	\$389,192						
Licenses and permits							
Intergovernmental revenues - miscellaneous	8,806				\$13,160		\$27,500
Intergovernmental revenues - grants		\$274,190	\$32,310				
Charges for services				\$31,502			
Fines and forfeitures							
Earnings on investments		1,421	293			\$1	48
Miscellaneous revenues	26,019	254		825			
<b>Total revenues</b>	<b>424,017</b>	<b>275,865</b>	<b>32,603</b>	<b>32,327</b>	<b>13,160</b>	<b>1</b>	<b>27,548</b>
<b>EXPENDITURES:</b>							
<b>Current:</b>							
Administration and finance							
Roads and public works							
Corrections		356,305					
Law enforcement							
Judicial	478,692		3,801		17,369		28,893
Community services				20,522			
Other expenditures							
<b>Debt service:</b>							
Principal on debt							
Interest on debt							
Capital outlay							
<b>Total expenditures</b>	<b>478,692</b>	<b>356,305</b>	<b>3,801</b>	<b>20,522</b>	<b>17,369</b>	<b>0</b>	<b>28,893</b>
Excess of revenues over (under) expenditures	(54,675)	(80,440)	28,802	11,805	(4,209)	1	(1,345)
<b>Other financing sources (uses)</b>							
Loan proceeds							
Transfers to other governmental entities							
Transfers from other funds	100,000	55,000					
Transfers to other funds			(50,000)				
<b>Total other financing sources (uses)</b>	<b>100,000</b>	<b>55,000</b>	<b>(50,000)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Excess of revenues and other sources over expenditures and other uses	45,325	(25,440)	(21,198)	11,805	(4,209)	1	(1,345)
Fund balance, October 1	(243,822)	19,889	78,675	(13,155)	(5,902)	308	13,862
Prior Period Adjustments							
<b>Fund balance, September 30</b>	<b>(\$198,497)</b>	<b>(\$5,551)</b>	<b>\$57,477</b>	<b>(\$1,350)</b>	<b>(\$10,111)</b>	<b>\$309</b>	<b>\$12,517</b>

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
						\$5,037		
			\$5,123					
987	\$2,249	\$20 11,000	18 228	\$60	329 268	\$20	\$17 362	\$35
987	2,249	11,020	5,369	60	5,634	20	379	35
							95	
		3,871	1,973					
0	0	3,871	1,973	0	0	0	95	0
987	2,249	7,149	3,396	60	5,634	20	284	35
0	0	0	0	0	0	0	0	0
987	2,249	7,149	3,396	60	5,634	20	284	35
18,899	371,025	43,354	2,776	18,290	93,436	5,169	4,021	173
\$19,886	\$373,274	\$50,503	\$6,172	\$18,350	\$99,070	\$5,189	\$4,305	\$208

**CASS COUNTY, TEXAS**  
**COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For The Year Ended September 30, 2016**

