

**Castro County, Texas**  
**Financial Statements**  
**and**  
**Independent Auditor's Report**  
**For the Year Ended**  
**September 30, 2010**

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Castro County, Texas  
 Table of Contents  
 For the year ended September 30, 2010

	<u>Page #</u>
<b>Independent Auditor's Report</b>	<b>5</b>
<b>Management's Discussion and Analysis</b>	<b>7</b>
<b><u>Basic Financial Statements:</u></b>	
<i>Government-Wide Financial Statements</i>	
Statement of Net Assets	14
Statement of Activities	15
<i>Fund Financial Statements</i>	
Balance Sheet - Governmental Funds	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	17
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	18
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	19
Statement of Fiduciary Net Assets - Fiduciary Funds	20
Notes to the Financial Statements	21
<b><u>Required Supplementary Information:</u></b>	
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund and Road and Bridge Fund	32
<b><u>Combining Fund Statements:</u></b>	
Combining Balance Sheet - Nonmajor Governmental Funds	36
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Non-Major Governmental Funds	40
Combining Statement of Changes in Assets and Liabilities - All Agency Funds	43
<b><u>Report on Internal Control over Financial Reporting and on Compliance</u></b>	<b>45</b>
<b><u>Schedule of Findings and Responses</u></b>	<b>47</b>
<b><u>Schedule of Prior Year Findings and Responses</u></b>	<b>48</b>

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## BROWN, GRAHAM & COMPANY

PROFESSIONAL CORPORATION  
CERTIFIED PUBLIC ACCOUNTANTS

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### Independent Auditor's Report

To the Honorable Judge and  
Members of the Commissioners Court of  
Castro County, Texas:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Castro County, Texas (the County) as of and for the year ended September 30, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County as of September 30, 2010, and the respective changes in financial position thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2011, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and the budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor funds financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Brown, Graham & Company, P.C.*

Dimmitt, TX  
November 14, 2011

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# CASTRO COUNTY DIMMITT, TEXAS

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Castro County, we offer readers of Castro County's financial statements this narrative overview and analysis of the financial activities of Castro County for the fiscal year ended September 30, 2010.

### Financial Highlights

#### Government-Wide Financial Statements

- The assets of Castro County exceeded its liabilities at September 30, 2010 by \$5,583,507 (*net assets*). Of this amount, \$2,241,487 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors, \$1,835,482 (*restricted net assets*) legally must be used for expenditures for specified purposes, such as road and bridge, library, juvenile probation, etc., and \$1,506,538 of the County's equity is invested in capital assets, net of related debt.
- The County's total long-term debt outstanding at September 30, 2010 is \$16,988 which is a capital lease.
- The net assets (*equity*) of the County increased by \$49,847 during the 2010 fiscal year.

#### Fund Financial Statements

- As of September 30, 2010, Castro County's governmental funds reported combined ending fund balances of \$3,944,567. This fund balance reflects an increase of \$56,689 for the current year. Approximately 58% of fund balance, \$2,288,402, is *available for spending* at the government's discretion.
- At September 30, 2010, reserved fund balances for special revenue funds and prepaid expenses were \$1,610,667 and \$45,498, respectively.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Castro County's basic financial statements. Castro County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### Government-Wide Financial Statements

The *statement of net assets* presents information on all of Castro County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Castro County is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

The government-wide financial statements reflect functions of Castro County that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of Castro County include general government, judicial, legal, public facilities, public safety, health and welfare, and road and bridge.

The government-wide financial statements can be found on pages 14-15 of this report.

**CASTRO COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Fund Financial Statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Castro County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Castro County can be divided into two categories: governmental funds and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus on governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Castro County maintains two governmental fund types which are the general fund and special revenue funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund and the road and bridge fund (special revenue fund) which are considered to be major funds. Data from the other non-major governmental funds (special revenue funds) are combined into the aggregated presentation. Individual fund data for each of these non-major governmental funds (special revenue funds) is provided in the form of *combining statements* elsewhere in this report.

The governmental fund financial statements can be found on pages 16-19 of this report.

Castro County adopts an annual appropriated budget for its general fund, road and bridge fund (special revenue fund), and various other special revenue funds. A budgetary comparison statement has been provided for the general fund and the road and bridge fund (special revenue fund) to demonstrate compliance with these budgets on pages 32-33.

**Fiduciary funds.** Fiduciary funds are used to account for assets held by Castro County in a trustee capacity or as an agent for other governmental units. The County's fiduciary funds are all reported as Agency Funds. Agency funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's basic programs. The basic agency fund financial statement can be found on page 20 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found following the basic financial statements in this report.

