

CASS COUNTY, TEXAS
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Moore, Caver and Setser, Inc.
Certified Public Accountants



CASS COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
for the Year Ended September 30, 2015

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FINANCIAL SECTION





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

Independent Auditor's Report

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

Members of the Court:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of County of Cass, Texas (the County) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of County of Cass, Texas as of September 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis budgetary comparison information and other required supplementary information on pages 3-10 and 42-45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise County of Cass, Texas's basic, combining and fiduciary funds financial statements. The introductory section and combining and individual non major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal and 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 is also not a required part of the basic financial statements.

The combining and individual non major fund, combining and fiduciary funds financial statements and schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non major fund financial statements and schedule of expenditures federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2016, on our consideration of County of Cass, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Cass, Texas's internal control over financial reporting and compliance.

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



Moore, Caver and Setser, Inc.
Certified Public Accountants
February 4, 2016

**Management's Discussion and Analysis
Cass County, Texas
For the Fiscal Year Ended September 30, 2015**

-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, 2015. Please read it in conjunction with the independent auditors' report on page 1, and the County's Basic Financial Statements which begin on page 12.

FINANCIAL HIGHLIGHTS

The County's net position increased by \$880,327 as a result of this year's operations. Fines, forfeitures, charges for services and program revenues accounted for \$2,764,510 or 20.62% of total revenue, operating and capital grants provided revenues totaling \$1,140,549 or 8.50% and general revenues (including taxes) accounted for \$9,503,987 or 70.88%. Due to implementation of GASB 68 (decrease in net position of \$1,766,749), inclusion of CSCD funds (increase of \$312,245) and valuation changes in fixed assets (decrease of \$222,130), total net position decreased \$595,173.

During the year, the County had expenses that were \$880,327 less than the \$13,409,046 generated in tax and other revenues for governmental programs (before special items).

The general fund (which includes "The General Fund" and "Tobacco Fund") reported a positive fund balance of \$3,218,047.

USING THIS ANNUAL REPORT

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

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

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

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



**Management's Discussion and Analysis
Cass County, Texas
For the Fiscal Year Ended September 30, 2015**

-UNAUDITED-

Reporting the County as a Whole

The Statement of Net Position and the Statement of Activities

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

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

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

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

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

Reporting the County's Most Significant Funds

Fund Financial Statements

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

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



Management's Discussion and Analysis
Cass County, Texas
For the Fiscal Year Ended September 30, 2015

-UNAUDITED-

activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

The County as Trustee

Reporting the County's Fiduciary Responsibilities

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



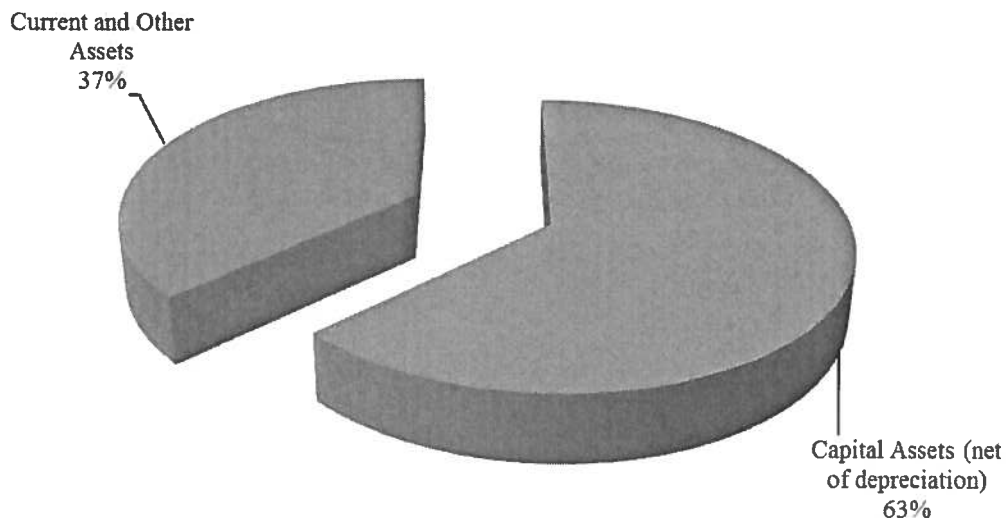
**Management's Discussion and Analysis
Cass County, Texas
For the Fiscal Year Ended September 30, 2015**

-UNAUDITED-

**Table I
Cass County**

NET POSITION

	%	Governmental	Governmental
	Change	Activities	Activities
		2015	2014
Current and other assets	14.81	\$ 8,233,385	\$ 7,171,528
Capital assets	(2.52)	14,420,239	14,793,422
Total assets	3.14	22,653,624	21,964,950
Deferred Outflows – Pension	100.00	169,267	-0-
Long-term liabilities	26.74	7,689,423	6,067,290
Other liabilities	(8.82)	1,747,881	1,916,889
Total liabilities	18.20	9,437,304	7,984,179
Net Position:			
Invested in capital assets net of related debt	(0.68)	8,666,832	8,726,132
Restricted	(49.07)	180,897	355,177
Unrestricted – including			
reserved for capital projects	(7.38)	4,537,858	4,899,462
Total net position	(2.82)	\$ 13,586,721	\$ 13,980,771



**Management's Discussion and Analysis
Cass County, Texas
For the Fiscal Year Ended September 30, 2015**

-UNAUDITED-

**Table II
Cass County**

CHANGES IN NET POSITION

	%	Governmental	Governmental
	Change	Activities	Activities
		2015	2014
Revenues:			
Program Revenues:			
Fines, forfeitures and charges for services	17.68	\$ 2,764,510	\$ 2,349,211
Operating grants and contributions	127.54	1,140,549	501,248
Capital grants and contributions	(100.00)	-0-	208,889
General Revenues:			
Maintenance and operations taxes	4.31	8,589,488	8,234,546
Debt service taxes	1.80	585,058	574,704
Investment earnings	(35.14)	40,888	63,038
Miscellaneous	68.77	288,553	170,972
Total Revenue	10.79	13,409,046	12,102,608
Expenses:			
Administration and Financial	35.23	3,119,244	2,306,541
Road and Bridge	(5.24)	1,804,074	1,903,792
Corrections (including CSCD for 2015)	226.00	1,283,573	393,739
Law Enforcement	(3.09)	3,237,490	3,340,781
Judicial	3.44	1,913,314	1,849,758
Community Services	(33.68)	485,780	732,448
Debt Service	86.83	510,298	273,138
Other	(64.46)	174,946	492,211
Total Expenses	10.95	12,528,719	11,292,408
 Increase in net position before adj. to Net Position		880,327	810,200
Adjustment to Net Position – see Note IV-Q & S		(1,475,511)	-0-
Net position Beginning of Year		13,980,771	13,170,571
Net position End of Year		\$ 13,385,587	\$ 13,980,771



**Management's Discussion and Analysis
Cass County, Texas
For the Fiscal Year Ended September 30, 2015**

-UNAUDITED-

TABLE II
CHART A – REVENUES

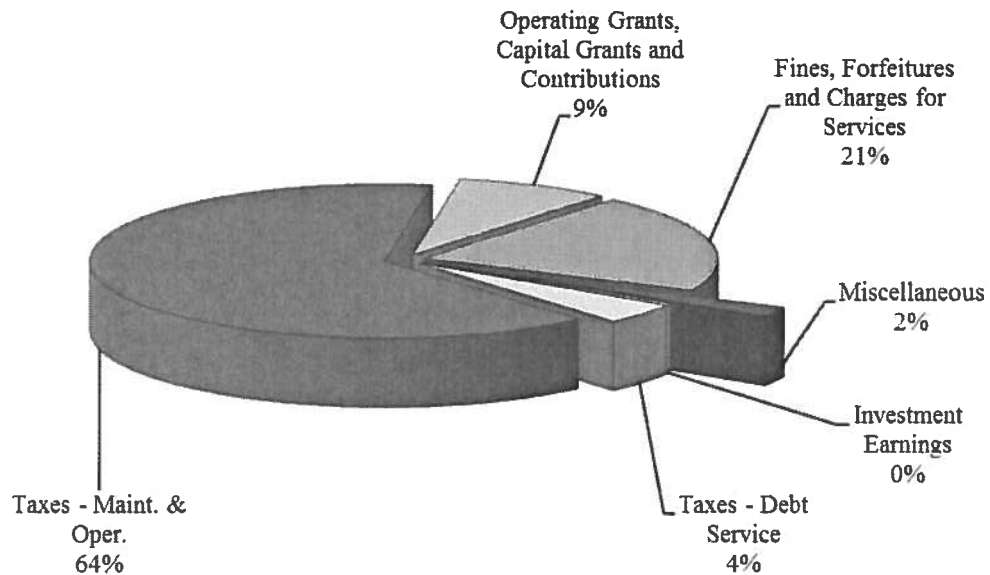
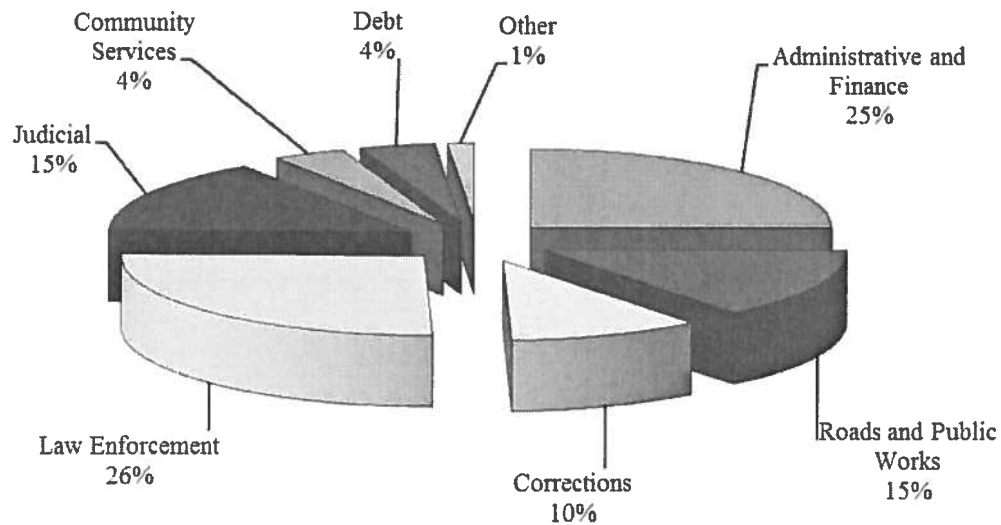


TABLE II
CHART B - EXPENSES



**Management's Discussion and Analysis
Cass County, Texas
For the Fiscal Year Ended September 30, 2015**

-UNAUDITED-

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

The cost of all governmental activities this year was \$12,528,719. However, as shown in the Statement of Activities on pages 13-14, the amount that our taxpayers ultimately financed for these activities through County taxes was only \$8,294,219 because some of the costs were paid by fines, forfeitures and those who benefited from the programs (\$2,764,510) or by other governments and organizations that subsidized certain programs with grants and contributions (\$1,140,549) or by interest income, other revenues or usage of fund balance (\$329,441).

