

**CASS COUNTY, TEXAS**  
**ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**



**CASS COUNTY, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
**for the Year Ended September 30, 2010**

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**FINANCIAL SECTION**



*Judy C. Moore, CPA  
N. Preston Caver, CPA*

***MOORE and CAVER, Inc.***  
***Certified Public Accountants***  
*808 West Main St.  
P.O. Box 1130  
Atlanta, Texas 75551*

*Member  
American Institute of CPAs  
Texas Society of CPAs*

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*903-796-7148  
FAX 903-796-8755*

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, 2010, 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, 2010, 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 February 7, 2011 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.

The accompanying schedule of expenditures of federal or State awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and/or the *State of Texas Single Audit Circular* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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.*

Moore and Caver, Inc.  
Certified Public Accountants

February 7, 2011

**Management's Discussion and Analysis**  
**Cass County, Texas**  
**For the Fiscal Year Ended September 30, 2010**

**-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, 2010. 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 increased by \$870,558 as a result of this year's operations. Fines, forfeitures, charges for services and program revenues accounted for \$2,385,512 or 17.77% of total revenue, Operating and Capital Grants provided revenues totaling \$3,798,353 or 28.29% and general revenues (including taxes) accounted for \$7,242,971 or 53.94%.

During the year, the County had expenses that were \$870,558 less than the \$13,426,836 generated in tax and other revenues for governmental programs (before special items).

The general fund (which includes "The General Fund" and "Tobacco Fund") reported a positive fund balance of \$1,435,391.

**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 20) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

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



**Management's Discussion and Analysis  
Cass County, Texas  
For the Fiscal Year Ended September 30, 2010**

**-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, 2010**

**-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 19. We exclude these resources from the County's other financial statements because the County cannot use these assets to finance its operations. The County is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.



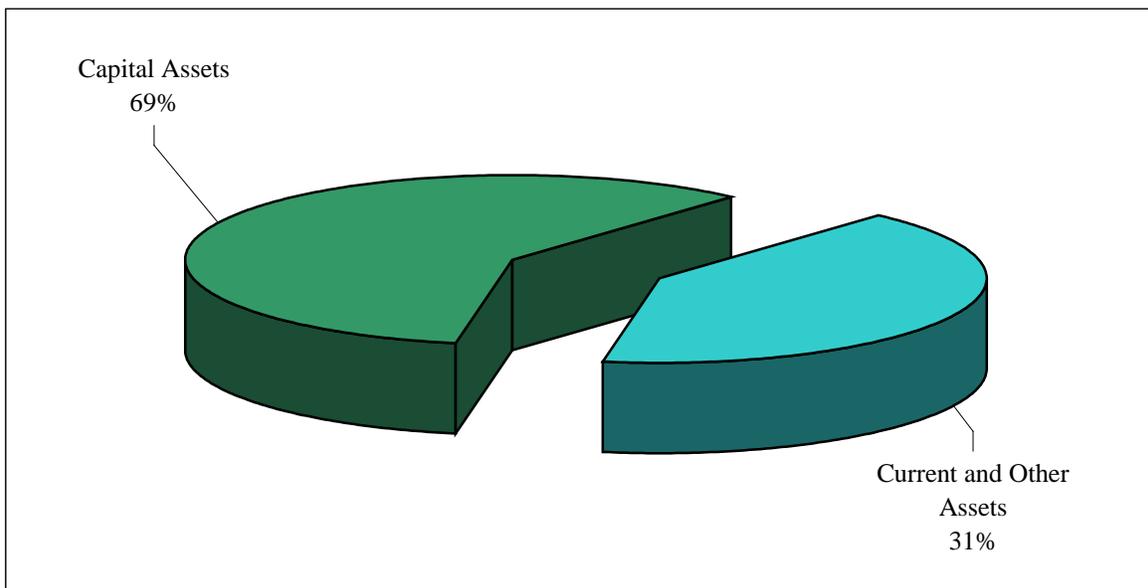
**Management's Discussion and Analysis  
Cass County, Texas  
For the Fiscal Year Ended September 30, 2010**

**-UNAUDITED-**

**Table I  
Cass County**

**NET ASSETS**

	%	Governmental Activities 2009	Governmental Activities 2010
	Change		
Current and other assets	(16.56)	\$ 6,739,862	\$ 5,624,025
Capital assets	20.79	10,148,316	12,258,325
Total assets	5.89	<u>16,888,178</u>	<u>17,882,350</u>
Long-term liabilities	(1.47)	7,310,684	7,203,196
Other liabilities	15.59	1,482,703	1,713,805
Total liabilities	1.41	<u>8,793,387</u>	<u>8,917,001</u>
Net Assets:			
Invested in capital assets net of related debt	78.15	2,837,632	5,055,129
Restricted	49.57	85,129	127,328
Unrestricted – including reserved for capital projects	(73.14)	5,172,030	3,782,892
Total net assets	10.75	<u>\$ 8,094,791</u>	<u>\$ 8,965,349</u>



**Management's Discussion and Analysis  
Cass County, Texas  
For the Fiscal Year Ended September 30, 2010**

**-UNAUDITED-**

**Table II  
Cass County**

**CHANGES IN NET ASSETS**

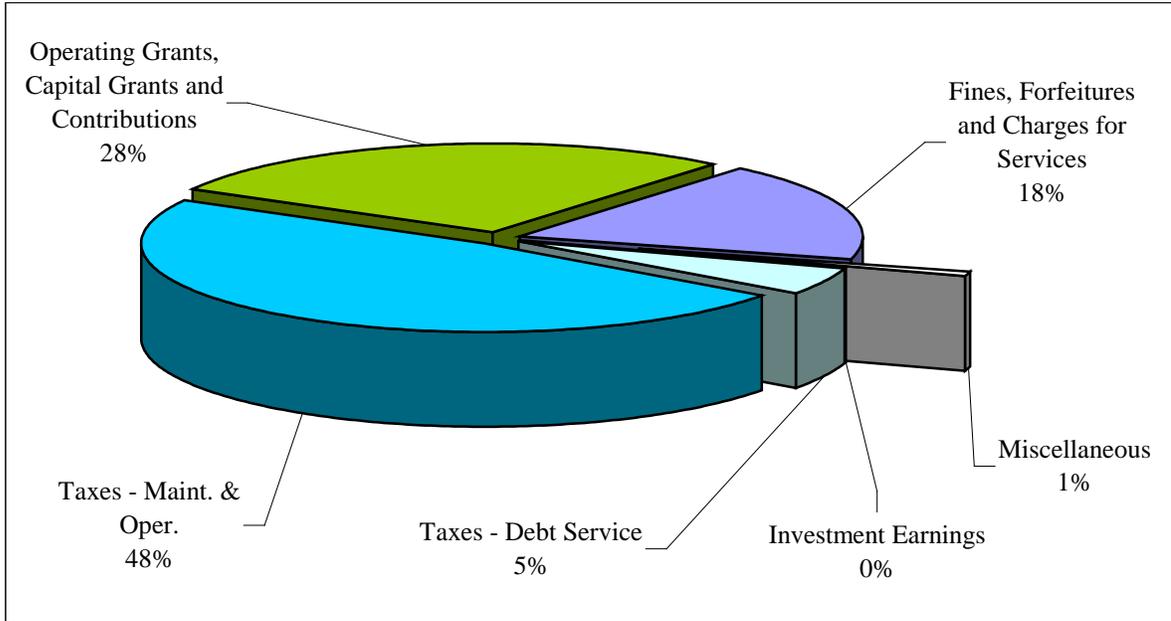
	%	Governmental	Governmental
	Change	Activities 2009	Activities 2010
<b>Revenues:</b>			
<b>Program Revenues:</b>			
Fines, forfeitures and charges for services	(18.23)	\$ 2,917,356	\$ 2,385,512
Operating grants and contributions	(6.82)	1,032,440	962,042
Capital grants and contributions	100.00	-0-	2,836,311
<b>General Revenues:</b>			
Maintenance and operations taxes	3.01	6,248,870	6,436,989
Debt service taxes	1.48	558,817	567,105
Grants and contributions – not restricted	100.00+	25,466	202,772
Investment earnings	(83.97)	43,439	7,067
Miscellaneous and transfers to other govts	(78.96)	127,169	29,038
Total Revenue	22.58	10,953,557	13,426,836
<b>Expenses:</b>			
Administration and Financial	20.81	2,544,079	3,073,549
Road and Bridge	25.66	2,040,341	2,563,955
Corrections	(24.48)	469,209	354,367
Law Enforcement	1.20	3,141,778	3,179,607
Judicial	8.86	1,743,378	1,897,779
Community Services	15.81	560,277	648,883
Debt Service	1.23	327,553	331,566
Other	52.24	385,297	506,572
Total Expenses	13.32	11,211,912	12,556,278
Increase in net assets before transfers and special items		(258,355)	870,558
Net assets Beginning of Year		8,353,146	8,094,791
Net assets End of Year		\$ 8,094,791	\$ 8,965,349



