

**CASS COUNTY, TEXAS**  
**ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

*Moore, Caver and Setser, Inc.*  
Certified Public Accountants



**CASS COUNTY, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
**for the Year Ended September 30, 2014**

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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, 2014, 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, 2014, 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 through 10 and 38-42 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 March 18, 2015, 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.*

Moore, Caver and Setser, Inc.  
Certified Public Accountants  
March 18, 2015

**Management's Discussion and Analysis  
Cass County, Texas  
For the Fiscal Year Ended September 30, 2014**

**-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, 2014. 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 \$810,200 as a result of this year's operations. Fines, forfeitures, charges for services and program revenues accounted for \$2,349,211 or 19.41% of total revenue, operating and capital grants provided revenues totaling \$710,137 or 5.87% and general revenues (including taxes) accounted for \$9,043,260 or 74.72%.

During the year, the County had expenses that were \$810,200 less than the \$12,102,608 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 \$2,483,874.

**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, 2014**

**-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 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.



**Management's Discussion and Analysis  
Cass County, Texas  
For the Fiscal Year Ended September 30, 2014**

**-UNAUDITED-**

**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.



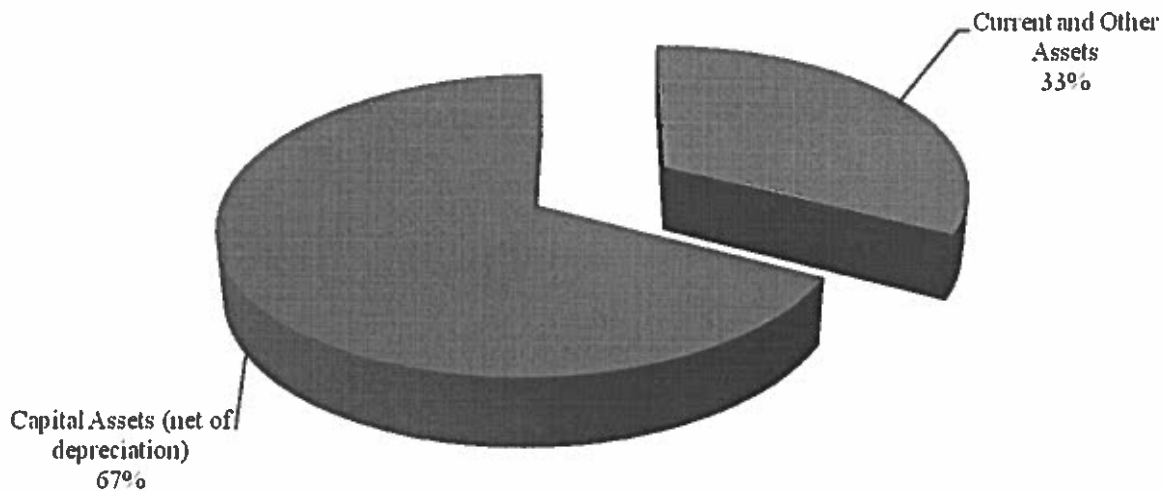


**Management's Discussion and Analysis  
Cass County, Texas  
For the Fiscal Year Ended September 30, 2014**

**-UNAUDITED-**

**Table I  
Cass County  
NET POSITION**

	%	Governmental Activities 2013	Governmental Activities 2014
	Change		
Current and other assets	11.86	\$ 6,411,022	\$ 7,171,528
Capital assets	0.55	14,713,040	14,793,422
Total assets	3.98	<u>21,124,062</u>	<u>21,964,950</u>
Long-term liabilities	(5.03)	6,388,922	6,067,290
Other liabilities	22.52	1,564,569	1,916,889
Total liabilities	0.39	<u>7,953,491</u>	<u>7,984,179</u>
Net Position:			
Invested in capital assets net of related debt	4.83	8,324,118	8,726,132
Restricted	19.82	296,417	355,177
Unrestricted – including reserved for capital projects	7.68	4,550,036	4,899,462
Total net position	6.15	<u>\$ 13,170,571</u>	<u>\$ 13,980,771</u>



**Management's Discussion and Analysis  
Cass County, Texas  
For the Fiscal Year Ended September 30, 2014**

**-UNAUDITED-**

**Table II  
Cass County**

**CHANGES IN NET POSITION**

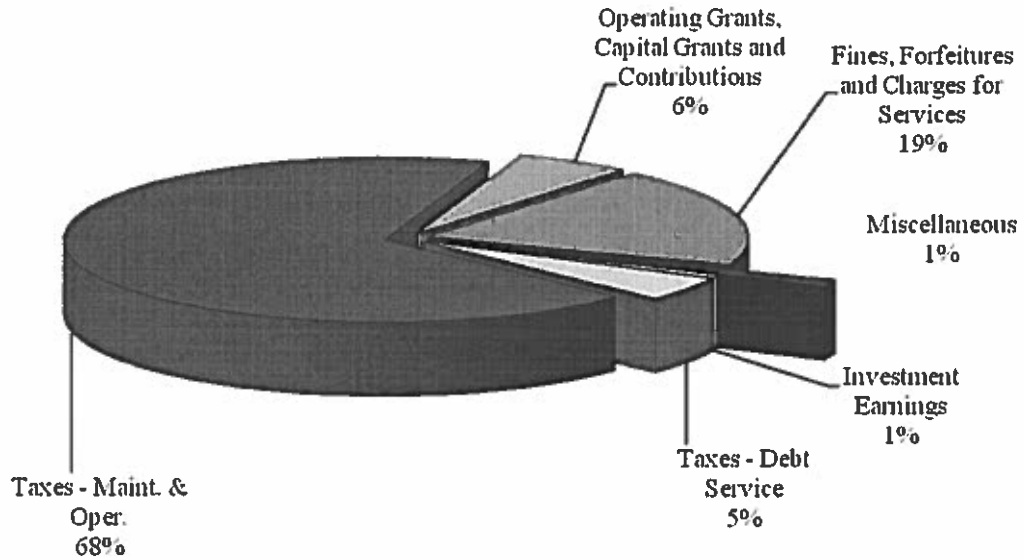
	%	Governmental Activities 2013	Governmental Activities 2014
	Change		
<b>Revenues:</b>			
<b>Program Revenues:</b>			
Fines, forfeitures and charges for services	(5.54)	\$ 2,486,960	\$ 2,349,211
Operating grants and contributions	(56.12)	1,142,265	501,248
Capital grants and contributions	100.00+	-0-	208,889
<b>General Revenues:</b>			
Maintenance and operations taxes	8.32	7,602,044	8,234,546
Debt service taxes	2.66	559,812	574,704
Investment earnings	100.00+	25,365	63,038
Miscellaneous	(44.17)	306,264	170,972
Total Revenue	(0.17)	12,122,710	12,102,608
<b>Expenses:</b>			
Administration and Financial	(0.66)	2,321,755	2,306,541
Road and Bridge	(12.88)	2,185,295	1,903,792
Corrections	1.39	388,352	393,739
Law Enforcement	1.06	3,305,791	3,340,781
Judicial	9.14	1,694,840	1,849,758
Community Services	4.07	703,783	732,448
Debt Service	(6.22)	291,240	273,138
Other	(22.44)	634,653	492,211
Total Expenses	(2.02)	11,525,709	11,292,408
Increase in net position before adj. to Net Position		597,001	810,200
Adjustment to Net Position – see fixed asset note		534,491	-0-
Net position Beginning of Year		12,039,079	13,170,571
Net position End of Year		\$ 13,170,571	\$ 13,980,771



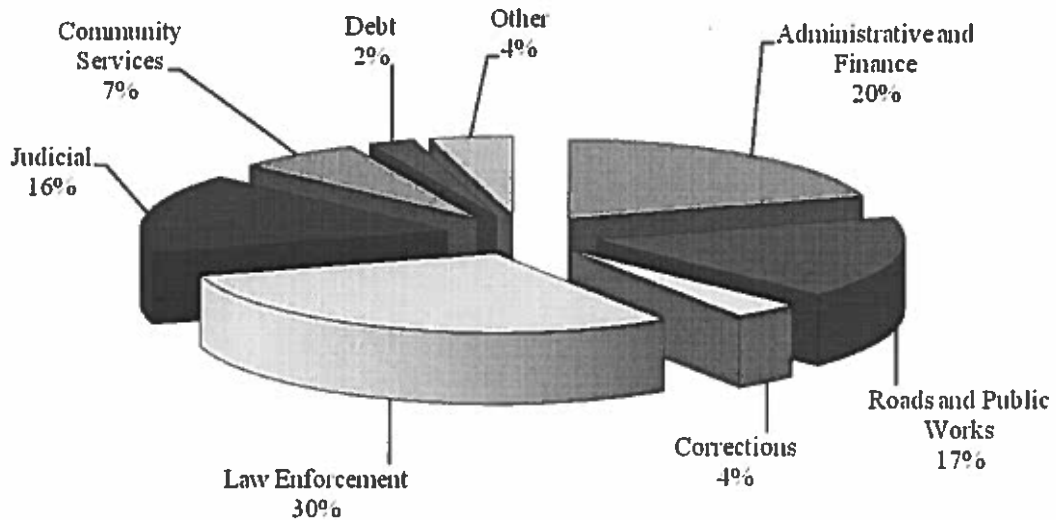
**Management's Discussion and Analysis  
Cass County, Texas  
For the Fiscal Year Ended September 30, 2014**

**-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, 2014**

**-UNAUDITED-**

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

The cost of all governmental activities this year was \$11,292,408. 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 \$7,999,050 because some of the costs were paid by fines, forfeitures and those who benefited from the programs (\$2,349,211) or by other governments and organizations that subsidized certain programs with grants and contributions (\$710,137) or by interest income, other revenues or usage of fund balance (\$234,010).

