

**CASS COUNTY, TEXAS**  
**ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**



**CASS COUNTY, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
**for the Year Ended September 30, 2011**

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## **FINANCIAL SECTION**



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

Independent Auditor's Report

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

Members of the Court:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cass County, Texas (the County) as of and for the year ended September 30, 2011, 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, 2011, 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 January 30, 2012 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

January 30, 2012

**Management's Discussion and Analysis**  
**Cass County, Texas**  
**For the Fiscal Year Ended September 30, 2011**

**-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, 2011. 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 \$1,167,511 as a result of this year's operations. Fines, forfeitures, charges for services and program revenues accounted for \$2,759,096 or 21.75% of total revenue, Operating and Capital Grants provided revenues totaling \$2,653,918 or 20.93% and general revenues (including taxes) accounted for \$7,269,939 or 57.32%.

During the year, the County had expenses that were \$1,167,511 less than the \$12,682,953 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 \$1,564,792.

**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, 2011**

**-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, 2011**

**-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.



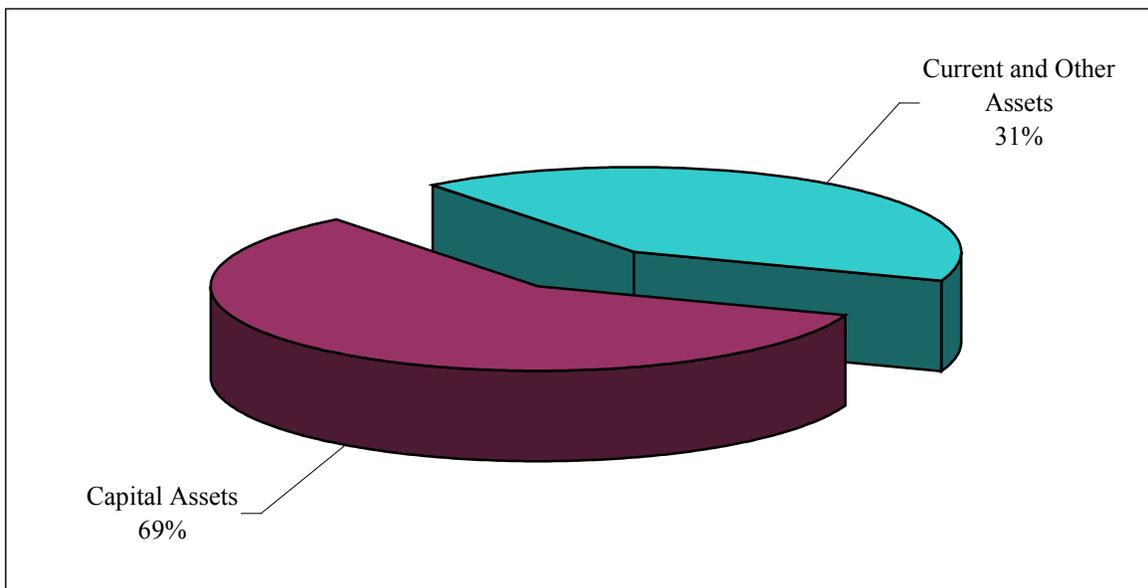
**Management's Discussion and Analysis  
Cass County, Texas  
For the Fiscal Year Ended September 30, 2011**

**-UNAUDITED-**

**Table I  
Cass County**

**NET ASSETS**

	%	Governmental Activities 2011	Governmental Activities 2010
	Change		
Current and other assets	(16.56)	\$ 5,726,579	\$ 5,624,025
Capital assets	20.79	12,927,559	12,258,325
Total assets	5.89	<u>18,654,138</u>	<u>17,882,350</u>
Long-term liabilities	(1.47)	6,892,016	7,203,196
Other liabilities	15.59	1,629,262	1,713,805
Total liabilities	1.41	<u>8,521,278</u>	<u>8,917,001</u>
Net Assets:			
Invested in capital assets net of related debt	78.15	6,035,543	5,055,129
Restricted	49.57	180,847	127,328
Unrestricted – including reserved for capital projects	(73.14)	3,916,470	3,782,892
Total net assets	10.75	<u>\$ 10,132,860</u>	<u>\$ 8,965,349</u>



**Management's Discussion and Analysis  
Cass County, Texas  
For the Fiscal Year Ended September 30, 2011**

**-UNAUDITED-**

**Table II  
Cass County**

**CHANGES IN NET ASSETS**

	%	Governmental	Governmental
	Change	Activities 2011	Activities 2010
<b>Revenues:</b>			
<b>Program Revenues:</b>			
Fines, forfeitures and charges for services	15.66	\$ 2,759,096	\$ 2,385,512
Operating grants and contributions	13.06	1,087,647	962,042
Capital grants and contributions	(44.78)	1,566,271	2,836,311
<b>General Revenues:</b>			
Maintenance and operations taxes	2.96	6,627,719	6,436,989
Debt service taxes	0.94	572,425	567,105
Grants and contributions – not restricted	(-100.0)	-0-	202,772
Investment earnings	(1.12)	6,988	7,067
Miscellaneous and transfers to other govts	16.29	62,807	29,038
<b>Total Revenue</b>	<b>(5.54)</b>	<b>12,682,953</b>	<b>13,426,836</b>
<b>Expenses:</b>			
Administration and Financial	(0.08)	3,071,033	3,073,549
Road and Bridge	(15.21)	2,173,998	2,563,955
Corrections	1.29	407,022	354,367
Law Enforcement	14.86	3,207,201	3,179,607
Judicial	(6.02)	1,783,532	1,897,779
Community Services	(15.07)	551,093	648,883
Debt Service	(5.09)	321,313	331,566
Other	(100.0)	250	506,572
<b>Total Expenses</b>	<b>(8.29)</b>	<b>11,515,442</b>	<b>12,556,278</b>
Increase in net assets before transfers and special items		1,167,511	870,558
Net assets Beginning of Year		8,965,349	8,094,791
Net assets End of Year		<u>\$ 10,132,860</u>	<u>\$ 8,965,349</u>