THE COUNTY'S FUNDS

As the County completed the year, its governmental funds (as presented in the balance sheet on page 15) reported a combined fund balance of \$5,696,738, which is \$1,197,247 above last year's total of \$4,499,491. Included in this year's total change in fund balance is an increase in the General Fund of \$734,173, an increase in the Road and Bridge Funds \$344,244, a decrease in Debt Service Fund of \$174,279, and a net increase in all other funds totaling \$293,109 (\$19,136 decrease due to operations and \$312,245 increase due to prior period adjustment relating to inclusion of CSCD funds).

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 2014). The second category involved amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs.

The County's General Fund balance of \$3,218,047 reported on page 15 differs from the General Fund's budgetary fund balance of \$3,294,526 reported in the budgetary comparison schedule on page 42.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2015, the County had \$18,314,257 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 \$103,140 over last year.

Debt

At year-end, the County had outstanding bonds of \$5,540,000, which was a decrease of \$445,000 or 7.44% of the beginning balance. The County also had a net decrease of \$65,082 of notes and leases payable.



**Management's Discussion and Analysis
Cass County, Texas
For the Fiscal Year Ended September 30, 2015**

-UNAUDITED-

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

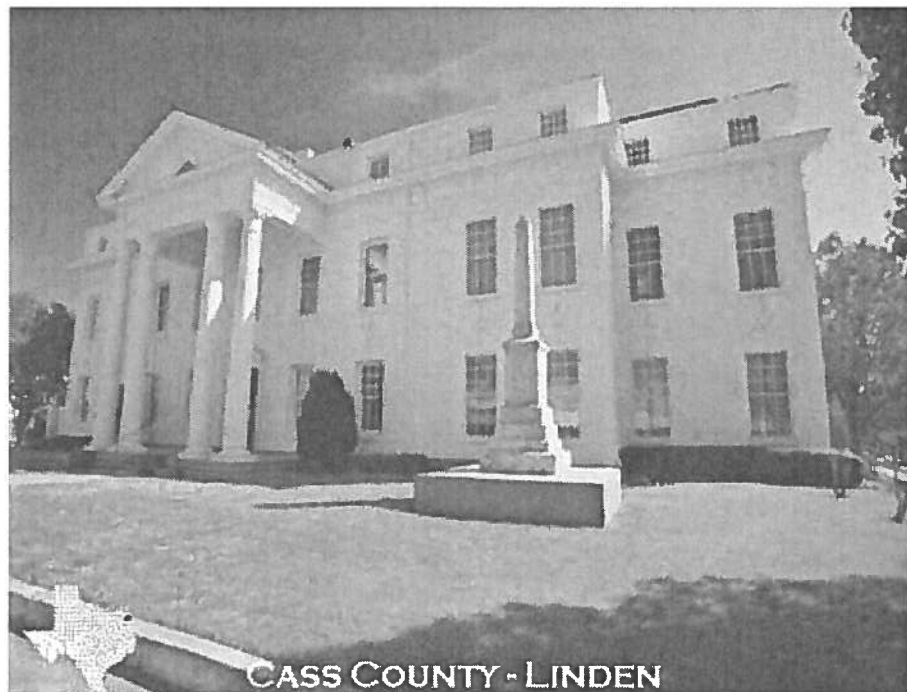
The County's elected and appointed officials considered many factors when setting the fiscal-year 2016 budget, tax rates.

These indicators were taken into account when adopting the General Fund budget for 2016. Indicators and factors which materially influence the budget are amounts available for appropriation in the General Fund budget, budgeted expenditures and the County future capital expenditure needs.

If these estimates are realized, the County's budgetary General Fund balance is expected to remain unchanged as of the close of 2016.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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



BASIC FINANCIAL STATEMENTS



CASS COUNTY, TEXAS

Exhibit A-1

Statement of Net Position**September 30, 2015****ASSETS:**

Cash and Cash Equivalents	\$5,418,138
Investments	1,714,057
Accounts Receivable	241,882
Due from Other Governments	14,093
Property Taxes Receivable (Delinquent)	908,835
Allowance for Uncollectible Taxes	(63,620)
Land	156,820
Buildings, net	7,582,507
Furniture and Equipment, net	1,607,604
Construction in Progress	5,073,308
Total Assets	22,653,624

DEFERRED OUTFLOWS - PENSION

169,267

LIABILITIES**Current**

Accounts Payable	457,439
Due to Other Governments	138,852
Unearned Revenues	1,151,590

Long-term Liabilities:

Net Pension Liability	1,936,016
Due Within One Year	330,082
Due in More Than One Year	5,423,325
Total Liabilities	9,437,304

NET POSITION

Invested in Capital Assets, Net of Related Debt	8,666,832
Assigned - Debt Service	180,897
Unassigned - including reserved for capital projects	4,537,858
Total Net Position	\$13,385,587

CASS COUNTY , TEXAS
Statement of Activities
For The Year Ended September 30, 2015

	EXPENSES	FINES, FORFEITURES AND OPERATING REVENUES	OPERATING GRANTS AND CONTRIBUTIONS
GOVERNMENTAL ACTIVITIES			
Administration and Finance	\$3,119,244	\$741,530	
Roads and Public Works	1,804,074	920,022	\$183,460
Corrections	1,283,573	510,469	738,274
Law Enforcement	3,237,490	91,256	61,627
Judicial	1,913,314	455,079	124,830
Community Services	485,780	46,154	32,358
Debt Service	510,298		
Other Expenses	174,946		
TOTAL PRIMARY GOVERNMENT	12,528,719	2,764,510	1,140,549

General Revenues:

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

Change in Net Position

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

Exhibit B-1

CAPITAL GRANTS AND CONTRIBUTIONS	TOTAL GOVERNMENTAL ACTIVITIES
	(\$2,377,714)
	(700,592)
	(34,830)
	(3,084,607)
	(1,333,405)
	(407,268)
	(510,298)
	(174,946)
0	(8,623,660)
	8,589,488
	585,058
	93,550
	40,888
	195,003
	9,503,987
	880,327
	(1,787,756)
	312,245
	13,980,771
	\$13,385,587

CASS COUNTY, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2015

Exhibit C-1

ASSETS:	General Fund	Road and Bridge Fund	Debt Service Fund	Other Funds	Total Governmental Funds
Cash	\$3,087,312	\$1,261,924	\$235,134	\$1,097,613	\$5,681,983
Investments	922,043	\$250,660		541,354	1,714,057
Accounts receivable	140,843	67,683	2,046	31,310	241,882
Property taxes receivable - delinquent	688,937	116,642	68,381	34,875	908,835
Allowance for uncollectible taxes	(48,226)	(8,165)	(4,787)	(2,442)	(63,620)
Due from Fiduciary Funds	6,000				6,000
Due from other funds	92,661			41,300	133,961
Due from other governmental agencies				8,093	8,093
TOTAL ASSETS	\$4,889,570	\$1,688,744	\$300,774	\$1,752,103	\$8,631,191
LIABILITIES & FUND EQUITY:					
LIABILITIES:					
Accounts payable	\$250,380	\$125,287		\$80,967	\$456,634
Accounts payable-bank overdraft				263,845	263,845
Due to other funds		41,300	60,000	32,661	133,961
Unearned Revenues	684,912			466,678	1,151,590
Due to other governments	138,852				138,852
TOTAL LIABILITIES	1,074,144	166,587	60,000	844,151	2,144,882
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Property Taxes	597,379	102,075	59,877	30,240	789,571
TOTAL DEFERRED INFLOWS OF RESOURCES	597,379	102,075	59,877	30,240	789,571
FUND BALANCES:					
Restricted fund balance					0
Assigned fund balance	127,117	1,420,082	180,897	877,712	2,605,808
Unassigned fund balance	3,090,930			0	3,090,930
TOTAL FUND BALANCES	3,218,047	1,420,082	180,897	877,712	5,696,738
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$4,889,570	\$1,688,744	\$300,774	\$1,752,103	\$8,631,191

CASS COUNTY, TEXAS**Exhibit C-2****Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
September 30, 2015**

Total Fund Balances - Governmental Funds	\$5,696,738
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$ 18,211,117 and the accumulated depreciation was \$ 3,417,695. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position.	8,726,132
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the current year's capital outlays and debt principal payments is to increase (decrease) net position.	6,292,978
The current year's depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(393,949)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.	(5,169,563)
Included in the items related to debt is the recognition of the County's proportionate share of the net pension liabilities required by GASB 68 in the amount of \$1,936,016, a Deferred Resource Inflow related to the pension in the amount amount of \$-0-, a Deferred Resource Outflow related to the pension in the amount of \$169,267. This amounted to a decrease in Net Position in the amount of \$1,766,749.	(1,766,749)
Net Position of Governmental Activities	<u>\$13,385,587</u>