### **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 \$4,499,490, which is \$364,406 above last year's total of \$4,135,084. Included in this year's total change in fund balance is an increase in the General Fund of \$317,183, an increase in the Road and Bridge Funds \$139,488, an increase in Debt Service Fund of \$58,760, and a decrease in all other funds totaling \$151,025.

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 2013). 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 \$2,483,874 reported on page 15 differs from the General Fund's budgetary fund balance of \$2,354,987 reported in the budgetary comparison schedule on page 38.

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

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

At the end of 2014, the County had \$18,211,117 invested in a broad range of capital assets, including facilities and equipment, administration, law enforcement, court and maintenance. There was a net decrease in capital assets of \$32,232 over last year.

#### ***Debt***

At year-end, the County had outstanding bonds of \$5,985,000, which was a decrease of \$250,000 or 4.01% of the beginning balance. The County also had a net decrease of \$71,631 of notes and leases payable.



**Management's Discussion and Analysis  
Cass County, Texas  
For the Fiscal Year Ended September 30, 2014**

**-UNAUDITED-**

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

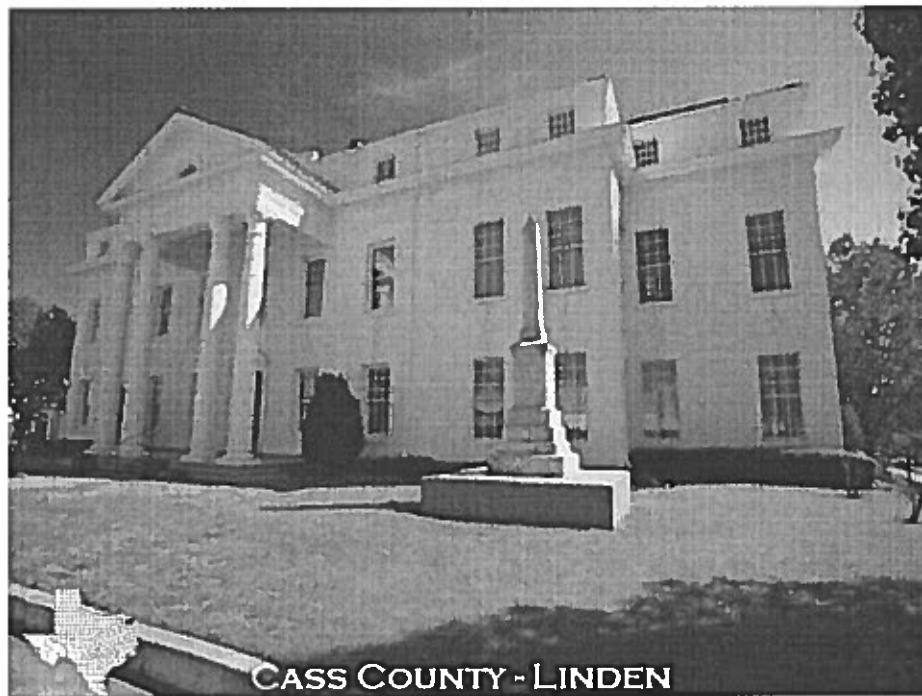
The County's elected and appointed officials considered many factors when setting the fiscal-year 2015 budget, tax rates.

These indicators were taken into account when adopting the General Fund budget for 2015. Indicators and factors which materially influence the budget are amounts available for appropriation in the General Fund budget, budgeted expenditures and the County future capital expenditure needs.

If these estimates are realized, the County's budgetary General Fund balance is expected to increase as of the close of 2015.

**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, 2014****ASSETS:**

Cash and Cash Equivalents	\$4,112,494
Investments	1,505,391
Accounts Receivable	217,003
Due from Other Governments	516,524
Property Taxes Receivable (Delinquent)	881,845
Allowance for Uncollectible Taxes	(61,729)
Land	156,820
Buildings, net	7,802,870
Furniture and Equipment, net	1,785,244
Construction in Progress	5,048,488
<b>Total Assets</b>	<b>21,964,950</b>

**LIABILITIES****Current**

Accounts Payable	741,504
Due to Other Governments	64,660
Unearned Revenues	1,110,725

**Long-term Liabilities:**

Due Within One Year	330,082
Due in More Than One Year	5,737,208
<b>Total Liabilities</b>	<b>7,984,179</b>

**NET POSITION**

Invested in Capital Assets, Net of Related Debt	8,726,132
Assigned - Debt Service	355,177
Unassigned - including reserved for capital projects	4,899,462
<b>Total Net Position</b>	<b>\$13,980,771</b>

**CASS COUNTY , TEXAS**  
**Statement of Activities**  
**For The Year Ended September 30, 2014**

	<b>EXPENSES</b>	<b>FINES, FORFEITURES AND OPERATING REVENUES</b>	<b>OPERATING GRANTS AND CONTRIBUTIONS</b>
<b>GOVERNMENTAL ACTIVITIES</b>			
Administration and Finance	\$2,306,541	\$665,000	
Roads and Public Works	1,903,792	907,295	\$80,024
Corrections	393,739	31,868	245,524
Law Enforcement	3,340,781	125,664	0
Judicial	1,849,758	548,686	143,091
Community Services	732,448	70,698	32,609
Debt Service	273,138		
Other Expenses	492,211		
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>11,292,408</b>	<b>2,349,211</b>	<b>501,248</b>

**General Revenues:**

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

**Change in Net Position**  
**Net Position, Beginning**  
**Net Position, Ending**



**Exhibit B-1**

<b>CAPITAL GRANTS AND CONTRIBUTIONS</b>	<b>TOTAL GOVERNMENTAL ACTIVITIES</b>
\$208,889	(\$1,432,652)
	(916,473)
	(116,347)
	(3,215,117)
	(1,157,981)
	(629,141)
	(273,138)
	(492,211)
<u>208,889</u>	<u>(8,233,060)</u>
	8,234,546
	574,704
	63,038
	170,972
	<u>9,043,260</u>
	810,200
	<u>13,170,571</u>
	<u>\$13,980,771</u>

**CASS COUNTY, TEXAS**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**September 30, 2014**

Exhibit C-1

ASSETS:	General Fund	Road and Bridge Fund	Debt Service Fund	THCPP Fund	Other Funds	Total Governmental Funds
Cash	\$2,287,187	\$961,487	\$408,111		\$810,116	\$4,466,901
Investments	859,609	250,530			395,252	1,505,391
Accounts receivable	169,315	35,332	2,574		9,782	217,003
Property taxes receivable - delinquent	667,403	105,866	68,947		39,629	881,845
Allowance for uncollectible taxes	(46,718)	(7,411)	(4,826)		(2,774)	(61,729)
Due from Fiduciary Funds	6,000					6,000
Due from other funds	92,661				82,600	175,261
Due from other governmental agencies	41,023			\$435,069	34,432	510,524
<b>TOTAL ASSETS</b>	<b>\$4,076,480</b>	<b>\$1,345,804</b>	<b>\$474,806</b>	<b>\$435,069</b>	<b>\$1,369,037</b>	<b>\$7,701,196</b>
<b>LIABILITIES &amp; FUND EQUITY:</b>						
<b>LIABILITIES:</b>						
Accounts payable	\$337,073	\$96,672		\$236,174	\$71,584	\$741,503
Accounts payable-bank overdraft				144,159	210,248	354,407
Due to other funds		82,600	60,000		32,661	175,261
Unearned Revenues	619,539			7,736	483,450	1,110,725
Due to other governments	64,660					64,660
<b>TOTAL LIABILITIES</b>	<b>1,021,272</b>	<b>179,272</b>	<b>60,000</b>	<b>388,069</b>	<b>797,943</b>	<b>2,446,556</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable Revenue - Property Taxes	571,334	90,695	59,629		33,492	755,150
<b>TOTAL DEFERRED INFLOWS OF RESOURCE</b>	<b>571,334</b>	<b>90,695</b>	<b>59,629</b>	<b>0</b>	<b>33,492</b>	<b>755,150</b>
<b>FUND BALANCES:</b>						
Restricted fund balance						0
Assigned fund balance	127,117	1,075,837	355,177	47,000	537,602	2,142,733
Unassigned fund balance	2,356,757				0	2,356,757
<b>TOTAL FUND BALANCES</b>	<b>2,483,874</b>	<b>1,075,837</b>	<b>355,177</b>	<b>47,000</b>	<b>537,602</b>	<b>4,499,490</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$4,076,480</b>	<b>\$1,345,804</b>	<b>\$474,806</b>	<b>\$435,069</b>	<b>\$1,369,037</b>	<b>\$7,701,196</b>

**CASS COUNTY, TEXAS**

Exhibit C-2

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets  
September 30, 2014**

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<b>Total Fund Balances - Governmental Funds</b>	<b>\$4,499,490</b>
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 \$ 18,243,349 and the accumulated depreciation was \$ 3,530,309. 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.	8,324,119
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.	784,804
The current year's depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(403,182)
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.	775,540
<b>Net Position of Governmental Activities</b>	<b><u>\$13,980,771</u></b>