**Management's Discussion and Analysis  
Cass County, Texas  
For the Fiscal Year Ended September 30, 2011**

**-UNAUDITED-**

TABLE II  
CHART A – REVENUES

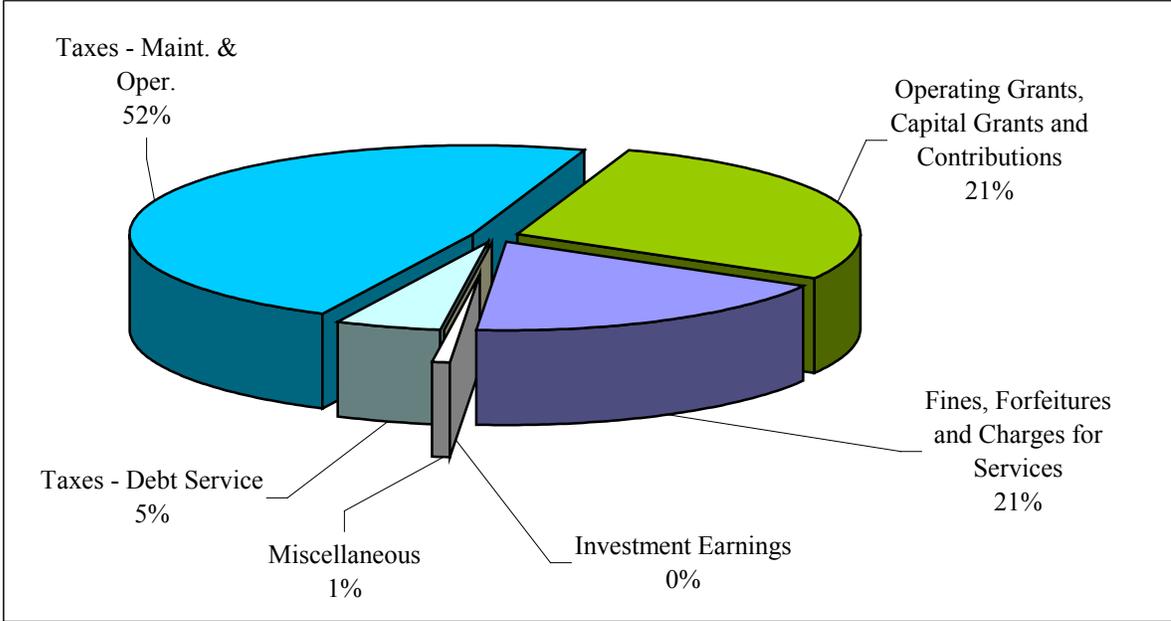
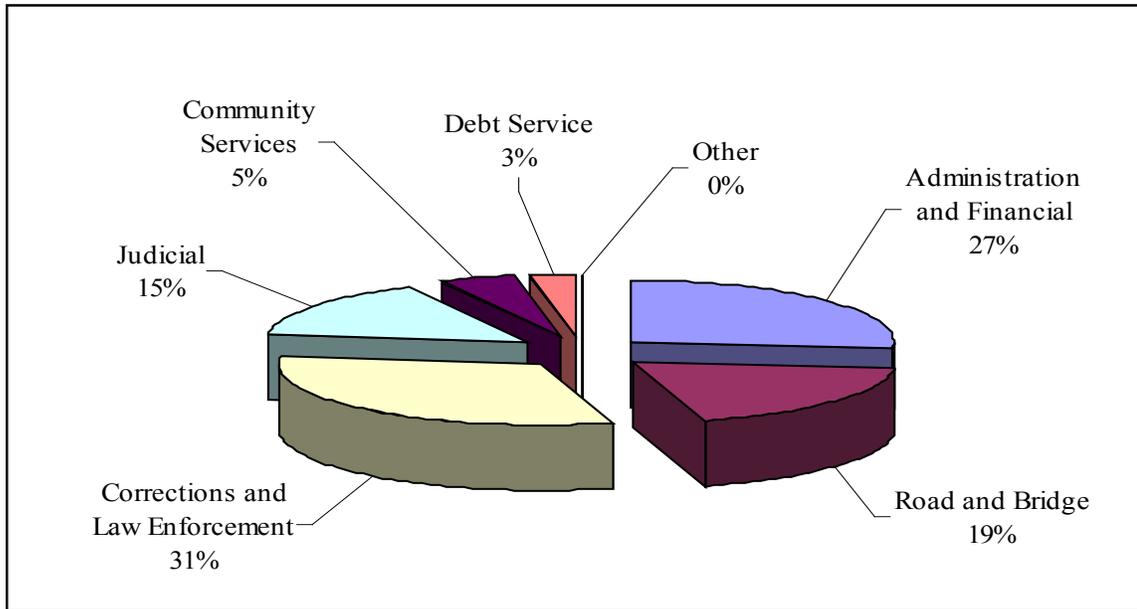


TABLE II  
CHART B - EXPENSES



**Management's Discussion and Analysis  
Cass County, Texas  
For the Fiscal Year Ended September 30, 2011**

**-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 \$11,515,442. 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 \$6,032,633 because some of the costs were paid by fines, forfeitures and those who benefited from the programs (\$2,759,096) or by other governments and organizations that subsidized certain programs with grants and contributions (\$2,653,918) or by interest income, other revenues or usage of fund balance (\$69,795).

### **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 \$3,401,565, which is \$191,505 above last year's total of \$3,210,060. Included in this year's total change in fund balance is an increase in the General Fund of \$429,401, a decrease in the Road and Bridge Funds \$268,099, increase in Debt Service Fund of \$53,519, and decrease in all other non-major funds totaling \$23,316.

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 2010). 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 \$1,564,792 reported on page 15 differs from the General Fund's budgetary fund balance of \$1,390,251 reported in the budgetary comparison schedule on page 37.

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

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

At the end of 2011, the County had \$18,745,120 invested in a broad range of capital assets, including facilities and equipment, administration, law enforcement, court and maintenance. There was a net increase in capital assets of \$1,385,200 over last year due to historical renovation on the court house.

#### ***Debt***

At year-end, the County had outstanding bonds of \$6,700,000, which was a decrease of \$215,000 or 3.11% of the beginning balance. The County also had a net decrease of \$96,180 (or 33%) of notes and leases payable.



**Management's Discussion and Analysis  
Cass County, Texas  
For the Fiscal Year Ended September 30, 2011**

**-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 2012 budget, tax rates.

These indicators were taken into account when adopting the General Fund budget for 2012. 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 increase as of the close of 2012.

**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, 2011****ASSETS:**

Cash and Cash Equivalents	\$921,806
Investments	3,490,973
Accounts Receivable	574,190
Due from Other Governments	0
Property Taxes Receivable (Delinquent)	795,280
Allowance for Uncollectible Taxes	(55,670)
Land	156,820
Buildings, net	7,966,198
Furniture and Equipment, net	699,620
Construction in Progress	4,104,921
Leased Property Under Capital Leases, net	0
<b>Total Assets</b>	<b>18,654,138</b>

**LIABILITIES****Current**

Accounts Payable	508,777
Due to Other Governments	74,805
Deferred Revenues	1,045,680

**Long-term Liabilities:**

Due Within One Year	327,819
Due in More Than One Year	6,564,197
<b>Total Liabilities</b>	<b>8,521,278</b>

**NET ASSETS**

Invested in Capital Assets, Net of Related Debt	6,035,543
Assigned - Debt Service	180,847
Unassigned - including reserved for capital projects	3,916,470
<b>Total Net Assets</b>	<b>\$10,132,860</b>

**CASS COUNTY , TEXAS**  
**Statement of Activities**  
**For The Year Ended September 30, 2011**

	FINES, FORFEITURES AND OPERATING EXPENSES	REVENUES	OPERATING GRANTS AND CONTRIBUTIONS
GOVERNMENTAL ACTIVITIES			
Administration and Finance	\$3,071,033	\$881,044	\$500,673
Roads and Public Works	2,173,998	970,724	\$32,477
Corrections	407,022	13,750	278,298
Law Enforcement	3,207,201	142,796	75,000
Judicial	1,783,532	750,782	201,199
Community Services	551,093		
Debt Service	321,313		
Other Expenses	250		
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>11,515,442</b>	<b>2,759,096</b>	<b>1,087,647</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>
	(\$1,689,316)
	(1,170,797)
	(114,974)
	(2,989,405)
	(831,551)
1,566,271	1,015,178
	(321,313)
	(250)
<u>1,566,271</u>	<u>(6,102,428)</u>
	6,627,719
	572,425
	6,988
	3,584
	59,223
	<u>7,269,939</u>
	1,167,511
	8,965,349
	<u>\$10,132,860</u>

