

CASS COUNTY, TEXAS
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2008



**CASS COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
for the Year Ended September 30, 2008**

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FINANCIAL SECTION



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UNQUALIFIED OPINION ON BASIC FINANCIAL STATEMENTS
ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION AND OTHER
SUPPLEMENTARY INFORMATION INCLUDING THE
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF STATE AND FEDERAL AWARDS

Independent Auditor's Report

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

Members of the Court:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cass County, Texas (the County) as of and for the year ended September 30, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's administrators. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Cass County, Texas as of September 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 10 are not a required part of the basic financial statements but are supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2009 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise Cass County, Texas' basic financial statements.

Although the combining schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements, they have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Moore and Caver, Inc.
Certified Public Accountants

March 5, 2009

**Management's Discussion and Analysis
Cass County, Texas
For the Fiscal Year Ended September 30, 2008**

-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, 2008. 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 assets decreased by \$197,996 as a result of this year's operations. Fines, forfeitures, charges for services and program revenues accounted for \$2,715,968 or 22.19% of total revenue, Operating Grants provided revenues totaling \$2,437,208 or 19.91%, Capital Grants and Contribution revenues totaling \$179,728 or 1.47%, and general revenues (including taxes) accounted for \$6,905,553 or 56.43%.

During the year, the County had expenses that were \$197,996 more than the \$12,238,457 generated in tax and other revenues for governmental programs (before special items).

The general fund reported a positive fund balance of \$1,771,445.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Assets 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 24) 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, 2008

-UNAUDITED-

Reporting the County as a Whole

The Statement of Net Assets 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 Assets 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 assets and changes in them. The County's net assets (the difference between assets and liabilities) provide one measure of the County's financial health, or financial position. Over time, increases or decreases in the County's net assets 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 Assets 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, 2008

-UNAUDITED-

activities (reported in the Statement of Net Assets 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 Assets on page 23. 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.



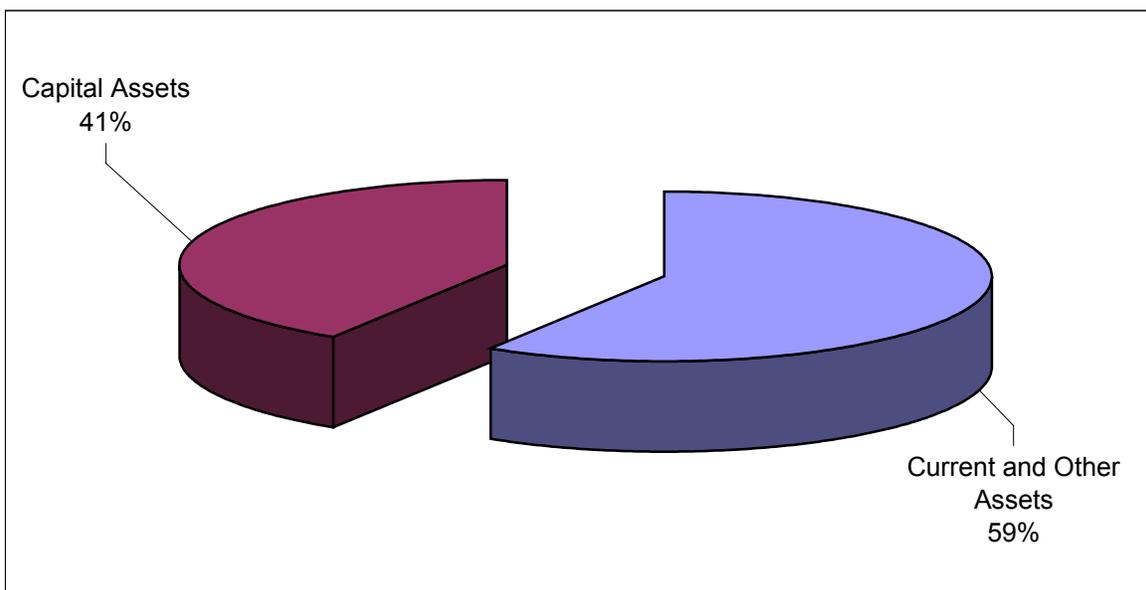
**Management's Discussion and Analysis
Cass County, Texas
For the Fiscal Year Ended September 30, 2008**

-UNAUDITED-

**Table I
Cass County**

NET ASSETS

	%	Governmental Activities 2007	Governmental Activities 2008
	Change		
Current and other assets	(28.52)	\$ 15,058,132	\$ 10,764,199
Capital assets	129.72	3,281,430	7,538,338
Total assets	(0.20)	<u>18,339,562</u>	<u>18,302,537</u>
Long-term liabilities	(3.07)	7,591,356	7,358,000
Other liabilities	26.44	1,491,638	1,885,965
Total liabilities	1.77	<u>9,082,994</u>	<u>9,243,965</u>
Net Assets:			
Invested in capital assets net of related debt	65.18	2,335,448	3,857,649
Restricted	3143.51	1,402	45,474
Unrestricted – including reserved for capital projects	(25.50)	6,919,718	5,155,449
Total net assets	(2.14)	<u>\$ 9,256,568</u>	<u>\$ 9,058,572</u>



**Management's Discussion and Analysis
Cass County, Texas
For the Fiscal Year Ended September 30, 2008**

-UNAUDITED-

**Table II
Cass County**

CHANGES IN NET ASSETS

	%	Governmental	Governmental
	Change	Activities 2007	Activities 2008
Revenues:			
Program Revenues:			
Fines, forfeitures and charges for services	(8.65)	\$ 3,140,487	\$ 2,715,968
Operating grants and contributions	2.18	2,385,326	2,437,208
Capital grants and contributions	100.00	-0-	179,728
General Revenues:			
Maintenance and operations taxes	6.59	5,558,178	5,924,355
Debt service taxes	(2.64)	563,296	548,419
Grants and contributions – not restricted	-0-	-0-	-0-
Investment earnings	(47.64)	748,091	391,703
Miscellaneous and transfers to other govts	(69.90)	136,456	41,076
Total Revenue	(2.34)	12,531,834	12,238,457
Expenses:			
Administration and Financial	1.02	1,919,513	1,958,987
Road and Bridge	6.38	2,046,954	2,177,573
Corrections	10.54	2,079,004	2,298,122
Law Enforcement	6.19	2,964,469	3,147,993
Judicial	11.13	1,398,819	1,556,557
Community Services	37.53	567,218	780,100
Debt Service	(30.83)	485,208	335,618
Other	13.79	159,512	181,503
Total Expenses	7.02	11,620,697	12,436,453
Increase in net assets before transfers and special items		911,137	(197,996)
Adjustments to carrying value of fixed assets		(327,254)	-0-
Net assets Beginning of Year		8,672,685	9,256,568
Net assets End of Year		\$ 9,256,568	\$ 9,058,572