**CASS COUNTY , TEXAS**  
**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**For The Year Ended September 30, 2014**

Exhibit C-3

	General Fund	Road and Bridge Fund	Debt Service Fund	THCPP Fund	Other Funds	Total Governmental Funds
<b>REVENUES:</b>						
Taxes	\$6,852,235	\$1,073,095	\$575,729		\$323,896	\$8,824,955
Licenses and permits	150,226	685,673				835,899
Intergovernmental revenues - miscellaneous	179,113				44,280	223,393
Intergovernmental revenues - Federal & State	138,512	80,024		\$208,889	337,224	764,649
Intergovernmental revenues - local						
Charges for services	260,782				78,656	339,438
Fines and forfeitures	458,980	221,622			0	680,602
Earnings on investments	39,999	11,508	2,132		9,399	63,038
Miscellaneous revenues	79,908	13,391		45,960	95,574	234,833
<b>Total revenues</b>	<b>8,159,755</b>	<b>2,085,313</b>	<b>577,861</b>	<b>254,849</b>	<b>889,029</b>	<b>11,966,807</b>
<b>EXPENDITURES:</b>						
<b>Current:</b>						
Administration and finance	2,022,355				161,787	2,184,142
Roads and public works		1,769,507				1,769,507
Corrections					356,117	356,117
Law enforcement	3,275,922				28,718	3,304,640
Judicial	1,077,505				712,795	1,790,300
Community services	647,187				71,985	719,172
Other expenditures	249,296				15,815	265,111
<b>Debt service:</b>						
Principal on debt	33,395	38,236	250,000			321,631
Interest on debt	1,389	2,648	268,351			272,388
Related fees			750			750
Capital outlay	288,107	135,434		234,485	32,247	690,273
<b>Total expenditures</b>	<b>7,595,156</b>	<b>1,945,825</b>	<b>519,101</b>	<b>234,485</b>	<b>1,379,464</b>	<b>11,674,031</b>
Excess of revenues over (under) expenditures	564,599	139,488	58,760	20,364	(490,435)	292,776
<b>OTHER FINANCING SOURCES &amp; (USES):</b>						
Loan proceeds	0				0	0
Transfers to other governmental entities	71,630				0	71,630
Transfers from other funds		1,805,358		22,634	319,046	2,147,038
Transfers to other funds	(319,046)	(1,805,358)			(22,634)	(2,147,038)
<b>Total other financing sources (uses)</b>	<b>(247,416)</b>	<b>0</b>	<b>0</b>	<b>22,634</b>	<b>296,412</b>	<b>71,630</b>
Excess of revenues and other sources over (under) expenditures and other uses	317,183	139,488	58,760	42,998	(194,023)	364,406
Fund balance, October 1	2,166,691	936,349	296,417	4,002	731,625	4,135,084
Adjustments					0	0
<b>Fund balance, September 30</b>	<b>\$2,483,874</b>	<b>\$1,075,837</b>	<b>\$355,177</b>	<b>\$47,000</b>	<b>\$537,602</b>	<b>\$4,499,490</b>

**CASS COUNTY, TEXAS**

**Exhibit C-4**

**Reconciliation of the Governmental Funds Statement of Revenues,  
Expenditures and Changes in Fund Balances to the Statement of Activities  
For the Year Ended September 30, 2014**

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<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>\$364,406</b>
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.	784,804
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.	(403,182)
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.	64,172
<b>Change in Net Position of Governmental Activities</b>	<u><u>810,200</u></u>

**CASS COUNTY, TEXAS**  
**Statement of Fiduciary Net Position**  
**September 30, 2014**

**Exhibit D-1**

	<u><b>AGENCY FUNDS</b></u>
<b>ASSETS:</b>	
Cash	\$591,498
Restricted investments - District Clerk	490,122
Accounts receivable	
Total Assets	<u>1,081,620</u>
<b>LIABILITIES</b>	
Accounts payable	115,604
Due to other governments	390,374
Due to other entities	575,642
Total Liabilities	<u>1,081,620</u>
<b>NET POSITION</b>	
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.

**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, 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.

**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 the following major governmental funds:

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

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

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

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

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

##### Governmental Funds:

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

##### Fiduciary Funds:

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

#### E. OTHER ACCOUNTING POLICIES

##### 1. Cash Equivalents

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

**2. Investments**

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

**3. Inventories**

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

**4. Receivables and Payables**

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

**5. Long-term Debt**

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

**6. Vacation and Sick Leave**

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

All full-time permanent employees of the County are eligible to accrue up to a maximum of sixty (60) days of compensated sick leave at a rate of six days per year. Employees are not entitled to payment for unused sick leave upon termination. Sick leave is allowed to be accumulated but does 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.

CASS COUNTY, TEXAS  
Notes to the Financial Statements  
For the Year Ended September 30, 2014

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

As of September 30, 2014, Assigned Fund Balance included \$127,117 in the General Fund, \$355,177 in Debt Service, \$1,075,837 in Road and Bridge, \$47,000 in THCPP and \$537,602 in other funds, Unassigned Fund Balance includes \$2,356,757 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 is capital assets amount also is adjusted by any bond issuance deferred amounts. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislature adopted by the district 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 2014, 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

**CASS COUNTY, TEXAS**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2014**

are budgeted for an expenditure, which meets the specific guidelines, set forth by the granting agency.

**12. Estimates and Assumptions**

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

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

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

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

<u>Capital Assets</u> <u>at the Beginning of the year</u>	<u>Historic Cost</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Net Value at the</u> <u>Beginning of the Year</u>	<u>Change in</u> <u>Net Position</u>
Land	156,820		156,820	
Buildings	9,311,893	1,294,555	8,017,338	
Furniture & Equipment	3,497,357	1,772,478	1,724,879	
Leased Equipment	463,276	463,276	-0-	
Construction in Progress	4,814,003	-0-	4,814,003	
Change in Net Position				14,713,040
<u>Long-term Liabilities</u> <u>At the Beginning of the year</u>			<u>Payables at the</u> <u>Beginning of the Year</u>	
Bonds Payable			6,235,000	
Loans Payable			<u>153,921</u>	
Change in Net Position				<u>(6,388,921)</u>
Adjustment to Net Position				<u>8,324,119</u>

**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:

**CASS COUNTY, TEXAS**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2014**

	<u>Amount</u>	<u>Adjustments to Changes in Net Position</u>	<u>Adjustments to Net Position</u>
<b><u>Net Current Year Capital Outlay</u></b>			
Land	-0-		
Buildings	10,300		
Construction in Progress	234,485		
Furniture and Fixtures	218,388		
Leased Equipment	<u>-0-</u>		
Total Capital Outlay	<u>463,173</u>	463,173	463,173
<b><u>Debt Principal Payments(Receipts)</u></b>			
Bond Principal	250,000		
Notes Payable	71,631		
Capital Leases	<u>-0-</u>		
Total Principal Pmts	<u>321,631</u>	<u>321,631</u>	<u>321,631</u>
Total Adjustment to Net Position		<u>784,804</u>	<u>784,804</u>

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

	<u>Amount</u>	<u>Adjustments to Change in Net Position</u>	<u>Adjustments to Net Position</u>
<b><u>Adjustments to Revenue and Deferred Revenue</u></b>			
Taxes Collected from Prior Year Levies	158,530	(158,530)	
Uncollected Taxes (assumed collectible) from Current Year Levy	222,702	222,702	222,702
Uncollected Taxes (assumed collectible) from Prior Year Levy	532,448		532,448
Adjustment to Fixed Asset Inventory	20,390		20,390
Other entries	<u>-0-</u>		<u>(-0-)</u>
Total		<u>64,172</u>	<u>775,540</u>

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

**A. BUDGETARY DATA**

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

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

**CASS COUNTY, TEXAS**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2014**

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1. Prior to September 20 the County prepares a budget for the next succeeding fiscal year beginning October 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Court is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to October 1, the Court legally enacts the budget through passage of a resolution. Once a budget is approved, it can only be amended at the fund level by approval of a majority of the members of the Court. Amendments are presented to the Court at its regular meetings. Each amendment must have Court approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Court, and are not made after fiscal year end. Because the County has a policy of careful budgetary control, several amendments were necessary during the year. There were no significant amendments.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure account level. Budgeted amounts are as amended by the Court. All budget appropriations lapse at year-end. A reconciliation of fund balances for both appropriated budget and non-appropriated budget special revenue funds is as follows:

	September 30, 2014
	<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, 2014, the actual expenditures in the Road and Bridge (combined) Fund and THCPP Grant Fund exceeded budgetary constraints. See 2014-1 on page 59 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, 2014, the carrying amount of the County's deposits (cash, certificates of deposit, and interest-bearing savings accounts) was \$4,599,895 and the bank balance was \$4,867,430. The County's combined deposits were fully insured at all times by federal depository insurance or collateralized with securities pledged to the County and held by the County's agent.

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

**CASS COUNTY, TEXAS**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2014**

- a. Depository: (1) Guaranty Bond Bank, Atlanta, Tx, (2) Domino FCU, Atlanta, Tx and (4) Red River FCU, Atlanta, Tx
- b. The fair market value of bond and/or security pledged as of the date of the highest combined balance on deposit was: (1) \$13,608,543, (2) \$-0- and (3) \$-0-.
- c. The largest combined balances of cash, savings, and time deposit accounts totaled (1) \$12,555,832 (on Jan 21, 2014), (2) \$243,533 (on Sep 30, 2014) and (3) \$243,822 (on Sep 31, 2014).
- d. The total amount of FDIC, including TLG Program, coverage at the time of the largest combined balance was \$250,000 for all institutions.
- e. Amount under-secured: (1) \$-0-, (2) \$-0- and (3) \$-0-.