	<b>CIVIL CHILD SUPPORT</b>	<b>TEXAS CDBG 713069</b>	<b>FEMA DR 1999 WILDFIRE\$</b>	<b>ROAD IMPR. GRANT 0710197</b>	<b>BEAR CREEK FMAG</b>	<b>TEXAS HIST. COURTHOUSE GRANT</b>	<b>CSCD BASIC GRANT</b>	<b>CSCD SATP III FUND</b>
<b>REVENUES:</b>								
Taxes								
Licenses and permits								
Intergovernmental revenues								
Intergovernmental revenues - grants		\$183,722					\$196,422	\$117,202
Charges for services							431,706	
Fines and forfeitures								
Earnings on investments	\$1,597	7		\$7	\$131	\$104	\$1,683	
Miscellaneous revenues	18,069						22,004	
<b>Total revenues</b>	<b>19,666</b>	<b>183,729</b>	<b>0</b>	<b>7</b>	<b>131</b>	<b>104</b>	<b>651,815</b>	<b>117,202</b>
<b>EXPENDITURES:</b>								
<b>Current:</b>								
Administration and finance						152		
Roads and public works								
Corrections		183,719					662,921	110,877
Law enforcement								
Judicial								
Community services								
Other expenditures								
<b>Debt service:</b>								
Principal on debt								
Interest on debt								
Capital outlay	0							
<b>Total expenditures</b>	<b>0</b>	<b>183,719</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>152</b>	<b>662,921</b>	<b>110,877</b>
Excess of revenues over (under) expenditures	19,666	10	0	7	131	(48)	(11,106)	6,325
<b>Other financing sources (uses)</b>								
Loan proceeds								
Transfers to other governmental entities								
Transfers from other funds								1,293
Transfers to other funds								
<b>Total other financing sources (uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,293</b>
Excess of revenues and other sources over expenditures and other uses	19,666	10	0	7	131	(48)	(11,106)	7,618
Fund balance, October 1	33,727		10	1,767	4,020	19,046	373,040	25,479
Adjustments								
<b>Fund balance, September 30</b>	<b>\$53,393</b>	<b>\$10</b>	<b>\$10</b>	<b>\$1,774</b>	<b>\$4,151</b>	<b>\$18,998</b>	<b>\$361,934</b>	<b>\$33,097</b>

Exhibit H-2

CSCD COMM. SVC. FUND	COUNTY AIP FUND	CSCD MHI PGM FUND	MNTL HLTH FUND	CSCD HIGH RISK FUND	AGGRESSIVE BEHAVIOR GRANT	TOTAL NONMAJOR GOVERNMENTAL FUNDS
						\$394,229
						0
						49,466
\$47,240		\$77,459	\$14,040	\$107,692		1,050,277
						468,331
						0
						9,027
791						79,820
48,031	0	77,459	14,040	107,692	0	2,051,150
						152
						0
44,183	4,467	75,571	15,919	93,363	966	1,548,291
						95
						534,599
						20,522
						0
						0
						0
44,183	4,467	75,571	15,919	93,363	966	2,103,659
3,848	(4,467)	1,888	(1,879)	14,329	(966)	(52,509)
						0
						0
		1,351			3,288	160,932
						(50,000)
0	0	1,351	0	0	3,288	110,932
3,848	(4,467)	3,239	(1,879)	14,329	2,322	58,423
9,811	(30,816)	13,848	1,876	18,903		877,709
						0
\$13,659	(\$35,283)	\$17,087	(\$3)	\$33,232	\$2,322	\$936,132

**CASS COUNTY, TEXAS**

**COMBINING BALANCE SHEET - ALL TRUST AND AGENCY FUNDS**

**September 30, 2016**

	<b>TAX OFFICE</b>	<b>SHERIFF</b>	<b>JUSTICE COURT #1</b>	<b>JUSTICE COURT #2</b>	<b>JUSTICE COURT #3</b>	<b>JUSTICE COURT #4</b>
<b>ASSETS:</b>						
Cash	\$296,296	\$46,907	\$15,180	\$7,716	\$21,075	\$7,775
Restricted Investments - District Clerk						
Accounts receivable						
<b>TOTAL ASSETS</b>	<b>\$296,296</b>	<b>\$46,907</b>	<b>\$15,180</b>	<b>\$7,716</b>	<b>\$21,075</b>	<b>\$7,775</b>
<b>LIABILITIES &amp; FUND BALANCES</b>						
<b>LIABILITIES:</b>						
Accounts payable						
Due to other governments	\$296,296		\$15,180	\$7,716	\$21,075	\$7,775
Due to other entities		\$46,907				
<b>TOTAL LIABILITIES</b>	<b>296,296</b>	<b>46,907</b>	<b>15,180</b>	<b>7,716</b>	<b>21,075</b>	<b>7,775</b>
<b>FUND BALANCE</b>						
Fund balance September 30,	0	0	0	0	0	0
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$296,296</b>	<b>\$46,907</b>	<b>\$15,180</b>	<b>\$7,716</b>	<b>\$21,075</b>	<b>\$7,775</b>