CASS COUNTY , TEXAS

Exhibit C-3

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**GOVERNMENTAL FUNDS****For The Year Ended September 30, 2015**

	General Fund	Road and Bridge Fund	Debt Service Fund	Other Funds	Total Governmental Funds
REVENUES:					
Taxes	\$7,110,610	\$1,191,264	\$578,110	\$354,495	\$9,234,479
Licenses and permits	364,585	669,522			1,034,107
Intergovernmental revenues - miscellaneous	131,428			84,509	215,937
Intergovernmental revenues - Federal & State	169,681	179,916		774,176	1,123,773
Intergovernmental revenues - local					
Charges for services	261,308			548,427	809,735
Fines and forfeitures	428,288	250,500		0	678,788
Earnings on investments	19,983	4,655	4,381	4,746	33,765
Miscellaneous revenues	104,860	6,066		133,919	244,845
Total revenues	8,590,743	2,301,923	582,491	1,900,272	13,375,429
EXPENDITURES:					
Current:					
Administration and finance	2,240,055			64,580	2,304,635
Roads and public works		1,804,074			1,804,074
Corrections				1,283,573	1,283,573
Law enforcement	3,237,395			95	3,237,490
Judicial	1,260,963			652,351	1,913,314
Community services	427,150			58,630	485,780
Other expenditures	166,820			8,126	174,946
Debt service:					
Principal on debt	25,822	39,260	5,985,000		6,050,082
Interest on debt	640	1,689	416,424		418,753
Related fees			91,545		91,545
Capital outlay	317,479	112,656		32,299	462,434
Total expenditures	7,676,324	1,957,679	6,492,969	2,099,654	18,226,626
Excess of revenues over (under) expenditures	914,419	344,244	(5,910,478)	(199,382)	(4,851,197)
OTHER FINANCING SOURCES & (USES):					
Loan and bond proceeds			5,736,199	0	5,736,199
Transfers to other governmental entities				0	0
Transfers from other funds		1,926,506		195,477	2,121,983
Transfers to other funds	(180,246)	(1,926,506)		(15,231)	(2,121,983)
Total other financing sources (uses)	(180,246)	0	5,736,199	180,246	5,736,199
Excess of revenues and other sources over (under) expenditures and other uses	734,173	344,244	(174,279)	(19,136)	885,002
Fund balance, October 1	2,483,874	1,075,838	355,176	584,603	4,499,491
Adjustments				312,245	312,245
Fund balance, September 30	\$3,218,047	\$1,420,082	\$180,897	\$877,712	\$5,696,738

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, 2015**

Total Net Change in Fund Balances - Governmental Funds **\$885,002**

Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the current year's capital outlays and debt principal payments is to increase (decrease) net position. **6,292,978**

Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position. **(393,949)**

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position. **(5,702,570)**

The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/2014 caused the change in the ending net position to increase in the amount of \$141,734. The City's proportionate share of the pension expense on the plan as a whole had to be recorded as an expense. The net pension expense increased the change in net position by \$59,400. The impact of all of these is to increase the change in net position by \$201,134. **(201,134)**

Change in Net Position of Governmental Activities **880,327**

CASS COUNTY, TEXAS
Statement of Fiduciary Net Position
September 30, 2015

Exhibit D-1

	AGENCY FUNDS
ASSETS	
Cash	\$1,216,780
Restricted investments - District Clerk	751,517
Accounts receivable	
Total Assets	<u>1,968,297</u>
LIABILITIES	
Accounts payable	668,806
Due to other governments	417,309
Due to other entities	882,182
Total Liabilities	<u>1,968,297</u>
NET POSITION	
Unrestricted Net Position	<u>0</u>
Total Net Position	<u><u>\$0</u></u>

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. REPORTING ENTITY

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

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

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

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net 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 – Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis of accounting, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current year and are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the County, the phrase “available” for exchange transactions means expected to be received within 60 days of year-end.

CASS COUNTY, TEXAS
Notes to the Financial Statements
For the Year Ended September 30, 2015

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

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

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

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

D. FUND ACCOUNTING

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

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

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

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

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

Governmental Funds:

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

Fiduciary Funds:

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

E. OTHER ACCOUNTING POLICIES

1. Cash Equivalents

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

2. Investments

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

3. Inventories

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

4. Receivables and Payables

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

5. Long-term Debt

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

6. Vacation and Sick Leave

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

All full-time permanent employees of the County are eligible to accrue up to a maximum of sixty

CASS COUNTY, TEXAS
Notes to the Financial Statements
For the Year Ended September 30, 2015

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

7. General Fixed Assets

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

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

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

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

The County has no restriction on any assets.

8. Due From (To) Other Funds

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

9. Fund Equity

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

As of September 30, 2015, Assigned Fund Balance included \$127,117 in the General Fund, \$180,897 in Debt Service, \$1,420,082 in Road and Bridge, and \$877,712 in other funds, Unassigned Fund Balance includes \$3,090,930 in the General Fund.

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

CASS COUNTY, TEXAS
Notes to the Financial Statements
For the Year Ended September 30, 2015

enabling legislature adopted by the County or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net position is reported unrestricted.

10. Risk Management

The County is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2015, the County purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there are no settlements exceeding insurance coverage for each of the past three fiscal years.

11. Application of Restricted or Unrestricted Resources

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

12. Estimates and Assumptions

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

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

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

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

<u>Capital Assets at the Beginning of the year</u>	<u>Historic Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value at the Beginning of the Year</u>	<u>Change in Net Position</u>
Land	156,820		156,820	
Buildings	9,322,193	1,519,323	7,802,870	
Furniture & Equipment	3,683,616	1,898,372	1,785,244	
Leased Equipment	-0-	-0-	-0-	
Construction in Progress	5,048,488	-0-	5,048,488	
Change in Net Position				14,793,422
<u>Long-term Liabilities At the Beginning of the year</u>			<u>Payables at the Beginning of the Year</u>	
Bonds Payable			5,985,000	
Loans Payable			82,290	
Change in Net Position				(6,067,290)
Adjustment to Net Position				<u>8,726,132</u>

CASS COUNTY, TEXAS
Notes to the Financial Statements
For the Year Ended September 30, 2015

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

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

	<u>Amount</u>	<u>Adjustments to Changes in Net Position</u>	<u>Adjustments to Net Position</u>
<u>Net Current Year Capital Outlay</u>			
Land	-0-		
Buildings	12,300		
Construction in Progress	24,820		
Furniture and Fixtures	205,776		
Leased Equipment	-0-		
Total Capital Outlay	<u>242,896</u>	242,896	242,896
<u>Debt Principal Payments(Receipts)</u>			
Bond Principal	5,985,000		
Notes Payable	65,082		
Capital Leases	-0-		
Total Principal Pmts	<u>6,050,082</u>	<u>6,050,082</u>	<u>6,050,082</u>
Total Adjustment to Net Position		<u>6,292,978</u>	<u>6,292,978</u>

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

	<u>Amount</u>	<u>Adjustments to Change in Net Position</u>	<u>Adjustments to Net Position</u>
<u>Adjustments to Revenue and Deferred Revenue</u>			
Taxes Collected from Prior Year Levies	194,678	(194,678)	
Uncollected Taxes (assumed collectible) from Current Year Levy	228,307	228,307	228,307
Uncollected Taxes (assumed collectible) from Prior Year Levy	560,459		560,459
Adjustment to Fixed Asset Inventory	(222,130)		(222,130)
Premium on Bonds, Series 2016	196,199	(196,199)	(196,199)
Refinancing Bonds, Series 2016	5,540,000	(5,540,000)	(5,540,000)
Other entries	-0-	-0-	(-0-)
Total		<u>(5,702,570)</u>	<u>(5,169,563)</u>

NOTE III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

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

CASS COUNTY, TEXAS
Notes to the Financial Statements
For the Year Ended September 30, 2015

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, 2015
	<u>Fund Balance</u>
Appropriated Budget Funds	\$ -0-
Non-appropriated Budget Funds	<u>-0-</u>
All Special Revenue Funds	<u>\$ -0-</u>

5. The County does not employ encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase order and contracts. An encumbrance represents a commitment of Court appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent an expenditure for the period, only a commitment to expend resources.
6. During the year ending September 30, 2015, the actual expenditures in the General Fund, Road and Bridge (combined) Fund and Interest and Sinking Fund exceeded budgetary constraints. See 2015-1 on page 62 for more information.

NOTE IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITORY CONTRACT LAW

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

At September 30, 2015, the carrying amount of the County's deposits (cash, certificates of deposit, and interest-bearing savings accounts) was \$5,681,983 and the bank balance was \$5,765,791. 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.

CASS COUNTY, TEXAS
Notes to the Financial Statements
For the Year Ended September 30, 2015

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

- a. Depository: (1) Guaranty Bond Bank, Atlanta, Tx, (2) Domino FCU, Atlanta, Tx, (3) Red River FCU, Atlanta, Tx, (4) 1st National of Hughes Springs and (5) Texana Bank
- b. The fair market value of bond and/or security pledged as of the date of the highest combined balance on deposit was: (1) \$15,498,401, (2) \$-0-, (3) \$-0-, (4) \$-0- and (5) \$-0-.
- c. The largest combined balances of cash, savings, and time deposit accounts totaled (1) \$14,931,241 (on Jan 26, 2015), (2) \$245,581 (on Jun 23, 2015), (3) \$246,088 (on Jun 21, 2015), (4) \$78,021 (on Mar 13, 2015) and (5) \$150,818 (on Mar 12, 2015).
- d. The total amount of FDIC, including TLG Program, coverage at the time of the largest combined balance was (1) \$500,000 and (2-5) \$250,000.
- e. Amount under-secured: \$-0- for all depositories.

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

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

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

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

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

Based on these three levels of risk, the following table categorizes the County's investments at September 30, 2015.