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) obligation 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) bankers acceptance, (7) Mutual Funds, (8) Investments pools, (9) guaranteed investment contracts, (10) and common trust funds. Temporary investments are reported at cost, which approximates market, and are secured, when necessary, by the Federal Deposit Insurance Corporation (FDIC) or obligations of items 1-4 above at 102% of the investment's market value. The Act also requires the County to have independent auditors perform test procedures related to investment practices as provided by the Act. The County is in substantial compliance with the requirements of the Act and with local policies.

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

- Category 1 - Cash or investments that are insured, registered, or held by the County or its agent in the County's name.
- Category 2 - Cash or investments that are uninsured and unregistered held by the counter-party's trust department or agency in the County's name.
- Category 3 - Uninsured and unregistered held by the counter-party, its trust department, or its agency, but not in the County's name.

Based on these three levels of risk, the following table categorizes the County's investments at September 30, 2014.

Investment	Category 1	Category 2	Category 3	Carrying Amount	Market Value
General Fund					
Certificates of Deposit	487,401			487,401	487,401
TexPool			164,514	164,514	164,514
TexClass			207,693	207,693	207,693
Special Revenue Fund					
TexPool			645,783	645,783	645,783
Totals	<u>\$ 487,401</u>	<u>\$ -0-</u>	<u>\$ 1,017,990</u>	<u>\$ 1,505,391</u>	<u>\$ 1,505,391</u>

**CASS COUNTY, TEXAS**  
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Maturity information relating to the County's investments at September 30, 2014 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, 2013, upon which the levy for the 2013-14 fiscal year was based, was \$1,605,646,749. The roll was subsequently decreased to a year-end assessed value of \$1,602,665,996. 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, 2014, to finance General Fund operations, Special Revenue and the payment of principal and interest on general obligation long-term debt were \$.433327, \$.066327 and \$.034587 per \$100 valuation, respectively, for a total of \$.534241 per \$100 valuation.

Current tax collections for the year ended September 30, 2014, were 107.22 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



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periodically reviewed and written off, but the County is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of September 30, 2014, property taxes receivable, net of estimated uncollectible taxes, totaled \$620,685, \$98,455, \$36,855 and \$64,121 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, 2014, consisted of the following individual fund receivables and payables:

	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>
General Fund:		
Special Revenue		32,661
Debt Service		60,000
Special Revenue Fund		
General Fund	32,661	
Road and Bridge	82,600	
Road and Bridge		
Special Revenue		82,600
Debt Service Fund:		
General Fund	60,000	
Total	<u>\$ 175,261</u>	<u>\$ 175,261</u>

**D. CAPITAL ASSET ACTIVITY**

Capital asset activity for the County for the year ended September 30, 2014, was as follows:

	Balance 10/01	Adjustments	<u>Primary Government</u>		Balance 9/30
			Addition	Deletions	
Land	\$ 156,820	\$ -0-	\$ -0-	\$ -0-	\$ 156,820
Buildings and Impr.	9,311,893	-0-	10,300	-0-	9,322,193
Furniture & Equipment	3,497,357	(1,212)	218,388	(30,917)	3,683,616
Construction in Progress	4,814,003	-0-	234,485	-0-	5,048,488
Leased Equipment – Capital Leases	463,276	-0-	-0-	(463,276)	-0-
Total at Historical Cost	<u>\$18,243,349</u>	<u>(\$1,212)</u>	<u>\$463,173</u>	<u>(\$494,193)</u>	<u>\$18,211,117</u>
			<u>Primary Government</u>		
	Balance 10/01	Adjustments	Addition	Deletions	Balance 9/30
<u>Less Accumulated Depreciation for:</u>					
Buildings	\$ 1,294,555	(\$ -0-)	\$ 224,768	\$ -0-	\$ 1,519,323
Furniture & Equipment	1,772,478	(21,603)	178,414	(30,917)	1,898,372
Leased Equipment – Capital Leases	463,276	-0-	-0-	(463,276)	-0-
Total Accumulated Depreciation	<u>\$ 3,530,309</u>	<u>(\$21,603)</u>	<u>\$ 403,182</u>	<u>\$(494,193)</u>	<u>\$ 3,417,695</u>

Depreciation expense was charged to governmental functions as follows:

Administration and Finance	\$ 122,399
Roads and Public Works	134,285
Law Enforcement	36,141
Judicial	59,459
Corrections	37,622
Community Services	13,276
Total Depreciation Expense	<u>\$ 403,182</u>

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

During 2012, the County acquired a Tractor for Precinct #3. A loan in the amount of \$32,450 was obtained from Cass County Bank under Local Government Code Section 271.005. The capitalized cost of the asset, as of the date of purchase, was \$32,450. The loan has a life of thirty-six (36) monthly payments of \$761.00. It has an effective interest rate of 4.0%. As of September 30, 2014, the balance due on this loan was \$17,583.

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, 2014, the balance due on this loan was \$38,885.

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 is to be paid in sixty (60) monthly payments of \$3,568 with an interest rate of six percent (6%) and have a final payment during fiscal year ending 2015. As of September 30, 2014, the unpaid balance was \$25,822.

	Balance October 1, <u>2013</u>	<u>Additions</u>	<u>Retirements</u>	Balance September 30, <u>2014</u>
Pct. #3 Tractor	\$ 25,823	\$ -0-	\$ 8,240	\$ 17,583
Telephone System	59,217	-0-	33,395	25,822
Pct. #1 Loader	<u>68,881</u>	<u>-0-</u>	<u>29,996</u>	<u>38,885</u>
 Totals	 <u>\$ 153,921</u>	 <u>\$ -0-</u>	 <u>\$ 71,631</u>	 <u>\$ 82,290</u>

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

<u>Fiscal Year</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total</u>
2015	65,082	2,264	67,346
2016	16,809	197	17,006
2017	399	11	410
2018	-0-	-0-	-0-
2019	-0-	-0-	-0-
Thereafter	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
 Total	 <u>\$ 82,290</u>	 <u>\$ 2,472</u>	 <u>\$ 84,762</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, 2014, was \$32,145.

Capital Leases

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

**CASS COUNTY, TEXAS**  
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**G. BONDS PAYABLE**

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

During the year ended September 30, 2014, the following changes occurred in bond liabilities reported in the general long-term debt account group:

	Balance October 1, <u>2013</u>	<u>Additions</u>	<u>Retirements</u>	Balance September 30, <u>2014</u>
Series 2006 Cert. of Obl.	<u>6,235,000</u>	<u>-0-</u>	<u>250,000</u>	<u>5,985,000</u>
Totals	<u>\$ 6,235,000</u>	<u>\$ -0-</u>	<u>\$ 250,000</u>	<u>\$ 5,985,000</u>

*Certificates of Obligation*

On March 30, 2006, the County issued \$7,500,000 of Certificates of Obligation, Series 2006, for the purpose of renovation and additions to existing structures in order to make a Justice Center. The Certificates were issued pursuant to the Certificate of Obligation Act of 1971, Section 271.041, Texas Local Government Code. As of September 30, 2014, the balance due on these Certificates were \$5,985,000.

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

<u>Fiscal Year</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total</u>
2015	265,000	255,476	520,476
2016	275,000	241,976	516,976
2017	290,000	228,939	518,939
2018	300,000	216,401	516,401
2018	315,000	203,333	518,333
2020-2024	1,800,000	792,351	2,592,351
2025-2029	2,230,000	362,279	2,592,279
2030	<u>510,000</u>	<u>11,220</u>	<u>521,220</u>
Total	<u>\$ 5,985,000</u>	<u>\$ 2,311,975</u>	<u>\$ 8,296,975</u>

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

Long-term activity for the year ended September 30, 2014, was as follows:

	Balance October 1, <u>2013</u>	<u>Additions</u>	<u>Retirements</u>	Balance September 30, <u>2014</u>	<u>Due Within One Year</u>
Loans Payable	\$ 153,921	\$ -0-	\$ 71,631	\$ 82,290	\$ 65,082
Series 2006 Cert. Of Obl	<u>6,235,000</u>	<u>-0-</u>	<u>250,000</u>	<u>5,985,000</u>	<u>265,000</u>
Totals	<u>\$ 6,388,921</u>	<u>\$ -0-</u>	<u>\$ 321,631</u>	<u>\$ 6,067,290</u>	<u>\$ 330,082</u>

## I. DEFERRED COMPENSATION PLAN

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

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

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

## J. PENSION PLAN OBLIGATIONS

### Plan Description

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

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

Members can retire at ages 60 and above with 8 or more years of service or with 30 years of service regardless of age. A member is vested after 8 years. The plan provisions are adopted by the governing body of the County, within the options available in the state statutes governing TCERS and within the actuarial constraints also in the statutes.

### Annual Pension Costs

The required contribution was determined as part of the December 31, 2013 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2012 included (a) 8.0 percent investment rate of return (net of administrative expenses), and (b) projected salary increases of 4.9 percent. Both (a) and (b) included an inflation component of 3.0 percent. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market

**CASS COUNTY, TEXAS**  
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value of investments over a ten-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closing basis. The remaining amortization period at December 31, 2014 was 20 years.