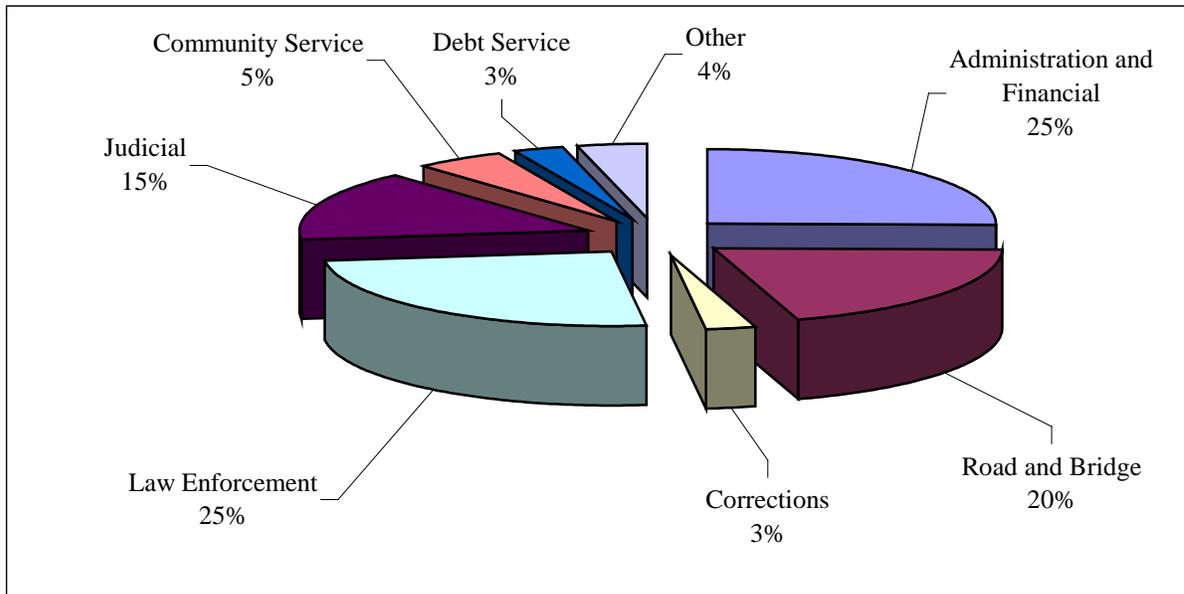
**Management's Discussion and Analysis  
Cass County, Texas  
For the Fiscal Year Ended September 30, 2010**

**-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, 2010**

**-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 \$12,556,278. 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 \$6,133,536 because some of the costs were paid by fines, forfeitures and those who benefited from the programs (\$2,385,512) or by other governments and organizations that subsidized certain programs with grants and contributions (\$3,798,353) or by interest income, other revenues or usage of fund balance (\$238,877).

### **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 \$3,210,060, which is \$1,384,491 below last year's total of \$4,594,550. Included in this year's total change in fund balance is a decrease in the General Fund of \$362,904 (relating to other capital outlay \$362,904), a decrease in the Road and Bridge Funds \$886,405, increase in Debt Service Fund of \$42,199, and decrease in all other non-major funds totaling \$177,380.

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 2009). 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 \$1,135,391 reported on page 15 differs from the General Fund's budgetary fund balance of \$1,445,362 reported in the budgetary comparison schedule on page 37.

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

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

At the end of 2010, the County had \$17,359,920 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 \$2,941,824 over last year due to historical renovation on the court house.

#### ***Debt***

At year-end, the County had outstanding bonds of \$6,915,000, which was a decrease of \$205,000 or 2.88% of the beginning balance. The County also had a net increase of \$97,512 (or 51%) of notes and leases payable.



**Management's Discussion and Analysis  
Cass County, Texas  
For the Fiscal Year Ended September 30, 2010**

**-UNAUDITED-**

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

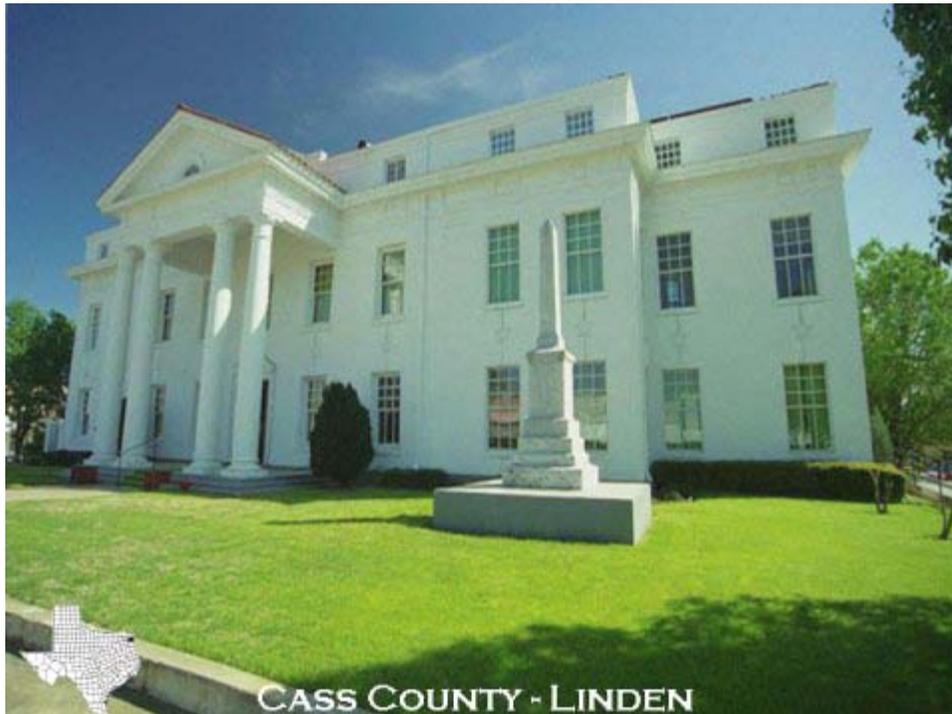
The County's elected and appointed officials considered many factors when setting the fiscal-year 2011 budget, tax rates.

These indicators were taken into account when adopting the General Fund budget for 2011. 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 2011.

**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, 2010****ASSETS:**

Cash and Cash Equivalents	\$194,545
Investments	4,161,547
Accounts Receivable	301,076
Due from Other Governments	233,575
Property Taxes Receivable (Delinquent)	788,476
Allowance for Uncollectible Taxes	(55,194)
Land	156,820
Buildings, net	8,565,766
Furniture and Equipment, net	997,574
Construction in Progress	2,538,165
Leased Property Under Capital Leases, net	0
<b>Total Assets</b>	<b>17,882,350</b>

**LIABILITIES****Current**

Accounts Payable	691,498
Due to Other Governments	69,987
Deferred Revenues	952,320

**Long-term Liabilities:**

Due Within One Year	311,618
Due in More Than One Year	6,891,578
<b>Total Liabilities</b>	<b>8,917,001</b>

**NET ASSETS**

Invested in Capital Assets, Net of Related Debt	5,055,129
Restricted - Debt Service	127,328
Unrestricted - including reserved for capital projects	3,782,892
<b>Total Net Assets</b>	<b>\$8,965,349</b>

**CASS COUNTY , TEXAS**  
**Statement of Activities**  
**For The Year Ended September 30, 2010**

	EXPENSES	FINES, FORFEITURES AND OPERATING REVENUES	OPERATING GRANTS AND CONTRIBUTIONS
GOVERNMENTAL ACTIVITIES			
Administration and Finance	\$3,073,549	\$591,162	\$16,185
Roads and Public Works	2,563,955	948,304	\$122,328
Corrections	354,367		16,269
Law Enforcement	3,179,607	127,835	296,784
Judicial	1,897,779	682,554	81,469
Community Services	648,883	35,657	429,007
Debt Service	331,566		
Other Expenses	506,572		
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>12,556,278</b>	<b>2,385,512</b>	<b>962,042</b>

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
Adjustments to Net Assets - See Note IV-R
Net Assets, Beginning
Net Assets, Ending