**Management's Discussion and Analysis
Cass County, Texas
For the Fiscal Year Ended September 30, 2008**

-UNAUDITED-

TABLE II
CHART A – REVENUES

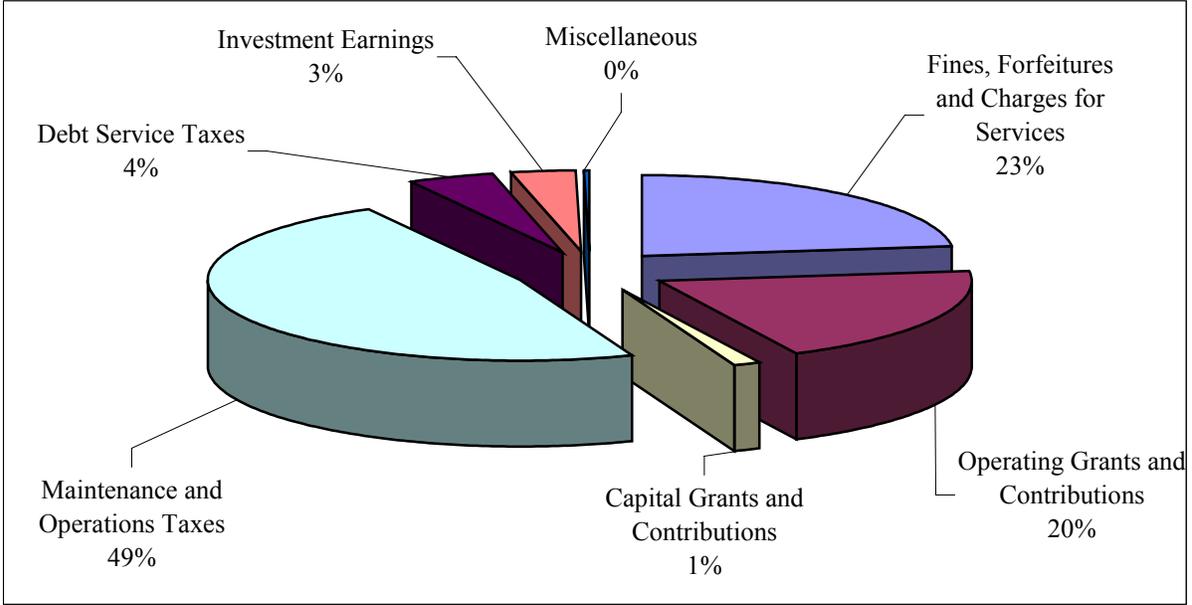
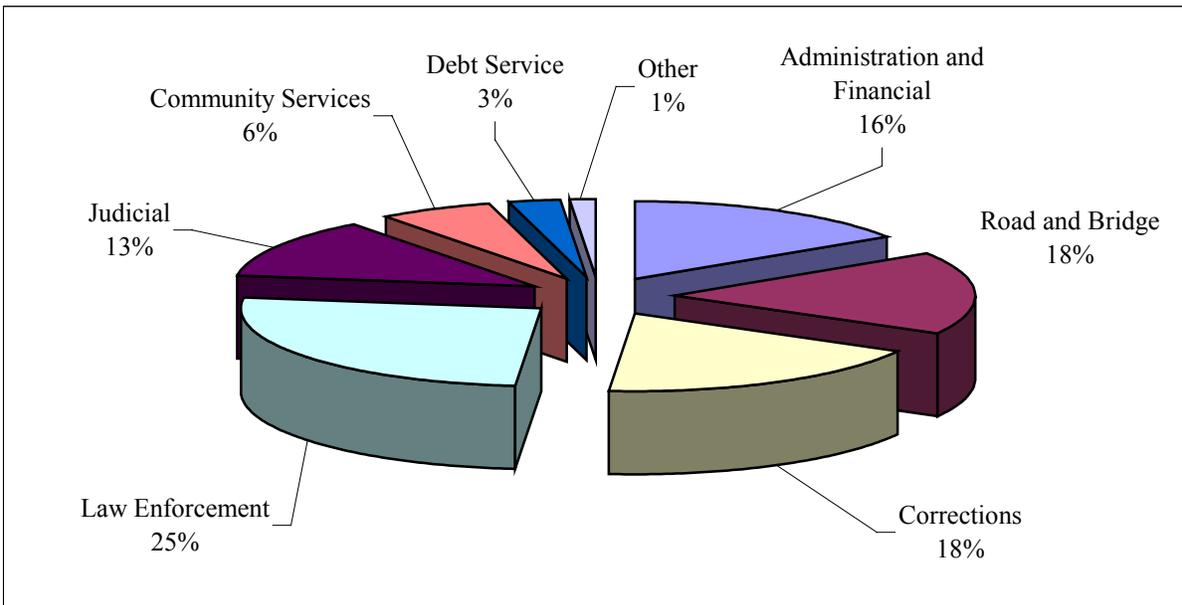


TABLE II
CHART B - EXPENSES



**Management's Discussion and Analysis
Cass County, Texas
For the Fiscal Year Ended September 30, 2008**

-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 \$12,436,453. However, as shown in the Statement of Activities on pages 13 and 14, the amount that our taxpayers ultimately financed for these activities through County taxes was only \$6,472,774 because some of the costs were paid by fines, forfeitures and those who benefited from the programs (\$2,715,968) or by other governments and organizations that subsidized certain programs with grants and contributions (\$2,616,936) or by interest income, other revenues or usage of fund balance (\$630,775).

THE COUNTY'S FUNDS

As the County completed the year, its governmental funds (as presented in the balance sheet on pages 15) reported a combined fund balance of \$13,377,578, which is below last year's total of \$13,887,246. Included in this year's total change in fund balance is an decrease of \$1,006,664 (of which \$120,478 was due to transfers to other funds) in the County's General Fund and an increase in the Road and Bridge Funds of \$178,009, Debt Service Fund of \$44,072, Capital Projects Fund of \$227,504 and all other non-major funds totaling \$47,411.

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 2007). 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 \$1,771,445 reported on page 15 differs from the General Fund's budgetary fund balance of \$1,860,081 reported in the budgetary comparison schedule on page 19.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2008, the County had \$11,225,401 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 \$4,556,938 over last year due to start of work on the new justice center.

Debt

At year-end, the County had outstanding bonds of \$7,315,000, which was a decrease of \$185,000 or 3.47% of the beginning balance. The County also had a net decrease of \$48,356 (or 52.93%) of notes and leases payable.



**Management's Discussion and Analysis
Cass County, Texas
For the Fiscal Year Ended September 30, 2008**

-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 2009 budget, tax rates.

These indicators were taken into account when adopting the General Fund budget for 2009. 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 decrease as of the close of 2009 by approximately \$384,329 or 2.87%.

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 Assets**September 30, 2008****ASSETS:**

Cash and Cash Equivalents	\$405,243
Investments	9,506,302
Accounts Receivable	215,152
Due from Other Governments	1,200
Property Taxes Receivable (Delinquent)	684,196
Allowance for Uncollectible Taxes	(47,894)
Land	156,820
Buildings, net	1,260,374
Furniture and Equipment, net	1,031,335
Construction in Progress	5,089,809
Leased Property Under Capital Leases, net	0
Total Assets	18,302,537

LIABILITIES**Current**

Accounts Payable	722,167
Due to Other Governments	82,817
Deferred Revenues	1,080,981

Long-term Liabilities:

Due Within One Year	238,000
Due in More Than One Year	7,120,000
Total Liabilities	9,243,965

NET ASSETS

Invested in Capital Assets, Net of Related Debt	3,857,649
Restricted - Debt Service	45,474
Unrestricted - including reserved for capital projects	5,155,449
Total Net Assets	\$9,058,572

CASS COUNTY , TEXAS
Statement of Activities
For The Year Ended September 30, 2008

	EXPENSES	FINES, FORFEITURES AND OPERATING REVENUES	OPERATING GRANTS AND CONTRIBUTIONS
GOVERNMENTAL ACTIVITIES			
Administration and Finance	\$1,958,987	\$535,721	\$180,422
Roads and Public Works	2,177,573	1,044,960	\$95,068
Corrections	2,298,122	243,391	1,958,434
Law Enforcement	3,147,993	705,401	
Judicial	1,556,557	152,198	164,361
Community Services	780,100	34,297	38,923
Debt Service	335,618		
Other Expenses	181,503		
TOTAL PRIMARY GOVERNMENT	12,436,453	2,715,968	2,437,208

General Revenues:

Property Taxes Levied for General Purposes
Property Taxes Levied for Debt Purposes
Grants and Contributions not Restricted
Investment Earnings
Transfers to Other Governmental Entities
Miscellaneous Local and Intermediate Revenue
Total General Revenues and Transfers
Change in Net Assets
Net Assets, Beginning
Net Assets, Ending

Exhibit B-1

<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>	<u>TOTAL GOVERNMENTAL ACTIVITIES</u>
	(\$1,242,844)
	(1,037,545)
	(96,297)
	(2,442,592)
	(1,239,998)
179,728	(527,152)
	(335,618)
	(181,503)
<u>179,728</u>	<u>(7,103,549)</u>
	\$5,924,355
	548,419
	0
	391,703
	(91,738)
	132,814
	<u>6,905,553</u>
	(197,996)
	<u>9,256,568</u>
	<u>\$9,058,572</u>