**Contributions**

The contribution rate for the employees is 7% and the County ratio is currently 11.21, both as adopted by the governing body of the County. Under the state law governing TCDRS, the actuary annually determines the County contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to County matching percent, which are the obligation of the County as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the County to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded actuarial liability over the remainder to the plan's 20-year amortization period. When the County periodically adopts updated service credits and increases in annuities in effect, the increased unfunded actuarial liability is being amortized over a new 20-year period. Currently, the unfunded actuarial liability is being amortized over the 20-year period, which began January 1997. The unit credit actuarial cost method is used for determining the County contribution rate. Both the employees and the County make contributions monthly. Since the County needs to know its contribution rate in advance to budget for it, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect.

**Other Pension Plan information:**

A.	<u>GASB 27 Calculation Information</u>	<u>2013</u>	<u>2014</u>	
	1 GASB 27 compliant contribution rate	10.66%	11.21%	
	2 Actuarial assumed investment return rate	9.00%	9.00%	
	3 Actuarial amortization factor	12.9447	12.9447	
	4 Rate actually used to make contribution	10.66%	11.21%	
B.	<u>Actuarial Information</u>			
	1 Actuarial valuation date	12/31/11	12/31/12	12/31/13
	2 Actuarial cost method	entry age	entry age	entry age
	3 Amortization method	---Level percentage of Payroll, closed---		
	4 Amortization period in years	20.0	20.0	20.0
	5 Asset valuation method	---SAF: 10-yr smoothed value, ESF: Fund Value---		
	6 Assumptions:			
	Investment return – includes inflation at the stated rate	8.00%	8.00%	8.00%
	Projected salary increases – includes inflation at stated rate	5.4%	5.4%	4.9%
	Inflation	3.5%	3.5%	3.5%
	Cost of living adjustments	0.0%	0.0%	0.0%
C.	<u>Schedule of Funding Information</u>			
	1 Actuarial valuation date	12/31/11	12/31/12	12/31/13
	2 Actuarial value of assets	12,752,883	12,973,707	13,938,834
	3 Actuarial accrued liability (AAL)	15,590,650	16,054,863	17,041,542
	4 Unfunded or overfunded Actuarial Accr. Liability	2,837,767	3,081,156	3,102,708
	5 Funded ratio	81.80%	80.81%	81.79%
	6 Annual covered payroll (actuarial)	4,959,652	4,525,364	4,775,569
	7 UAAL or (OAAL) as percentage of covered payroll	57.22%	68.09%	64.97%

**CASS COUNTY, TEXAS**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2014**

**D. Note Disclosure variables**

	<u>2013</u>	<u>2014</u>	
<b>1 Plan Description</b>			
Number of participating subdivision	641	656	
Years required for vesting and retirement at age 60	8	8	
Rule of ___ for retirement eligibility	75	75	
Service years for retirement at any age	30	30	
Partial Lump-sum payment option	no	no	
<b>2 Funding Policy</b>			
Contribution rate for employer	10.66%	11.21%	
Contribution rate for employee	7.00%	7.00%	
Regular employer contribution rate	n/a	n/a	Fixed rate plans only
Supplemental employer contribution rate	n/a	n/a	Fixed rate plans only
<b>3 Other</b>			
Elected rate in effect	Yes	No	Variable rate plans only
Supplemental rate in effect	n/a	n/a	Fixed rate plans only

**Schedule of Actuarial Liabilities and Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities	Percentage Funded	Unfunded Actuarial Liabilities	Annual Covered Payroll	UAAL Divided by Payroll	County Contributions
12/31/07	11,530,968	13,203,852	87.33%	1,672,884	4,904,901	34.11%	398,278
12/31/08	11,466,947	14,117,409	81.23%	2,650,462	5,245,205	50.53%	452,661
12/31/09	12,665,617	15,171,980	83.48%	2,506,363	5,341,964	46.92%	461,012
12/31/10	12,257,936	15,050,563	81.45%	2,792,627	5,367,522	52.03%	491,128
12/31/11	12,752,883	15,590,650	81.80%	2,837,767	4,956,652	57.22%	453,808
12/31/12	12,973,707	16,054,863	80.81%	3,081,156	4,525,364	68.09%	482,404
12/31/13	13,938,834	17,041,542	81.79%	3,102,708	4,775,569	64.97%	535,341

**K. DEFERRED REVENUE and INFLOWS OF RESOURCES**

Deferred revenue at year-end consisted of the following:

	<u>General Fund</u>	<u>Road &amp; Bridge Fund</u>	<u>Debt Service</u>	<u>Other Funds</u>	<u>Total</u>
Net Deferred Prop. Tax	\$ 571,334	\$ 90,695	\$ 59,629	\$ 33,492	\$ 755,150
Other Deferred Revenues	619,539	-0-	-0-	491,186	1,110,725
<b>Totals</b>	<b>\$1,190,873</b>	<b>\$ 90,695</b>	<b>\$ 59,629</b>	<b>\$ 524,678</b>	<b>\$ 1,865,875</b>

**L. DUE FROM OTHER GOVERNMENTS**

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

**M. INDIVIDUAL FUND DISCLOSURES**

At September 30, 2014, the following funds reflected either deficit cash balances or deficit fund balances:

**CASS COUNTY, TEXAS**  
**Notes to the Financial Statements**  
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<u>Fund</u>	<u>Cash</u> <u>Balance</u>	<u>Fund</u> <u>Balance</u>
THCPP Fund	(144,159)	
Court At Law	(178,859)	(208,946)
Park	(10,666)	(14,077)
Law Library	(1,942)	(2,092)
Tx CDB 713069	(18,781)	

**N. LITIGATION AND CONTINGENCIES**

1. As of the report date, the County was not involved in any litigation that would have a material effect on the general-purpose financial statement.
2. The County participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the County has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at September 30, 2014 may be impaired. In the opinion of the County, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

**O. SUBSEQUENT EVENTS**

There were not significant subsequent events reportable.

**P. DISAGGREGATION OF RECEIVABLES AND PAYABLES**

Receivables at September 30, 2014, 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>
<b>Governmental Activities:</b>				
General Fund	\$ 41,023	\$92,661	\$175,315	\$308,999
Debt Service	-0-	-0-	2,574	2,574
Road and Bridge	-0-	-0-	35,332	35,332
THCPP Fund	435,069	-0-	-0-	435,069
Nonmajor Gov. Funds	<u>34,432</u>	<u>82,600</u>	<u>9,782</u>	<u>126,814</u>
Total - Governmental Activities	<u>\$510,524</u>	<u>\$175,261</u>	<u>\$223,003</u>	<u>\$908,788</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, 2014, were as follows:

	<u>Accounts</u> <u>and</u> <u>Accr. Wages</u>	<u>Due To</u> <u>Other</u> <u>Funds</u>	<u>Due to</u> <u>Other</u> <u>Governments</u>	<u>Other</u>	<u>Total</u> <u>Payables</u>
<b>Governmental Activities:</b>					
General Fund	\$337,073	\$ -0-	\$64,660	\$-0-	\$401,733
Debt Service	-0-	60,000	-0-	-0-	60,000
Road and Bridge	96,672	82,600	-0-	-0-	179,272
THCPP Fund	236,174	-0-	-0-	-0-	236,174
Non-major Gov. Funds	<u>71,584</u>	<u>32,661</u>	<u>-0-</u>	<u>-0-</u>	<u>104,245</u>
Total - Gov. Activities	<u>\$741,503</u>	<u>\$175,261</u>	<u>\$64,660</u>	<u>\$-0-</u>	<u>\$981,424</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>

**OTHER REQUIRED SUPPLEMENTARY SCHEDULES**





CASS COUNTY, TEXAS

Exhibit E-1

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET TO ACTUAL - GENERAL FUND  
 For The Year Ended September 30, 2014

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$6,642,417	\$6,833,867	\$6,852,235	\$18,368
Licenses and permits	153,300	149,903	150,226	323
Intergovernmental revenues - miscellaneous	152,390	173,629	179,113	5,484
Intergovernmental revenues - grants	140,263	127,013	138,512	11,499
Charges for services	240,623	233,448	260,782	27,334
Fines and forfeitures	550,226	458,980	458,980	0
Earnings on investments	14,500	39,999	39,999	0
Miscellaneous revenues	85,500	152,593	79,908	(72,685)
<b>Total revenues</b>	<b>7,979,219</b>	<b>8,169,432</b>	<b>8,159,755</b>	<b>(9,677)</b>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
Administration and finance	2,354,542	2,173,607	2,022,355	151,252
Roads and public works				0
Corrections				0
Law enforcement	3,248,136	3,344,337	3,275,922	68,415
Judicial	1,207,908	1,215,878	1,077,505	138,373
Community services	802,015	668,076	647,187	20,889
Grant expenditures	0	0	0	0
Other expenditures	44,848	249,296	249,296	0
<b>Debt service:</b>				
Principal on debt	47,799	46,410	33,395	13,015
Interest on debt		1,389	1,389	0
Related fees			0	0
Capital outlay	208,743	288,107	288,107	0
<b>Total expenditures</b>	<b>7,913,991</b>	<b>7,987,100</b>	<b>7,595,156</b>	<b>391,944</b>
Excess (deficiency) of Revenues over (under) Expenditures	65,228	182,332	564,599	382,267
<b>OTHER FINANCING SOURCES (USES)</b>				
Loan proceeds	6,000		0	0
Transfers to other entities			71,630	71,630
Transfers in	3,772	71,630	0	(71,630)
Transfers out	(75,000)	(65,666)	(319,046)	(253,380)
<b>Total other financing sources (uses)</b>	<b>(65,228)</b>	<b>5,964</b>	<b>(247,416)</b>	<b>(253,380)</b>
Net Change In Fund Balances	0	188,296	317,183	128,887
Fund balance, October 1 (Beginning)	2,166,691	2,166,691	2,166,691	0
Fund balance, September 30 (Ending)	\$2,166,691	\$2,354,987	\$2,483,874	\$128,887