**Exhibit B-1**

<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>	<u>TOTAL GOVERNMENTAL ACTIVITIES</u>
	(\$2,466,202)
	(1,493,323)
	(338,098)
	(2,754,988)
	(1,133,756)
2,836,311	2,652,092
	(331,566)
	(506,572)
<u>2,836,311</u>	<u>(6,372,413)</u>
	\$6,436,989
	567,105
	202,772
	7,067
	(39,936)
	68,974
	<u>7,242,971</u>
	870,558
	(648,797)
	<u>8,743,588</u>
	<u>\$8,965,349</u>

**CASS COUNTY, TEXAS**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**September 30, 2010**

Exhibit C-1

ASSETS:	General Fund	Road and Bridge Fund	Debt Service Fund	THCPP Fund	Other Funds	Total Governmental Funds
Cash	\$17,847		\$2,095		\$244,358	\$264,300
Investments	1,712,558	949,225	185,757		1,314,007	4,161,547
Accounts receivable	162,607	92,540	2,673	\$37,793	5,463	301,076
Property taxes receivable - delinquent	584,555	94,104	70,781		39,036	788,476
Allowance for uncollectible tax	(40,919)	(6,587)	(4,955)		(2,733)	(55,194)
Due from other funds:	66,000					66,000
Due from other governmental agencies	2,098			231,477		233,575
<b>TOTAL ASSETS</b>	<b>\$2,504,746</b>	<b>\$1,129,282</b>	<b>\$256,351</b>	<b>\$269,270</b>	<b>\$1,600,131</b>	<b>\$5,759,780</b>
<b>LIABILITIES &amp; FUND EQUITY:</b>						
<b>LIABILITIES:</b>						
Accounts payable	\$336,140	\$88,010		\$249,418	\$17,929	\$691,497
Accounts payable-bank overdraft		48,369		19,852	1,534	69,755
Deferred revenues:	963,228	83,608	\$63,023		542,622	1,652,481
Due to other funds:			66,000			66,000
Due to other government:	69,987					69,987
<b>TOTAL LIABILITIES</b>	<b>1,369,355</b>	<b>219,987</b>	<b>129,023</b>	<b>269,270</b>	<b>562,085</b>	<b>2,549,720</b>
<b>FUND EQUITY:</b>						
Restricted fund balance	125,666	909,295	127,328	0	1,038,046	2,200,335
Unreserved fund balance	1,009,725				0	1,009,725
<b>TOTAL FUND BALANCES</b>	<b>1,135,391</b>	<b>909,295</b>	<b>127,328</b>	<b>0</b>	<b>1,038,046</b>	<b>3,210,060</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$2,504,746</b>	<b>\$1,129,282</b>	<b>\$256,351</b>	<b>\$269,270</b>	<b>\$1,600,131</b>	<b>\$5,759,780</b>

**CASS COUNTY, TEXAS****Exhibit C-2****Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets  
September 30, 2010**

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<b>Total Fund Balances - Governmental Funds</b>	\$3,210,060
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 \$ 14,418,096 and the accumulated depreciation was \$ 4,269,780. 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.	2,837,632
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.	3,233,836
The current year's depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.	(831,816)
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.	515,637
<b>Net Assets of Governmental Activities</b>	<u><u>\$8,965,349</u></u>

**CASS COUNTY, TEXAS**  
**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**For The Year Ended September 30, 2010**

Exhibit C-3

	General Fund	Road and Bridge Fund	Debt Service Fund	THCPP Fund	Other Funds	Total Governmental Funds
<b>REVENUES:</b>						
Taxes	\$5,240,973	\$822,868	\$561,105		\$345,214	\$6,970,160
Licenses and permit:	279,098	699,098				978,196
Intergovernmental revenues - miscellaneous	506,748	122,328			87,243	716,319
Intergovernmental revenues - Federal & Stat	496,549			2,182,726	299,071	2,978,346
Intergovernmental revenues - local						
Charges for service:	262,433				49,130	311,563
Fines and forfeiture:	613,082	249,206			23,265	885,553
Earnings on investment:	2,562	2,508	470		1,527	7,067
Miscellaneous revenue:	131,574	24,791		355,438	71,046	582,849
<b>Total revenues</b>	<b>7,533,019</b>	<b>1,920,799</b>	<b>561,575</b>	<b>2,538,164</b>	<b>876,496</b>	<b>13,430,053</b>
<b>EXPENDITURES:</b>						
Current:						
Administration and finance	2,374,546					2,374,546
Roads and public works:		2,371,047				2,371,047
Corrections					320,891	320,891
Law enforcement:	2,965,749					2,965,749
Judicial	1,181,449				661,563	1,843,012
Community service:	438,402				40,374	478,776
Grant Expenditures	500,910					500,910
Other expenditures:					5,662	5,662
Debt service:						
Principal on debt	25,331	61,681	205,000			292,012
Interest on debt	7,822	8,559	313,726			330,107
Related fees	809		650			1,459
Capital outlay	686,706	165,917		2,538,164	84,122	3,474,909
<b>Total expenditures</b>	<b>8,181,724</b>	<b>2,607,204</b>	<b>519,376</b>	<b>2,538,164</b>	<b>1,112,612</b>	<b>14,959,080</b>
Excess of revenues over (under) expenditures	(648,705)	(686,405)	42,199	0	(236,116)	(1,529,027)
<b>OTHER FINANCING SOURCES &amp; (USES):</b>						
Loan proceeds	184,473					184,473
Transfers to other governmental entities	(39,936)					(39,936)
Transfers from other fund:	200,000	1,786,028			83,982	2,070,010
Transfers to other fund:	(58,736)	(1,986,028)			(25,246)	(2,070,010)
<b>Total other financing sources (uses)</b>	<b>285,801</b>	<b>(200,000)</b>	<b>0</b>	<b>0</b>	<b>58,736</b>	<b>144,537</b>
Excess of revenues and other sources over (under) expenditures and other use	(362,904)	(886,405)	42,199	0	(177,380)	(1,384,490)
Fund balance, October 1	1,498,295	1,795,700	85,129	0	1,864,223	5,243,347
Adjustments - See Note IV-F					(648,797)	(648,797)
<b>Fund balance, September 30</b>	<b>\$1,135,391</b>	<b>\$909,295</b>	<b>\$127,328</b>	<b>\$0</b>	<b>\$1,038,046</b>	<b>\$3,210,060</b>

**CASS COUNTY, TEXAS**

Exhibit C-4

**Reconciliation of the Governmental Funds Statement of Revenues,  
Expenditures and Changes in Fund Balances to the Statement of Activities  
For the Year Ended September 30, 2010**

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**Total Net Change in Fund Balances - Governmental Funds** (\$1,384,490)

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. 3,233,836

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. (831,816)

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. (146,972)

**Change in Net Assets of Governmental Activities** 870,558

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**CASS COUNTY, TEXAS**  
**Statement of Fiduciary Net Assets**  
**September 30, 2010**

**Exhibit D-1**

	<u><b>AGENCY FUNDS</b></u>
<b>ASSETS:</b>	
Cash	\$615,298
Restricted investments - District Clerk	1,121,841
Accounts receivable	
Total Assets	<u>1,737,139</u>
<b>LIABILITIES</b>	
Accounts payable	115,106
Due to other governments	440,991
Due to other entities	1,181,042
Total Liabilities	<u>1,737,139</u>
<b>NET ASSETS</b>	
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, 2010**

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**NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**A. REPORTING ENTITY**

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

**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 the revenue is not a program revenue, it is a general revenue used to support all of the County's functions. Taxes are always general revenues.

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

**CASS COUNTY, TEXAS**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2010**

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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 un-matured interest on General Long-Term Debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are to be liquidated with expendable available financial resources. The County considers all revenues available if they are collectible within 60 days after year-end.

Revenues 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.

**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.

**CASS COUNTY, TEXAS**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2010**

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**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, occasionally, unused balances must be returned to the grantor at the close of specified project periods.

Fiduciary Funds:

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

**E. OTHER ACCOUNTING POLICIES**

**1. Cash Equivalents**

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

**2. Investments**

In accordance with GASB Statement No. 31, the 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.

**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 six (6) 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

**CASS COUNTY, TEXAS**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2010**

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

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

**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 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, 2010, Reserved Fund Balance included \$125,666 for records management in the General Fund, \$127,328 for Debt Service, \$909,295 and for Road and Bridge. Other, non-major, Fund Balances were restricted in the amount of \$1,038,046.

**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 2010, the County purchased commercial insurance to cover general liabilities. There were no significant

**CASS COUNTY, TEXAS**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2010**

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reductions in coverage in the past fiscal year, and there are no settlements exceeding insurance coverage for each of the past three fiscal years.