CASS COUNTY, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2008

Exhibit C-1

ASSETS:	General Fund	Road and Bridge Fund	Debt Service Fund	Capital Projects	Other Funds	Total Governmental Funds
Cash	\$174,555	\$55,160	\$4,956	\$44,840	\$133,821	\$413,332
Investments	2,185,772	1,640,509	94,723	3,632,471	1,952,827	9,506,302
Accounts receivable	152,047	48,225	1,564		13,316	215,152
Property taxes receivable - delinquent	450,485	131,616	64,881		37,214	684,196
Allowance for uncollectible tax	(31,534)	(9,213)	(4,542)		(2,605)	(47,894)
Due from other funds:	66,000				200	66,200
Due from other governmental agencies	1,200					1,200
Construction in Progress:				5,089,808		5,089,808
TOTAL ASSETS	\$2,998,525	\$1,866,297	\$161,582	\$8,767,119	\$2,134,773	\$15,928,296
LIABILITIES & FUND EQUITY:						
LIABILITIES:						
Accounts payable	\$164,179	\$79,374		\$439,780	\$38,834	\$722,167
Accounts payable-bank overdraft					8,088	8,088
Deferred revenues:	973,884	113,630	\$56,108		527,824	1,671,446
Due to other funds:	6,200		60,000			66,200
Due to other government:	82,817					82,817
TOTAL LIABILITIES	1,227,080	193,004	116,108	439,780	574,746	2,550,718
FUND EQUITY:						
Restricted fund balance		1,673,293	45,474	8,327,339	1,478,546	11,524,652
Unreserved fund balance	1,771,445				81,481	1,852,926
TOTAL FUND BALANCES	1,771,445	1,673,293	45,474	8,327,339	1,560,027	13,377,578
TOTAL LIABILITIES AND FUND BALANCES	\$2,998,525	\$1,866,297	\$161,582	\$8,767,119	\$2,134,773	\$15,928,296

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2008**

Total Fund Balances - Governmental Funds	\$13,377,578
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 \$ 6,668,463 and the accumulated depreciation was \$ 3,387,033. 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 assets.	(5,164,552)
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 assets.	598,111
The current year's depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.	(300,030)
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 assets.	547,465
Net Assets of Governmental Activities	<hr/> <u>\$9,058,572</u>

CASS COUNTY, TEXAS
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For The Year Ended September 30, 2008

Exhibit C-3

	General Fund	Road and Bridge Fund	Debt Service Fund	Capital Projects	Other Funds	Total Governmental Funds
REVENUES:						
Taxes	\$4,290,649	#####	\$561,867		\$348,730	\$6,417,633
Licenses and permit:	212,141	746,631				958,772
Intergovernmental revenues - miscellaneous	273,923	95,068			1,757,781	2,126,772
Intergovernmental revenues - grant	222,604				308,402	531,006
Charges for service:	342,470	1,524			296,439	640,433
Fines and forfeiture:	708,040	296,805			66,710	1,071,555
Earnings on investment:	96,729	44,460	1,081	\$207,504	41,929	391,703
Miscellaneous revenue:	86,370	10,801			35,643	132,814
Total revenues	6,232,926	2,411,676	562,948	207,504	2,855,634	12,270,688
EXPENDITURES:						
Current:						
Administration and finance	1,938,179					1,938,179
Roads and public work:		2,060,473				2,060,473
Corrections					2,289,145	2,289,145
Law enforcement:	3,068,184					3,068,184
Judicial	1,170,499				380,223	1,550,722
Community service:	394,509				138,362	532,871
Grant Expenditures - flow through	179,728					179,728
Other expenditures:	176,008				5,495	181,503
Debt service:						
Principal on debt	38,452	52,904	185,000			276,356
Interest on debt	244	1,298	333,226			334,768
Related fees:	200		650			850
Capital outlay	149,412	161,992			7,435	318,839
Total expenditures	7,115,415	2,276,667	518,876	0	2,820,660	12,731,618
Excess of revenues over (under) expenditures:	(882,489)	135,009	44,072	207,504	34,974	(460,930)
OTHER FINANCING SOURCES & (USES):						
Loan proceeds		43,000				43,000
Transfers to other governmental entities	(3,697)				(88,041)	(91,738)
Transfers from other fund:		2,100,058		20,000	115,478	2,235,536
Transfers to other fund:	(120,478)	#####			(15,000)	(2,235,536)
Total other financing sources (uses)	(124,175)	43,000	0	20,000	12,437	(48,738)
Excess of revenues and other sources over (under) expenditures and other use	(1,006,664)	178,009	44,072	227,504	47,411	(509,668)
Fund balance, October 1	2,778,109	1,495,284	1,402	8,099,835	1,512,616	13,887,246
Adjustments						
Fund balance, September 30	\$1,771,445	#####	\$45,474	#####	#####	#####

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, 2008**

Total Net Change in Fund Balances - Governmental Funds (\$509,668)

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 assets. 598,111

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 assets. (300,030)

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 assets. 13,591

Change in Net Assets of Governmental Activities (197,996)

CASS COUNTY, TEXAS

Exhibit C-5

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCE

BUDGET TO ACTUAL - GENERAL FUND

For The Year Ended September 30, 2008

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes	\$4,432,826	\$4,268,833	\$4,290,649	\$21,816
Licenses and permits	175,550	212,141	212,141	0
Intergovernmental revenues - miscellaneous	207,858	244,329	273,923	29,594
Intergovernmental revenues - grants	35,080	45,099	222,604	177,505
Charges for services	274,800	290,117	342,470	52,353
Fines and forfeitures	864,050	770,345	708,040	(62,305)
Earnings on investments	170,000	72,338	96,729	24,391
Miscellaneous revenues	2,500	9,784	86,370	76,586
Total revenues	6,162,664	5,912,986	6,232,926	319,940
EXPENDITURES:				
Current:				
Administration and finance	2,025,549	1,922,768	1,938,179	(15,411)
Roads and public works				0
Corrections				0
Law enforcement	2,870,879	3,068,184	3,068,184	0
Judicial	1,115,547	1,170,499	1,170,499	0
Community services	512,023	394,509	394,509	0
Grant expenditures - flow through	179,728	179,728	179,728	0
Other expenditures	175,031	176,008	176,008	0
Debt service:				
Principal on debt	38,000	38,452	38,452	0
Interest on debt		244	244	0
Related fees	200	200	200	0
Capital outlay	107,293	149,412	149,412	0
Total expenditures	7,024,250	7,100,004	7,115,415	(15,411)
Excess (deficiency) of Revenues over (under) Expenditures	(861,586)	(1,187,018)	(882,489)	304,529
OTHER FINANCING SOURCES (USES)				
Loan proceeds			0	0
Transfers to other entities			(3,697)	(3,697)
Transfers in	68,369	63,626	0	(63,626)
Transfers out	(70,000)	(94,576)	(120,478)	(25,902)
Total other financing sources (uses)	(1,631)	(30,950)	(124,175)	(93,225)
Net Change In Fund Balances	(863,217)	(1,217,968)	(1,006,664)	211,304
Fund balance, October 1 (Beginning)	2,778,109	2,778,109	2,778,109	0

CASS COUNTY, TEXAS

Exhibit C-6

**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET TO ACTUAL - ROAD AND BRIDGE
For The Year Ended September 30, 2008**

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes	\$1,274,758	\$1,216,911	\$1,216,387	(\$524)
Licenses and permits	750,000	746,631	746,631	0
Intergovernmental revenues - miscellaneous	75,000	95,068	95,068	0
Intergovernmental revenues - grants			0	0
Charges for services	1,500	1,500	1,524	24
Fines and forfeitures	200,000	296,805	296,805	0
Earnings on investments	52,000	31,879	44,460	12,581
Miscellaneous revenues			10,801	10,801
Total revenues	<u>2,353,258</u>	<u>2,388,794</u>	<u>2,411,676</u>	<u>22,882</u>
EXPENDITURES:				
Current:				
Roads and public works	2,042,724	2,118,844	2,060,473	58,371
Debt service:				
Principal on debt	22,000	53,702	52,904	798
Interest on debt		1,298	1,298	0
Related fees			0	0
Capital outlay	128,000	160,000	161,992	(1,992)
Total expenditures	<u>2,192,724</u>	<u>2,333,844</u>	<u>2,276,667</u>	<u>57,177</u>
Excess (deficiency) of Revenues over (under) Expenditures	<u>160,534</u>	<u>54,950</u>	<u>135,009</u>	<u>80,059</u>
OTHER FINANCING SOURCES (USES)				
Loan proceeds			43,000	43,000
Transfers to other entities			0	0
Transfers in	2,100,059	2,100,059	2,100,058	(1)
Transfers out	(2,100,059)	(2,100,059)	(2,100,058)	1
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>43,000</u>	<u>43,000</u>
Net Change In Fund Balances	160,534	54,950	178,009	123,059
Fund balance, October 1 (Beginning)	<u>1,495,284</u>	<u>1,495,284</u>	<u>1,495,284</u>	<u>0</u>
Fund balance, September 30 (Ending)	<u>\$1,655,818</u>	<u>\$1,550,234</u>	<u>\$1,673,293</u>	<u>\$123,059</u>

CASS COUNTY, TEXAS

Exhibit C-7

**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET TO ACTUAL - DEBT SERVICE FUND
For The Year Ended September 30, 2008**