Exhibit H-3

COUNTY CLERK	DISTRICT ATTORNEY	JUVENILE PROBATION	DISTRICT CLERK	CSCD	TOTALS SEPTEMBER 30
\$81,779	\$506	\$5,601	\$577,539 677,423	\$1,500	\$1,061,874 677,423 0
\$81,779	\$506	\$5,601	\$1,254,962	\$1,500	\$1,739,297
	\$506		\$577,539		\$578,045 348,042
\$81,779		\$5,601	677,423		811,710
81,779	506	5,601	1,254,962	0	1,737,797
0	0	0	0	1,500	1,500
\$81,779	\$506	\$5,601	\$1,254,962	\$1,500	\$1,739,297

## **COMPLIANCE AND INTERNAL CONTROL SECTION**





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*N. Preston Caver, CPA*

*Jalyn L. Setser, CPA*

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

Independent Auditor's Report

Honorable County Judge and Commissioners  
The County of Cass, Texas

Honorable Judge and Commissioners:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of County of Cass, Texas (the County) as of and for the year ended September 30, 2016 and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated February 7, 2017.

**Internal Control Over Financial Reporting**

Management of County of Cass, Texas is responsible for establishing and maintaining effective internal controls over financial reporting. In planning and performing our audit of the financial statements, we considered County of Cass, Texas' 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 County of Cass, Texas' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of County of Cass, Texas' internal control over financial reporting.

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 over financial reporting 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.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are considered to be material weaknesses.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether County of Cass, Texas' 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 matters that is required to be reported under *Government Auditing Standards* (see 2016-1).

### **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.

This report is intended for the information of the County's governing body (commissioners), the audit committee, the administration, the State of Texas and various state or federal awarding agencies and pass-through entities, and is not intended to be used and should not be used by anyone other than these specified parties.

*Caver and Setser, Inc.*

*Caver and Setser, Inc.*  
Certified Public Accountants

February 7, 2017



**CAVER and SETSER, Inc.**

**Certified Public Accountants**

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**REPORT ON COMPLIANCE FOR EACH MAJOR STATE AND FEDERAL PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE  
OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY UNIFORM GUIDANCE**

Independent Auditor's Report

Honorable County Judge and Commissioners  
The County of Cass, Texas

Honorable Judge and Commissioners:

**Report on compliance for Each Major Federal Program**

We have audited County of Cass, Texas' compliance with the types of compliance requirements described in the *Compliance Supplement* that could have a direct and material effect on each of County of Cass, Texas' major federal programs for the year ended September 30, 2016. County of Cass, Texas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

***Auditor's Responsibility***

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

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

***Opinion on Each Major Federal Program***

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

**Report on Internal Control Over Compliance**

Management of County of Cass, Texas 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 County of Cass, Texas' internal control over compliance with the types of

requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal/state 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, Texas' 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 or 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 or federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

This report is intended for the information and use of the County's commissioners, the administration, federal awarding agencies and pass-through entities and is not intended to be used and should not be used by anyone other than these specified parties.

#### **Report on Schedule of Expenditures of 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 County of Cass, Texas as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise County of Cass, Texas's basic financial statements. We issued our report thereon dated February 7, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Caver and Setser, Inc.*

*Caver and Setser, Inc.*  
Certified Public Accountants

February 7, 2017

**CASS COUNTY, TEXAS**  
**Schedule of Findings and Questioned Costs**  
**For The Year Ended September 30, 2016**

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**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
Pgm #10	CSCD Mental Health Initiative
A-2016-034	Tx. Juvenile Probation Commission

5. Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.
6. Low risk auditee:  Yes  No

**II. Findings Related to the Financial Statements**

**2016-01**

**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, 2016 General Fund (Law) and Road and Bridge (combined) 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, 2016**

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**2015-1 Expenditures exceeding Budgetary Allowance**

During the year ending September 30, 2014, various Funds line items expenditures exceeded final amended budget due to adjustments discovered and approved for entry during the external audit.