**10. Application of Restricted or Unrestricted Resources**

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

**11. Estimates and Assumptions**

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

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

**A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET 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	9,846,639	877,195	8,969,444	
Furniture & Equipment	3,951,361	2,929,309	1,022,052	
Leased Equipment under Capital Leases	463,276	463,276	-0-	
Change in Net Assets				<u>10,148,316</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			7,120,000	
Loans Payable			<u>190,684</u>	
Change in Net Assets				<u>(7,310,684)</u>
Adjustment to Net Assets				<u>2,837,632</u>

**CASS COUNTY, TEXAS**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2010**

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**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>	<u>Adjustments to Changes in Net Assets</u>	<u>Adjustments to Net Assets</u>
<u>Net Current Year Capital Outlay</u>			
Land	-0-		
Buildings	-0-		
Construction in Progress	2,538,165		
Furniture and Fixtures	403,659		
Leased Equipment	<u>-0-</u>		
Total Capital Outlay	<u>2,941,824</u>	<u>2,941,824</u>	<u>2,941,824</u>
<u>Debt Principal Payments(Receipts)</u>			
Bond Principal	205,000		
Notes Payable	87,012		
Capital Leases	<u>-0-</u>		
Total Principal Payments	<u>292,012</u>	<u>292,012</u>	<u>292,012</u>
Total Adjustment to Net Assets		<u>3,233,836</u>	<u>3,233,836</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>	<u>Adjustments to Change in Net Assets</u>	<u>Adjustments to Net Assets</u>
<u>Adjustments to Revenue and Deferred Revenue</u>			
Taxes Collected from Prior Year Levies	179,925	(179,925)	
Uncollected Taxes (assumed collectible) from Current Year Levy	213,382	213,382	213,382
Uncollected Taxes (assumed collectible) from Prior Year Levy	486,779		486,779
Reclassify entries – Other New Note Payable	4,095 184,524	4,095 (184,524)	 (184,524)
Total		<u>(146,972)</u>	<u>515,637</u>

**CASS COUNTY, TEXAS**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2010**

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**NOTE III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. BUDGETARY DATA**

The Commissioner’s Court adopts an "appropriated budget" for the General Fund and Debt Service Fund. The County is required to present the adopted and final amended budgeted revenues and expenditures compared to actual revenues and expenditures for each of these funds. The County compares the final amended budgeted to actual revenues and expenditures. The General Fund and Debt Service Fund Budget(s) reports appear in Exhibit E-1 and E-2.

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 non-appropriated budget special revenue funds is as follows:

	September 30, 2010 <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.

**CASS COUNTY, TEXAS**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2010**

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**NOTE IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**A. DEPOSITORY CONTRACT LAW**

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

At September 30, 2010, the carrying amount of the County's deposits (cash, certificates of deposit, and interest-bearing savings accounts) was \$1,931,684 and the bank balance was \$2,228,319. 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: Texana 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: \$4,003,215.
- c. The largest combined balances of cash, savings, and time deposit accounts totaled \$11,067,618 and occurred during the month of January 2010.
- d. The total amount of FDIC, including TLG Program, coverage at the time of the largest combined balance was \$11,005,083

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 counterparty's trust department or agency in the County's name.

**CASS COUNTY, TEXAS**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2010**

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, 2010.

Investment	Category 1	Category 2	Category 3	Carrying Amount	Market Value
General Fund					
Certificates of deposit	\$417,322			\$ 417,322	\$ 417,322
TexPool			1,295,237	1,295,237	1,295,237
Special Revenue Fund					
Certificates of deposit	1,189,757			1,189,757	1,189,757
TexPool			1,073,474	1,073,474	1,073,474
Debt Service Fund					
Certificates of deposit	<u>185,757</u>			<u>185,757</u>	<u>185,757</u>
Totals	<u>\$ 1,792,836</u>	<u>\$ -0-</u>	<u>\$ 2,368,711</u>	<u>\$ 4,161,547</u>	<u>\$ 4,161,547</u>

Maturity information relating to the County's investments at September 30, 2010 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, 2010**

**B. PROPERTY TAXES**

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The County levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll on January 1, 2009, upon which the levy for the 2009-10 fiscal year was based, was \$1,350,781,695. The roll was subsequently decreased to a year-end assessed value of \$1,320,177,959. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to penalty and interest charges plus delinquent collection fees for attorney costs.

The tax rates assessed for the year ended September 30, 2010, to finance General Fund operations, Special Revenue and the payment of principal and interest on general obligation long-term debt were \$.380872, \$.057290 and \$.038763 per \$100 valuation, respectively, for a total of \$.476926 per \$100 valuation.

Current tax collections for the year ended September 30, 2010, were 99.25% 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, 2010, property taxes receivable, net of estimated uncollectible taxes, totaled \$543,636, \$123,820 and \$65,826 for the General, Special Revenue and Debt Service Funds respectively.

**C. INTERFUND PAYABLES AND RECEIVABLES**

Inter-fund balances at September 30, 2010, consisted of the following individual fund receivables and payables:

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

**D. CAPITAL ASSET ACTIVITY**

Capital asset activity for the County for the year ended September 30, 2010, was as follows:

	Balance 10/01	Primary Government		Balance 9/30
		Addition	Deletions	
Land	\$ 156,820	\$ -0-	\$ -0-	\$ 156,820
Buildings and Impr.	9,846,639	-0-	-0-	9,846,639
Furniture & Equipment	3,951,361	403,659	-0-	4,355,020
Construction in Progress	-0-	2,538,165	-0-	2,538,165
Leased Equipment – Capital Leases	463,276	-0-	-0-	463,276
Total at Historical Cost	<u>\$14,418,096</u>	<u>\$ 2,941,824</u>	<u>\$ -0-</u>	<u>\$ 17,359,920</u>

**CASS COUNTY, TEXAS**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2010**

	Balance 10/01	Primary Government		Balance 9/30
		Addition	Deletions	
<b><u>Less Accumulated Depreciation for:</u></b>				
Buildings	\$ 877,195	\$ 403,678	\$ -0-	\$ 1,280,873
Furniture & Equipment	2,929,309	428,137	-0-	3,357,446
Leased Equipment – Capital Leases	463,276	-0-	-0-	463,276
Total Accumulated Depreciation	\$ 4,269,780	\$ 831,815	\$ -0-	\$ 5,101,595

Depreciation expense was charged to governmental functions as follows:

Administration and Finance	\$ 165,917
Roads and Public Works	192,908
Law Enforcement	213,858
Judicial	54,807
Corrections	34,218
Community Services	<u>170,107</u>
Total Depreciation Expense	<u>\$ 831,815</u>

**E. LOANS PAYABLE**

During 2008, the County acquired a John Deere Tractor for Precinct #3. A loan in the amount of \$43,000 was obtained from 1<sup>st</sup> 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. Twenty-two (22) monthly payments of \$1,044.55. It has an effective interest rate of 6.0%. As of September 30, 2010, the balance due on this loan was \$22,676.

During 2009, the County acquired a Motorgrader for Precinct #1. A loan in the amount of \$162,100 was obtained from Texoma Bank of Linden under Local Government Code Section 271.005. The capitalized cost of the asset, as of the date of purchase, was \$162,100. Thirty-six (36) monthly payments of \$4,858.48. It has an effective interest rate of 6.0%. As of September 30, 2010, the balance due on this loan was \$106,327.

During December 2009, the County entered into a debt agreement for the payment of a telephone system. This loan was obtained from Texoma Bank of Linden under Local Government Code Section 271.005 and had an original amount of \$184,524. The debt is to be paid in sixty (60) monthly payments of \$3,568 with an interest rate of six percent (6%) and have a final payment during fiscal year ending 2015. As of September 30, 2010, the unpaid balance was \$159,193.

	Balance October 1, 2009	Additions	Retirements	Balance September 30, 2010
John Deere Tractor	\$ 32,767	\$ -0-	\$ 10,091	\$ 22,676
Telephone System	-0-	184,524	25,331	159,193
Motor Grader	<u>157,917</u>	<u>-0-</u>	<u>51,590</u>	<u>106,327</u>
Totals	<u>\$ 190,684</u>	<u>\$ 184,524</u>	<u>\$ 87,012</u>	<u>\$ 288,196</u>

**CASS COUNTY, TEXAS**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2010**

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

<u>Fiscal</u> <u>Year</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Amount</u>	<u>Total</u>
2011	\$ 96,618	\$ 17,082	\$ 113,700
2012	101,967	11,680	113,647
2013	39,237	4,417	43,654
2014	40,837	1,974	42,811
2015	9,537	106	9,643
Thereafter	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total	<u>\$ 288,196</u>	<u>\$ 35,259</u>	<u>\$ 323,455</u>

**F. COMMITMENTS UNDER LEASES**

Operating 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, 2010, was \$32,145.