Investment	Category 1	Category 2	Category 3	Carrying Amount	Market Value
General Fund					
Certificates of Deposit	621,988			621,988	621,988
TexPool			92,092	92,092	92,092
TexClass			207,963	207,963	207,963
Special Revenue Fund					
Certificates of Deposit	100,190			100,190	100,190
TexPool			691,824	691,824	691,824
Totals	<u>\$ 722,178</u>	<u>\$ -0-</u>	<u>\$ 991,879</u>	<u>\$ 1,714,057</u>	<u>\$ 1,714,057</u>

CASS COUNTY, TEXAS
Notes to the Financial Statements
For the Year Ended September 30, 2015

Maturity information relating to the County's investments at September 30, 2015 are shown below:

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

County's Policies Governing Deposits and Investments

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

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

Foreign Currency Risk: The County does not invest in foreign currency, therefore has no foreign currency risk.

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

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

B. PROPERTY TAXES

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The County levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll on January 1, 2014, upon which the levy for the 2014-15 fiscal year was based, was \$1,613,878,034. The roll was subsequently decreased to a year-end assessed value of \$1,604,286,980. 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, 2015, to finance General Fund operations, Special Revenue and the payment of principal and interest on general obligation long-term debt were \$.450648 \$.068142 and \$.034272 per \$100 valuation, respectively, for a total of \$.553062 per \$100 valuation.

Current tax collections for the year ended September 30, 2015, were 100.44% of the year-end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting taxes. Uncollectible personal property taxes are

CASS COUNTY, TEXAS
Notes to the Financial Statements
For the Year Ended September 30, 2015

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, 2015, property taxes receivable, net of estimated uncollectible taxes, totaled \$640,711, \$108,477, \$32,433 and \$63,594 for the General, Road and Bridge, Other Special Revenue and Debt Service Funds respectively.

C. INTERFUND PAYABLES AND RECEIVABLES

Inter-fund balances at September 30, 2015, consisted of the following individual fund receivables and payables:

	Due to Other Funds	Due from Other Funds
General Fund:		
Special Revenue		32,661
Debt Service		60,000
Special Revenue Fund		
General Fund	32,661	
Road and Bridge	41,300	
Road and Bridge		
Special Revenue		41,300
Debt Service Fund:		
General Fund	60,000	
Total	<u>\$ 133,961</u>	<u>\$ 133,961</u>

D. CAPITAL ASSET ACTIVITY

Capital asset activity for the County for the year ended September 30, 2015, was as follows:

	Balance 10/01	Primary Government			Balance 9/30
		Adjustments	Addition	Deletions	
Land	\$ 156,820	\$ -0-	\$ -0-	\$ -0-	\$ 156,820
Buildings and Impr.	9,322,193	15,583	12,300	-0-	9,350,076
Furniture & Equipment	3,683,616	(131,962)	205,776	(23,377)	3,734,053
Construction in Progress	5,048,488	-0-	24,820	-0-	5,073,308
Leased Equipment – Capital Leases	-0-	-0-	-0-	-0-	-0-
Total at Historical Cost	<u>\$18,211,117</u>	<u>(\$116,379)</u>	<u>\$242,896</u>	<u>(\$23,377)</u>	<u>\$18,314,257</u>

	Balance 10/01	Primary Government			Balance 9/30
		Adjustments	Addition	Deletions	
Less Accumulated Depreciation for:					
Buildings	\$ 1,519,323	\$28,740	\$ 219,506	\$ -0-	\$ 1,767,569
Furniture & Equipment	1,898,372	77,011	174,443	(23,377)	2,126,449
Leased Equipment – Capital Leases	-0-	-0-	-0-	-0-	-0-
Total Accumulated Depreciation	<u>\$ 3,417,695</u>	<u>\$105,751</u>	<u>\$ 393,949</u>	<u>(\$23,377)</u>	<u>\$ 3,894,018</u>

Depreciation expense was charged to governmental functions as follows:

Administration and Finance	\$ 40,782
Roads and Public Works	127,594
Law Enforcement	126,363
Judicial	59,459
Corrections	26,162
Community Services	13,589
Total Depreciation Expense	<u>\$ 393,949</u>

CASS COUNTY, TEXAS
Notes to the Financial Statements
For the Year Ended September 30, 2015

E. LOANS PAYABLE

During 2012, the County acquired a Tractor for Precinct #3. A loan in the amount of \$32,450 was obtained from Cass County Bank under Local Government Code Section 271.005. The capitalized cost of the asset, as of the date of purchase, was \$32,450. The loan has a life of thirty-six (36) monthly payments of \$761.00. It has an effective interest rate of 4.0%. As of September 30, 2015, the balance due on this loan was \$9,334.

During 2012, the County acquired a Loader for Precinct #1. A loan in the amount of \$90,928 was obtained from Texana Bank of Linden under Local Government Code Section 271.005. The capitalized cost of the asset, as of the date of purchase, was \$90,928. The loan has a life of thirty-six (36) monthly payments of \$2,646.00. It has an effective interest rate of 3.0%. As of September 30, 2015, the balance due on this loan was \$7,874.

During December 2009, the County entered into a debt agreement for the payment of a telephone system. This loan was obtained from Texana Bank of Linden under Local Government Code Section 271.005 and had an original amount of \$184,524. The debt was 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, 2015, the unpaid balance was \$-0-.

	Balance October 1, 2014	Additions	Retirements	Balance September 30, 2015
Pct. #3 Tractor	\$ 17,583	\$ -0-	\$ 8,249	\$ 9,334
Telephone System	25,822	-0-	25,822	-0-
Pct. #1 Loader	<u>38,885</u>	<u>-0-</u>	<u>31,011</u>	<u>7,874</u>
Totals	<u>\$ 82,290</u>	<u>\$ -0-</u>	<u>\$ 65,082</u>	<u>\$ 17,208</u>

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

Fiscal Year	Principal Amount	Interest Amount	Total
2016	16,809	197	17,006
2017	399	11	410
2018	-0-	-0-	-0-
2019	-0-	-0-	-0-
2020	-0-	-0-	-0-
Thereafter	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total	<u>\$ 17,208</u>	<u>\$ 208</u>	<u>\$ 17,416</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, 2015, 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.

CASS COUNTY, TEXAS
Notes to the Financial Statements
For the Year Ended September 30, 2015

During the year ended September 30, 2015, the following changes occurred in bond liabilities reported in the general long-term debt account group:

	Balance October 1, 2014	Additions	Retirements	Balance September 30, 2015
Series 2015 Refinancing Bond	\$ -0-	\$ 5,540,000	\$ -0-	\$ 5,540,000
Series 2006 Cert. of Obl.	<u>5,985,000</u>	<u>-0-</u>	<u>5,985,000</u>	<u>-0-</u>
Totals	<u>\$ 5,985,000</u>	<u>\$ 5,540,000</u>	<u>\$ 5,985,000</u>	<u>\$ 5,540,000</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. During 2015, the County issued Series Tax Refunding Bonds which retired this bond series. As of September 30, 2015, the balance due on these Certificates of Obligation were \$-0-.

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

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

Fiscal Year	Principal Amount	Interest Amount	Total
2016	310,000	139,450	449,450
2017	320,000	133,150	453,150
2018	325,000	126,700	451,700
2019	335,000	120,100	455,100
2020	340,000	113,350	453,350
2021-2025	1,815,000	453,425	2,268,425
2026-2030	<u>2,095,000</u>	<u>172,925</u>	<u>2,267,925</u>
Total	<u>\$ 5,540,000</u>	<u>\$ 1,259,100</u>	<u>\$ 6,799,100</u>

H. CHANGES IN LONG-TERM LIABILITIES

Long-term activity for the year ended September 30, 2015, was as follows:

	Balance October 1, 2014	Additions	Retirements	Balance September 30, 2015	Due Within One Year
Loans Payable	\$ 82,290	\$ -0-	\$ 65,082	\$ 17,208	\$ 16,809
Series 2015 Tax Refund. B	-0-	5,540,000	-0-	5,540,000	310,000
Series 2006 Cert. Of Obl	<u>5,985,000</u>	<u>-0-</u>	<u>5,985,000</u>	<u>-0-</u>	<u>-0-</u>
Totals	<u>\$ 6,067,290</u>	<u>\$ 5,540,000</u>	<u>\$ 6,050,082</u>	<u>\$ 5,557,208</u>	<u>\$ 326,809</u>
Premium on Ser. 2015	<u>\$ -0-</u>	<u>\$ 196,199</u>	<u>\$ -0-</u>	<u>\$ 196,199</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.

CASS COUNTY, TEXAS
Notes to the Financial Statements
For the Year Ended September 30, 2015

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

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

J. UNEARNED REVENUE and DEFERRED INFLOWS OF RESOURCES

Deferred revenue at year-end consisted of the following:

	General Fund	Rd & Bridge Fund	Debt Service	Other Funds	Total
Deferred Inflows - Net Prop. Tax	\$ 597,379	\$ 102,075	\$ 59,877	\$ 30,240	\$ 789,571
Unearned Revenues	684,912	-0-	-0-	466,678	1,151,590
Totals	<u>\$1,282,291</u>	<u>\$ 102,075</u>	<u>\$ 59,877</u>	<u>\$ 496,918</u>	<u>\$ 1,941,161</u>

K. DUE FROM OTHER GOVERNMENTS

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

L. INDIVIDUAL FUND DISCLOSURES

At September 30, 2015, the following funds reflected either deficit cash balances or deficit fund balances:

Fund	Cash Balance	Fund Balance
Court At Law	(218,591)	(243,822)
Park	(9,278)	(13,155)
Law Library	(5,160)	(5,902)
AIP Program	(30,816)	(30,816)

M. LITIGATION AND CONTINGENCIES

1. As of the report date, the County was not involved in any litigation that would have a material effect on the general-purpose financial statement.
2. The County participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the County has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at September 30, 2015 may be impaired. In the opinion of the County, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

N. SUBSEQUENT EVENTS

There were no significant subsequent events reportable.