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes	\$589,252	\$589,252	\$561,867	(\$27,385)
Intergovernmental Revenue			0	0
Earnings on investments			1,081	1,081
Total revenues	589,252	589,252	562,948	(26,304)
EXPENDITURES:				
Current:				
Debt service:				
Principal on debt	185,000	185,000	185,000	0
Interest on debt	333,226	333,226	333,226	0
Related fees			650	(650)
Total expenditures	518,226	518,226	518,876	(650)
Excess (deficiency) of Revenues over (under) Expenditures	71,026	71,026	44,072	(650)
Other financing sources (uses):				
Transfers from other funds			0	0
Transfers to other funds			0	0
Total other financing sources (uses)	0	0	0	0
Net Change In Fund Balances	71,026	71,026	44,072	(26,954)
Fund balance, October 1 (Beginning)	1,402	1,402	1,402	0
Fund balance, September 30 (Ending)	\$72,428	\$72,428	\$45,474	(\$26,954)

CASS COUNTY, TEXAS

Exhibit C-8

**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET TO ACTUAL - CAPITAL PROJECTS FUND
For The Year Ended September 30, 2008**

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Earnings on investments	300,000	300,000	207,504	(92,496)
Total revenues	300,000	300,000	207,504	(92,496)
EXPENDITURES:				
Capital Outlay	5,291,716	5,291,716	0	5,291,716
Miscellaneous costs			0	0
Total expenditures	0	0	0	0
Excess (deficiency) of Revenues over (under) Expenditures	300,000	300,000	207,504	0
Other financing sources (uses):				
Transfers from other funds			20,000	20,000
Transfers to other funds				0
Total other financing sources (uses)	0	0	20,000	(20,000)
Net Change In Fund Balances	300,000	300,000	227,504	(72,496)
Fund balance, October 1 (Beginning)	8,099,835	8,099,835	8,099,835	0
Fund balance, September 30 (Ending)	\$8,399,835	\$8,399,835	\$8,327,339	(\$72,496)

CASS COUNTY, TEXAS
Statement of Fiduciary Net Assets
September 30, 2008

Exhibit D-1

	AGENCY FUNDS
ASSETS:	
Cash	\$679,074
Restricted investments - District Clerk	1,881,417
Accounts receivable	
Total Assets	<u>2,560,491</u>
LIABILITIES	
Accounts payable	175,679
Due to other governments	372,341
Due to other entities	2,012,471
Total Liabilities	<u>2,560,491</u>
NET ASSETS	
Unrestricted Net Assets	<u>0</u>
Total Net Assets	<u><u>\$0</u></u>

CASS COUNTY, TEXAS
Notes to the Financial Statements
For the Year Ended September 30, 2008

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.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Assets 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 a 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, 2008

Interfund activities between governmental funds appear as due to/due froms 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 interfund 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 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 current assets.

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 unmatured 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 expected 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 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.

CASS COUNTY, TEXAS
Notes to the Financial Statements
For the Year Ended September 30, 2008

D. FUND ACCOUNTING

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.

Capital Projects Fund – The County accounts for major construction in progress through this fund.

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

Governmental Funds:

Special Revenue Funds – The County accounts for resources restricted to, or designated for, specific purposes by the County or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes 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 District'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.

CASS COUNTY, TEXAS
Notes to the Financial Statements
For the Year Ended September 30, 2008

4. Long-term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

5. 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 thirty (30) days of compensated sick leave at a rate of six days per year. Employees are not entitled to payment for unused sick leave upon termination. Sick leave is allowed to be accumulated but does not vest. Therefore, a liability for unused sick leave has not been recorded in the accompanying general-purpose financial statements

6. 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.

7. Due From (To) Other Funds

Interfund receivables and payables arise from interfund 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 interfund receivables and payables.

8. Fund Equity

Unreserved undesignated fund equity for governmental funds indicate available amounts for the budgeting of future operations. The unreserved designated fund equity for governmental funds indicates unreserved funds that have been earmarked by Court Resolution for specific purposes and

CASS COUNTY, TEXAS
Notes to the Financial Statements
For the Year Ended September 30, 2008

are therefore not available for general expenditures to be appropriated in the following period unless amended by future Court action. Reserved fund balance is that portion of fund equity that is not available for appropriation that has been legally separated for specific purposes. As of September 30, 2008, Reserved Fund Balance included \$45,474 for Debt Service and \$1,673,293 for Road and Bridge and \$8,327,339 for Capital Projects. Other, non-major, Fund Balances were restricted in the amount of \$1,478,546.

9. 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 2008, 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.

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 ASSETS

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net assets for governmental activities as reported in the government-wide statement of net assets. 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 Assets</u>
Land	156,820		156,820	
Buildings	1,929,519	636,706	1,292,813	
Furniture & Equipment	3,264,222	2,287,051	977,171	
Leased Equipment under Capital Leases	463,276	463,276	-0-	
Change in Net Assets				<u>2,426,804</u>
<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			7,500,000	
Loans Payable			<u>91,356</u>	
Change in Net Assets				<u>(7,591,356)</u>
Adjustment to Net Assets				<u>(5,164,552)</u>

CASS COUNTY, TEXAS
Notes to the Financial Statements
For the Year Ended September 30, 2008

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 assets 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 asset balance and the change in net assets. The details of this adjustment are as follows:

	<u>Amount</u>	Adjustments to Changes in Net <u>Assets</u>	Adjustments to <u>Net Assets</u>
<u>Net Current Year Capital Outlay</u>			
Land	-0-		
Buildings	-0-		
Construction in Progress	-0-		
Furniture and Fixtures	321,755		
Leased Equipment	<u>-0-</u>		
Total Capital Outlay	<u>321,755</u>	<u>321,755</u>	<u>321,755</u>
<u>Debt Principal Payments(Receipts)</u>			
Bond Principal	185,000		
Notes Payable	91,356		
Capital Leases	<u>-0-</u>		
Total Principal Payments	<u>276,356</u>	<u>276,356</u>	<u>276,356</u>
Total Adjustment to Net Assets		<u>598,111</u>	<u>598,111</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 accrual basis of accounting. This adjustment is the result of several items. The details for this element are as follows:

	<u>Amount</u>	Adjustments to Change in Net <u>Assets</u>	Adjustments to Net <u>Assets</u>
<u>Adjustments to Revenue and Deferred Revenue</u>			
Taxes Collected from Prior Year Levies	126,207	(126,207)	
Uncollected Taxes (assumed collectible) from Current Year Levy	182,798	182,798	182,798
Uncollected Taxes (assumed collectible) from Prior Year Levy	407,667		407,667
Reclassify entries – New Note Payable	43,000	<u>(43,000)</u>	<u>(43,000)</u>
Total		<u>13,591</u>	<u>547,465</u>

CASS COUNTY, TEXAS
Notes to the Financial Statements
For the Year Ended September 30, 2008

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 C-5 and C-6.

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

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 nonappropriated budget special revenue funds is as follows:

	September 30, 2008 <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.

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

CASS COUNTY, TEXAS
Notes to the Financial Statements
For the Year Ended September 30, 2008

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, 2008, the carrying amount of the County's deposits (cash, certificates of deposit, and interest-bearing savings accounts) was \$4,241,484 and the bank balance was \$4,926,905. The County's combined deposits were fully insured at all times by federal depository insurance or collateralized with securities pledged to the County and held by the County's agent.

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

- a. Depository: First National Bank, Linden, Texas
- b. The fair market value of bond and/or security pledged as of the date of the highest combined balance on deposit was: \$8,150,205.
- c. The largest combined balances of cash, savings, and time deposit accounts totaled \$8,086,351 and occurred during the month of February 2008.
- d. The total amount of FDIC coverage at the time of the largest combined balance was \$297,156.

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 certificate of deposits. Statutes authorize the County to invest in (1) obligation of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificate of deposits, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptance, (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, 2008.

CASS COUNTY, TEXAS
Notes to the Financial Statements
For the Year Ended September 30, 2008

Investment	Category 1	Category 2	Category 3	Carrying Amount	Market Value
General Fund					
Certificates of deposit	\$931,473			\$ 931,473	\$ 931,473
TexPool			1,256,732	1,256,732	1,256,732
Special Revenue Fund					
Certificates of deposit	2,122,200			2,122,200	2,122,200
TexPool			1,374,181	1,374,181	1,374,181
Capital Projects					
Certificates of deposit	683			683	683
TexPool			3,631,788	3,631,788	3,631,788
Debt Service Fund					
Certificates of deposit	<u>94,722</u>			<u>94,722</u>	<u>94,722</u>
Totals	<u>\$ 3,149,078</u>	<u>\$ -0-</u>	<u>\$ 6,262,701</u>	<u>\$ 9,411,779</u>	<u>\$ 9,411,779</u>

Maturity information relating to the County's investments at September 30, 2008 are shown below:

	Weighted Average Maturity (Years)
Tex Pool - 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.