**Other Information.** The combining statements referred to earlier in connection with non-major governmental funds (special revenue funds) and agency funds are presented immediately following the required supplementary information. Combining statements can be found on pages 36-43 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Castro County, assets exceeded liabilities by \$5,583,507 at September 30, 2010.

\$1,506,538 of Castro County's net assets (27 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is outstanding. Castro County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although Castro County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.



**CASTRO COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Castro County's Net Assets**

	<u>Governmental Activities 2010</u>	<u>Governmental Activities 2009</u>
Current and other assets	\$ 4,412,413	\$ 4,217,336
Capital Assets	1,523,526	1,536,856
<b>Total Assets</b>	<u>5,935,939</u>	<u>5,754,192</u>
Long-term liabilities	16,988	33,348
Other liabilities	335,444	187,184
<b>Total Liabilities</b>	<u>352,432</u>	<u>220,532</u>
Invested in capital assets, net of related debt	1,506,538	1,503,508
Restricted	1,835,482	1,852,889
Unrestricted	2,241,487	2,177,263
<b>Total net assets</b>	<u>\$ 5,583,507</u>	<u>\$ 5,533,660</u>

The government's net assets increased by \$49,847 during the year ended September 30, 2010.

**Castro County's Changes in Net Assets**

	<u>Governmental Activities 2010</u>	<u>Governmental Activities 2009</u>
<b>Revenues:</b>		
<b>Program Revenues:</b>		
Charges for Services	\$ 804,714	\$ 784,780
Operating Grants and Contributions	439,877	427,617
<b>General Revenues</b>		
Property Taxes	2,806,190	2,744,008
Interest Income	61,555	41,853
Miscellaneous Income	93,606	110,393
<b>Total Revenues</b>	<u>4,205,942</u>	<u>4,108,651</u>
<b>Expenses</b>		
General Government	1,130,667	1,086,676
Judicial	177,441	158,410
Legal	95,951	83,983
Public Facilities	139,844	129,301
Public Safety	1,351,947	1,162,523
Health and Welfare	3,205	13,508
Road and Bridge	1,257,040	1,163,570
<b>Total Expenses</b>	<u>4,156,095</u>	<u>3,797,971</u>
<b>Increase in net assets</b>	49,847	310,680
<b>Net Assets – beginning</b>	<u>5,533,660</u>	<u>5,222,980</u>
<b>Net Assets – ending</b>	<u>\$ 5,583,507</u>	<u>\$ 5,533,660</u>

**CASTRO COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

\*As noted earlier, Castro County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of Castro County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing Castro County's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of September 30, 2010, Castro County's governmental funds reported combined ending fund balances of \$3,944,567. Approximately 58 percent of this total amount (\$2,288,402) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* for special revenue purposes (\$1,610,667) and prepaid expenses (\$45,498) to indicate that it is not available for new spending because it has already been committed.

The general fund is the chief operating fund of the County. The unreserved fund balance represents 92% of the total general fund expenditures.

**Fund Budgetary Highlights**

The original budget for the General fund reflected a deficit of \$291,509, which drew upon fund balance. The final amended budget resulted in the same deficit as the original budget. The actual expenditures were \$189,701 less than the final budgeted amounts, and actual revenues and transfers in were \$145,684 more than was budgeted, resulting in a favorable variance of \$335,385.

In the Road and Bridge fund (special revenue fund), the original budget reflected a deficit of \$285,983 which drew upon the fund balance. The final amended budget resulted in the same deficit as the original budget. The actual expenditures and transfers in were \$359,929 less than the final budgeted amounts, and actual revenues and other financing sources were \$33,944 less than was budgeted, resulting in a favorable variance of \$325,985.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets.** Castro County's investment in capital assets for its governmental activities as of September 30, 2010, amounts to \$1,523,526 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and furniture and equipment. The County's infrastructure assets have not been capitalized at September 30, 2010.

**Castro County's Capital Assets  
(Net of depreciation)**

	Governmental Activities 2010	Governmental Activities 2009
Land	\$ 14,388	\$ 14,388
Buildings	281,177	298,222
Furniture and equipment	1,227,961	1,224,246
<b>Total</b>	<b>\$ 1,523,526</b>	<b>\$ 1,536,856</b>

Additional information on Castro County's capital assets can be found in Note 3 of this report.

**CASTRO COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

***CAPITAL LEASES PAYABLE***

- **Capital Leases Payable.** At September 30, 2010, the County had total leases payable of \$16,988.

The County's overall lease payable decreased by \$16,360 during the year ended September 30, 2010. There were no new capital leases originating during the current year. Additional information on Castro County's leases payable can be found in Note 4 following the basic financial statements in this report.

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

- The agriculture economy in the region is stable.
- The County promotes and encourages economic development to improve the economy.
- Castro County's goal is to improve the quality of life of all its citizens.