Capital Leases

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

**G. BONDS PAYABLE**

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

During the year ended September 30, 2010, the following changes occurred in bond liabilities reported in the general long-term debt account group:

	Balance October 1, <u>2009</u>	<u>Additions</u>	<u>Retirements</u>	Balance September 30, <u>2010</u>
Series 2006 Cert. of Obl.	<u>7,120,000</u>	<u>-0-</u>	<u>205,000</u>	<u>6,915,000</u>
Totals	<u>\$ 7,120,000</u>	<u>\$ -0-</u>	<u>\$ 205,000</u>	<u>\$ 6,915,000</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, 2010, the balance due on these Certificates were \$6,915,000.

**CASS COUNTY, TEXAS**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2010**

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

<u>Fiscal</u> <u>Year</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Amount</u>	<u>Total</u>
2011	215,000	303,226	518,226
2012	225,000	292,226	517,226
2013	240,000	280,601	520,601
2014	250,000	268,351	518,351
2015	265,000	255,476	520,476
2016-2020	1,510,000	1,079,863	2,589,863
2021-2025	1,880,000	713,137	2,593,137
2026-2030	<u>2,330,000</u>	<u>263,499</u>	<u>2,593,499</u>
Total	<u>\$ 6,915,000</u>	<u>\$ 3,456,379</u>	<u>\$ 10,371,379</u>

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

Long-term activity for the year ended September 30, 2010, was as follows:

	<u>Balance</u> <u>October 1,</u> <u>2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>September 30,</u> <u>2010</u>	<u>Due Within</u> <u>One Year</u>
Loans Payable	\$ 190,684	\$ 184,524	\$ 87,012	\$ 288,196	\$ 96,618
Series 2006 Cert. Of Obl	<u>7,120,000</u>	<u>-0-</u>	<u>205,000</u>	<u>6,915,000</u>	<u>215,000</u>
Totals	<u>\$ 7,310,684</u>	<u>\$ 184,524</u>	<u>\$ 292,012</u>	<u>\$ 7,203,196</u>	<u>\$ 311,618</u>

**I. DEFERRED COMPENSATION PLAN**

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

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

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

**J. 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.

**CASS COUNTY, TEXAS**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2010**

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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.

**Annual Pension Costs**

The required contribution was determined as part of the December 31, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2009 included (a) 8.0 percent investment rate of return (net of administrative expenses), and (b) projected salary increases of 5.4 percent. Both (a) and (b) included an inflation component of 3.5 percent. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a ten-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closing basis. The remaining amortization period at December 31, 2009 was 20 years.

**Contributions**

The contribution rate for the employees is 7% and the County ratio is currently 8.63, 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 20-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 20-year period. Currently, the unfunded actuarial liability is being amortized over the 20-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, 2010**

**Other Pension Plan information:**

A.	<u>GASB 27 Calculation Information</u>	<u>2009</u>	<u>2010</u>	
	1 GASB 27 compliant contribution rate	8.63%	9.15%	
	2 Actuarial assumed investment return rate	9.00%	9.00%	
	3 Actuarial amortization factor	10.7457	12.9447	
	4 Rate actually used to make contribution	8.63%	9.15%	
B.	<u>Actuarial Information</u>			
	1 Actuarial valuation date	12/31/07	12/31/08	12/31/09
	2 Actuarial cost method	entry age	entry age	entry age
	3 Amortization method	---Level percentage of Payroll, closed---		
	4 Amortization period in years	15.0	20.0	20.0
	5 Asset valuation method	---SAF: 10-yr smoothed value, ESF: Fund Value---		
	6 Assumptions:			
	Investment return – includes inflation at the stated rate	8.00%	8.00%	8.00%
	Projected salary increases – includes inflation at stated rate	5.3%	5.3%	5.3%
	Inflation	3.5%	3.5%	3.5%
	Cost of living adjustments	0.0%	0.0%	0.0%
C.	<u>Schedule of Funding Information</u>			
	1 Actuarial valuation date	12/31/07	12/31/08	12/31/09
	2 Actuarial value of assets	11,530,968	11,466,947	12,665,617
	3 Actuarial accrued liability (AAL)	13,203,852	14,117,409	15,171,980
	4 Unfunded or overfunded Actuarial Accr. Liability	1,672,884	2,650,462	2,506,363
	5 Funded ratio	87.33%	81.23%	83.48%
	6 Annual covered payroll (actuarial)	4,904,901	5,245,205	5,341,964
	7 UAAL or (OAAL) as percentage of covered payroll	34.11%	50.53%	46.92%
D.	<u>Note Disclosure variables</u>			
	1 Plan Description	<u>2009</u>	<u>2010</u>	
	Number of participating subdivision	586	602	
	Years required for vesting and retirement at age 60	8	8	
	Rule of ___ for retirement eligibility	75	75	
	Service years for retirement at any age	30	30	
	Partial Lump-sum payment option	no	no	
	2 Funding Policy			
	Contribution rate for employer	8.63%	9.15%	
	Contribution rate for employee	7.00%	7.00%	
	Regular employer contribution rate	n/a	n/a	Fixed rate plans only
	Supplemental employer contribution rate	n/a	n/a	Fixed rate plans only
	3 Other			
	Elected rate in effect	No	No	Variable rate plans only
	Supplemental rate in effect	n/a	n/a	Fixed rate plans only

**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
	12/31/07	11,530,968	13,203,852	87.33%	1,672,884	4,904,901	34.11%	398,278
	12/31/08	11,466,947	14,117,409	81.23%	2,650,462	5,245,205	50.53%	452,661
	12/31/09	12,665,617	15,171,980	83.48%	2,506,363	5,341,964	46.92%	461,012

**CASS COUNTY, TEXAS**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2010**

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**K. 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	\$ 518,880	\$ 83,608	\$ 63,023	\$ 34,650	\$ 700,161
Other Deferred Revenues	444,348	-0-	-0-	507,972	952,320
Totals	<u>\$ 963,228</u>	<u>\$ 83,608</u>	<u>\$ 63,023</u>	<u>\$ 542,622</u>	<u>\$ 1,652,481</u>

**L. 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.

**M. INDIVIDUAL FUND DISCLOSURES**

At September 30, 2010, the following funds reflected either deficit cash balances or deficit fund balances:

<u>Fund</u>	<u>Cash Balance</u>	<u>Fund Balance</u>
Road and Bridge Funds	(48,369)	
THCPP Fund	(19,852)	
Cass County Park		(3,459)
AIP Fund	(1,534)	(1,874)

**N. 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, 2010 may be impaired. In the opinion of the County, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

**O. SUBSEQUENT EVENTS**

There were not significant subsequent events reportable.

**P. DISAGGREGATION OF RECEIVABLES AND PAYABLES**

Receivables at September 30, 2010, were as follows:

**CASS COUNTY, TEXAS**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2010**

	<u>Other</u> <u>Governments</u>	<u>Due From</u> <u>Other Funds</u>	<u>Other</u>	<u>Total</u> <u>Receivables</u>
<b>Governmental Activities:</b>				
General Fund	\$ 2,098	\$66,000	\$162,607	\$230,705
Debt Service	-0-	-0-	2,673	2,673
Road and Bridge	-0-	-0-	92,540	92,540
THCPP Fund	231,477	-0-	37,793	269,270
Nonmajor Gov. Funds	<u>-0-</u>	<u>-0-</u>	<u>5,463</u>	<u>5,463</u>
Total - Governmental Activities	<u>\$233,575</u>	<u>\$66,000</u>	<u>\$301,076</u>	<u>\$600,651</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, 2010, 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>
<b>Governmental Activities:</b>					
General Fund	\$336,140	\$ -0-	\$69,987	\$-0-	\$406,127
Debt Service	-0-	66,000	-0-	-0-	66,000
Road and Bridge	88,010	-0-	-0-	-0-	88,010
THCPP Fund	249,418	-0-	-0-	-0-	249,418
Nonmajor Gov. Funds	<u>17,929</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>17,929</u>
Total - Gov. Activities	<u>\$691,497</u>	<u>\$66,000</u>	<u>\$69,987</u>	<u>\$-0-</u>	<u>\$827,484</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 \$874,868 in the General Fund. See schedule of finding and questioned costs for more information.

**R. ADJUSTMENTS TO FUND BALANCE**

The County, due to the 5<sup>th</sup> Judicial District Funds (Adult Probation, Restitution and Community Service Restitution) having a separate governing body and sources of income no longer included these funds in their basic financial statements. The aggregate fund balance of these funds totaled \$648,797 as of September 30, 2009. The effect of this decision is to reduce cash, investments and fund balance in the aggregate financial statements.