**CASS COUNTY, TEXAS**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**September 30, 2011**

Exhibit C-1

ASSETS:	General Fund	Road and Bridge Fund	Debt Service Fund	THCPP Fund	Other Funds	Total Governmental Funds
Cash	\$920,508		\$1,445		\$251,015	\$1,172,968
Investments	1,188,659	726,602	241,342		1,334,370	3,490,973
Accounts receivable	153,001	44,608	2,350	\$368,123	6,108	574,190
Property taxes receivable - delinquent	599,126	94,555	70,321		31,278	795,280
Allowance for uncollectible taxes	(41,939)	(6,619)	(4,923)		(2,189)	(55,670)
Due from other funds	66,000					66,000
Due from other governmental agencies						0
<b>TOTAL ASSETS</b>	<b>\$2,885,355</b>	<b>\$859,146</b>	<b>\$310,535</b>	<b>\$368,123</b>	<b>\$1,620,582</b>	<b>\$6,043,741</b>
<b>LIABILITIES &amp; FUND EQUITY:</b>						
<b>LIABILITIES:</b>						
Accounts payable	\$211,703	\$100,435		\$143,449	\$53,190	\$508,777
Accounts payable-bank overdraft		20,102		225,159	5,901	251,162
Deferred revenues	1,034,055	97,413	\$63,688		546,276	1,741,432
Due to other funds			66,000			66,000
Due to other governments	74,805					74,805
<b>TOTAL LIABILITIES</b>	<b>1,320,563</b>	<b>217,950</b>	<b>129,688</b>	<b>368,608</b>	<b>605,367</b>	<b>2,642,176</b>
<b>FUND EQUITY:</b>						
Restricted fund balance	127,117	641,196	180,847	(485)	1,015,215	1,963,890
Unassigned fund balance	1,437,675				0	1,437,675
<b>TOTAL FUND BALANCES</b>	<b>1,564,792</b>	<b>641,196</b>	<b>180,847</b>	<b>(485)</b>	<b>1,015,215</b>	<b>3,401,565</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$2,885,355</b>	<b>\$859,146</b>	<b>\$310,535</b>	<b>\$368,123</b>	<b>\$1,620,582</b>	<b>\$6,043,741</b>

**CASS COUNTY, TEXAS****Exhibit C-2****Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets  
September 30, 2011**

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<b>Total Fund Balances - Governmental Funds</b>	\$3,401,565
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 \$ 17,359,920 and the accumulated depreciation was \$ 5,101,595. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net assets.	5,055,129
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.	2,028,233
The current year's depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.	(1,039,968)
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.	687,901
<b>Net Assets of Governmental Activities</b>	<u><u>\$10,132,860</u></u>

**CASS COUNTY , TEXAS**

Exhibit C-3

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

**GOVERNMENTAL FUNDS**

**For The Year Ended September 30, 2011**

	<b>General Fund</b>	<b>Road and Bridge Fund</b>	<b>Debt Service Fund</b>	<b>THCPP Fund</b>	<b>Other Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES:</b>						
Taxes	\$5,501,346	\$848,667	\$572,425		\$282,114	\$7,204,552
Licenses and permits	209,621	688,716				898,337
Intergovernmental revenues - miscellaneous	217,813	32,477			232,574	482,864
Intergovernmental revenues - Federal & State	552,059			1,340,648	296,581	2,189,288
Intergovernmental revenues - local						
Charges for services	308,935	1,572			103,593	414,100
Fines and forfeitures	686,427	242,793			4,163	933,383
Earnings on investments	2,814	1,126	470		2,578	6,988
Miscellaneous revenues	59,223	37,643		225,623	231,776	554,265
<b>Total revenues</b>	<b>7,538,238</b>	<b>1,852,994</b>	<b>572,895</b>	<b>1,566,271</b>	<b>1,153,379</b>	<b>12,683,777</b>
<b>EXPENDITURES:</b>						
<b>Current:</b>						
Administration and finance	2,189,727				35,094	2,224,821
Roads and public works		2,013,778				2,013,778
Corrections					372,804	372,804
Law enforcement	2,835,280					2,835,280
Judicial	1,221,302				503,558	1,724,860
Community services	310,445				73,019	383,464
Grant Expenditures	472,887					472,887
Other expenditures					250	250
<b>Debt service:</b>						
Principal on debt	33,687	62,493	215,000			311,180
Interest on debt	6,956	7,747	303,726			318,429
Related fees	2,234		650			2,884
Capital outlay	90,012	37,075		1,566,756	141,376	1,835,219
<b>Total expenditures</b>	<b>7,162,530</b>	<b>2,121,093</b>	<b>519,376</b>	<b>1,566,756</b>	<b>1,126,101</b>	<b>12,495,856</b>
Excess of revenues over (under) expenditures	375,708	(268,099)	53,519	(485)	27,278	187,921
<b>OTHER FINANCING SOURCES &amp; (USES):</b>						
Loan proceeds					0	0
Transfers to other governmental entities					3,584	3,584
Transfers from other funds	125,792	1,647,886			72,099	1,845,777
Transfers to other funds	(72,099)	(1,647,886)			(125,792)	(1,845,777)
<b>Total other financing sources (uses)</b>	<b>53,693</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(50,109)</b>	<b>3,584</b>
Excess of revenues and other sources over (under) expenditures and other uses	429,401	(268,099)	53,519	(485)	(22,831)	191,505
Fund balance, October 1	1,135,391	909,295	127,328	0	1,038,046	3,210,060
Adjustments						0
<b>Fund balance, September 30</b>	<b>\$1,564,792</b>	<b>\$641,196</b>	<b>\$180,847</b>	<b>(\$485)</b>	<b>\$1,015,215</b>	<b>\$3,401,565</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, 2011**

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**Total Net Change in Fund Balances - Governmental Funds** \$191,505

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. 2,028,233

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. (1,039,968)

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. (12,259)

**Change in Net Assets of Governmental Activities** 1,167,511

**CASS COUNTY, TEXAS**  
**Statement of Fiduciary Net Assets**  
**September 30, 2011**

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**Exhibit D-1**

	<b><u>AGENCY FUNDS</u></b>
<b>ASSETS:</b>	
Cash	\$591,261
Restricted investments - District Clerk	1,192,543
Accounts receivable	
Total Assets	<u>1,783,804</u>
<b>LIABILITIES</b>	
Accounts payable	123,870
Due to other governments	372,076
Due to other entities	<u>1,287,858</u>
Total Liabilities	<u>1,783,804</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, 2011**

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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, 2011**

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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, 2011**

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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 five (5) to fifteen (15) days, depending upon length of continuous service. No more than one year's vacation accrual may be carried over at the end of any calendar year, and at termination, all accrued vacation must be used. Therefore, no liability has been accrued in the

**CASS COUNTY, TEXAS**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2011**

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

**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**

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

As of September 30, 2011, Restricted Fund Balance included \$127,117 in the General Fund, \$180,847 for Debt Service, \$641,196, for Road and Bridge and \$1,014,730 for other special revenue funds. Unassigned fund balance in the General Fund totaled \$1,437,675.