CASS COUNTY, TEXAS
Notes to the Financial Statements
For the Year Ended September 30, 2008

B. PROPERTY TAXES

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The County levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll on August 1, 2006, upon which the levy for the 2007-08 fiscal year was based, was \$1,381,561,114. The roll was subsequently decreased to a year-end assessed value of \$1,206,560,643. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to penalty and interest charges plus 15% delinquent collection fees for attorney costs.

The tax rates assessed for the year ended September 30, 2008, to finance General Fund operations, Special Revenue and the payment of principal and interest on general obligation long-term debt were \$.409102, \$.061915 and \$.045653 per \$100 valuation, respectively, for a total of \$.516669 per \$100 valuation.

Current tax collections for the year ended September 30, 2008, were 99% of the year-end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the County is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of September 30, 2008, property taxes receivable, net of estimated uncollectible taxes, totaled \$418,951, \$157,012 and \$60,339 for the General, Special Revenue and Debt Service Funds respectively.

C. INTERFUND PAYABLES AND RECEIVABLES

Inter-fund balances at September 30, 2008, consisted of the following individual fund receivables and payables:

	Due to Other Funds	Due from Other Funds
General Fund:		
General Fund	\$ 6,000	\$ 6,000
Special Revenue	200	
Debt Service		60,000
Special Revenue		
General Fund		200
Debt Service Fund:		
General Fund	60,000	
Total	<u>\$ 66,200</u>	<u>\$ 66,200</u>

D. CAPITAL ASSET ACTIVITY

Capital asset activity for the County for the year ended September 30, 2008, was as follows:

	Balance 10/01	Primary Government		Balance 9/30
		Addition	Deletions	
Land	\$ 156,820	\$ -0-	\$ -0-	\$ 156,820
Buildings and Impr.	1,929,519	-0-	-0-	1,929,519
Furniture & Equipment	3,264,222	321,755	-0-	3,585,977
Leased Equipment – Capital Leases	463,276	-0-	-0-	463,276
Total at Historical Cost	<u>\$ 5,813,837</u>	<u>\$ 321,755</u>	<u>\$ -0-</u>	<u>\$ 6,135,592</u>

CASS COUNTY, TEXAS
Notes to the Financial Statements
For the Year Ended September 30, 2008

	<u>Primary Government</u>			Balance 9/30
	Balance 10/01	Addition	Deletions	
Construction in Progress	\$ 854,626	\$ 4,235,183	\$ -0-	\$ 5,089,809
<u>Less Accumulated Depreciation for:</u>				
Buildings	\$ 636,706	\$ 32,439	\$ -0-	\$ 669,145
Furniture & Equipment	2,287,051	267,591	-0-	2,554,642
Leased Equipment – Capital Leases	463,276	-0-	-0-	463,276
Total Accumulated Depreciation	<u>\$ 3,387,033</u>	<u>\$ 300,030</u>	<u>\$ -0-</u>	<u>\$ 3,687,063</u>

Depreciation expense was charged to governmental functions as follows:

Administration and Finance	\$ 20,808
Roads and Public Works	117,100
Law Enforcement	79,809
Judicial	5,835
Corrections	8,977
Community Services	<u>67,501</u>
Total Depreciation Expense	<u>\$ 300,030</u>

E. LOANS PAYABLE

During July 2004, the County acquired a motor grader for Precinct #1. A loan in the amount of \$117,000 was obtained from 1st National Bank of Linden under Local Government Code Section 271.005. The capitalized cost of the asset, as of the date of purchase, was \$117,630. During May 2005, this loan was refinanced at a lower interest rate. The monthly payments are \$2,748 and it has an effective interest rate of 4.5%. As of September 30, 2008, the balance due on this loan was \$-0-.

During 2005, the County acquired a loader for Precinct #3. A loan in the amount of \$65,608 was obtained from 1st National Bank of Linden under Local Government Code Section 271.005. The capitalized cost of the asset, as of the date of purchase, was \$65,608. The monthly payments are \$1,770 and it has an effective interest rate of 4.5%. As of September 30, 2008, the balance due on this loan was \$-0-.

During 2005, the County acquired an imaging system. A loan in the amount of \$121,324 was obtained from 1st National Bank of Linden under Local Government Code Section 271.005. The capitalized cost of the asset, as of the date of purchase, was \$121,324. The monthly payments are \$3,282 and it has an effective interest rate of 4.5%. As of September 30, 2008, the balance due on this loan was \$-0-.

During 2008, the County acquired a John Deere Tractor for Precinct #3. A loan in the amount of \$43,000 was obtained from 1st National Bank of Linden under Local Government Code Section 271.005. The capitalized cost of the asset, as of the date of purchase, was \$43,000. Eleven (11) monthly payments of \$1,010 and a final payment of \$34,204. It has an effective interest rate of 6.0%. As of September 30, 2008, the balance due on this loan was \$43,000.

CASS COUNTY, TEXAS
Notes to the Financial Statements
For the Year Ended September 30, 2008

	Balance October 1, <u>2007</u>	<u>Additions</u>	<u>Retirements</u>	Balance September 30, <u>2008</u>
John Deere Tractor	\$ -0-	\$ 43,000	\$ -0-	\$ 43,000
Motor Grader	32,182	-0-	32,182	-0-
Loader	20,722	-0-	20,722	-0-
Imaging System	<u>38,452</u>	<u>-0-</u>	<u>38,452</u>	<u>-0-</u>
Totals	<u>\$ 91,356</u>	<u>\$ 43,000</u>	<u>\$ 91,356</u>	<u>\$ 43,000</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>
2009	\$ 43,000	\$ 2,314	\$ 45,314
2010	-0-	-0-	-0-
2011	-0-	-0-	-0-
2012	-0-	-0-	-0-
2013	-0-	-0-	-0-
Thereafter	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total	<u>\$ 43,000</u>	<u>\$ 2,314</u>	<u>\$ 45,314</u>

F. COMMITMENTS UNDER LEASES

There were several commitments under operating (noncapitalized) lease agreements for equipment as of year-end. Net rental expenses for the year ended September 30, 2008, was \$16,450.

Capital Leases

As of September 30, 2008, all capital leases had matured and previously leased equipment was retained through maintenance contracts. The County had no capital leases in effect as of year end.

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

<u>Fiscal Year</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total</u>
2008	-0-	-0-	-0-
2009	-0-	-0-	-0-
2010	-0-	-0-	-0-
2011	-0-	-0-	-0-
2012	-0-	-0-	-0-
Thereafter	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

G. BONDS PAYABLE

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

During the year ended September 30, 2008, the following changes occurred in bond liabilities reported in the general long-term debt account group:

CASS COUNTY, TEXAS
Notes to the Financial Statements
For the Year Ended September 30, 2008

	Balance October 1, <u>2007</u>	<u>Additions</u>	<u>Retirements</u>	Balance September 30, <u>2008</u>
Series 2006 Cert. of Obl.	<u>7,500,000</u>	<u>-0-</u>	<u>185,000</u>	<u>7,315,000</u>
Totals	<u>\$ 7,500,000</u>	<u>\$ -0-</u>	<u>\$ 185,000</u>	<u>\$ 7,315,000</u>

Certificates of Obligation

On March 30, 2006, the County issued \$7,500,000 of Certificates of Obligation, Series 2006, for the purpose of renovation and additions to existing structures in order to make a Justice Center. The Certificates were issued pursuant to the Certificate of Obligation Act of 1971, Section 271.041, Texas Local Government Code. As of September 30, 2008, the balance due on these Certificates were \$7,315,000.

Presented below is a summary of Series 2006 Certificates of Obligations requirements to maturity:

<u>Fiscal Year</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total</u>
2009	195,000	323,726	518,726
2010	205,000	313,726	518,726
2011	215,000	303,226	518,226
2012	225,000	292,226	517,226
2013	240,000	280,601	520,601
2014-2018	1,380,000	1,211,143	2,591,143
2019-2023	1,725,000	868,679	2,593,679
2024-2028	2,135,000	456,174	2,591,174
2029-2030	<u>995,000</u>	<u>44,330</u>	<u>1,039,330</u>
Total	<u>\$ 7,315,000</u>	<u>\$ 4,093,831</u>	<u>\$ 11,408,831</u>

H. 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.

CASS COUNTY, TEXAS
Notes to the Financial Statements
For the Year Ended September 30, 2008

I. PENSION PLAN OBLIGATIONS

Plan Description

The County provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of over 700 administered by TMRS, an agent multiple-employer public employee retirement system.