CASS COUNTY, TEXAS
Notes to the Financial Statements
For the Year Ended September 30, 2015

O. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at September 30, 2015, were as follows:

	<u>Other</u> <u>Governments</u>	<u>Due From</u> <u>Other Funds</u>	<u>Other</u>	<u>Total</u> <u>Receivables</u>
Governmental Activities:				
General Fund	\$ -0-	\$92,661	\$140,843	\$233,504
Debt Service	-0-	-0-	2,046	2,046
Road and Bridge	-0-	-0-	67,683	67,683
Nonmajor Gov. Funds	<u>8,093</u>	<u>41,300</u>	<u>31,310</u>	<u>80,703</u>
Total - Governmental Activities	<u>\$8,093</u>	<u>\$133,961</u>	<u>\$241,882</u>	<u>\$383,936</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, 2015, were as follows:

	<u>Accounts</u> <u>and</u> <u>Accr. Wages</u>	<u>Due To</u> <u>Other</u> <u>Funds</u>	<u>Due to</u> <u>Other</u> <u>Governments</u>	<u>Other</u>	<u>Total</u> <u>Payables</u>
Governmental Activities:					
General Fund	\$250,380	\$ -0-	\$138,852	\$-0-	\$389,232
Debt Service	-0-	60,000	-0-	-0-	60,000
Road and Bridge	125,287	41,300	-0-	-0-	166,587
Non-major Gov. Funds	<u>80,967</u>	<u>32,661</u>	<u>-0-</u>	<u>-0-</u>	<u>113,628</u>
Total - Gov. Activities	<u>\$456,634</u>	<u>\$133,961</u>	<u>\$138,852</u>	<u>\$-0-</u>	<u>\$729,447</u>
Amounts not scheduled for payment during the subsequent year	<u>\$-0-</u>	<u>\$-0-</u>	<u>\$-0-</u>	<u>\$-0-</u>	<u>\$-0-</u>

P. PENSION PLAN OBLIGATION

Plan Description:

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

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

Benefits:

Plan benefits depend upon the sum of the employee's contributions to the plan, the interest, and the County-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

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

CASS COUNTY, TEXAS
Notes to the Financial Statements
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Contributions:

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

Funding Policy:

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

Annual Pension Cost:

The required contribution was determined as part of the December 31, 2014 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2013 included (a) 8.0 percent investment rate of return (net of administrative expenses), and (b) projected salary increases of 5.4 percent. Both (a) and (b) included an inflation component of 3.5 percent. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a ten-year period. The unfounded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2014 was 20 years. For the December 31, 2015, the annual pension cost for the TCDRS plan for the employees were \$15,606 and the actual contributions, including employer contributions, were \$37,393.

Net Pension Liability (Asset)

	<u>December 31, 2013</u>	<u>December 31, 2014</u>
Total pension liability	\$24,929,043	\$26,374,954
Fiduciary net position	23,134,761	24,438,938
Net pension liability (asset)	1,794,292	1,936,016
Fiduciary net position as a % of total pension liability	92.80%	92.66%
Pensionable covered payroll	\$4,775,569	\$5,095,902
Net pension liability as a % of covered payroll	37.57%	37.99%

Discount Rate

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

Other Key Actuarial Assumptions:

The actuarial assumptions that determined the total pension liability as of December 31, 2014 were based on the results of an actuarial experience study for the period January 1, 2009 throughout December 31, 2012, except where required to be different by GASB 68.

Valuation Timing	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None

CASS COUNTY, TEXAS
Notes to the Financial Statements
For the Year Ended September 30, 2015

Inflation	Same as funding valuation (3.0%)
Salary Increases	Rates of increases assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 2.5% and a merit, promotion and longevity component that on average approximates ¼% per year for a career employee.
Investment Rate of Return	8.10%
Cost-of-Living Adjustments	Cost of living adjustment for the entity are not considered to be substantively automatic under GASB 68. Therefore, no assumptions for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.

Retirement Age

Annual Rates of Service Retirement*

Age	Male	Female	Age	Male	Female
40-44	4.5%	4.5%	62	25.0%	25.0%
45-49	9.0	9.0	63	18.0	18.0
50	10.0	10.0	64	16.0	16.0
51	10.0	10.0	65	30.0	30.0
52	10.5	10.5	66	25.0	25.0
53	10.5	10.5	67	24.0	24.0
54	10.5	10.5	68	22.0	22.0
55	11.0	11.0	69	22.0	22.0
56	11.0	11.0	70	22.0	22.0
57	11.0	11.0	71	22.0	22.0
58	12.0	12.0	72	22.0	22.0
59	12.0	12.0	73	22.0	22.0
60	14.0	14.0	74**	22.0	22.0
61	12.0	12.0			

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

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

Turnover

Probability of Withdrawal

Years of Service	Probability	Years of Service	Probability
0	100%	15	40
1	100	16	38
2	100	17	36
3	100	18	34
4	100	19	32
5	100	20	30
6	100	21	28
7	100	22	26
8	90	23	24
9	49	24	22
10	46	25	20
11	47	26	15
12	46	27	10
13	44	28*	5
14	42		

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

Mortality

Depositing members	The RP-2000 Active Employee Mortality Table for males with a two-year set-forward and the RP-2000 Active Employee Mortality Table for females with a four-year setback, both with the projection scale AA.
Service retirees, beneficiaries and non-depositing members	The RP-2000 Combined Mortality Table with the projection scale AA, with a one-year set-forward for males and no age adjustment for females.
Disabled retirees	RP-2000 Disabled Mortality Table for males with no age adjustment and RP-2000 Disabled Mortality Table for females with a two-year set-forward, both with the projection scale AA.

CASS COUNTY, TEXAS
Notes to the Financial Statements
For the Year Ended September 30, 2015

Rate of Return

Long-Term Expected Rate of Return

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2015 information for a 7-10 year time horizon.

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

Asset Class	Benchmark	Target Allocation ⁽¹⁾	Geometric Real Rate of Return (Expected minus Inflation) ⁽²⁾
US Equities	Dow Jones U.S. Total Stock Market Index	16.50%	5.35%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽³⁾	12.00%	8.35%
Global Equities	MSCI World (net) Index	1.50%	5.05%
International Equities - Developed	50% MSCI World Ex USA (net) + 50% MSCI World ex USA 100% Hedged to USD (net) Index	11.00%	5.35%
International Equities - Emerging	50% MSCI EM Standard (net) Index + 50% MSCI EM 100% Hedged to USD (net) Index	9.00%	6.35%
Investment-Grade Bonds	Barclays Capital Aggregate Bond Index	3.00%	0.55%
High-Yield Bonds	Citigroup High-Yield Cash-Pay Capped Index	3.00%	3.75%
Opportunistic Credit	Citigroup High-Yield Cash-Pay Capped Index	5.00%	5.54%
Direct Lending	Citigroup High-Yield Cash-Pay Capped Index	2.00%	5.80%
Distressed Debt	Citigroup High-Yield Cash-Pay Capped Index	3.00%	6.75%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FRSE EPRA/NAREIT Global Real Estate Index	2.00%	4.00%
Commodities	Bloomberg Commodities Index	2.00%	-0.20%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	5.30%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁴⁾	3.00%	7.20%
Hedge Funds	Hedge Fund Research, Inc. (HFR) Fund of Funds Composite Index	25.00%	5.15%

⁽¹⁾ Target asset allocation adopted at the April 2015 TCDRS Board meeting.

⁽²⁾ Geometric real rates of return in addition to assumed inflation of 1.7%, per Cliffwater's 2015 capital market assumptions.

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

⁽⁴⁾ Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

Depletion of Plan Assets/GASB Discount Rate:

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

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

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

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

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

CASS COUNTY, TEXAS
Notes to the Financial Statements
For the Year Ended September 30, 2015

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

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

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

Sensitivity Analysis:

	1% Decrease	Current Discount Rate	1% Increase
	7.10%	8.10%	9.10%
Total pension liability	\$29,446,250	\$26,374,954	\$23,824,453
Fiduciary net position	24,438,938	24,438,938	24,438,938
Net pension liability (asset)	\$5,007,312	\$1,936,016	(\$614,485)

Pension Expense / (Income)

Pension Expense / (Income)	January 1, 2014 to December 31, 2014
Service cost	\$598,658
Interest on total pension liability ⁽¹⁾	1,995,989
Effect of plan changes	83,377
Administrative expenses	18,318
Member contributions	(356,713)
Expected investment return net of investment expenses	(1,879,411)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	8,931
Recognition of assumption changes or inputs	0
Recognition of investment gains or losses	50,469
Other ⁽²⁾	(35,299)
Pension expense / (income)	\$484,316

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

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

As of December 31, 2014, the deferred inflows and outflows of resources are as follows:

CASS COUNTY, TEXAS
Notes to the Financial Statements
For the Year Ended September 30, 2015

Deferred Inflows / Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$0	\$26,792
Changes of assumptions	0	0
Net difference between projected and actual earnings	0	201,875
Contributions made subsequent to measurement date ⁽³⁾	N/A	Employer determined

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

Year ended December 31:

2015	\$59,399
2016	59,399
2017	59,399
2018	50,469
2019	0
Thereafter ⁽⁴⁾	0

⁽³⁾ If eligible employer contributions were made subsequent to the measurement date through the employer's fiscal year end, the employer should reflect these contributions, adjusted as outlined in Appendix C of this report.

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

Schedule of Deferred Inflows and Outflows of Resources

	Original Amount	Date Established	Original Recognition Period ⁽¹⁾	Amount Recognized in 12/31/2014 Expense ⁽¹⁾	Balance of Deferred Inflows 12/31/2014	Balance of Deferred Outflows 12/31/2014
Investment (gains) or losses	\$252,344	12/31/2014	5.0	\$50,469	\$0	\$201,875
Economic/ demographic (gains) or losses	35,723	12/31/2014	4.0	8,931	0	26,792
Assumption changes or inputs	0	12/31/2014	4.0	0	0	0
Employer contributions made subsequent to measurement date ⁽²⁾	Employer Determined					

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

⁽²⁾ If eligible employer contributions were made subsequent to the measurement date, the employer should reflect these contributions, adjusted as outlined in Appendix C of this report.