**OTHER REQUIRED SUPPLEMENTARY SCHEDULES**



**CASS COUNTY, TEXAS**  
**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCE**  
**BUDGET TO ACTUAL - GENERAL FUND**  
**For The Year Ended September 30, 2010**

Exhibit E-1

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$5,398,673	\$5,236,556	\$5,240,973	\$4,417
Licenses and permits	204,400	5,244	279,098	273,854
Intergovernmental revenues - miscellaneous	166,000	152,110	506,748	354,638
Intergovernmental revenues - grants	110,200	470,902	496,549	25,647
Charges for services	260,572	340,978	262,433	(78,545)
Fines and forfeitures	649,000	598,584	613,082	14,498
Earnings on investments	15,000	3,993	2,562	(1,431)
Miscellaneous revenues	98,000	282,493	131,574	(150,919)
Total revenues	6,901,845	7,090,860	7,533,019	442,159
<b>EXPENDITURES:</b>				
Current:				
Administration and finance	1,695,607	2,451,404	2,374,546	76,858
Roads and public works				0
Corrections				0
Law enforcement	2,835,265	2,916,349	2,965,749	(49,400)
Judicial	1,094,557	1,146,249	1,181,449	(35,200)
Community services	736,301	631,606	438,402	193,204
Grant expenditures - flow through	0	482,055	500,910	(18,855)
Other expenditures	589,410	2,000	0	2,000
Debt service:				
Principal on debt	0		25,331	(25,331)
Interest on debt	0		7,822	(7,822)
Related fees	0		809	(809)
Capital outlay	183,648	45,222	686,706	(641,484)
Total expenditures	7,134,788	7,674,885	8,181,724	(506,839)
Excess (deficiency) of Revenues over (under) Expenditures	(232,943)	(584,025)	(648,705)	(64,680)
<b>OTHER FINANCING SOURCES (USES)</b>				
Loan proceeds		300,831	184,473	(116,358)
Transfers to other entities		(39,936)	(39,936)	0
Transfers in	312,243	392,801	200,000	(192,801)
Transfers out	(82,300)	(58,736)	(58,736)	0
Total other financing sources (uses)	229,943	594,960	285,801	(309,159)
Net Change In Fund Balances	(3,000)	10,935	(362,904)	(373,839)
Fund balance, October 1 (Beginning)	1,498,295	1,498,295	1,498,295	0

**CASS COUNTY, TEXAS**  
**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCE**  
**BUDGET TO ACTUAL - ROAD AND BRIDGE**  
**For The Year Ended September 30, 2010**

Exhibit E-2

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$873,427	\$824,301	\$822,868	(\$1,433)
Licenses and permits	751,500	699,353	699,098	(255)
Intergovernmental revenues - miscellaneous	90,000	122,328	122,328	0
Intergovernmental revenues - grants			0	0
Charges for services			0	0
Fines and forfeitures		249,206	249,206	0
Earnings on investments	17,000	2,507	2,508	1
Miscellaneous revenues		24,535	24,791	256
Total revenues	1,731,927	1,922,230	1,920,799	(1,431)
<b>EXPENDITURES:</b>				
Current:				
Roads and public works	1,977,766	2,372,109	2,371,047	1,062
Debt service:				
Principal on debt	69,410	61,681	61,681	0
Interest on debt		8,559	8,559	0
Related fees			0	0
Capital outlay	151,325	165,917	165,917	0
Total expenditures	2,198,501	2,608,266	2,607,204	1,062
Excess (deficiency) of Revenues over (under) Expenditures	(466,574)	(686,036)	(686,405)	(369)
<b>OTHER FINANCING SOURCES (USES)</b>				
Loan proceeds			0	0
Transfers to other entities			0	0
Transfers in	1,786,028	1,786,028	1,786,028	0
Transfers out	(1,786,028)	(1,786,028)	(1,986,028)	(200,000)
Total other financing sources (uses)	0	0	(200,000)	(200,000)
Net Change In Fund Balances	(466,574)	(686,036)	(886,405)	(200,369)
Fund balance, October 1 (Beginning)	1,795,700	1,795,700	1,795,700	0
Fund balance, September 30 (Ending)	\$1,329,126	\$1,109,664	\$909,295	(\$200,369)

**CASS COUNTY, TEXAS**

Exhibit E-3

**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET TO ACTUAL - DEBT SERVICE FUND  
For The Year Ended September 30, 2010**

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$543,726	\$543,726	\$561,105	\$17,379
Intergovernmental Revenue			0	0
Earnings on investments	650	650	470	(180)
<b>Total revenues</b>	<b>544,376</b>	<b>544,376</b>	<b>561,575</b>	<b>17,199</b>
<b>EXPENDITURES:</b>				
Current:				
Debt service:				
Principal on debt	313,726	205,000	205,000	0
Interest on debt	205,000	313,726	313,726	0
Related fees	25,650	25,650	650	25,000
<b>Total expenditures</b>	<b>544,376</b>	<b>544,376</b>	<b>519,376</b>	<b>25,000</b>
Excess (deficiency) of Revenues over (under) Expenditures	0	0	42,199	25,000
<b>Other financing sources (uses):</b>				
Transfers from other funds			0	0
Transfers to other funds			0	0
<b>Total other financing sources (uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Net Change In Fund Balances	0	0	42,199	42,199
Fund balance, October 1 (Beginning)	85,129	85,129	85,129	0
Fund balance, September 30 (Ending)	\$85,129	\$85,129	\$127,328	\$42,199

**CASS COUNTY, TEXAS**

Exhibit E-4

**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCE**

**BUDGET TO ACTUAL - THCPP FUND**

**For The Year Ended September 30, 2010**

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
Grants - Federal/State	2,182,726.00	2,182,726.00	2,182,726.00	0
Contributions	355,438.00	355,438.00	355,438.00	0
Earnings on investments	0	0	0	0
<b>Total revenues</b>	<b>2,538,164</b>	<b>2,538,164</b>	<b>2,538,164</b>	<b>0</b>
<b>EXPENDITURES:</b>				
Capital Outlay	2,538,164	2,538,164	2,538,164	0
Miscellaneous costs				0
<b>Total expenditures</b>	<b>2,538,164</b>	<b>2,538,164</b>	<b>2,538,164</b>	<b>0</b>
Excess (deficiency) of Revenues over (under) Expenditures	0	0	0	0
<b>Other financing sources (uses):</b>				
Transfers from other funds				0
Transfers to other funds				0
<b>Total other financing sources (uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Net Change In Fund Balances	0	0	0	0
Adjustment to Fund Balance	0	0	0	0
Fund balance, October 1 (Beginning)	0	0	0	0
<b>Fund balance, September 30 (Ending)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## **COMBINING SCHEDULES**



**CASS COUNTY, TEXAS**  
**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**  
**September 30, 2010**

ASSETS:	JURY FUND	JUVENILE PROBATION	INDIGENT DEFENSE GRANT	CASS COUNTY PARK	LAW LIBRARY	DISTRICT ATTORNEY ESCROW
Cash	\$57,078	\$22,477	\$22,970		\$942	\$285
Investments	2,677	450,233	48,946			21
Accounts receivable	\$3,270				620	
Property taxes receivable - delinquent	38,499					
Allowance for uncollectible taxes	(2,695)					
Due from other governmental units						
Due from other funds						
<b>TOTAL ASSETS</b>	<b>\$98,829</b>	<b>\$472,710</b>	<b>\$71,916</b>	<b>\$0</b>	<b>\$1,562</b>	<b>\$306</b>
<b>LIABILITIES &amp; FUND BALANCES</b>						
<b>LIABILITIES:</b>						
Accounts payable	\$12,624	\$752		\$3,459	\$754	
Acct. payable-Negative cash balance						
Due to State						
Due to Other Funds						
Deferred revenues	34,173	416,335				
<b>TOTAL LIABILITIES</b>	<b>46,797</b>	<b>417,087</b>	<b>0</b>	<b>3,459</b>	<b>754</b>	<b>0</b>
<b>FUND BALANCES:</b>						
Restricted	52,032	55,623	71,916	(3,459)	808	306
Unreserved						
<b>TOTAL FUND BALANCES</b>	<b>52,032</b>	<b>55,623</b>	<b>71,916</b>	<b>(3,459)</b>	<b>808</b>	<b>306</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$98,829</b>	<b>\$472,710</b>	<b>\$71,916</b>	<b>\$0</b>	<b>\$1,562</b>	<b>\$306</b>