Benefits depend upon the sum of the employee's contributions to the plan, the interest, and the County-financed monetary credits, with interest. At the date the plan began, the County granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the County can grant as often as annually another type of monetary credit referred to as an updated service credit, a theoretical amount, which when added to the employee's accumulated contributions and the monetary credits and for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and the County matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

Members can retire at ages 60 and above with 8 or more years of service or with 25 years of service regardless of age. A member is vested after 8 years. The plan provisions are adopted by the governing body of the County, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

Contributions

The contribution rate for the employees is 7% and the County ratio is currently 1 to 1, both as adopted by the governing body of the County. Under the state law governing TMRS, the actuary annually determines the County contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to County matching percent, which are the obligation of the County as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the County to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded actuarial liability over the remainder to the plan's 25-year amortization period. When the County periodically adopts updated service credits and increases in annuities in effect, the increased unfunded actuarial liability is being amortized over a new 25-year period. Currently, the unfunded actuarial liability is being amortized over the 25-year period, which began January, 1997. The unit credit actuarial cost method is used for determining the County contribution rate. Both the employees and the County make contributions monthly. Since the County needs to know its contribution rate in advance to budget for it, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect.

CASS COUNTY, TEXAS
Notes to the Financial Statements
For the Year Ended September 30, 2008

Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities	Percentage Funded	Unfunded Actuarial Liabilities	Annual Covered Payroll	UAAL Divided by Payroll	County Contributions
12/31/00	7,173,313	9,263,478	77.44%	2,090,165	3,853,670	42.69%	354,595
12/31/01	7,492,364	9,235,496	81.13%	1,743,132	3,638,869	47.90%	361,709
12/31/02	7,643,818	9,423,839	81.11%	1,780,021	4,287,323	41.52%	347,791
12/31/03	8,438,266	10,206,814	82.67%	1,768,548	4,353,995	40.62%	348,688
12/31/04	9,444,670	11,362,594	83.12%	1,917,924	4,423,950	43.35%	376,879
12/31/05	10,398,269	12,206,929	85.18%	1,808,659	4,662,912	38.79%	382,359
12/31/06	10,932,977	12,594,842	86.81%	1,661,865	4,758,089	34.93%	380,647
12/31/07	11,530,968	13,203,852	87.33%	1,672,884	4,904,901	34.11%	398,278

J. DEFERRED REVENUE

Deferred revenue at year-end consisted of the following:

	General Fund	Road & Bridge Fund	Debt Service	Other Funds	Total
Net Deferred Prop. Tax	\$ 388,623	\$ 113,630	\$ 56,108	\$ 32,104	\$ 590,465
Other Deferred Revenues	585,261	-0-	-0-	495,720	1,080,981
Totals	\$ 973,884	\$ 113,630	\$ 56,108	\$ 527,824	\$ 1,671,446

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, 2008, the following funds reflected either deficit cash balances or deficit fund balances:

Fund	Cash Balance	Fund Balance
Cass County Park		(3,432)
TDH grant fund	(7,209)	(1,239)
AIP Fund		(879)

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, 2008 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;

CASS COUNTY, TEXAS
Notes to the Financial Statements
For the Year Ended September 30, 2008

therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

N. SUBSEQUENT EVENTS

There were not significant subsequent events reportable.

O. CHANGES IN LONG-TERM LIABILITIES

Long-term activity for the year ended September 30, 2008, was as follows:

	<u>Balance</u> <u>October 1,</u> <u>2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>September 30,</u> <u>2008</u>	<u>Due Within</u> <u>One Year</u>
Loans Payable	\$ 91,356	\$ 43,000	\$ 91,356	\$ 43,000	\$ 43,000
Series 2006 Cert. Of Obl	<u>7,500,000</u>	<u>-0-</u>	<u>185,000</u>	<u>7,315,000</u>	<u>195,000</u>
Totals	<u>\$ 7,591,356</u>	<u>\$ 43,000</u>	<u>\$ 276,356</u>	<u>\$ 7,358,000</u>	<u>\$ 238,000</u>

P. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at September 30, 2008, were as follows:

	<u>Other</u> <u>Governments</u>	<u>Due From</u> <u>Other Funds</u>	<u>Other</u>	<u>Total</u> <u>Receivables</u>
Governmental Activities:				
General Fund	\$1,200	\$66,000	\$152,047	\$219,247
Debt Service	-0-	-0-	1,564	1,564
Road and Bridge	-0-	-0-	48,225	48,225
Capital Projects	-0-	-0-	-0-	-0-
Nonmajor Gov. Funds	<u>-0-</u>	<u>200</u>	<u>13,316</u>	<u>13,516</u>
Total - Governmental Activities	<u>\$1,200</u>	<u>\$66,200</u>	<u>\$215,152</u>	<u>\$282,552</u>
Amounts not scheduled for collection during the subsequent year	<u>\$-0-</u>	<u>\$-0-</u>	<u>\$-0-</u>	<u>\$-0-</u>

Payables at September 30, 2008, were as follows:

	<u>Accounts</u> <u>and</u> <u>Accr. Wages</u>	<u>Due To</u> <u>Other</u> <u>Funds</u>	<u>Due to</u> <u>Other</u> <u>Governments</u>	<u>Other</u>	<u>Total</u> <u>Payables</u>
Governmental Activities:					
General Fund	\$164,179	\$6,200	\$82,817	\$-0-	\$253,196
Debt Service	-0-	60,000	-0-	-0-	60,000
Road and Bridge	79,374	-0-	-0-	-0-	79,374
Capital Projects	439,780	-0-	-0-	-0-	439,780
Nonmajor Gov. Funds	<u>46,922</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>46,922</u>
Total - Gov. Activities	<u>\$730,255</u>	<u>\$66,200</u>	<u>\$82,817</u>	<u>\$-0-</u>	<u>\$879,272</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>

Q. EXPENDITURES EXCEEDING BUDGETARY ALLOWANCES

Expenditures exceeded budgetary allowances in the amount of \$15,411 in the General Fund, \$1,992 in Road and Bridge Funds and \$650 in Debt Service. See schedule of finding and questioned costs for more information.

COMBINING SCHEDULES



CASS COUNTY, TEXAS
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
September 30, 2008

ASSETS:	JURY FUND	JUVENILE PROBATION	ADULT PROBATION	RESTITUTION CENTER	COMMUNITY SERVICE RESTITUTION	INDIGENT DEFENSE GRANT	CASS COUNTY PARK
Cash	\$8,576	\$9,637	\$25,879	\$9,834	\$20,731	\$3,814	
Investments	122,739	428,733	502,056	155,000	7,500	48,856	
Accounts receivable	\$2,989						
Property taxes receivable - delinquent	35,901						
Allowance for uncollectible taxes	(2,513)						
Due from other governmental units							
Due from other funds				200			
TOTAL ASSETS	\$167,692	\$438,370	\$527,935	\$165,034	\$28,231	\$52,670	\$0
LIABILITIES & FUND BALANCES							
LIABILITIES:							
Accounts payable	\$8,432	\$8,885	\$6,069	\$9,602	\$103		\$3,432
Acct. payable-Negative cash balance							
Due to State							
Due to Other Funds							
Deferred revenues	30,971	410,385					
TOTAL LIABILITIES	39,403	419,270	6,069	9,602	103	0	3,432
FUND BALANCES:							
Restricted	128,289	19,100	521,866	155,432	28,128	52,670	(3,432)
Unreserved							
TOTAL FUND BALANCES	128,289	19,100	521,866	155,432	28,128	52,670	(3,432)
TOTAL LIABILITIES AND FUND BALANCES	\$167,692	\$438,370	\$527,935	\$165,034	\$28,231	\$52,670	\$0