**CASS COUNTY, TEXAS**  
**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET TO ACTUAL - ROAD AND BRIDGE FUND**  
**For The Year Ended September 30, 2014**

Exhibit E-2

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$1,040,736	\$1,072,183	\$1,073,095	\$912
Licenses and permits	690,000	685,673	685,673	0
Intergovernmental revenues - miscellaneous	70,000	80,024	0	(80,024)
Intergovernmental revenues - grants		0	80,024	80,024
Charges for services	650	3,513	0	(3,513)
Fines and forfeitures	250,000	221,622	221,622	0
Earnings on investments	600	11,508	11,508	0
Miscellaneous revenues		9,878	13,391	3,513
<b>Total revenues</b>	<b>2,051,986</b>	<b>2,084,401</b>	<b>2,085,313</b>	<b>912</b>
<b>EXPENDITURES:</b>				
Current:				
Roads and public works	2,120,171	1,772,016	1,769,507	2,509
Debt service:				
Principal on debt	41,752	50,186	38,236	11,950
Interest on debt		2,648	2,648	0
Related fees			0	0
Capital outlay	150,000	40,884	135,434	(94,550)
<b>Total expenditures</b>	<b>2,311,923</b>	<b>1,865,734</b>	<b>1,945,825</b>	<b>(80,091)</b>
Excess (deficiency) of Revenues over (under) Expenditures	(259,937)	218,667	139,488	(79,179)
<b>OTHER FINANCING SOURCES (USES)</b>				
Loan proceeds			0	0
Transfers to other entities			0	0
Transfers in	1,805,358	1,641,517	1,805,358	163,841
Transfers out	(1,805,358)	(1,641,517)	(1,805,358)	(163,841)
<b>Total other financing sources (uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Net Change In Fund Balances	(259,937)	218,667	139,488	(79,179)
Fund balance, October 1 (Beginning)	936,349	936,349	936,349	0
Fund balance, September 30 (Ending)	\$676,412	\$1,155,016	\$1,075,837	(\$79,179)

**CASS COUNTY, TEXAS**

Exhibit E-3

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

**BUDGET TO ACTUAL - DEBT SERVICE FUND**

**For The Year Ended September 30, 2014**

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$540,601	\$575,530	\$575,729	\$199
Intergovernmental Revenue			0	0
Earnings on investments	200	2,133	2,132	(1)
<b>Total revenues</b>	<b>540,801</b>	<b>577,663</b>	<b>577,861</b>	<b>198</b>
<b>EXPENDITURES:</b>				
Current:				
Debt service:				
Principal on debt	240,000	250,000	250,000	0
Interest on debt	280,601	268,351	268,351	0
Related fees	20,200	750	750	0
<b>Total expenditures</b>	<b>540,801</b>	<b>519,101</b>	<b>519,101</b>	<b>0</b>
Excess (deficiency) of Revenues over (under) Expenditures	0	58,562	58,760	0
Other financing sources (uses):				
Transfers from other funds			0	0
Transfers to other funds			0	0
<b>Total other financing sources (uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Change In Fund Balances</b>	<b>0</b>	<b>58,562</b>	<b>58,760</b>	<b>198</b>
Fund balance, October 1 (Beginning)	296,417	296,417	296,417	0
<b>Fund balance, September 30 (Ending)</b>	<b>\$296,417</b>	<b>\$354,979</b>	<b>\$355,177</b>	<b>\$198</b>

CASS COUNTY, TEXAS

Exhibit E-4

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET TO ACTUAL - THCPP FUND  
 For The Year Ended September 30, 2014

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
Grants - Federal/State	\$208,890	\$208,890	\$208,889	(\$1)
Contributions	53,696	53,696	45,960	(7,736)
Earnings on investments			0	0
<b>Total revenues</b>	<b>262,586</b>	<b>262,586</b>	<b>254,849</b>	<b>(7,737)</b>
<b>EXPENDITURES:</b>				
Capital Outlay	145,285	145,285	234,485	(89,200)
Miscellaneous costs				0
<b>Total expenditures</b>	<b>145,285</b>	<b>145,285</b>	<b>234,485</b>	<b>(89,200)</b>
Excess (deficiency) of Revenues over (under) Expenditures	117,301	117,301	20,364	(89,200)
<b>Other financing sources (uses):</b>				
Transfers from other funds			22,634	22,634
Transfers to other funds				0
<b>Total other financing sources (uses)</b>	<b>0</b>	<b>0</b>	<b>22,634</b>	<b>(22,634)</b>
Net Change In Fund Balances	117,301	117,301	42,998	(74,303)
Adjustment to Fund Balance			0	0
Fund balance, October 1 (Beginning)	4,002	4,002	4,002	0
<b>Fund balance, September 30 (Ending)</b>	<b>\$121,303</b>	<b>\$121,303</b>	<b>\$47,000</b>	<b>(\$74,303)</b>

**Other Pension Plan information:**

<b>A. <u>GASB 27 Calculation Information</u></b>		<b><u>2013</u></b>	<b><u>2014</u></b>	
1	GASB 27 compliant contribution rate	10.66%	11.21%	
2	Actuarial assumed investment return rate	9.00%	9.00%	
3	Actuarial amortization factor	12.9447	12.9447	
4	Rate actually used to make contribution	10.66%	11.21%	
<b>A. <u>Actuarial Information</u></b>				
1	Actuarial valuation date	12/31/11	12/31/12	12/31/13
2	Actuarial cost method	entry age	entry age	entry age
3	Amortization method	---Level percentage of Payroll, closed---		
4	Amortization period in years	20.0	20.0	20.0
5	Asset valuation method	---SAF: 10-yr smoothed value, ESF: Fund Value---		
6	Assumptions:			
	Investment return – includes inflation at the stated rate	8.00%	8.00%	8.00%
	Projected salary increases – includes inflation at stated rate	5.4%	5.4%	4.9%
	Inflation	3.5%	3.5%	3.5%
	Cost of living adjustments	0.0%	0.0%	0.0%
<b>B. <u>Schedule of Funding Information</u></b>				
1	Actuarial valuation date	12/31/11	12/31/12	12/31/13
2	Actuarial value of assets	12,752,883	12,973,707	13,938,834
3	Actuarial accrued liability (AAL)	15,590,650	16,054,863	17,041,542
4	Unfunded or overfunded Actuarial Accr. Liability	2,837,767	3,081,156	3,102,708
5	Funded ratio	81.80%	80.81%	81.79%
6	Annual covered payroll (actuarial)	4,959,652	4,525,364	4,775,569
7	UAAL or (OAAL) as percentage of covered payroll	57.22%	68.09%	64.97%
<b>C. <u>Note Disclosure variables</u></b>				
1	Plan Description	<u>2013</u>	<u>2014</u>	
	Number of participating subdivision	641	656	
	Years required for vesting and retirement at age 60	8	8	
	Rule of ___ for retirement eligibility	75	75	
	Service years for retirement at any age	30	30	
	Partial Lump-sum payment option	no	no	
2	Funding Policy			
	Contribution rate for employer	10.66%	11.21%	
	Contribution rate for employee	7.00%	7.00%	
	Regular employer contribution rate	n/a	n/a	Fixed rate plans only
	Supplemental employer contribution rate	n/a	n/a	Fixed rate plans only
3	Other			
	Elected rate in effect	Yes	No	Variable rate plans only
	Supplemental rate in effect	n/a	n/a	Fixed rate plans only

**Schedule of Actuarial Liabilities and Funding Progress**

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities	Percentage Funded	Unfunded Actuarial Liabilities	Annual Covered Payroll	UAAL Divided by Payroll	County Contributions
	12/31/07	11,530,968	13,203,852	87.33%	1,672,884	4,904,901	34.11%	398,278
	12/31/08	11,466,947	14,117,409	81.23%	2,650,462	5,245,205	50.53%	452,661
	12/31/09	12,665,617	15,171,980	83.48%	2,506,363	5,341,964	46.92%	461,012
	12/31/10	12,257,936	15,050,563	81.45%	2,792,627	5,367,522	52.03%	491,128
	12/31/11	12,752,883	15,590,650	81.80%	2,837,767	4,956,652	57.22%	453,808
	12/31/12	12,973,707	16,054,863	80.81%	3,081,156	4,525,364	68.09%	482,404
	12/31/13	13,938,834	17,041,542	81.79%	3,102,708	4,775,569	64.97%	535,341