Schedule of Employer Contributions

Year Ending December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll ⁽¹⁾	Actual Contribution as a % of Covered Payroll
2005	Not Available	Not Available	Not Available	Not Available	Not Available
2006	\$386,357	\$386,357	0	\$4,756,089	8.1%
2007	398,278	398,278	0	4,904,901	8.1%
2008	450,039	450,039	0	5,245,205	8.6%
2009	461,011	461,011	0	5,341,984	8.6%
2010	491,128	491,128	0	5,367,522	9.1%
2011	448,849	453,808	(4,959)	4,959,852	9.1%
2012	438,057	438,057	0	4,525,364	9.7%
2013	509,079	509,079	0	4,775,569	10.7%
2014	571,250	571,250	0	5,095,902	11.2%

⁽¹⁾ Payroll is calculated based on contributions as reported to TCDRS.

CASS COUNTY, TEXAS
Notes to the Financial Statements
For the Year Ended September 30, 2015

Schedule of Changes in Net Pension Liability and Related Ratios

	Year Ended December 31									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Total Pension Liability										
Service cost	\$598,656	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest on total pension liability	1,995,989	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of plan changes	83,377	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of assumption changes or inputs	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of economic/demographic (gains) or losses	35,723	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	<u>(1,287,834)</u>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total pension liability	1,445,911	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability, beginning	<u>24,929,043</u>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability, ending (a)	<u>\$26,374,954</u>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary Net Position										
Employer contributions	\$571,250	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Member contributions	358,713	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Investment income net of investment expenses	1,827,087	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	<u>(1,287,834)</u>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Administrative expenses	<u>(18,318)</u>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other	<u>35,299</u>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in fiduciary net position	1,304,177	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position, beginning	<u>23,134,781</u>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position, ending (b)	<u>\$24,438,938</u>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability / (asset), ending = (a) - (b)	<u>\$1,836,016</u>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position as a % of total pension liability	82.66%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Pensionable covered payroll	\$5,095,902	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability as a % of covered payroll	37.99%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

Q. PRIOR PERIOD ADJUSTMENTS

During fiscal year 2015, the County adopted GASB Statement No. 68 for Accounting and Reporting for Pensions. Adoption of GASB 68 required a prior period adjustment to report the effect of GASB 68 retroactively. The net effect (decrease) on the beginning Net Position (see Exhibit B-1) was (\$1,565,626).

The County also changed asset valuations relating to their capital assets by \$222,130, which is considered material to the County as a whole.

R. IMPLEMENTATION OF GASB #68 - ACCOUNTING AND FINANCIAL REPORTING FOR PENSIONS

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

S. ADDITIONAL FUNDS INCLUDED IN FINANCIALS

Community Supervision and Corrections Department funds, previously not included in the County's financials. Due to the CSCD reporting under the County's EIN, these funds are included in the September 30, 2015 County financial reports. Inclusion of these funds resulted in a beginning fund balance increase of \$312,245.

OTHER REQUIRED SUPPLEMENTARY SCHEDULES

CASS COUNTY, TEXAS

Exhibit E-1

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL - GENERAL FUND
For The Year Ended September 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final	(GAAP Basis)	Final Budget Positive or (Negative)
REVENUES:				
Taxes	\$7,200,515	\$7,116,629	\$7,110,610	(\$6,019)
Licenses and permits	135,400	300,005	364,585	64,580
Intergovernmental revenues - miscellaneous	187,710	123,298	131,428	8,130
Intergovernmental revenues - grants	127,358	169,681	169,681	0
Charges for services	237,825	242,701	261,308	18,607
Fines and forfeitures	508,700	427,488	428,288	800
Earnings on investments	37,397	19,983	19,983	0
Miscellaneous revenues	74,190	54,054	104,860	50,806
Total revenues	8,509,095	8,453,839	8,590,743	136,904
EXPENDITURES:				
Current:				
Administration and finance	2,539,477	2,302,532	2,240,055	62,477
Roads and public works				0
Corrections				0
Law enforcement	3,498,668	3,229,342	3,237,395	(8,053)
Judicial	1,286,339	1,247,608	1,260,963	(13,355)
Community services	851,845	430,752	427,150	3,602
Grant expenditures	45,985	46,456	0	46,456
Other expenditures	179,242	166,823	166,820	3
Debt service:				
Principal on debt			25,822	(25,822)
Interest on debt			640	(640)
Related fees			0	0
Capital outlay	60,000	256,469	317,479	(61,010)
Total expenditures	8,461,556	7,679,982	7,676,324	3,658
Excess (deficiency) of Revenues over (under) Expenditures	47,539	773,857	914,419	140,562
OTHER FINANCING SOURCES (USES)				
Loan proceeds	0		0	0
Transfers to other entities			0	0
Transfers in	30,000	91,795	0	(91,795)
Transfers out	(61,208)	(55,000)	(180,246)	(125,246)
Total other financing sources (uses)	(31,208)	36,795	(180,246)	(217,041)
Net Change In Fund Balances	16,331	810,652	734,173	(76,479)
Fund balance, October 1 (Beginning)	2,483,874	2,483,874	2,483,874	0
Fund balance, September 30 (Ending)	\$2,500,205	\$3,294,526	\$3,218,047	(\$76,479)

CASS COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL - ROAD AND BRIDGE FUND
For The Year Ended September 30, 2015

Exhibit E-2

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final	(GAAP Basis)	Final Budget Positive or (Negative)
REVENUES:				
Taxes	\$1,201,295	\$1,191,817	\$1,191,264	(\$553)
Licenses and permits	695,650	685,102	669,522	(15,580)
Intergovernmental revenues - miscellaneous	80,000		0	0
Intergovernmental revenues - grants	224,646	179,916	179,916	0
Charges for services		0	0	0
Fines and forfeitures	200,000	235,676	250,500	14,824
Earnings on investments	10,200	4,707	4,655	(52)
Miscellaneous revenues		2,374	6,066	3,692
Total revenues	2,411,791	2,299,592	2,301,923	2,331
EXPENDITURES:				
Current:				
Roads and public works	2,212,784	1,801,576	1,804,074	(2,498)
Debt service:				
Principal on debt	41,752	40,949	39,260	1,689
Interest on debt			1,689	(1,689)
Related fees			0	0
Capital outlay	408,981	112,656	112,656	0
Total expenditures	2,663,517	1,955,181	1,957,679	(2,498)
Excess (deficiency) of Revenues over (under) Expenditures	(251,726)	344,411	344,244	(167)
OTHER FINANCING SOURCES (USES)				
Loan proceeds			0	0
Transfers to other entities			0	0
Transfers in	1,926,506	1,926,506	1,926,506	0
Transfers out	(1,926,506)	(1,926,506)	(1,926,506)	0
Total other financing sources (uses)	0	0	0	0
Net Change In Fund Balances	(251,726)	344,411	344,244	(167)
Fund balance, October 1 (Beginning)	1,075,838	1,075,838	1,075,838	0
Fund balance, September 30 (Ending)	\$824,112	\$1,420,249	\$1,420,082	(\$167)

CASS COUNTY, TEXAS

Exhibit E-3

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL - DEBT SERVICE FUND
For The Year Ended September 30, 2015

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes	\$540,476	\$263,269	\$578,110	\$314,841
Intergovernmental Revenue			0	0
Earnings on investments	2,200	1,349	4,381	3,032
Total revenues	542,676	264,618	582,491	317,873
EXPENDITURES:				
Current:				
Debt service:				
Principal on debt	265,000	265,000	5,985,000	(5,720,000)
Interest on debt	255,476	175,400	416,424	(241,024)
Related fees	22,200	755	91,545	(90,790)
Total expenditures	542,676	441,155	6,492,969	(6,051,814)
Excess (deficiency) of Revenues over (under) Expenditures	0	(176,537)	(5,910,478)	(6,051,814)
Other financing sources (uses):				
Loan and bond proceeds		3,032	5,736,199	(5,733,167)
Transfers to other governmental entities			0	0
Transfers from other funds			0	0
Transfers to other funds			0	0
Total other financing sources (uses)	0	3,032	5,736,199	(5,733,167)
Net Change In Fund Balances	0	(173,505)	(174,279)	(774)
Fund balance, October 1 (Beginning)	355,176	355,176	355,176	0
Fund balance, September 30 (Ending)	\$355,176	\$181,671	\$180,897	(\$774)

CASS COUNTY, TEXAS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

For The Year Ended September 30, 2015

Exhibit E-4

Schedule of Changes in Net Pension Liability and Related Ratios

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Total Pension Liability										
Service cost	\$598,656	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest on total pension liability	1,995,989	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of plan changes	83,377	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of assumption changes or inputs	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of economic/demographic (gains) or losses	35,723	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	<u>(1,267,834)</u>	<u>N/A</u>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total pension liability	1,445,911	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability, beginning	24,929,043	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability, ending (a)	<u>\$26,374,954</u>	<u>N/A</u>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary Net Position										
Employer contributions	\$571,250	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Member contributions	356,713	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Investment income net of investment expenses	1,627,067	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	<u>(1,267,834)</u>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Administrative expenses	<u>(18,318)</u>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other	<u>35,299</u>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in fiduciary net position	1,304,177	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position, beginning	23,134,761	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position, ending (b)	<u>\$24,438,938</u>	<u>N/A</u>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability / (asset), ending = (a) - (b)	<u>\$1,936,016</u>	<u>N/A</u>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position as a % of total pension liability	92.66%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Pensionable covered payroll	\$5,095,902	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability as a % of covered payroll	37.99%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the period covered as of the measurement date of December 31, 2014.