LAW LIBRARY	DISTRICT ATTORNEY ESCROW	DISTRICT ATTORNEY STATE	REGIONAL INTRASTATE TASK FORCE	FORESTRY FUND	DISTRICT ATTORNEY FORFEITURE	DISTRICT ATTORNEY DISCRETIONARY	TDH GRANT FUND	ROW PROJECTS FUND
\$547	\$284	\$2,985	\$2,924	\$96	\$7,061	\$37,918		\$3,535
6,373	21	85,250	29,386	369,034	119,176			78,703
809						2,275	\$7,209	34
								1,313
								(92)
\$7,729	\$305	\$88,235	\$32,310	\$369,130	\$126,237	\$40,193	\$7,209	\$83,493
\$1,072							\$1,239	
							7,209	
			\$24,086		\$61,249			\$1,133
1,072	0	0	24,086	0	61,249	0	8,448	1,133
6,657	305	88,235	8,224	369,130	64,988	40,193	(1,239)	82,360
6,657	305	88,235	8,224	369,130	64,988	40,193	(1,239)	82,360
\$7,729	\$305	\$88,235	\$32,310	\$369,130	\$126,237	\$40,193	\$7,209	\$83,493

CASS COUNTY, TEXAS
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
September 30, 2007

Exhibit H-1

ASSETS:	<u>HAVA FUND</u>	<u>AIP FUND</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
Cash			\$133,821
Investments			1,952,827
Accounts receivable			13,316
Property taxes receivable - delinquent			37,214
Allowance for uncollectible taxes			(2,605)
Due from other governmental units			0
Due from other funds			200
TOTAL ASSETS	\$0	\$0	\$2,134,773
LIABILITIES & FUND BALANCES			
LIABILITIES:			
Accounts payable			\$38,834
Acct. payable-Negative cash balance		\$879	8,088
Due to State			0
Due to Other Funds			0
Deferred revenues			527,824
TOTAL LIABILITIES	0	879	574,746
FUND BALANCES:			
Restricted			1,478,546
Unreserved	0	(879)	81,481
TOTAL FUND BALANCES	0	(879)	1,560,027
TOTAL LIABILITIES AND FUND BALANCES			
	\$0	\$0	\$2,134,773

CASS COUNTY, TEXAS
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For The Year Ended September 30, 2008

	JURY FUND	JUVENILE PROBATION	ADULT PROBATION	RESTITUTION CENTER	COMMUNITY SERVICE RESTITUTION	INDIGENT DEFENSE GRANT	CASS COUNTY PARK
REVENUES:							
Taxes	#####						
FEMA Grant							
Licenses and permits							
Intergovernmental revenues - miscellaneous:		\$13,433	\$557,672	\$1,043,269	\$59,429	\$28,306	
Intergovernmental revenues - grant:		284,631					
Charges for services				241,091			\$32,950
Fines and forfeitures						818	1
Earnings on investments	2,351	8,752	13,566				
Miscellaneous revenues	25,540		349	6,285			2,907
Total revenues	364,425	306,816	571,587	1,290,645	59,429	29,124	35,858
EXPENDITURES:							
Current:							
Administration and finance							
Roads and public works							
Corrections		394,460	551,964	1,339,207			
Law enforcement							
Judicial	309,969						
Community services					54,641	3,718	63,866
Other expenditures							
Debt service:							
Principal on debt							
Interest on debt							
Capital outlay							
Total expenditures	309,969	394,460	551,964	1,339,207	54,641	3,718	63,866
Excess of revenues over (under) expenditures	54,456	(87,644)	19,623	(48,562)	4,788	25,406	(28,008)
Other financing sources (uses):							
Loan proceeds							
Transfers to other governmental entities							
Transfers from other funds:	15,000	55,000	20,902				24,576
Transfers to other funds						(15,000)	
Total other financing sources (uses)	15,000	55,000	20,902	0	0	(15,000)	24,576
Excess of revenues and other sources over expenditures and other uses	69,456	(32,644)	40,525	(48,562)	4,788	10,406	(3,432)
Fund balance, October 1	58,833	51,744	481,341	203,994	23,340	42,264	0
Adjustments							
Fund balance, September 30	#####	\$19,100	\$521,866	\$155,432	\$28,128	\$52,670	(\$3,432)

LAW LIBRARY	DISTRICT ATTORNEY ESCROW	DISTRICT ATTORNEY STATE	REGIONAL INTRASTATE TASK FORCE	FORESTRY FUND	DISTRICT ATTORNEY FORFEITURE	DISTRICT ATTORNEY DISCRETIONARY	TDH GRANT FUND	ROW PROJECTS FUND
								\$12,196
\$9,459	280	\$45,933 23,771				\$19,763		
165	\$2	1,566	\$1,140 562	\$8,749	\$66,710 2,580	287		1,952
9,624	282	71,270	1,702	8,749	69,290	20,050	0	14,148
15,152		50,581		16,137	4,521	4,251	1,244	
								7,435
15,152	0	50,581	0	16,137	4,521	4,251	1,244	7,435
(5,528)	282	20,689	1,702	(7,388)	64,769	15,799	(1,244)	6,713
			(10,629)		(77,412)			
0	0	0	(10,629)	0	(77,412)	0	0	0
(5,528)	282	20,689	(8,927)	(7,388)	(12,643)	15,799	(1,244)	6,713
12,185	23	67,546	17,151	376,518	77,631	24,394	5	75,647
\$6,657	\$305	\$88,235	\$8,224	\$369,130	\$64,988	\$40,193	(\$1,239)	\$82,360

CASS COUNTY, TEXAS
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For The Year Ended September 30, 2007

Exhibit H-2

	HAVA FUND	AIP FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES:			
Taxes			\$348,730
FEMA Grant			0
Licenses and permits			0
Intergovernmental revenues			1,757,781
Intergovernmental revenues - grants			308,402
Charges for services		\$2,635	296,439
Fines and forfeitures			66,710
Earnings on investments			41,929
Miscellaneous revenues			35,643
Total revenues	0	2,635	2,855,634
EXPENDITURES:			
Current:			
Administration and finance			0
Roads and public works			0
Corrections		3,514	2,289,145
Law enforcement			0
Judicial			380,223
Community services			138,362
Other expenditures			5,495
Debt service:			
Principal on debt			0
Interest on debt			0
Capital outlay			7,435
Total expenditures	0	3,514	2,820,660
Excess of revenues over (under) expenditures	0	(879)	34,974
Other financing sources (uses):			
Loan proceeds			0
Transfers to other governmental entities			(88,041)
Transfers from other funds			115,478
Transfers to other funds			(15,000)
Total other financing sources (uses)	0	0	12,437
Excess of revenues and other sources over expenditures and other uses	0	(879)	47,411
Fund balance, October 1	0	0	1,512,616
Adjustments			0
Fund balance, September 30	\$0	(\$879)	\$1,560,027

CASS COUNTY, TEXAS

COMBINING BALANCE SHEET - ALL TRUST AND AGENCY FUNDS

September 30, 2008

	TAX OFFICE	SHERIFF	JUSTICE COURT #1	JUSTICE COURT #2	JUSTICE COURT #3	JUSTICE COURT #4
ASSETS:						
Cash	#####	\$15,428	\$20,164	\$10,040	\$44,150	\$10,446
Restricted Investments - District Clerk						
Accounts receivable						
TOTAL ASSETS	#####	\$15,428	\$20,164	\$10,040	\$44,150	\$10,446
LIABILITIES & FUND BALANCES						
LIABILITIES:						
Accounts payable						
Due to other governments	#####		\$20,164	\$10,040	\$44,150	\$10,446
Due to other entities		\$15,428				
TOTAL LIABILITIES	287,541	15,428	20,164	10,040	44,150	10,446
FUND BALANCE						
Fund balance September 30,	0	0	0	0	0	0
TOTAL LIABILITIES AND FUND BALANCES	#####	\$15,428	\$20,164	\$10,040	\$44,150	\$10,446

Exhibit H-3

COUNTY CLERK	DISTRICT ATTORNEY	JUVENILE PROBATION	ADULT PROBATION	DISTRICT CLERK	TOTALS SEPTEMBER 30
\$61,412	\$7,210	\$2,908	\$51,306	\$168,469 1,881,417	\$679,074 1,881,417 0
\$61,412	\$7,210	\$2,908	\$51,306	\$2,049,886	\$2,560,491
	\$7,210			\$168,469	\$175,679 372,341
\$61,412		\$2,908	\$51,306	1,881,417	2,012,471
61,412	7,210	2,908	51,306	2,049,886	2,560,491
0	0	0	0	0	0
\$61,412	\$7,210	\$2,908	\$51,306	\$2,049,886	\$2,560,491

COMPLIANCE AND INTERNAL CONTROL SECTION



Judy C. Moore, CPA
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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Independent Auditor's Report

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

Members of the Court:

We have audited the financial statements of the governmental activities, major funds and the aggregate remaining fund information of County of Cass, Texas (the County) as of and for the year ended September 30, 2008. These collectively comprise the County's basic financial statements. We have issued our report on them dated March 5, 2009.