**CASS COUNTY, TEXAS**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2011**

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**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 2011, the County purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there are no settlements exceeding insurance coverage for each of the past three fiscal years.

**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	1,280,873	8,565,766	
Furniture & Equipment	4,355,020	3,357,446	997,574	
Leased Equipment under	463,276	463,276	-	
Construction in Progress	2,538,165	-	2,538,165	
Change in Net Assets				<u>12,258,325</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			6,915,000	
Loans Payable			<u>288,196</u>	
Change in Net Assets				<u>(7,203,196)</u>
Adjustment to Net Assets				<u>5,055,129</u>

**CASS COUNTY, TEXAS**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2011**

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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>	Adjustments to Changes in Net <u>Assets</u>	Adjustments to <u>Net Assets</u>
<u>Net Current Year Capital Outlay</u>			
Land	-0-		
Buildings	-0-		
Construction in Progress	1,566,756		
Furniture and Fixtures	150,297		
Leased Equipment	<u>-0-</u>		
Total Capital Outlay	<u>1,717,053</u>	<u>1,717,053</u>	<u>1,717,053</u>
<u>Debt Principal Payments(Receipts)</u>			
Bond Principal	215,000		
Notes Payable	96,180		
Capital Leases	<u>-0-</u>		
Total Principal Payments	<u>311,180</u>	<u>311,180</u>	<u>311,180</u>
Total Adjustment to Net Assets		<u>2,028,233</u>	<u>2,028,233</u>

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

	<u>Amount</u>	Adjustments to Change in Net <u>Assets</u>	Adjustments to Net <u>Assets</u>
<u>Adjustments to Revenue and Deferred Revenue</u>			
Taxes Collected from Prior Year Levies	205,923	(205,923)	
Uncollected Taxes (assumed collectible) from Current Year Levy	195,632	195,632	195,632
Uncollected Taxes (assumed collectible) from Prior Year Levy	500,119		500,119
Reclassify entries – Other	7,850		(7,850)
	1,968	(1,968)	_____
Total		<u>(12,259)</u>	<u>687,901</u>

**CASS COUNTY, TEXAS**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2011**

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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, 2011 <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, 2011**

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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, 2011, the carrying amount of the County's deposits (cash, certificates of deposit, and interest-bearing savings accounts) was \$2,189,264 and the bank balance was \$3,063,202. The County's combined deposits were fully insured at all times by federal depository insurance or collateralized with securities pledged to the County and held by the County's agent.

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

- a. Depository: (1) Texana Bank, Linden, Tx and (2) Guaranty Bond Bank, Mt. Pleasant, Tx
- b. The fair market value of bond and/or security pledged as of the date of the highest combined balance on deposit was: (1) \$3,715,864 and (2) \$-0- .
- c. The largest combined balances of cash, savings, and time deposit accounts totaled (1) \$7,581,467 (on January 31, 2011) and (2) \$520,000 (on June 21, 2011).
- d. The total amount of FDIC, including TLG Program, coverage at the time of the largest combined balance was (1) \$5,636,552 and (2) \$250,000
- e. Amount under-secured: (1) \$-0- and (2) \$270,000.

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.

**CASS COUNTY, TEXAS**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2011**

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

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

Based on these three levels of risk, the following table categorizes the County's investments at September 30, 2011.

Investment	Category 1	Category 2	Category 3	Carrying Amount	Market Value
General Fund					
Certificates of deposit	\$759,775			\$ 759,775	\$ 759,775
TexPool			909,981	909,981	909,981
Special Revenue Fund					
Certificates of deposit	1,056,274			1,056,274	1,056,274
TexPool			1,313,534	1,313,534	1,313,534
Debt Service Fund					
Certificates of deposit	<u>241,332</u>			<u>241,332</u>	<u>241,332</u>
Totals	<u>\$ 2,057,381</u>	<u>\$ -0-</u>	<u>\$ 2,223,515</u>	<u>\$ 4,280,896</u>	<u>\$ 4,280,896</u>

Maturity information relating to the County's investments at September 30, 2011 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, 2011**

**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, 2010, upon which the levy for the 2010-11 fiscal year was based, was \$1,551,400,414. The roll was subsequently decreased to a year-end assessed value of \$1,540,561,177. 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, 2011, to finance General Fund operations, Special Revenue and the payment of principal and interest on general obligation long-term debt were \$.358271, \$.053875 and \$.035830 per \$100 valuation, respectively, for a total of \$.447976 per \$100 valuation.

Current tax collections for the year ended September 30, 2011, were 104.4% 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, 2011, property taxes receivable, net of estimated uncollectible taxes, totaled \$557,187, \$117,025 and \$65,398 for the General, Special Revenue and Debt Service Funds respectively.

**C. INTERFUND PAYABLES AND RECEIVABLES**

Inter-fund balances at September 30, 2011, 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, 2011, 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	4,355,020	150,297	(331,853)	4,173,464
Construction in Progress	2,538,165	1,566,756	-0-	4,104,921
Leased Equipment – Capital Leases	463,276	-0-	-0-	463,276
Total at Historical Cost	<u>\$17,359,920</u>	<u>\$1,717,053</u>	<u>(\$331,853)</u>	<u>\$18,745,120</u>

**CASS COUNTY, TEXAS**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2011**

	Balance 10/01	Primary Government		Balance 9/30
		Addition	Deletions	
<b>Less Accumulated Depreciation for:</b>				
Buildings	\$ 1,280,873	\$ 599,568	\$ -0-	\$ 1,880,441
Furniture & Equipment	3,357,446	440,400	324,002	3,473,844
Leased Equipment – Capital Leases	463,276	-0-	-0-	463,276
Total Accumulated Depreciation	\$ 5,101,595	\$1,039,968	\$ 324,002	\$ 5,817,561

Depreciation expense was charged to governmental functions as follows:

Administration and Finance	\$ 247,308
Roads and Public Works	160,220
Law Enforcement	371,921
Judicial	58,672
Corrections	34,218
Community Services	<u>167,629</u>
Total Depreciation Expense	<u>\$ 1,039,968</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, 2011, the balance due on this loan was \$12,307.

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, 2011, the balance due on this loan was \$54,203.

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, 2011, the unpaid balance was \$125,506.