## COMBINING SCHEDULES



**CASS COUNTY, TEXAS**  
**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**  
**September 30, 2014**

ASSETS:	COURT AT LAW	JUVENILE PROBATION	INDIGENT DEFENSE GRANT	CASS COUNTY PARK	LAW LIBRARY	DISTRICT ATTORNEY ESCROW	DISTRICT ATTORNEY STATE
Cash		\$366,366	\$21,551			\$306	\$8,768
Investments		129,171	70,049				
Accounts receivable	\$3,160	5,245			\$1,050		
Property taxes receivable - delinquent	39,123						
Allowance for uncollectible taxes	(2,739)						
Due from other governmental units			7,773				
Due from other funds							
<b>TOTAL ASSETS</b>	<b>\$39,544</b>	<b>\$500,782</b>	<b>\$99,373</b>	<b>\$0</b>	<b>\$1,050</b>	<b>\$306</b>	<b>\$8,768</b>
<b>LIABILITIES &amp; FUND BALANCES</b>							
<b>LIABILITIES:</b>							
Accounts payable	\$36,139	\$22,162		\$3,411	\$1,200		
Acct. payable-Negative cash balance	178,859			10,666	\$1,942		
Due to State							
Due to Other Funds							
Unearned Revenues		420,285					
<b>TOTAL LIABILITIES</b>	<b>214,998</b>	<b>442,447</b>	<b>0</b>	<b>14,077</b>	<b>3,142</b>	<b>0</b>	<b>0</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable Revenue - Property Taxes	33,492						
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>33,492</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>FUND BALANCES:</b>							
Restricted	(208,946)	58,335	99,373	(14,077)	(2,092)	306	8,768
Unreserved							
<b>TOTAL FUND BALANCES</b>	<b>(208,946)</b>	<b>58,335</b>	<b>99,373</b>	<b>(14,077)</b>	<b>(2,092)</b>	<b>306</b>	<b>8,768</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$39,544</b>	<b>\$500,782</b>	<b>\$99,373</b>	<b>\$0</b>	<b>\$1,050</b>	<b>\$306</b>	<b>\$8,768</b>

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
\$42,835	\$141,985 96,583	\$78,226 48,908	\$14,867 306	\$3,004 21,764	\$0	\$4,281	\$4,100	\$59,939 28,777 21 506 (35)
	82,600							
\$42,835	\$321,168	\$127,134	\$15,173	\$24,768	\$0	\$4,281	\$4,100	\$89,208
			\$794					
\$24,086		\$28,796						\$433
24,086	0	28,796	794	0	0	0	0	433
0	0	0	0	0	0	0	0	0
18,749	321,168	98,338	14,379	24,768	0	4,281	4,100	88,775
18,749	321,168	98,338	14,379	24,768	0	4,281	4,100	88,775
\$42,835	\$321,168	\$127,134	\$15,173	\$24,768	\$0	\$4,281	\$4,100	\$89,208



CASS COUNTY, TEXAS  
 COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
 September 30, 2014

Exhibit H-1

ASSETS:	CIVIL CHILD SUPPORT	LINDEN ENTERPRISE FUND	FEMA DR 1999 WILDFIRES	ROAD IMPR. GRANT 0710197	BEAR CREEK FMAG	TEXAS CDBG 713069	TOTAL NONMAJOR GOVERNMENTAL FUNDS
Cash	\$19,111	\$9,988	\$10	\$1,761	\$33,018		\$810,116
Investments							395,252
Accounts receivable							9,782
Property taxes receivable - delinquent							39,629
Allowance for uncollectible taxes							(2,774)
Due from other governmental units						\$26,659	34,432
Due from other funds							82,600
<b>TOTAL ASSETS</b>	<b>\$19,111</b>	<b>\$9,988</b>	<b>\$10</b>	<b>\$1,761</b>	<b>\$33,018</b>	<b>\$26,659</b>	<b>\$1,369,037</b>
<b>LIABILITIES &amp; FUND BALANCES</b>							
<b>LIABILITIES:</b>							
Accounts payable						\$7,878	\$71,584
Acct. payable-Negative cash balance						\$18,781	210,248
Due to State							0
Due to Other Funds					\$32,661		32,661
Unearned Revenues		\$9,850					483,450
<b>TOTAL LIABILITIES</b>	<b>0</b>	<b>9,850</b>	<b>0</b>	<b>0</b>	<b>32,661</b>	<b>26,659</b>	<b>797,943</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable Revenue - Property Taxes							33,492
<b>TOTAL DEFERRED INFLOWS OF</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>33,492</b>
<b>FUND BALANCES:</b>							
Restricted	19,111	138	10	1,761	357	0	537,602
Unreserved							0
<b>TOTAL FUND BALANCES</b>	<b>19,111</b>	<b>138</b>	<b>10</b>	<b>1,761</b>	<b>357</b>	<b>0</b>	<b>537,602</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$19,111</b>	<b>\$9,988</b>	<b>\$10</b>	<b>\$1,761</b>	<b>\$33,018</b>	<b>\$26,659</b>	<b>\$1,369,037</b>

**CASS COUNTY, TEXAS**  
**COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For The Year Ended September 30, 2014**

	COURT AT LAW	JUVENILE PROBATION	INDIGENT DEFENSE GRANT	CASS COUNTY PARK	LAW LIBRARY	DISTRICT ATTORNEY ESCROW	DISTRICT ATTORNEY STATE
<b>REVENUES:</b>							
Taxes	\$318,542						
Licenses and permits							
Intergovernmental revenues - miscellaneous		\$4,500			\$12,280		\$27,500
Intergovernmental revenues - grants		245,524	\$59,091				
Charges for services		5,845		\$65,344			
Fines and forfeitures							
Earnings on investments		3,725	374				
Miscellaneous revenues	38,983			4,761			
<b>Total revenues</b>	<b>357,525</b>	<b>259,594</b>	<b>59,465</b>	<b>70,105</b>	<b>12,280</b>	<b>0</b>	<b>27,500</b>
<b>EXPENDITURES:</b>							
<b>Current:</b>							
Administration and finance							
Roads and public works							
Corrections		356,117					
Law enforcement							
Judicial	471,189		53,232		13,651		64,810
Community services				71,985			
Other expenditures							
<b>Debt service:</b>							
Principal on debt							
Interest on debt							
Capital outlay							
<b>Total expenditures</b>	<b>471,189</b>	<b>356,117</b>	<b>53,232</b>	<b>71,985</b>	<b>13,651</b>	<b>0</b>	<b>64,810</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(113,664)</b>	<b>(96,523)</b>	<b>6,233</b>	<b>(1,880)</b>	<b>(1,371)</b>	<b>0</b>	<b>(37,310)</b>
<b>Other financing sources (uses)</b>							
Loan proceeds							
Transfers to other governmental entities							
Transfers from other funds	50,000	55,000					84,868
Transfers to other funds							
<b>Total other financing sources (uses)</b>	<b>50,000</b>	<b>55,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>84,868</b>
<b>Excess of revenues and other sources over expenditures and other uses</b>	<b>(63,664)</b>	<b>(41,523)</b>	<b>6,233</b>	<b>(1,880)</b>	<b>(1,371)</b>	<b>0</b>	<b>47,558</b>
<b>Fund balance, October 1</b>	<b>(145,282)</b>	<b>99,858</b>	<b>93,140</b>	<b>(12,197)</b>	<b>(721)</b>	<b>306</b>	<b>(38,790)</b>
<b>Adjustments</b>							
<b>Fund balance, September 30</b>	<b>(\$208,946)</b>	<b>\$58,335</b>	<b>\$99,373</b>	<b>(\$14,077)</b>	<b>(\$2,092)</b>	<b>\$306</b>	<b>\$8,768</b>

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
								\$5,354
			\$7,467					
\$397	\$2,403	\$952	94	\$18		\$11 175	\$182 32,544	774
397	2,403	952	7,561	18	0	186	32,726	6,128
						129,178		
		81,292	28,621				28,718	
	15,815							
				15,136				17,111
0	15,815	81,292	28,621	15,136	129,178	0	28,718	17,111
397	(13,412)	(80,340)	(21,060)	(15,118)	(129,178)	186	4,008	(10,983)
						129,178		
				(22,634)				
0	0	0	0	(22,634)	129,178	0	0	0
397	(13,412)	(80,340)	(21,060)	(37,752)	0	186	4,008	(10,983)
18,352	334,580	178,678	35,439	62,520	0	4,095	92	99,758
\$18,749	\$321,168	\$98,338	\$14,379	\$24,768	\$0	\$4,281	\$4,100	\$88,775

**CASS COUNTY, TEXAS**  
**COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For The Year Ended September 30, 2014**

Exhibit II-2

	CIVIL CHILD SUPPORT	LINDEN ENTERPRISE FUND	FEMA DR 1999 WILDFIRES	ROAD IMPR GRANT 0710197	BEAR CREEK FMAG	TEXAS CDBG 713069	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<b>REVENUES:</b>							
Taxes							\$323,896
Licenses and permits							0
Intergovernmental revenues							44,280
Intergovernmental revenues - grants						\$32,609	337,224
Charges for services							78,656
Fines and forfeitures							0
Earnings on investments		\$107		\$5	\$357		9,399
Miscellaneous revenues	\$19,111						95,574
<b>Total revenues</b>	<b>19,111</b>	<b>107</b>	<b>0</b>	<b>5</b>	<b>357</b>	<b>32,609</b>	<b>889,029</b>
<b>EXPENDITURES:</b>							
Current:							
Administration and finance						32,609	161,787
Roads and public works							0
Corrections							356,117
Law enforcement							28,718
Judicial							712,795
Community services							71,985
Other expenditures							15,815
Debt service:							
Principal on debt							0
Interest on debt							0
Capital outlay	0						32,247
<b>Total expenditures</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>32,609</b>	<b>1,379,464</b>
Excess of revenues over (under) expenditures	19,111	107	0	5	357	0	(490,435)
Other financing sources (uses)							
Loan proceeds							0
Transfers to other governmental entities							0
Transfers from other funds							319,046
Transfers to other funds							(22,634)
<b>Total other financing sources (uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>296,412</b>
Excess of revenues and other sources over expenditures and other uses	19,111	107	0	5	357	0	(194,023)
Fund balance, October 1	0	31	10	1,756	0	0	731,625
Adjustments							0
<b>Fund balance, September 30</b>	<b>\$19,111</b>	<b>\$138</b>	<b>\$10</b>	<b>\$1,761</b>	<b>\$357</b>	<b>\$0</b>	<b>\$537,602</b>