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

COMBINING SCHEDULES



CASS COUNTY, TEXAS
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
September 30, 2015

ASSETS:	COURT AT LAW	JUVENILE PROBATION	INDIGENT DEFENSE GRANT	CASS COUNTY PARK	LAW LIBRARY	DISTRICT ATTORNEY ESCROW	DISTRICT ATTORNEY STATE
Cash		\$265,010	\$500			\$308	\$13,862
Investments		139,239	70,085				
Accounts receivable	\$1,952	2,028			\$840		
Property taxes receivable - delinquent	34,396						
Allowance for uncollectible taxes	(2,408)						
Due from other governmental units			8,090				
Due from other funds							
TOTAL ASSETS	\$33,940	\$406,277	\$78,675	\$0	\$840	\$308	\$13,862
LIABILITIES & FUND BALANCES							
LIABILITIES:							
Accounts payable	\$29,346	\$279		\$3,877	\$1,582		
Acct. payable-Negative cash balance	218,591			9,278	5,160		
Due to State							
Due to Other Funds							
Unearned Revenues		386,109					
TOTAL LIABILITIES	247,937	386,388	0	13,155	6,742	0	0
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue - Property Taxes	29,825						
TOTAL DEFERRED INFLOWS OF RI	29,825	0	0	0	0	0	0
FUND BALANCES:							
Restricted	(243,822)	19,889	78,675	(13,155)	(5,902)	308	13,862
Unreserved							
TOTAL FUND BALANCES	(243,822)	19,889	78,675	(13,155)	(5,902)	308	13,862
TOTAL LIABILITIES AND FUND BALANCES	\$33,940	\$406,277	\$78,675	\$0	\$840	\$308	\$13,862

Exhibit H-1 (cont.)

REGIONAL INTRASTATE TASK FORCE	FORESTRY FUND	DISTRICT ATTORNEY FORFEITURE	DISTRICT ATTORNEY DISCR.	CAPITAL PROJECTS FUND	COUNTY CLERK ARCHIVE	HAVA FUNDS	SHERIFF FEDERAL FORFEITURE	ROW PROJECTS FUND
\$42,985	\$182,907 146,818	\$43,793 38,932	\$3,320 213	\$6,517 11,773	\$0	\$5,169	\$4,021	\$64,598 28,792 16 479 (34)
	41,300							
\$42,985	\$371,025	\$82,725	\$3,533	\$18,290	\$0	\$5,169	\$4,021	\$93,851
		\$474	\$757					
\$24,086		\$38,897						
24,086	0	39,371	757	0	0	0	0	0
								415
0	0	0	0	0	0	0	0	415
18,899	371,025	43,354	2,776	18,290	0	5,169	4,021	93,436
18,899	371,025	43,354	2,776	18,290	0	5,169	4,021	93,436
\$42,985	\$371,025	\$82,725	\$3,533	\$18,290	\$0	\$5,169	\$4,021	\$93,851

CASS COUNTY, TEXAS
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
September 30, 2015

ASSETS:	CIVIL CHILD SUPPORT	LINDEN ENTERPRISE FUND	FEMA DR 1999 WILDFIRES	ROAD IMPR GRANT 0710197	BEAR CREEK FMAG	TEXAS HIST. COURTHOUSE GRANT	CSCD BASIC GRANT
Cash	\$33,727	\$10,023	\$10	\$1,767	\$36,681	\$26,782	\$241,339
Investments							105,715
Accounts receivable							26,236
Property taxes receivable - delinquent							
Allowance for uncollectible taxes							
Due from other governmental units							
Due from other funds							
TOTAL ASSETS	\$33,727	\$10,023	\$10	\$1,767	\$36,681	\$26,782	\$373,290
LIABILITIES & FUND BALANCES							
LIABILITIES:							
Accounts payable							\$250
Acct. payable-Negative cash balance							
Due to State							
Due to Other Funds					\$32,661		
Unearned Revenues		\$9,850				\$7,736	
TOTAL LIABILITIES	0	9,850	0	0	32,661	7,736	250
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue - Property Taxes							
TOTAL DEFERRED INFLOWS	0	0	0	0	0	0	0
FUND BALANCES:							
Restricted	33,727	173	10	1,767	4,020	19,046	373,040
Unreserved							
TOTAL FUND BALANCES	33,727	173	10	1,767	4,020	19,046	373,040
TOTAL LIABILITIES AND FUND BALANCES	\$33,727	\$10,023	\$10	\$1,767	\$36,681	\$26,782	\$373,290

Exhibit H-1

CSCD SATP III FUND	CSCD COMM. SVC FUND	COUNTY AIP FUND	CSCD MHI PGM FUND	CSCD MNTL HLTH FUND	CSCD HIGH RISK FUND	TEXAS CDBG 713069	TOTAL NONMAJOR GOVERNMENTAL FUNDS
\$25,479	\$9,811		\$45,981	\$1,876	\$31,147		\$1,097,613
					25		541,354
							31,310
							34,875
							(2,442)
						\$3	8,093
							41,300
\$25,479	\$9,811	\$0	\$45,981	\$1,876	\$31,172	\$3	\$1,752,103
			\$32,133		\$12,269		\$80,967
		\$30,816					263,845
							0
							32,661
							466,678
0	0	30,816	32,133	0	12,269	0	844,151
							30,240
0	0	0	0	0	0	0	30,240
25,479	9,811	(30,816)	13,848	1,876	18,903	3	877,712
							0
25,479	9,811	(30,816)	13,848	1,876	18,903	3	877,712
\$25,479	\$9,811	\$0	\$45,981	\$1,876	\$31,172	\$3	\$1,752,103

CASS COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For The Year Ended September 30, 2015

	COURT AT LAW	JUVENILE PROBATION	INDIGENT DEFENSE GRANT	CASS COUNTY PARK	LAW LIBRARY	DISTRICT ATTORNEY ESCROW	DISTRICT ATTORNEY STATE
REVENUES:							
Taxes	\$349,938						
Licenses and permits							
Intergovernmental revenues - miscellaneous	37,270	\$6,750			\$12,989		\$27,500
Intergovernmental revenues - grants		247,521	\$32,358				
Charges for services		14,278		\$43,685			
Fines and forfeitures							
Earnings on investments		1,209	176			\$2	9
Miscellaneous revenues	16,116			1,898			
Total revenues	403,324	269,758	32,534	45,583	12,989	2	27,509
EXPENDITURES:							
Current:							
Administration and finance							
Roads and public works							
Corrections		363,204					
Law enforcement							
Judicial	488,200		53,232		16,799		22,415
Community services				55,327			
Other expenditures							
Debt service:							
Principal on debt							
Interest on debt							
Capital outlay							
Total expenditures	488,200	363,204	53,232	55,327	16,799	0	22,415
Excess of revenues over (under) expenditures	(84,876)	(93,446)	(20,698)	(9,744)	(3,810)	2	5,094
Other financing sources (uses)							
Loan proceeds							
Transfers to other governmental entities							
Transfers from other funds	50,000	55,000		10,666			
Transfers to other funds							
Total other financing sources (uses)	50,000	55,000	0	10,666	0	0	0
Excess of revenues and other sources over expenditures and other uses	(34,876)	(38,446)	(20,698)	922	(3,810)	2	5,094
Fund balance, October 1	(208,946)	58,335	99,373	(14,077)	(2,092)	306	8,768
Prior Period Adjustments							
Fund balance, September 30	(\$243,822)	\$19,889	\$78,675	(\$13,155)	(\$5,902)	\$308	\$13,862

REGIONAL INTRASTATE TASK FORCE	FORESTRY FUND	DISTRICT ATTORNEY FORFEITURE	DISTRICT ATTORNEY DISCRETIONARY	CAPITAL PROJECTS FUND	COUNTY CLERK ARCHIVE	HAVA FUNDS	SHERIFF FEDERAL FORFEITURES	ROW PROJECTS FUND
								\$4,557
			\$3,582					
\$150	\$882 57,100	\$251 1,262	23	\$23		\$16 872	\$16	235 847
150	57,982	1,513	3,605	23	0	888	16	5,639
					64,580			
		56,497	15,208				95	
	8,126							
				6,501				978
0	8,126	56,497	15,208	6,501	64,580	0	95	978
150	49,856	(54,984)	(11,603)	(6,478)	(64,580)	888	(79)	4,661
					64,580			
0	0	0	0	0	64,580	0	0	0
150	49,856	(54,984)	(11,603)	(6,478)	0	888	(79)	4,661
18,749	321,169	98,338	14,379	24,768	0	4,281	4,100	88,775
\$18,899	\$371,025	\$43,354	\$2,776	\$18,290	\$0	\$5,169	\$4,021	\$93,436

CASS COUNTY, TEXAS
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For The Year Ended September 30, 2015

	CIVIL CHILD SUPPORT	LINDEN ENTERPRISE FUND	FEMA DR 1999 WILDFIRES	ROAD IMPR. GRANT 0710197	BEAR CREEK FMAG	TEXAS HIST. COURTHOUSE GRANT	CSCD BASIC GRANT	CSCD SATP III FUND
REVENUES:								
Taxes								
Licenses and permits								
Intergovernmental revenues								
Intergovernmental revenues - grants					3,544		209,418	40,986
Charges for services							486,882	
Fines and forfeitures								
Earnings on investments		\$35		\$6	\$119	\$169	\$1,422	
Miscellaneous revenues	\$14,616						38,492	
Total revenues	14,616	35	0	6	3,663	169	736,214	40,986
EXPENDITURES:								
Current:								
Administration and finance								
Roads and public works								
Corrections							656,351	15,539
Law enforcement								
Judicial								
Community services						3,303		
Other expenditures								
Debt service:								
Principal on debt								
Interest on debt								
Capital outlay	0					24,820		
Total expenditures	0	0	0	0	0	28,123	656,351	15,539
Excess of revenues over (under) expenditures	14,616	35	0	6	3,663	(27,954)	79,863	25,447
Other financing sources (uses)								
Loan proceeds								
Transfers to other governmental entities								
Transfers from other funds								32
Transfers to other funds							(15,231)	
Total other financing sources (uses)	0	0	0	0	0	0	(15,231)	32
Excess of revenues and other sources over expenditures and other uses	14,616	35	0	6	3,663	(27,954)	64,632	25,479
Fund balance, October 1	19,111	138	10	1,761	357	47,000		
Adjustments							308,408	
Fund balance, September 30	\$33,727	\$173	\$10	\$1,767	\$4,020	\$19,046	\$373,040	\$25,479