	Balance October 1, 2010	Additions	Retirements	Balance September 30, 2011
John Deere Tractor	\$ 22,676	\$ -0-	\$ 10,369	\$ 12,307
Telephone System	159,193	-0-	33,687	125,506
Motor Grader	<u>106,327</u>	<u>-0-</u>	<u>52,124</u>	<u>54,203</u>
Totals	\$ <u>288,196</u>	\$ <u>-0-</u>	\$ <u>96,180</u>	\$ <u>192,016</u>

**CASS COUNTY, TEXAS**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2011**

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

<u>Fiscal Year</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total</u>
2012	\$ 102,819	\$ 11,621	\$ 114,440
2013	40,142	4,305	44,447
2014	41,797	1,806	43,603
2015	7,258	55	7,313
2016	-0-	-0-	-0-
Thereafter	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total	<u>\$ 192,016</u>	<u>\$ 17,787</u>	<u>\$ 209,803</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, 2011, 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, 2011, the following changes occurred in bond liabilities reported in the general long-term debt account group:

	Balance October 1, <u>2010</u>	<u>Additions</u>	<u>Retirements</u>	Balance September 30, <u>2011</u>
Series 2006 Cert. of Obl.	<u>6,915,000</u>	<u>-0-</u>	<u>215,000</u>	<u>6,700,000</u>
Totals	<u>\$ 6,915,000</u>	<u>\$ -0-</u>	<u>\$ 215,000</u>	<u>\$ 6,700,000</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, 2011, the balance due on these Certificates were \$6,700,000.

**CASS COUNTY, TEXAS**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2011**

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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>
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	275,000	241,976	516,976
2017-2021	1,580,000	1,012,129	2,592,129
2022-2026	1,960,000	630,943	2,590,943
2027-2030	<u>1,905,000</u>	<u>171,451</u>	<u>2,076,451</u>
Total	<u>\$ 6,700,000</u>	<u>\$ 3,153,153</u>	<u>\$ 9,853,153</u>

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

Long-term activity for the year ended September 30, 2011, was as follows:

	<u>Balance</u> <u>October 1,</u> <u>2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>September 30,</u> <u>2011</u>	<u>Due Within</u> <u>One Year</u>
Loans Payable	\$ 288,196	\$ -0-	\$ 96,180	\$ 192,016	\$ 102,819
Series 2006 Cert. Of Obl	<u>6,915,000</u>	<u>-0-</u>	<u>215,000</u>	<u>6,700,000</u>	<u>225,000</u>
Totals	<u>\$ 7,203,196</u>	<u>\$ -0-</u>	<u>\$ 311,180</u>	<u>\$ 6,892,016</u>	<u>\$ 327,819</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, 2011**

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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, 2010 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, 2010 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, 2011**

**Other Pension Plan information:**

A.	<u>GASB 27 Calculation Information</u>	<u>2011</u>	<u>2010</u>	
	1 GASB 27 compliant contribution rate	9.15%	9.15%	
	2 Actuarial assumed investment return rate	9.00%	9.00%	
	3 Actuarial amortization factor	12.1561	12.9447	
	4 Rate actually used to make contribution	9.15%	9.15%	
B.	<u>Actuarial Information</u>			
	1 Actuarial valuation date	12/31/08	12/31/09	12/31/10
	2 Actuarial cost method	entry age	entry age	entry age
	3 Amortization method	---Level percentage of Payroll, closed---		
	4 Amortization period in years	20.0	18.1	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%	5.4%	5.4%
	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	12/31/08	12/31/09	12/31/10
	2 Actuarial value of assets	11,466,947	12,665,617	12,257,936
	3 Actuarial accrued liability (AAL)	14,117,409	15,171,980	15,050,563
	4 Unfunded or overfunded Actuarial Accr. Liability	2,650,462	2,506,363	2,792,627
	5 Funded ratio	81.23%	83.48%	81.45%
	6 Annual covered payroll (actuarial)	5,245,205	5,341,964	5,367,522
	7 UAAL or (OAAL) as percentage of covered payroll	50.53%	46.92%	52.03%
D.	<u>Note Disclosure variables</u>			
	1 Plan Description	<u>2011</u>	<u>2010</u>	
	Number of participating subdivision	618	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	9.15%	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	Yes	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
	12/31/10	12,257,936	15,050,563	81.45%	2,792,627	5,367,522	52.03%	491,128

**CASS COUNTY, TEXAS**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2011**

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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	\$ 519,344	\$ 85,607	\$ 63,688	\$ 27,113	\$ 695,752
Other Deferred Revenues	514,711	11,806	-0-	519,163	1,045,680
Totals	<u>\$1,034,055</u>	<u>\$ 97,413</u>	<u>\$ 63,688</u>	<u>\$ 546,276</u>	<u>\$ 1,741,432</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, 2011, 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	(20,102)	
THCPP Fund	(225,159)	
Road Improvement Fund	(5,000)	
Law Library	(901)	(1,558)

**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, 2011 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, 2011, were as follows:

**CASS COUNTY, TEXAS**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2011**

	<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	\$ -0-	\$66,000	\$153,001	\$219,001
Debt Service	-0-	-0-	2,350	2,350
Road and Bridge	-0-	-0-	44,608	44,608
THCPP Fund	-0-	-0-	368,123	368,123
Nonmajor Gov. Funds	-0-	-0-	<u>6,108</u>	<u>6,108</u>
Total - Governmental Activities	<u>\$ -0-</u>	<u>\$66,000</u>	<u>\$574,190</u>	<u>\$640,190</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, 2011, 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	\$211,703	\$ -0-	\$74,805	\$-0-	\$286,508
Debt Service	-0-	66,000	-0-	-0-	66,000
Road and Bridge	100,435	-0-	-0-	-0-	100,435
THCPP Fund	143,449	-0-	-0-	-0-	143,449
Nonmajor Gov. Funds	<u>53,190</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>53,190</u>
Total - Gov. Activities	<u>\$508,777</u>	<u>\$66,000</u>	<u>\$74,805</u>	<u>\$-0-</u>	<u>\$649,582</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 \$466,791 in the General Fund. See schedule of finding and questioned costs for more information.

**OTHER REQUIRED SUPPLEMENTARY SCHEDULES**



**CASS COUNTY, TEXAS**

Exhibit E-1

**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET TO ACTUAL - GENERAL FUND  
For The Year Ended September 30, 2011**