DISTRICT ATTORNEY STATE	REGIONAL INTRASTATE TASK FORCE	FORESTRY FUND	DISTRICT ATTORNEY FORFEITURE	DISTRICT ATTORNEY DISCRETIONARY	CAPITAL PROJECTS FUND	AIP FUND	HAVA FUNDS	SHERIFF FEDERAL FORFEITURES
\$3,451	\$12,865	\$15,369	\$9,487	\$49,970	\$6,500		\$2,772	\$32,783
53,405	29,440	391,081	113,592		145,668			
			781	770				
\$56,856	\$42,305	\$406,450	\$123,860	\$50,740	\$152,168	\$0	\$2,772	\$32,783
						\$340		
						1,534		
	\$24,086		\$34,768					\$32,783
0	24,086	0	34,768	0	0	1,874	0	32,783
56,856	18,219	406,450	89,092	50,740	152,168	(1,874)	2,772	0
56,856	18,219	406,450	89,092	50,740	152,168	(1,874)	2,772	0
\$56,856	\$42,305	\$406,450	\$123,860	\$50,740	\$152,168	\$0	\$2,772	\$32,783

**CASS COUNTY, TEXAS**  
**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**  
**September 30, 2010**

<b>ROW PROJECTS FUND</b>	<b>ASSETS:</b>	<b>TOTAL NONMAJOR GOVERNMENTAL FUNDS</b>
\$7,409	Cash	\$244,358
78,944	Investments	1,314,007
22	Accounts receivable	5,463
537	Property taxes receivable - delinquent	39,036
(38)	Allowance for uncollectible taxes	(2,733)
	Due from other governmental units	0
	Due from other funds	0
<u>\$86,874</u>	<b>TOTAL ASSETS</b>	<u>\$1,600,131</u>
	<b>LIABILITIES &amp; FUND BALANCES</b>	
	<b>LIABILITIES:</b>	
	Accounts payable	\$17,929
	Acct. payable-Negative cash balance	1,534
	Due to State	0
	Due to Other Funds	0
\$477	Deferred revenues	542,622
<u>477</u>	<b>TOTAL LIABILITIES</b>	<u>562,085</u>
	<b>FUND BALANCES:</b>	
86,397	Restricted	1,038,046
	Unreserved	0
<u>86,397</u>	<b>TOTAL FUND BALANCES</b>	<u>1,038,046</u>
<u>\$86,874</u>	<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$1,600,131</u>

**CASS COUNTY, TEXAS**  
**COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For The Year Ended September 30, 2010**

	<b>JURY FUND</b>	<b>JUVENILE PROBATION</b>	<b>INDIGENT DEFENSE GRANT</b>	<b>CASS COUNTY PARK</b>	<b>LAW LIBRARY</b>	<b>DISTRICT ATTORNEY ESCROW</b>
<b>REVENUES:</b>						
Taxes	\$341,232					
FEMA Grant						
Licenses and permits						
Intergovernmental revenues - miscellaneous:		\$34,661	\$27,718		\$9,690	
Intergovernmental revenues - grants:		261,830				
Charges for services				\$30,922		
Fines and forfeitures						
Earnings on investments	200	328	24		1	
Miscellaneous revenues	24,120			3,372		
<b>Total revenues</b>	<b>365,552</b>	<b>296,819</b>	<b>27,742</b>	<b>34,294</b>	<b>9,691</b>	<b>0</b>
<b>EXPENDITURES:</b>						
Current:	390,798					
Administration and finance						
Roads and public works						
Corrections		320,505				
Law enforcement						
Judicial	552,433				15,175	
Community services				40,374		
Other expenditures						
Debt service:						
Principal on debt						
Interest on debt						
Capital outlay						
<b>Total expenditures</b>	<b>552,433</b>	<b>320,505</b>	<b>0</b>	<b>40,374</b>	<b>15,175</b>	<b>0</b>
Excess of revenues over (under) expenditures	(186,881)	(23,686)	27,742	(6,080)	(5,484)	0
<b>Other financing sources (uses):</b>						
Loan proceeds						
Transfers to other governmental entities						
Transfers from other funds:	25,246	55,000		3,736		
Transfers to other funds			(25,246)			
<b>Total other financing sources (uses)</b>	<b>25,246</b>	<b>55,000</b>	<b>(25,246)</b>	<b>3,736</b>	<b>0</b>	<b>0</b>
Excess of revenues and other sources over expenditures and other uses	(161,635)	31,314	2,496	(2,344)	(5,484)	0
Fund balance, October 1	213,667	24,309	69,420	(1,115)	6,292	306
Adjustments						
<b>Fund balance, September 30</b>	<b>\$52,032</b>	<b>\$55,623</b>	<b>\$71,916</b>	<b>(\$3,459)</b>	<b>\$808</b>	<b>\$306</b>

DISTRICT ATTORNEY STATE	REGIONAL INTRASTATE TASK FORCE	FORESTRY FUND	DISTRICT ATTORNEY FORFEITURE	DISTRICT ATTORNEY DISCRETIONARY	CAPITAL PROJECTS FUND	AIP FUND	HAVA FUNDS	SHERIFF FEDERAL FORFEITURES
\$15,174 37,241				\$13,897		\$4,311		
40	\$15	\$446 40,782	\$23,265 53		\$365		\$2,772	
52,455	15	41,228	23,318	13,897	365	4,311	2,772	0
						386		
81,551		5,662		12,404				
					84,122			
81,551	0	5,662	0	12,404	84,122	386	0	0
(29,096)	15	35,566	23,318	1,493	(83,757)	3,925	2,772	0
0	0	0	0	0	0	0	0	0
(29,096) 85,952	15 18,204	35,566 370,884	23,318 65,774	1,493 49,247	(83,757) 235,925	3,925 (5,799)	2,772 0	0 0
\$56,856	\$18,219	\$406,450	\$89,092	\$50,740	\$152,168	(\$1,874)	\$2,772	\$0

**CASS COUNTY, TEXAS**  
**COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For The Year Ended September 30, 2010**

<b>ROW PROJECTS FUND</b>		<b>TOTAL NONMAJOR GOVERNMENTAL FUNDS</b>
	REVENUES:	
\$3,982	Taxes	\$345,214
	FEMA Grant	0
	Licenses and permits	0
	Intergovernmental revenues	87,243
	Intergovernmental revenues - grants	299,071
	Charges for services	49,130
55	Fines and forfeitures	23,265
	Earnings on investments	1,527
	Miscellaneous revenues	71,046
<u>4,037</u>	Total revenues	<u>876,496</u>
	EXPENDITURES:	
	Current:	
	Administration and finance	0
	Roads and public works	0
	Corrections	320,891
	Law enforcement	0
	Judicial	661,563
	Community services	40,374
	Other expenditures	5,662
	Debt service:	
	Principal on debt	0
	Interest on debt	0
	Capital outlay	84,122
<u>0</u>	Total expenditures	<u>1,112,612</u>
<u>4,037</u>	Excess of revenues over (under) expenditures	<u>(236,116)</u>
	Other financing sources (uses):	
	Loan proceeds	0
	Transfers to other governmental entities	0
	Transfers from other funds	83,982
	Transfers to other funds	(25,246)
<u>0</u>	Total other financing sources (uses)	<u>58,736</u>
4,037	Excess of revenues and other sources over expenditures and other uses	(177,380)
82,360	Fund balance, October 1	1,215,426
	Adjustments	0
<u>\$86,397</u>	Fund balance, September 30	<u>\$1,038,046</u>

**CASS COUNTY, TEXAS****COMBINING BALANCE SHEET - ALL TRUST AND AGENCY FUNDS****September 30, 2010**

	<b>TAX OFFICE</b>	<b>SHERIFF</b>	<b>JUSTICE COURT #1</b>	<b>JUSTICE COURT #2</b>	<b>JUSTICE COURT #3</b>
<b>ASSETS:</b>					
Cash	\$365,560	\$2,873	\$26,300	\$4,661	\$37,196
Restricted Investments - District Clerk					
Accounts receivable					
<b>TOTAL ASSETS</b>	<b>\$365,560</b>	<b>\$2,873</b>	<b>\$26,300</b>	<b>\$4,661</b>	<b>\$37,196</b>
<b>LIABILITIES &amp; FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Accounts payable					
Due to other governments	\$365,560		\$26,300	\$4,661	\$37,196
Due to other entities		\$2,873			
<b>TOTAL LIABILITIES</b>	<b>365,560</b>	<b>2,873</b>	<b>26,300</b>	<b>4,661</b>	<b>37,196</b>
<b>FUND BALANCE</b>					
Fund balance September 30,	0	0	0	0	0
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$365,560</b>	<b>\$2,873</b>	<b>\$26,300</b>	<b>\$4,661</b>	<b>\$37,196</b>