All of these factors were considered in preparing Castro County's budget for the 2011 fiscal year.

**Requests for Information**

This financial report is designed to provide a general overview of Castro County's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Auditor, Castro County Courthouse, 100 E. Bedford, Dimmitt, Texas 79027.

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## **Basic Financial Statements**

**Castro County, Texas  
Statement of Net Assets  
September 30, 2010**

	<u>Primary Government Governmental Activities</u>
Assets:	
Cash and cash equivalents	\$ 4,202,134
Receivables:	
Property tax (net)	132,613
Sales tax	25,980
Due from agency funds	6,187
Prepays	45,499
Capital assets, net	1,523,526
	5,935,939
Total Assets	
Liabilities	
Accounts payable and accrued expenses	298,854
Due to others	26,068
Due to state	10,522
Non-current liabilities:	
Lease payable due in one year	16,988
Lease payable due in more than one year	-
	352,432
Total Liabilities	
Net Assets:	
Investment in capital assets, net of related debt	1,506,538
Restricted for special revenue	1,835,481
Unrestricted	2,241,488
	\$ 5,583,507
Total Net Assets	

The accompanying notes are an integral part of these financial statements.

**Castro County, Texas**  
**Statement of Activities**  
**For the Year ended September 30, 2010**

Function/Program	Expenses	Program Revenues		Primary Government
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Primary Government				
Governmental activities				
General government	\$ 1,130,667	\$ 106,609	\$ 20,373	\$ (1,003,685)
Judicial	177,441	40,791	10,447	(126,203)
Legal	95,951	2,590	27,214	(66,147)
Public facilities	139,844	1,034	91,279	(47,531)
Public safety	1,351,947	193,184	290,564	(868,199)
Health and welfare	3,205	-	-	(3,205)
Road and bridge	1,257,040	460,506	-	(796,534)
Total governmental activities	<u>4,156,095</u>	<u>804,714</u>	<u>439,877</u>	<u>(2,911,504)</u>
Total primary government	<u>\$ 4,156,095</u>	<u>\$ 804,714</u>	<u>\$ 439,877</u>	
General revenues:				
Taxes and penalties				2,806,190
Interest income				61,555
Miscellaneous income				93,606
Total general revenues				<u>2,961,351</u>
Change in net assets				49,847
Net assets- beginning				<u>5,533,660</u>
Net assets- ending				<u>\$ 5,583,507</u>

The accompanying notes are an integral part of these financial statements.

**Castro County, Texas  
Balance Sheet  
Governmental Funds  
September 30, 2010**

	General Fund	Road and Bridge Fund	Non-major Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Cash and cash equivalents	\$ 2,383,213	\$ 1,258,974	\$ 559,949	\$ 4,202,136
Receivables:				
Property tax	98,892	33,722	-	132,614
Sales tax	25,980	-	-	25,980
Due from agency funds	6,187	-	-	6,187
Due from others	3,285	-	10,631	13,916
Due from other funds	47,679	5,488	3,569	56,736
Prepays	28,321	17,101	76	45,498
<b>Total Assets</b>	<b><u>\$ 2,593,557</u></b>	<b><u>\$ 1,315,285</u></b>	<b><u>\$ 574,225</u></b>	<b><u>\$ 4,483,067</u></b>
<b>Liabilities</b>				
Accounts payable and accrued expenditures	\$ 159,269	\$ 95,183	\$ 45,145	\$ 299,597
Due to others	355	-	30,881	31,236
Due to state	18,318	-	-	18,318
Due to other funds	-	-	56,735	56,735
Deferred revenue- taxes	98,892	33,722	-	132,614
<b>Total Liabilities</b>	<b><u>276,834</u></b>	<b><u>128,905</u></b>	<b><u>132,761</u></b>	<b><u>538,500</u></b>
<b>Fund Equity</b>				
Unreserved, reported in general fund	2,288,402	-	-	2,288,402
Reserved for prepaids	28,321	17,101	76	45,498
Reserved for special revenue	-	1,169,279	441,388	1,610,667
<b>Total Fund Equity</b>	<b><u>2,316,723</u></b>	<b><u>1,186,380</u></b>	<b><u>441,464</u></b>	<b><u>3,944,567</u></b>
<b>Total Liabilities and Fund Equity</b>	<b><u>\$ 2,593,557</u></b>	<b><u>\$ 1,315,285</u></b>	<b><u>\$ 574,225</u></b>	<b><u>\$ 4,483,067</u></b>

The accompanying notes are an integral part of these financial statements.