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance With Final Budget
	Original	Final		Positive or (Negative)
<b>REVENUES:</b>				
Taxes	\$5,459,930	\$5,462,296	\$5,501,346	\$39,050
Licenses and permits	170,400	193,909	209,621	15,712
Intergovernmental revenues - miscellaneous	170,910	172,740	217,813	45,073
Intergovernmental revenues - grants	113,880	153,374	552,059	398,685
Charges for services	262,691	317,914	308,935	(8,979)
Fines and forfeitures	568,500	657,427	686,427	29,000
Earnings on investments	3,000	5,976	2,814	(3,162)
Miscellaneous revenues	38,163	48,184	59,223	11,039
Total revenues	<u>6,787,474</u>	<u>7,011,820</u>	<u>7,538,238</u>	<u>526,418</u>
<b>EXPENDITURES:</b>				
Current:				
Administration and finance	2,195,750	2,024,568	2,189,727	(165,159)
Roads and public works				0
Corrections				0
Law enforcement	2,656,225	2,999,380	2,835,280	164,100
Judicial	1,078,729	1,171,734	1,221,302	(49,568)
Community services	729,486	311,168	310,445	723
Grant expenditures - flow through	0	85,000	472,887	(387,887)
Other expenditures	0		0	0
Debt service:				
Principal on debt	0	33,687	33,687	0
Interest on debt	0	6,956	6,956	0
Related fees	0	2,234	2,234	0
Capital outlay	44,523	61,012	90,012	(29,000)
Total expenditures	<u>6,704,713</u>	<u>6,695,739</u>	<u>7,162,530</u>	<u>(466,791)</u>
Excess (deficiency) of Revenues over (under) Expenditures	<u>82,761</u>	<u>316,081</u>	<u>375,708</u>	<u>59,627</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Loan proceeds		0	0	0
Transfers to other entities		0	0	0
Transfers in	41,739	10,878	125,792	114,914
Transfers out	(124,500)	(72,099)	(72,099)	0
Total other financing sources (uses)	<u>(82,761)</u>	<u>(61,221)</u>	<u>53,693</u>	<u>114,914</u>
Net Change In Fund Balances	0	254,860	429,401	174,541
Fund balance, October 1 (Beginning)	<u>1,135,391</u>	<u>1,135,391</u>	<u>1,135,391</u>	<u>0</u>
Fund balance, September 30 (Ending)	<u>\$1,135,391</u>	<u>\$1,390,251</u>	<u>\$1,564,792</u>	<u>\$174,541</u>

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

## BUDGET TO ACTUAL - ROAD AND BRIDGE

For The Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes	\$840,834	\$847,247	\$848,667	\$1,420
Licenses and permits	700,000	688,716	688,716	0
Intergovernmental revenues - miscellaneous	80,000	32,477	32,477	0
Intergovernmental revenues - grants			0	0
Charges for services	1,500	1,572	1,572	0
Fines and forfeitures	250,000	242,793	242,793	0
Earnings on investments	2,100	1,126	1,126	0
Miscellaneous revenues		37,643	37,643	0
Total revenues	1,874,434	1,851,574	1,852,994	1,420
EXPENDITURES:				
Current:				
Roads and public works	1,992,720	2,002,373	2,013,778	(11,405)
Debt service:				
Principal on debt	58,302	62,493	62,493	0
Interest on debt		7,747	7,747	0
Related fees			0	0
Capital outlay	186,875	72,434	37,075	35,359
Total expenditures	2,237,897	2,145,047	2,121,093	23,954
Excess (deficiency) of Revenues over (under) Expenditures	(363,463)	(293,473)	(268,099)	25,374
OTHER FINANCING SOURCES (USES)				
Loan proceeds			0	0
Transfers to other entities			0	0
Transfers in	1,647,886	1,697,887	1,647,886	(50,001)
Transfers out	(1,647,886)	(1,697,887)	(1,647,886)	50,001
Total other financing sources (uses)	0	0	0	0
Net Change In Fund Balances	(363,463)	(293,473)	(268,099)	25,374
Fund balance, October 1 (Beginning)	909,295	909,295	909,295	0
Fund balance, September 30 (Ending)	\$545,832	\$615,822	\$641,196	\$25,374

**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, 2011**

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$573,339	\$573,339	\$572,425	(\$914)
Intergovernmental Revenue			0	0
Earnings on investments	151	151	470	319
<b>Total revenues</b>	<b>573,490</b>	<b>573,490</b>	<b>572,895</b>	<b>(595)</b>
<b>EXPENDITURES:</b>				
Current:				
Debt service:				
Principal on debt	215,000	215,000	215,000	0
Interest on debt	303,226	303,226	303,726	(500)
Related fees	650	650	650	0
<b>Total expenditures</b>	<b>518,876</b>	<b>518,876</b>	<b>519,376</b>	<b>(500)</b>
Excess (deficiency) of Revenues over (under) Expenditures	54,614	54,614	53,519	(500)
Other financing sources (uses):				
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	54,614	54,614	53,519	(1,095)
Fund balance, October 1 (Beginning)	127,328	127,328	127,328	0
Fund balance, September 30 (Ending)	\$181,942	\$181,942	\$180,847	(\$1,095)

**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, 2011**

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
Grants - Federal/State	\$1,230,544	\$1,230,544	\$1,340,648	\$110,104
Contributions	241,460	241,460	225,623	(15,837)
Earnings on investments	0	0	0	0
<b>Total revenues</b>	<b>1,472,004</b>	<b>1,472,004</b>	<b>1,566,271</b>	<b>94,267</b>
<b>EXPENDITURES:</b>				
Capital Outlay	1,566,948	1,566,948	1,566,756	192
Miscellaneous costs				0
<b>Total expenditures</b>	<b>1,566,948</b>	<b>1,566,948</b>	<b>1,566,756</b>	<b>192</b>
Excess (deficiency) of Revenues over (under) Expenditures	(94,944)	(94,944)	(485)	192
<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	(94,944)	(94,944)	(485)	94,459
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>(\$94,944)</b>	<b>(\$94,944)</b>	<b>(\$485)</b>	<b>\$94,459</b>

# COMBINING SCHEDULES



**CASS COUNTY, TEXAS**  
**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**  
**September 30, 2011**

ASSETS:	JURY FUND	JUVENILE PROBATION	INDIGENT DEFENSE GRANT	CASS COUNTY PARK	LAW LIBRARY	DISTRICT ATTORNEY ESCROW	DISTRICT ATTORNEY STATE
Cash	\$243	\$13,850	\$5,767	\$7,910		\$306	\$6,000
Investments	184,037	466,231	98,975				27,928
Accounts receivable	\$2,382	2,499			\$678		
Property taxes receivable - delinquent	30,733						
Allowance for uncollectible taxes	(2,151)						
Due from other governmental units							
Due from other funds							
<b>TOTAL ASSETS</b>	<b>\$215,244</b>	<b>\$482,580</b>	<b>\$104,742</b>	<b>\$7,910</b>	<b>\$678</b>	<b>\$306</b>	<b>\$33,928</b>
<b>LIABILITIES &amp; FUND BALANCES</b>							
<b>LIABILITIES:</b>							
Accounts payable	\$21,257	\$5,738		\$6,482	\$1,335		\$18,284
Acct. payable-Negative cash balance					\$901		
Due to State							
Due to Other Funds							
Deferred revenues	26,640	416,335					
<b>TOTAL LIABILITIES</b>	<b>47,897</b>	<b>422,073</b>	<b>0</b>	<b>6,482</b>	<b>2,236</b>	<b>0</b>	<b>18,284</b>
<b>FUND BALANCES:</b>							
Restricted	167,347	60,507	104,742	1,428	(1,558)	306	15,644
Unreserved							
<b>TOTAL FUND BALANCES</b>	<b>167,347</b>	<b>60,507</b>	<b>104,742</b>	<b>1,428</b>	<b>(1,558)</b>	<b>306</b>	<b>15,644</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$215,244</b>	<b>\$482,580</b>	<b>\$104,742</b>	<b>\$7,910</b>	<b>\$678</b>	<b>\$306</b>	<b>\$33,928</b>