Exhibit H-3

JUSTICE COURT #4	COUNTY CLERK	DISTRICT ATTORNEY	JUVENILE PROBATION	DISTRICT CLERK	TOTALS SEPTEMBER 30
\$7,274	\$52,769	\$770	\$3,559	\$114,336 1,121,841	\$615,298 1,121,841 0
\$7,274	\$52,769	\$770	\$3,559	\$1,236,177	\$1,737,139
\$7,274		\$770		\$114,336	\$115,106 440,991
	\$52,769		\$3,559	1,121,841	1,181,042
7,274	52,769	770	3,559	1,236,177	1,737,139
0	0	0	0	0	0
\$7,274	\$52,769	\$770	\$3,559	\$1,236,177	\$1,737,139

## **COMPLIANCE AND INTERNAL CONTROL SECTION**



Judy C. Moore, CPA  
N. Preston Caver, CPA

**MOORE and CAVER, Inc.**  
Certified Public Accountants  
808 W. Main Street  
P.O. Box 1130  
Atlanta, Texas 75551

Member  
American Institute of CPAs  
Texas Society of CPAs

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903-796-7148  
FAX 903-796-8755

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

Independent Auditor's Report

Honorable County Judge and Commissioners  
The County of Cass, Texas

Honorable Judge and Commissioners:

We have audited the financial statements of the governmental activities and the aggregate remaining fund information of the county of Cass, Texas (the County) as of and for the year ended September 30, 2010. These collectively comprise the County's basic financial statements. We have issued our report on them dated February 7, 2011.

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 the County's 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 the County's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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

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 did not identify any instance, in the Schedule of Findings and Questioned Costs, of a deficiency in internal control over financial reporting that we considered to be material weaknesses as defined above.

A *significant* deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. The

results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* that were not considered to be a material weaknesses or significant deficiency as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's 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 two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. Neither of these findings are considered a significant deficiency or material weakness. For more information, refer to the Schedule of Findings and Questioned Costs, 2010-1 and 2010-2.

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

*Moore and Caver, Inc.*

*Moore and Caver, Inc.*  
Certified Public Accountants

February 7, 2011

Judy C. Moore, CPA  
N. Preston Caver, CPA

**MOORE and CAVER, Inc.**  
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808 W. Main Street  
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Atlanta, Texas 75551

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903-796-7148  
FAX 903-796-8755

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A  
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB  
CIRCULAR A-133**

Independent Auditor's Report

Honorable County Judge and Commissioners  
The County of Cass, Texas

Honorable Judge and Commissioners:

Compliance

We have audited the compliance of the 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* that are applicable to each of its major federal programs for the year ended September 30, 2010. 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 state and federal programs are the responsibility of the County'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*. 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 federal program occurred. An audit includes examining, on a test basis, evidence about Big Sandy Independent School County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2010.

Internal Control Over Compliance

The administration of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to 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 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 deficiency in 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 *material weakness in internal control over compliance* is a deficiency or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and correct, on a timely basis.

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 governing body, the audit committee, the administration, the State of Texas, various state and 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.*

*Moore and Caver, Inc.*  
Certified Public Accountants

February 7, 2011

**CASS COUNTY, TEXAS**  
**Schedule of Findings and Questioned Costs**  
**For The Year Ended September 30, 2010**

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**I. Summary of Auditor's Results**

1. Type of auditor's report issued on the financial statements: Unqualified.

2. Internal control over Financial Reporting:

Material weakness(es) identified?  Yes  No  
 (Findings 2008-2 and 2008-3)

Significant deficiency(ies) identified that are not considered to be material weakness(es)  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

3. Federal and State Awards:

Material weakness(es) identified?  Yes  No

Significant deficiency(ies) identified that are not considered to be material weakness(es)  Yes  None reported

Type of auditor's report on compliance for major programs: Unqualified.

Did the audit disclose findings which are required to be reported under Sec. 5 I 0(a):  Yes  No

4. Major programs include:

<u>Prog. #</u>	<u>Program</u>
<u>State Programs:</u>	
A-2009-034	Tx. Juvenile Probation Commission
F-2009-034	Tx. Juvenile Probation Commission
G-2009-034	Tx. Juvenile Probation Commission
Y-2009-034	Tx. Juvenile Probation Commission
Z-2009-034	Tx. Juvenile Probation Commission
X-2009-034	Tx. Juvenile Probation Commission

<u>Federal Programs</u>	
93.568	Title IV-E (Foster Care) – awarded to Juv. Prob. Dept.
97.073	Department of Homeland Security 2009-GE-T8-0034

5. Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.

6. Low risk auditee:  Yes  No

(continued on next page)

CASS COUNTY, TEXAS  
Schedule of Findings and Questioned Costs  
For The Year Ended September 30, 2010

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

**10-01**

**Fixed Asset Inventory**

- Criteria:** Governmental Standards dictate that an accurate fixed asset listing be maintained.
- Condition Found:** During the review of the September 30, 2010 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:** Although, as of the report date the County had substantially completed the fixed asset listing, with accompanying depreciation schedules, real property and minor numbers of equipment had not been added.
- Recommendation:** The County will finalize this report during the 2010/11 fiscal year. Once real property and each commissioner has approved the listing, the County will be in compliance.

**10-02**

**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, 2010 General Fund expenditures exceeded the final approved budget by \$506,839.
- Effect:** Future resources were decreased more than expected.
- Cause:** Grant Expenditures were not accrued (General Fund) and the County approved expenditures and failed to amend the proper budgetary accounts (remaining funds).
- Recommendation:** Management should proactively notify the governing body of potential and known future expenditure needs so that approval of budget amendments can be performed in an efficient and timely manner.

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

None noted.

**CASS COUNTY, TEXAS**  
**Summary Schedule of Prior Audit Findings**  
**For The Year Ended September 30, 2010**

---

2009-1 Incomplete Fixed Asset Inventory

During the review of the September 30, 2009 fixed asset listing, several errors and omissions were discovered

As of 9/30/10 the Fixed Asset Inventory listing is still incomplete.

2009-2 Proper year end “cut off” of payables and subsequent transactions

There were not material unrecorded payables as of September 30, 2010

2008-3 Expenditures Exceeding Budgetary Allowances

During the year ending September 30, 2008, several line item expenditures in the General Fund exceeded the amounts allowed through budgetary approvals.

As of 9/30/10 the County had expenditures which exceeded the budgetary allowances.

09-04 Timely payment of expenditures – Federal Award

This finding did not reoccur during the current audit period.

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, 2010**

---

**10-01 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: 9/30/11

**10-02 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, 2010, the Interest and Sinking Fund, General Fund, and Road and Bridge Fund expended amounts exceeding the final approved budgetary amounts. Overall, the General Fund exceeded the budgetary amounts in the amount of \$506,839. Due to failure to properly account for expenditures made from deferred revenues and various grants, 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, 2010**

STATE OR FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	State ID or CFDA NUMBER	EXPENDITURES, INDIRECT COSTS AND REFUNDS
<u>U.S. Dept. of Homeland Security</u>		
Passed Through the Texas Dept. of Emergency Mgt. Federal grant number 2007, 2008 & 2009	97.073	325,758
Total U.S. Department of Emergency Mgt.		<u>325,758</u>
<u>U.S. Dept. of Health and Human Resources</u>		
Title IV-E (Foster Care) - Juvenile Probation	93.568	13,582
Title IV-E (Foster Care) - Dist. Clerk	93.568	0
Total U.S. Department of Health and Human Resources		<u>13,582</u>
<u>U.S. Dept. of Housing and Urban Development</u>		
Passed Through the Texas Dept of Housing Federal grant number 1000835	14.239	139,318
Total U.S. Department of Housing		<u>139,318</u>
Total Federal Assistance		<u>478,658</u>
<b>ASSISTANCE PASSED DIRECTLY FROM STATE OF TEXAS</b>		
Texas Historic Courthouse Preservation Program		2,182,726
Texas Task Force on Indigent Defense	212-10-034	31,473
Crime Victims Coordinator		37,241
Tx. Juvenile Probation Commission	A-2010-034	91,854
Tx. Juvenile Probation Commission	C-2010-034	4,606
Tx. Juvenile Probation Commission	F-2010-034	66,843
Tx. Juvenile Probation Commission	H-2010-034	26,220
Tx. Juvenile Probation Commission	X-2010-034	3,768
Tx. Juvenile Probation Commission	Y-2010-034	77,197
Tx. Juvenile Probation Commission	Z-2010-034	15,136
Total Direct State Assistance		<u>2,537,064</u>
<b>TOTAL FEDERAL AND STATE ASSISTANCE</b>		<u><u>3,015,722</u></u>

## **CASS COUNTY, TEXAS**

### **Notes to the Supplementary Schedule of Expenditures of State and Federal Awards For The Year Ended September 30, 2010**

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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.