As of 9/30/16 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, 2016**

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**2016-01 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, 2016, the General Fund and Road and Bridge (combined) Fund(s) 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, 2016**

STATE OR FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	State ID or CFDA NUMBER	EXPENDITURES, INDIRECT COSTS AND REFUNDS
<u>U.S. Dept. of Health and Human Resources</u>		
Title IV-E (Juv. Prob)	93.568	12,661
Total U.S. Department of Health and Human Resources		<u>12,661</u>
FEMA 4223	97.036	201,981
FEMA 4255	97.036	34,798
FEMA 4266	97.036	116,205
Total U.S. Department of Federal Emergency Management Assistance		<u>352,984</u>
Total Federal Assistance		<u>365,645</u>
ASSISTANCE PASSED DIRECTLY FROM STATE OF TEXAS		
Supplement for Salary - Lake Patrol (Corp. of Engineers)		10,000
E-Grant CJAD	5805701	70,814
Court at Law Grant		84,000
CSCD Basic		163,975
CSCD Basic Rider 80		19,351
CSCD Basic - SAFPF		10,724
CSCD Comm Svc Restitutuion (#2)		52,736
CSCD Substance Abuse (#13)		117,202
CSCD Mental Health Initiative (#10)		77,459
CSCD High Risk Treatment Program (#11)		107,693
Crime Victims Coordinator	1336460	45,500
Tx. Juvenile Justice Department	A-2016-034	274,190
Total State Assistance		<u>1,033,644</u>
TOTAL FEDERAL AND STATE ASSISTANCE		<u><u>\$1,399,289</u></u>

## **CASS COUNTY, TEXAS**

### **Notes to the Supplementary Schedule of Expenditures of State and Federal Awards For The Year Ended September 30, 2016**

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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.



**CAVER and SETSER, Inc.**

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Texas Society of CPAs  
Governmental Audit Quality Center

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*N. Preston Caver, CPA*

*Jalyn L. Setser, CPA*

REPORT TO MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE  
INDICATING THAT NO MATERIAL WEAKNESSES IN INTERNAL CONTROLS  
OVER FINANCIAL REPORTING WERE IDENTIFIED IN THE AUDIT

Honorable Judge and  
Commissioners of the County of Cass

We have audited the financial statements of the County of Cass, Texas for the year ended September 30, 2016 and have issued our report thereon dated February 7, 2017. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility Under Auditing Standards Generally Accepted in the United States of America**

In planning and performing our audit of the financial statements of County of Cass, Texas as of and for the year ended September 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered The County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

We did identify one internal control weakness that is not considered material. This finding related to the final amendment of budget. At year-end, various department(s) budgets were amended to correspond with year-end totals. The purpose of the budgeting process (relating to expenditures) is to set spending guidelines that assist various departments in allocation of resources. If the governing body amends the budget to actual at year-end and there are any additional expenditure found during the audit process, a finding will result. Our recommendations are to use the budgeting process to set spending limits per department and review prior audit reports (before closing of books) to see if there are reoccurring audit entries that could be anticipated by internal audit staff and to post these prior to closing and amend existing budget accordingly. Use of the "contingencies" funds should be amended to the proper account category in the various cost centers (sheriff, clerk, etc.).

### **Significant Accounting Policies**

We noted no transactions entered into by the County during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### **Accounting Estimates**

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. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

### **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the County's financial reporting process (that is, cause future financial statements to be materially misstated). Our journal entries mainly related to adjustments necessary to year end accounting. Most of these journal entries are typically considered the responsibility of the County. For the current audit period, management and the audit team agreed on the appropriateness of all entries made.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting or auditing matter 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 the audit.

### **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 the County'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.

### **Issues Discussed Prior to Contracting Audit**

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

### **Difficulties Encountered in Performing the Audit**

We encountered no difficulties in dealing with management in performing our audit. All information needs were met in a complete and expedient manner.

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

*Caver and Setser, Inc.*

*Caver and Setser, Inc.*  
Certified Public Accountants

February 7, 2017