REGIONAL INTRASTATE TASK FORCE	FORESTRY FUND	DISTRICT ATTORNEY FORFEITURE	DISTRICT ATTORNEY DISCRETIONARY	CAPITAL PROJECTS FUND	AIP FUND	HAVA FUNDS	SHERIFF FEDERAL FORFEITURE	ROW PROJECTS FUND
\$7,865	\$85,059	\$945	\$54,266	\$5,606	\$1,199	\$2,653	\$32,794	\$5,339
34,455	196,086	136,387		96,816				85,993
			530					19
								545
								(38)
\$42,320	\$281,145	\$137,332	\$54,796	\$102,422	\$1,199	\$2,653	\$32,794	\$91,858
			\$94					
\$24,086		\$45,958					\$32,783	\$474
24,086	0	45,958	94	0	0	0	32,783	474
18,234	281,145	91,374	54,702	102,422	1,199	2,653	11	91,384
18,234	281,145	91,374	54,702	102,422	1,199	2,653	11	91,384
\$42,320	\$281,145	\$137,332	\$54,796	\$102,422	\$1,199	\$2,653	\$32,794	\$91,858

**CASS COUNTY, TEXAS**

**Exhibit H-1**

**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**

**September 30, 2011**

ASSETS:	<b>ROAD IMPROVMT FUND</b>	<b>LINDEN ENTERPRISE FUND</b>	<b>CC BEAR CREEK DISASTER DONATION FUND</b>	<b>TOTAL NONMAJOR GOVERNMENTAL FUNDS</b>
Cash		\$2,463	\$18,750	\$251,015
Investments	\$5,000	2,462		1,334,370
Accounts receivable				6,108
Property taxes receivable - delinquent				31,278
Allowance for uncollectible taxes				(2,189)
Due from other governmental units				0
Due from other funds				0
<b>TOTAL ASSETS</b>	<b>\$5,000</b>	<b>\$4,925</b>	<b>\$18,750</b>	<b>\$1,620,582</b>
<b>LIABILITIES &amp; FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts payable				\$53,190
Acct. payable-Negative cash balance	\$5,000			5,901
Due to State				0
Due to Other Funds				0
Deferred revenues				546,276
<b>TOTAL LIABILITIES</b>	<b>5,000</b>	<b>0</b>	<b>0</b>	<b>605,367</b>
<b>FUND BALANCES:</b>				
Restricted	0	4,925	18,750	1,015,215
Unreserved				0
<b>TOTAL FUND BALANCES</b>	<b>0</b>	<b>4,925</b>	<b>18,750</b>	<b>1,015,215</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$5,000</b>	<b>\$4,925</b>	<b>\$18,750</b>	<b>\$1,620,582</b>

**CASS COUNTY, TEXAS**  
**COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For The Year Ended September 30, 2011**

	<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>DISTRICT ATTORNEY STATE</b>	<b>I 1</b>
<b>REVENUES:</b>								
Taxes	\$277,175							
FEMA Grant								
Licenses and permits								
Intergovernmental revenues - miscellaneous		\$13,750	\$61,815		\$9,206		\$22,105	
Intergovernmental revenues - grants		278,298					18,283	
Charges for services				\$73,801				
Fines and forfeitures								
Earnings on investments	81	292	29				23	
Miscellaneous revenues	207,916			4,105				
<b>Total revenues</b>	<b>485,172</b>	<b>292,340</b>	<b>61,844</b>	<b>77,906</b>	<b>9,206</b>	<b>0</b>	<b>40,411</b>	
<b>EXPENDITURES:</b>								
<b>Current:</b>								
Administration and finance								
Roads and public works								
Corrections		342,456						
Law enforcement								
Judicial	369,857		29,018		11,572		81,623	
Community services				73,019				
Other expenditures								
<b>Debt service:</b>								
Principal on debt								
Interest on debt								
Capital outlay								
<b>Total expenditures</b>	<b>369,857</b>	<b>342,456</b>	<b>29,018</b>	<b>73,019</b>	<b>11,572</b>	<b>0</b>	<b>81,623</b>	
Excess of revenues over (under) expenditures	115,315	(50,116)	32,826	4,887	(2,366)	0	(41,212)	
<b>Other financing sources (uses)</b>								
Loan proceeds								
Transfers to other governmental entities								
Transfers from other funds		55,000						
Transfers to other funds								
<b>Total other financing sources (uses)</b>	<b>0</b>	<b>55,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
Excess of revenues and other sources over expenditures and other uses	115,315	4,884	32,826	4,887	(2,366)	0	(41,212)	
Fund balance, October 1	52,032	55,623	71,916	(3,459)	808	306	56,856	
Adjustments								
<b>Fund balance, September 30</b>	<b>\$167,347</b>	<b>\$60,507</b>	<b>\$104,742</b>	<b>\$1,428</b>	<b>(\$1,558)</b>	<b>\$306</b>	<b>\$15,644</b>	



**COUNTY, TEXAS**

**Exhibit H-2**

**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE  
FOR GOVERNMENTAL FUNDS  
Year Ended September 30, 2011**

	<b>ROAD IMPROVMT FUND</b>	<b>LINDEN ENTERPRISE FUND</b>	<b>CC BEAR CREEK DISASTER DONATION FUND</b>	<b>TOTAL NONMAJOR GOVERNMENTAL FUNDS</b>
Balance, October 1	0	0	0	0
Revenues:				
Intergovernmental revenues	91,478			91,478
Grants				296,581
Fees for services				103,593
Fines and forfeitures				4,163
Capital investments	3	1,341		2,578
Miscellaneous revenues			19,000	231,776
<b>Total Revenues</b>	<b>91,481</b>	<b>1,341</b>	<b>19,000</b>	<b>1,153,379</b>
Expenditures:				
Administration and finance				35,094
Capital public works				0
Construction				372,804
Debt service				0
Public utility services				503,558
Capital expenditures			250	73,019
Miscellaneous				250
Debt				0
Miscellaneous				0
<b>Total Expenditures</b>	<b>91,481</b>	<b>0</b>	<b>250</b>	<b>1,126,101</b>
Revenues over (under) expenditures	0	1,341	18,750	27,278
Financing sources (uses):				
Bonds				0
From other governmental entities		3,584		3,584
From other funds				72,099
From other funds				<b>(125,792)</b>
<b>Total financing sources (uses)</b>	<b>0</b>	<b>3,584</b>	<b>0</b>	<b>(50,109)</b>
Revenues and other sources less expenditures and other uses	0	4,925	18,750	<b>(22,831)</b>
Balance, September 30	0	4,925	18,750	\$1,015,215