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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered County of Cass, Texas' internal control over financial reporting 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 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 control deficiency 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 significant deficiency is a control deficiency or combination of control deficiencies that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principals such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We noted two matters (findings 08-02 and 08-03)

involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether County of Cass, Texas' financial statements are free of 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 are required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and responses as item *08-1*. County of Cass, Texas' response to the findings identified in our audit are described in the accompanying schedule of findings and responses.

This report is intended for the information of the Commissioners' Court, 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.

Moore and Caver, Inc.
Certified Public Accountants

March 5, 2009

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133 AND TEXAS UNIFORM GRANT MANAGEMENT ACT**

Independent Auditor's Report

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

Members of the Court:

Compliance

We have audited the compliance of County of Cass, Texas with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and *Texas Uniform Grant Management Act* (under authority of Chapter 483 of the Texas Government Code) and the *State of Texas Single Audit Circular* that are applicable to each of its major state and federal programs for the year ended September 30, 2008. The County's major state and federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of County of Cass, Texas's administrators. Our responsibility is to express an opinion on the County's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and *Texas Uniform Grant Management Act* (under authority of Chapter 483 of the Texas Government Code) and the *State of Texas Single Audit Circular*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state or federal program occurred. An audit includes examining, on a test basis, evidence about County of Cass, Texas' 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. Our audit does not provide a legal determination of County of Cass, Texas' compliance with those requirements.

In our opinion, County of Cass, Texas complied, in all material respects, with the requirements referred to above that are applicable to each of its major state/federal programs for the year ended September 30, 2008.

Internal Control Over Compliance

The administration of County of Cass, Texas is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to

state/federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major state/federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 the County's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency or combination of control deficiencies that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a state/federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency or a combination of significant deficiencies that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a state/federal program will not be prevented or detected by the entity's internal control.

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

This report is intended for the information and use of the County's trustees, the audit committee, the administration, Comptroller of the State of Texas, state and/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.

Moore and Caver, Inc.
Certified Public Accountants

March 5, 2009

CASS COUNTY, TEXAS
Schedule of Findings and Questioned Costs
For The Year Ended September 30, 2008

I. Summary of Auditor's Results

1. Type of auditor's report issued on the financial statements: Unqualified.
2. No significant deficiencies relating to the audit of the financial statements are reported in the 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*.
3. Noncompliance which is material to the financial statements: None
4. No significant deficiencies disclosed during the audit in internal control over compliance of major programs.
5. Type of auditor's report on compliance for major programs: Unqualified.
6. Did the audit disclose findings which are required to be reported under Sec. 510(a): No
7. Major programs include:

<u>Prog. #</u>	<u>Program</u>
<u>State Programs:</u>	
A-208-034	Tx. Juvenile Probation Commission
F-208-034	Tx. Juvenile Probation Commission
G-208-034	Tx. Juvenile Probation Commission
Y-208-034	Tx. Juvenile Probation Commission
Z-208-034	Tx. Juvenile Probation Commission
X-208-034	Tx. Juvenile Probation Commission

<u>Federal Programs</u>	
93.568	Title IV-E (Foster Care) – awarded to Juv. Prob. Dept.

8. Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.
9. Low risk auditee: Yes

II. Findings Related to the Financial Statements

08-01 Fixed Asset Inventory

- Criteria:** Governmental Standards dictate that an accurate fixed asset listing be maintained.
- Condition Found:** During the review of the September 30, 2008 fixed asset listing, several errors and omissions were discovered.
- Effect:** Accurate reporting of fixed assets and related depreciation on Entity-Wide financial statements would not have been correct (as required by GASB #34)
- Cause:** The County contracted the asset “counting” services and the final listing provided was not updated in a timely manner.

(continued on next page)

CASS COUNTY, TEXAS
Schedule of Findings and Questioned Costs
For The Year Ended September 30, 2008

08-02 **Proper year end “cut off” of payables and subsequent transactions**

Criteria: Governmental Standards dictate that all governmental units record transactions in the proper periods.
Condition Found: During the review of the September 30, 2008 and subsequent posting to period 12, transactions with dates subsequent to 09/30/08 were posted to the ending balances.
Effect: Accurate reporting of cash, payables and investments were compromised. Although the transactions affected only the asset section of the Balance Sheet accounts, individual accounts were in error on the final trial balance.
Cause: The County posted post year end payments of vouchers payable and transfers from investments to period 12.

08-03 **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, 2008 Interest and Sinking Fund, bond fees, exceeded the final approved budget by \$650, General Fund \$15,411 and Road and Bridge \$1,992.
Effect: Future resources were decreased more than expected.
Cause: The County approved expenditures and failed to amend the proper budgetary accounts.

III. Findings and Questioned Costs Related to the Federal Awards AA-1

The audit disclosed no finding required to be reported.

CASS COUNTY, TEXAS
Summary Schedule of Prior Audit Findings
For The Year Ended September 30, 2008

2007-1 Incomplete Fixed Asset Inventory

During the review of the September 30, 2006 fixed asset listing, several errors and omissions were discovered

As of 9/30/08 the Fixed Asset Inventory listing is still incomplete.

2007-2 Expenditures Exceeding Budgetary Allowances

During the year ending September 30, 2007, several line item expenditures in the General Fund exceeded the amounts allowed through budgetary approvals.

As of 9/30/08 the County had expenditures which exceeded the budgetary allowances.

2007-3 Proper year end "cut off" of payables and subsequent transactions

Transactions with dates subsequent to September 30 were posted to the ending balances. These transactions included transfers between cash and investments and payment of vouchers payable.

As of 9/30/08, post year-end transactions were recorded in to the current audit year.

For all findings and questioned costs:

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

CASS COUNTY, TEXAS
Corrective Action Plan
For The Year Ended September 30, 2008

08-01 Fixed Asset Inventory

The County is required (GASB #34) to keep an accurate and up-to-date inventory of fixed assets equal to or greater than \$5,000. Upon review of the current year's asset inventory, several assets that should have been included in prior year's inventories were corrected (either input or deleted). The County is in the process of completing a comprehensive fixed asset inventory.

Contact Person: Tammy Wells, County Auditor

Anticipated Completion Date: 9/30/09

08-02 Proper year end "cut off" of payables and subsequent transactions

The County posted transactions relating to subsequent (to year end) payment of previously recorded vouchers and transfers from investments to cash in period 12. The effect produced erroneous year-end totals in cash, vouchers payable and investments. Management will observe proper year end cut-off procedures starting immediately.

Contact Person: Tammy Wells, County Auditor

Anticipated Completion Date: Immediately.

08-03 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, 2008, the Interest and Sinking Fund, General Fund, and Road and Bridge Fund expended amounts exceeding the final approved budgetary amounts. Overall, the I&S Fund exceeded the budgetary amounts in the amount of \$650, General Fund \$15,411 and Road and Bridge \$1,992. Due to failure to properly account for expenditures made from deferred revenues, the final budget did not accurately reflect adjusted expenditures. 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 Federal and State Awards
For The Year Ended September 30, 2008**

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 (Foster Care) - Juvenile Probation	93.568	19,780
Title IV-E (Foster Care) - Dist. Clerk	93.568	3,030
Total U.S. Department of Health and Human Resources		<u>22,810</u>
 Total Federal Assistance		 <u>22,810</u>
 ASSISTANCE PASSED DIRECTLY FROM STATE OF TEXAS		
Community Development Block Grant	727059	179,728
Historical Commission Grant - Courthouse		1,641
TDHCA Home Project	1000835	2,325
Crime Victims Coordinator		35,880
Crime Victims Assistance	801464	23,771
Tx. Juvenile Probation Commission	A-2008-034	55,170
Tx. Juvenile Probation Commission	F-2008-034	71,925
Tx. Juvenile Probation Commission	G-2008-034	17,733
Tx. Juvenile Probation Commission	Y-2008-034	66,169
Tx. Juvenile Probation Commission	Z-2008-034	14,250
Tx. Juvenile Probation Commission	X-2008-034	4,504
Tx. Juvenile Probation Commission	Diversionary Placement	35,100
 Total Direct State Assistance		 <u>508,196</u>
 TOTAL FEDERAL AND STATE ASSISTANCE		 <u><u>531,006</u></u>

CASS COUNTY, TEXAS

Notes to the Supplementary Schedule of Expenditures of State and Federal Awards For The Year Ended September 30, 2008

1. For all 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 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 assets.

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.

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 revenues 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 Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Statement - Provisional 6/97.