**CASS COUNTY, TEXAS**

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

**September 30, 2014**

	<b>TAX OFFICE</b>	<b>SHERIFF</b>	<b>JUSTICE COURT #1</b>	<b>JUSTICE COURT #2</b>	<b>JUSTICE COURT #3</b>
<b>ASSETS:</b>					
Cash	\$327,329	\$32,106	\$16,471	\$8,482	\$31,565
Restricted Investments - District Clerk					
Accounts receivable					
<b>TOTAL ASSETS</b>	<b>\$327,329</b>	<b>\$32,106</b>	<b>\$16,471</b>	<b>\$8,482</b>	<b>\$31,565</b>
<b>LIABILITIES &amp; FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Accounts payable					
Due to other governments	\$327,329		\$16,471	\$8,482	\$31,565
Due to other entities		\$32,106			
<b>TOTAL LIABILITIES</b>	<b>327,329</b>	<b>32,106</b>	<b>16,471</b>	<b>8,482</b>	<b>31,565</b>
<b>FUND BALANCE</b>					
Fund balance September 30,	0	0	0	0	0
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$327,329</b>	<b>\$32,106</b>	<b>\$16,471</b>	<b>\$8,482</b>	<b>\$31,565</b>

Exhibit II-3

JUSTICE COURT #4	COUNTY CLERK	DISTRICT ATTORNEY	JUVENILE PROBATION	DISTRICT CLERK	TOTALS SEPTEMBER 30
\$6,527	\$50,027	\$306	\$3,387	\$115,298 490,122	\$591,498 490,122 0
\$6,527	\$50,027	\$306	\$3,387	\$605,420	\$1,081,620
\$6,527	\$50,027	\$306	\$3,387	\$115,298 490,122	\$115,604 390,374 575,642
6,527	50,027	306	3,387	605,420	1,081,620
0	0	0	0	0	0
\$6,527	\$50,027	\$306	\$3,387	\$605,420	\$1,081,620

**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, 2014 and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 18, 2015.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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's 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 2014-1).

### 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.*

Moore, Caver and Setser, Inc.  
Certified Public Accountants

March 18, 2015



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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's 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's major federal programs for the year ended September 30, 2014. County of Cass, Texas's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on County of Cass, Texas's 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, 2014.

## 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's 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's 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 federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and 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, 2014, and have issued our report thereon dated March 18, 2015, 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.*

Moore, Caver and Setser, Inc.  
Certified Public Accountants

March 18, 2015

**CASS COUNTY, TEXAS**  
**Schedule of Findings and Questioned Costs**  
**For The Year Ended September 30, 2014**

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

1. Type of auditor's report issued on the financial statements: Unmodified.
2. Internal control over Financial Reporting:
  - Material weakness(es) identified?  Yes  No
  - Significant deficiency(ies) identified that are not considered to be material weakness(es)  Yes  None reported
  - Noncompliance material to financial statements noted?  Yes  No
3. Federal and State Awards:
  - Material weakness(es) identified?  Yes  No
  - Significant deficiency(ies) identified that are not considered to be material weakness(es)  Yes  None reported
  - Type of auditor's report on compliance for major programs: Unmodified.
  - Did the audit disclose findings which are required to be reported under Sec. 510(a):  Yes  No
4. Major programs include:
 

Prog. #	Program
<u>State Programs :</u>	
A-2014-034	Tx. Juvenile Probation Commission
N-2014-034	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:  Yes  No

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

<u>2014-01</u>	<u>Expenditures exceeding budgetary allowance</u>
<b>Criteria:</b>	Governmental Standards dictate that all expenditures must be approved by the governing body through means of budget allowances.
<b>Condition Found:</b>	During the review of the September 30, 2014 Road and Bridge Fund(s) expenditures exceeded the final approved budget by \$80,091 while THCPP Grant funds actual expenditures exceeded budget by \$89,200.
<b>Effect:</b>	Future resources were decreased more than expected.
<b>Cause:</b>	Road and Bridge - Equipment purchased with loans from a special revenue fund and accounted for as expenditures in the lender fund. Historic Courthouse grant fund did not recognize payables relating to construction invoices causing actual expenditures to exceed final budgetary allowance.
<b>Recommendation:</b>	Management should proactively notify the governing body of potential and known future expenditure needs so that approval of budget amendments can be performed in an efficient and timely manner.

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

None noted.

**CASS COUNTY, TEXAS**  
**Schedule of Status of Prior Audit Findings**  
**For The Year Ended September 30, 2014**

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**2013-1 Bank accounts not reconciled in a timely manner**

During the year ending September 30, 2013, certain bank accounts were not reconciled in a timely manner.

As of 9/30/14 the County corrected this deficiency.

For all findings and questioned costs:

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

**2013-2 Expenditures exceeding Budgetary Allowance**

During the year ending September 30, 2013, various Funds line items expenditures exceeded final amended budget due to adjustments discovered and approved for entry during the external audit.

As of 9/30/14 the County repeated this deficiency.

For all findings and questioned costs:

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

**CASS COUNTY, TEXAS**  
**Corrective Action Plan**  
**For The Year Ended September 30, 2014**

---

**2014-01 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, 2014, the Road and Bridge (combined) Fund and Courthouse Restoration (THCPP) Grant Fund expended amounts exceeding the final approved budgetary amounts. Overall, the Road and Bridge Fund exceeded the budgetary amounts in the amount of \$80,091 due to failure to properly record equipment purchased with loan proceeds from the Forestry Fund and the Courthouse Restoration Grant overspent budgetary constraints by \$89,200. 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**  
**Schedule of Expenditures of Federal and State Awards**  
**For The Year Ended September 30, 2014**

Exhibit K-1

STATE OR FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	State ID or CFDA NUMBER	EXPENDITURES, INDIRECT COSTS AND REFUNDS
<u>Federal Emergency Management Agency</u>		
Passed Through the Texas Dept. of Public Safety		
Wildfire Assistance - Bear Creek	97.036	10,959
Total U.S. Department of Emergency Mgt.		<u>10,959</u>
<u>U.S. Dept. of Health and Human Resources</u>		
Title IV-E (Juv. Prob)	93.568	4,549
Title IV-E (Foster Care)	93.568	1,962
Total U.S. Department of Health and Human Resources		<u>6,511</u>
<b>Total Federal Assistance</b>		<u><b>17,470</b></u>
<b>ASSISTANCE PASSED DIRECTLY FROM STATE OF TEXAS</b>		
Texas Historic Courthouse Preservation Program		234,486
Court at Law Grant		84,000
Formula Grant		52,288
Crime Victims Coordinator	1336460	42,000
Texas Community Dev. Block Grant	7130.69	32,609
Tx. Juvenile Justice Department	A-2014-034	260,430
Tx. Juvenile Justice Department	N-2014-034	19,263
<b>Total State Assistance</b>		<u><b>725,076</b></u>
<b>TOTAL FEDERAL AND STATE ASSISTANCE</b>		<u><u><b>742,546</b></u></u>

## CASS COUNTY, TEXAS

### Notes to the Supplementary Schedule of Expenditures of State and Federal Awards For The Year Ended September 30, 2014

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

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

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

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





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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, 2014 and have issued our report thereon dated March 18, 2015. 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, 2014, 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 identified any deficiencies in internal control that we consider to be material weaknesses, as defined above.

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

Another area of concern, which did not rise to the level of a finding, but should be addressed, relates to audit procedures relating to review/search for unrecorded liabilities at year-end. Audit

procedures require that we examine post year-end expenditures to determine if any invoices should be accrued as payables (and which were not recorded as such by county personnel). During our examination, the accounting records relating to expenditures (invoices, check copies, authorizations, etc.) were not assembled in an organized manner nor were filed as county internal control procedures dictate. Since our audit fieldwork dates were in early March 2015, this meant that over five months of records were not filed in accordance with internal control procedures.

Lastly, we recommend that the County Auditor's office increase or modify the amount of departmental auditing which it performs. Departments such as the Tax Assessor/Collector's and Justice of the Peace handle a great deal of cash. Such departments' audits should be changed from year to year to increase confidence in internal control relating to cash and other revenues. Although the Tax Assessor/Collector Department independent audit did not find any instances of internal control or uncorrected accounting error, the material amount of cash received and accounting for receipts for other taxing entities mandates increased review to ensure continued accuracy. Current internal audit procedures are not sufficient to accurately determine if internal controls are being properly followed.

#### **Significant Accounting Policies**

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

#### **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

#### **Audit Adjustments**

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

#### **Disagreements with Management**

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

#### **Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the County's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the

consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Issues Discussed Prior to Contracting Audit**

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

**Difficulties Encountered in Performing the Audit**

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

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

*Moore, Caver and Setser, Inc.*

*Moore, Caver and Setser, Inc.*  
Certified Public Accountants  
March 18, 2015