**CASS COUNTY, TEXAS**

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

**September 30, 2011**

	<b>TAX OFFICE</b>	<b>SHERIFF</b>	<b>JUSTICE COURT #1</b>	<b>JUSTICE COURT #2</b>	<b>JUSTICE COURT #3</b>	<b>JUSTICE COURT #4</b>
<b>ASSETS:</b>						
Cash	\$297,835	\$40,910	\$22,762	\$6,936	\$37,982	\$6,561
Restricted Investments - District Clerk						
Accounts receivable						
<b>TOTAL ASSETS</b>	<b>\$297,835</b>	<b>\$40,910</b>	<b>\$22,762</b>	<b>\$6,936</b>	<b>\$37,982</b>	<b>\$6,561</b>
<b>LIABILITIES &amp; FUND BALANCES</b>						
<b>LIABILITIES:</b>						
Accounts payable						
Due to other governments	\$297,835		\$22,762	\$6,936	\$37,982	\$6,561
Due to other entities		\$40,910				
<b>TOTAL LIABILITIES</b>	<b>297,835</b>	<b>40,910</b>	<b>22,762</b>	<b>6,936</b>	<b>37,982</b>	<b>6,561</b>
<b>FUND BALANCE</b>						
Fund balance September 30,	0	0	0	0	0	0
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$297,835</b>	<b>\$40,910</b>	<b>\$22,762</b>	<b>\$6,936</b>	<b>\$37,982</b>	<b>\$6,561</b>

Exhibit H-3

COUNTY CLERK	DISTRICT ATTORNEY	JUVENILE PROBATION	DISTRICT CLERK	TOTALS SEPTEMBER 30
\$48,964	\$530	\$5,441	\$123,340	\$591,261
			1,192,543	1,192,543
				0
\$48,964	\$530	\$5,441	\$1,315,883	\$1,783,804
	\$530		\$123,340	\$123,870
\$48,964		\$5,441	1,192,543	372,076
				1,287,858
48,964	530	5,441	1,315,883	1,783,804
0	0	0	0	0
\$48,964	\$530	\$5,441	\$1,315,883	\$1,783,804

## **COMPLIANCE AND INTERNAL CONTROL SECTION**



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**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, 2011. These collectively comprise the County's basic financial statements. We have issued our report on them dated January 30, 2012.

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 was not designed to 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 four instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. Findings 2011-1 through 2011-2 are not considered a significant deficiency or material weakness while finding 2011-3 is considered a significant deficiency. For more information, refer to the Schedule of Findings and Questioned Costs.

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

January 30, 2012

Judy C. Moore, CPA  
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**INDEPENDENT AUDITOR'S  
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**

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, 2011. 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, 2011.

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 was not designed to 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

January 30, 2012

**CASS COUNTY, TEXAS**  
**Schedule of Findings and Questioned Costs**  
**For The Year Ended September 30, 2011**

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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. 510(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
	Texas Historical Courthouse Preservation Program
<u>Federal Programs</u>	
93.568	Title IV-E (Foster Care) – awarded to Juv. Prob. Dept.

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, 2011

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

**2011-01**                      **Expenditures exceeding budgetary allowance**

**Criteria:** Governmental Standards dictate that all expenditures must be approved by the governing body through means of budget allowances.  
**Condition Found:** During the review of the September 30, 2011 General Fund expenditures exceeded the final approved budget by \$466,791.  
**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.

**2011-2**                      **Undersecured deposits**

**Criteria:** State law requires that State Agency's deposits be secured by pledged securities held at a 3<sup>rd</sup> party institution.  
**Condition Found:** As described in Note IV A, during the month of June 2011, deposits totaled \$520,000, which were secured by FDIC insurance of \$250,000 and pledged securities of \$0-  
**Effect:** None, but in the event of bank failure, unsecured deposits would be at risk.  
**Cause:** Although the County notified the bank in a timely manner, the securities were not pledged until the following business day.

**2011-3**                      **Bank accounts not reconciled in a timely manner**

**Criteria:** Internal controls and County policy state that bank accounts should be reconciled to books of original record in a timely manner.  
**Condition Found:** Several bank accounts were not reconciled for several months.  
**Effect:** None since the County auditor's office reviewed records and contacted department personnel relating to reconciliations.  
**Cause:** The oversight/department head failed to review bank reconciliations for several months.

**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, 2011**

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**2010-1 Fixed Asset Inventory**

During the review of the September 30, 2010 fixed asset listing, several errors and omissions were discovered

As of 9/30/11 the Fixed Asset Inventory listing is still incomplete.

**2010-2 Expenditures Exceeding Budgetary Allowances**

During the year ending September 30, 2011, several line item expenditures in the General Fund exceeded the amounts allowed through budgetary approvals.

As of 9/30/11 the County had expenditures which exceeded the budgetary allowances.

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, 2011**

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**2011-01 Expenditures exceeding budgetary allowance**

Proper management of current and future resources and obligations require enacting and amending budgetary allowances for various expenditure categories. During the year ended September 30, 2011, 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 \$466,791. 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.

**2011-2 – Pledged securities insufficient to safeguard District deposits**

**Action:** Management will, daily, monitor cash deposits and projects and notify the depository bank if projected cash deposits are expected to exceed the pledged securities FMV. The County Treasurer will continue to notify bank personnel of deposits that may exceed combined pledged securities and FDIC insurance prior to such deposits.

Contact Person: Tammy Wells, County Auditor

Anticipated Completion Date: Immediately.

**2011-3 – Bank statements not reconciled in a timely manner**

**Action:** Management will, in a timely manner, reconcile cash accounts and forward copies of reconciliations to the County auditor.

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, 2011**

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 Public Safety		
Federal grant number 2007, 2008 & 2009	97.073	11,677
Total U.S. Department of Emergency Mgt.		<u>11,677</u>
<u>U.S. Dept. of Energy</u>		
Passed Through the Texas Comptroller		
SECO Stimulus Grant (ARRA)	81.041	85,000
Total U.S. Department of Health and Human Resources		<u>85,000</u>
<u>U.S. Dept. of Health and Human Resources</u>		
Title IV-E (Foster Care) - Juvenile Probation	93.568	0
Total U.S. Department of Health and Human Resources		<u>-</u>
<u>U.S. Dept. of Housing and Urban Development</u>		
Passed Through the Texas Dept of Agriculture		
Federal grant number 711037	14.228	91,481
Passed Through the Texas Dept of Housing		
Federal grant number 1000835	14.239	282,334
Total U.S. Department of Housing		<u>373,815</u>
		<u>470,492</u>
ASSISTANCE PASSED DIRECTLY FROM STATE OF TEXAS		
Texas Historic Courthouse Preservation Program		998,389
Texas Dept of Rural Affairs - Home Microenterprise Loan Grant		100,000
Court at Law Grant		75,000
Courthouse Security Grant		12,896
Texas Task Force on Indigent Defense	212-10-034	246
Crime Victims Coordinator		37,241
Tx. Juvenile Probation Commission	A-2011-034	72,903
Tx. Juvenile Probation Commission	C-2011-034	10,695
Tx. Juvenile Probation Commission	F-2011-034	56,214
Tx. Juvenile Probation Commission	H-2011-034	20,228
Tx. Juvenile Probation Commission	X-2011-034	1,046
Tx. Juvenile Probation Commission	Y-2011-034	66,169
Tx. Juvenile Probation Commission	Z-2011-034	12,231
		<u>1,463,258</u>
TOTAL FEDERAL AND STATE ASSISTANCE		<u><u>1,933,750</u></u>

## **CASS COUNTY, TEXAS**

### **Notes to the Supplementary Schedule of Expenditures of State and Federal Awards For The Year Ended September 30, 2011**

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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.