Exhibit H-2

CSCD COMM. SVC. FUND	COUNTY AIP FUND	CSCD MHI PGM FUND	MNTL HLTH FUND	CSCD HIGH RISK FUND	TEXAS CDBG 713069	TOTAL NONMAJOR GOVERNMENTAL FUNDS
						\$354,495
						0
						84,509
63,100		64,692		112,557		774,176
						548,427
						0
					3	4,746
			2,716			133,919
63,100	0	64,692	2,716	112,557	3	1,900,272
						64,580
						0
67,137	99	68,972	840	111,431		1,283,573
						95
						652,351
						58,630
						8,126
						0
						0
						32,299
67,137	99	68,972	840	111,431	0	2,099,654
(4,037)	(99)	(4,280)	1,876	1,126	3	(199,382)
						0
						0
13,848		1,351				195,477
						(15,231)
13,848	0	1,351	0	0	0	180,246
9,811	(99)	(2,929)	1,876	1,126	3	(19,136)
					0	584,603
	(30,717)	16,777		17,777		312,245
\$9,811	(\$30,816)	\$13,848	\$1,876	\$18,903	\$3	\$877,712

CASS COUNTY, TEXAS

COMBINING BALANCE SHEET - ALL TRUST AND AGENCY FUNDS

September 30, 2015

	TAX OFFICE	SHERIFF	JUSTICE COURT #1	JUSTICE COURT #2	JUSTICE COURT #3	JUSTICE COURT #4
ASSETS:						
Cash	\$365,694	\$40,208	\$17,398	\$8,437	\$17,456	\$8,325
Restricted Investments - District Clerk						
Accounts receivable						
TOTAL ASSETS	\$365,694	\$40,208	\$17,398	\$8,437	\$17,456	\$8,325
LIABILITIES & FUND BALANCES						
LIABILITIES:						
Accounts payable						
Due to other governments	\$365,694		\$17,398	\$8,437	\$17,456	\$8,325
Due to other entities		\$40,208				
TOTAL LIABILITIES	365,694	40,208	17,398	8,437	17,456	8,325
FUND BALANCE						
Fund balance September 30,	0	0	0	0	0	0
TOTAL LIABILITIES AND FUND BALANCES	\$365,694	\$40,208	\$17,398	\$8,437	\$17,456	\$8,325

Exhibit H-3

COUNTY CLERK	DISTRICT ATTORNEY	JUVENILE PROBATION	DISTRICT CLERK	TOTALS SEPTEMBER 30
\$86,081	\$399	\$4,375	\$668,407 751,517	\$1,216,780 751,517 0
\$86,081	\$399	\$4,375	\$1,419,924	\$1,968,297

	\$399		\$668,407	\$668,806 417,309
\$86,081		\$4,375	751,517	882,182
86,081	399	4,375	1,419,924	1,968,297
0	0	0	0	0
\$86,081	\$399	\$4,375	\$1,419,924	\$1,968,297

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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of County of Cass, Texas (the County) as of and for the year ended September 30, 2015 and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated February 4, 2016.

Internal Control Over Financial Reporting

Management of County of Cass, Texas is responsible for establishing and maintaining effective internal controls over financial reporting. In planning and performing our audit of the financial statements, we considered County of Cass, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of County of Cass, Texas' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of County of Cass, Texas' internal control over financial reporting.

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

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

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

Compliance and Other Matters

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

The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* (see 2015-1).

Purpose of this report

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

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



Moore, Caver and Setser, Inc.
Certified Public Accountants

February 4, 2016



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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**

Independent Auditor's Report

Honorable County Judge and Commissioners
The County of Cass, Texas

Honorable Judge and Commissioners:

Report on compliance for Each Major Federal Program

We have audited County of Cass, Texas' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of County of Cass, Texas' major federal programs for the year ended September 30, 2015. County of Cass, Texas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of County of Cass, Texas' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 County of Cass, Texas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, County of Cass, Texas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended September 30, 2015.

Report on Internal Control Over Compliance

Management of County of Cass, Texas is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered County of Cass, Texas' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 County of Cass, Texas' internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of County of Cass, Texas as of and for the year ended September 30, 2015, and have issued our report thereon dated February 4, 2016 which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Moore, Caver and Setser, Inc.
Certified Public Accountants

February 4, 2016

CASS COUNTY, TEXAS
Schedule of Findings and Questioned Costs
For The Year Ended September 30, 2015

I. Summary of Auditor's Results

1. Type of auditor's report issued on the financial statements: Unmodified
2. Internal control over Financial Reporting:

Material weakness(es) identified?	___ Yes	__X__ No
Significant deficiency(ies) identified that are not considered to be material weakness(es)	___ Yes	__X__ None reported
Noncompliance material to financial statements noted?	___ Yes	__X__ No
3. Federal and State Awards:

Material weakness(es) identified?	___ Yes	__X__ No
Significant deficiency(ies) identified that are not considered to be material weakness(es)	___ Yes	__X__ None reported

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

Did the audit disclose findings which are required to be reported under Sec. 510(a):

	___ Yes	__X__ No
--	---------	----------

4. Major programs include:

<u>Prog. #</u>	<u>Program</u>
<u>State Programs :</u>	
Pgm # 900	CSCD Basic Supervision
Pgm #10	CSCD Mental Health Initiative
A-2015-034	Tx. Juvenile Probation Commission
N-2015-034	Tx. Juvenile Probation Commission
Texas Historic Courthouse Preservation Program	

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

	__X__ Yes	___ No
--	-----------	--------

II. Findings Related to the Financial Statements

2015-01

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, 2015 Interest and Sinking expenditures exceeded the final approved budget.
Effect:	Future resources were decreased more than expected.
Cause:	Interest and Sinking – new bond proceeds and expenditures paid from proceeds were not budgeted.
Recommendation:	Management should proactively notify the governing body of potential and known future expenditure needs so that approval of budget amendments can be performed in an efficient and timely manner.

III. Findings and Questioned Costs Related to the Federal Awards

None noted.

CASS COUNTY, TEXAS
Schedule of Status of Prior Audit Findings
For The Year Ended September 30, 2015

2014-1 Expenditures exceeding Budgetary Allowance

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

As of 9/30/15 the County repeated this deficiency.

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

CASS COUNTY, TEXAS
Corrective Action Plan
For The Year Ended September 30, 2015

2015-01 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, 2015, the Interest and Sinking Fund expended amounts exceeding the final approved budgetary amounts. Management will properly amend the budgetary allowances and post expenditures in the upcoming periods.

Contact Person: Tammy Wells, County Auditor

Anticipated Completion Date: Immediately

CASS COUNTY, TEXAS

Exhibit K-1

**Schedule of Expenditures of State and Federal Awards
For The Year Ended September 30, 2015**

STATE OR FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	State ID or CFDA NUMBER	EXPENDITURES, INDIRECT COSTS AND REFUNDS
<u>U.S. Dept. of Health and Human Resources</u>		
Title IV-E (Juv. Prob)	93.568	20,412
Title IV-E (Foster Care)	93.568	1,180
Total U.S. Department of Health and Human Resources		<u>21,592</u>
Total Federal Assistance		<u>21,592</u>
ASSISTANCE PASSED DIRECTLY FROM STATE OF TEXAS		
Supplement for Salary - Lake Patrol (Corp. of Engineers)		10,261
E-Grant CJAD	5805701	32,240
Court at Law Grant		84,000
CSCD Basic		159,814
CSCD Basic - SAFPF		9,653
CSCD Comm Svc Restitution (#2)		63,665
CSCD Substance Abuse (#13)		11,717
CSCD Mental Health Initiative (#10)		63,455
CSCD High Risk Treatment Program (#11)		103,411
Crime Victims Coordinator	1336460	42,000
Texas Community Dev. Block Grant	7130.69	58,669
Tx. Juvenile Justice Department	A-2014-034	252,937
Tx. Juvenile Justice Department	N-2014-034	18,839
Total State Assistance		<u>910,661</u>
TOTAL FEDERAL AND STATE ASSISTANCE		<u>\$932,253</u>

CASS COUNTY, TEXAS

Notes to the Supplementary Schedule of Expenditures of State and Federal Awards For The Year Ended September 30, 2015

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

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

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

3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extends 30 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Statement - Provisional 6/97.

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

Honorable Judge and
Commissioners of the County of Cass

We have audited the financial statements of the County of Cass, Texas for the year ended September 30, 2015 and have issued our report thereon dated February 4, 2016. Professional standards require that we provide you with the following information related to our audit.

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

In planning and performing our audit of the financial statements of County of Cass, Texas as of and for the year ended September 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered The County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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

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

We did identify one internal control weakness that is not considered material. This finding related to the failure to adequately budget amounts relating to exiting bond debt through issuance of new bonds. This was due to the transactions not being originated through the bond manager's accounts and not through County funds.

Significant Accounting Policies

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

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the

financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

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

Disagreements with Management

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

Consultations with Other Independent Accountants

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

Issues Discussed Prior to Contracting Audit

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

Difficulties Encountered in Performing the Audit

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

This communication is intended solely for the information and use of management, the Board of Trustees, others within the organization, the School Financial Audits Division of Texas Education Agency, and is not intended to be and should not be used by anyone other than these specified parties.

Moore, Caver and Setser, Inc.

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Certified Public Accountants

February 4, 2016