**Castro County, Texas**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Assets**  
**September 30, 2010**

Total Fund Balances- Governmental Funds	\$ 3,944,567
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds balance sheet. The net effect is to increase net assets.	1,523,526
Other long-term assets are not available to pay for current-period expenditures, therefore, are deferred in the governmental funds. Deferred revenue is recognized in the government-wide financial statements. This results in an increase in net assets.	132,614
Long-term liabilities, including leases payable, and accrued expenses associated with these long-term liabilities, including accrued interest, are not due and payable in the current period and therefore are not reported in the governmental funds. The net effect is a decrease in net assets.	(17,200)
Net Assets in Governmental Activities	<u>\$ 5,583,507</u>

The accompanying notes are an integral part of these financial statements.

**Castro County, Texas**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year ended September 30, 2010**

	General Fund	Road and Bridge Fund	Non-major Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Intergovernmental	\$ 45,800	\$ -	\$ 184,458	\$ 230,258
State and Federal	37,661	-	204,453	242,114
Property taxes, other taxes and penalties	2,073,291	748,705	-	2,821,996
Interest earnings	39,168	20,340	1,951	61,459
Fees and charges for services	80,427	460,506	31,677	572,610
Fines and forfeitures	163,999	-	27,049	191,048
Rent and utilities	12,925	-	-	12,925
Other miscellaneous	78,098	95	3,200	81,393
<b>Total Revenues</b>	<b>2,531,369</b>	<b>1,229,646</b>	<b>452,788</b>	<b>4,213,803</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	1,057,682	-	44,456	1,102,138
Judicial	180,048	-	461	180,509
Legal	78,820	-	12,334	91,154
Public facilities	23,909	-	100,644	124,553
Public safety	1,009,048	-	296,953	1,306,001
Health and welfare	3,205	-	-	3,205
Road and bridge	-	1,050,694	-	1,050,694
Capital Outlay	140,369	132,100	28,200	300,669
<b>Total Expenditures</b>	<b>2,493,082</b>	<b>1,182,794</b>	<b>483,048</b>	<b>4,158,924</b>
<b>Excess of Revenues over (under) Expenditures</b>	<b>38,287</b>	<b>46,852</b>	<b>(30,260)</b>	<b>54,879</b>
<b>Other Financing Sources (Uses):</b>				
Sale of assets	-	1,810	-	1,810
Interfund transfers in (out)	5,589	(8,660)	3,071	-
<b>Total Other Financing Sources (Uses)</b>	<b>5,589</b>	<b>(6,850)</b>	<b>3,071</b>	<b>1,810</b>
<b>Net Change in Fund Balance</b>	<b>43,876</b>	<b>40,002</b>	<b>(27,188)</b>	<b>56,689</b>
<b>Fund Balance- Beginning of Year</b>	<b>2,272,847</b>	<b>1,146,378</b>	<b>468,651</b>	<b>3,887,876</b>
<b>Fund Balance- End of Year</b>	<b>\$ 2,316,723</b>	<b>\$ 1,186,380</b>	<b>\$ 441,463</b>	<b>\$ 3,944,565</b>

The accompanying notes are an integral part of these financial statements.

**Castro County, Texas**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,**  
**and Changes in Fund Balance to the Statement of Activities**  
**For the Year ended September 30, 2010**

Net Change in Fund Balances- Governmental Funds	\$	56,689
Amounts reported for governmental activities in the statement of net assets are different because:		
Current year asset acquisitions are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The net effect of including capital purchases is to increase net assets.		300,669
Depreciation expense is not reflected in the governmental funds, but is recorded in the government-wide financial statements as an expense and an increase to accumulated depreciation. The net effect of current year depreciation expense is to decrease net assets.		(311,261)
Revenue from property taxes and court fines are recognized in the fund financial statements on the modified accrual basis but are recognized on the accrual basis in the government-wide financial statements. The net effect is to decrease net assets.		(10,129)
Current year capital lease principal payments are expenditures in the fund financial statements, but are shown as reductions on lease payables in the government-wide financial statements. The effect is to increase net assets.		16,360
The basis in a sold asset is not taken into account in the fund financial statements. The gross amount received is recorded instead of the gain or loss on the sale of the asset. The net effect is to decrease net assets.		(2,738)
Accrued interest on capital leases is not due and payable in the current period and therefore is not reported in the governmental funds, but because the accrued expense is less this year than last, the net effect is to increase net assets.		257
Change in Net Assets of Governmental Activities	\$	49,847

The accompanying notes are an integral part of these financial statements.

**Castro County, Texas**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**September 30, 2010**

	<u>Agency Funds</u>
Assets	
Cash and cash investments	\$ 202,792
Total Assets	<u>\$ 202,792</u>
Liabilities	
Due to others	\$ 164,910
Due to State	31,695
Due to other funds	6,187
Total Liabilities	<u>\$ 202,792</u>

The accompanying notes are an integral part of these financial statements.

**CASTRO COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

*Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

The financial statements of Castro County, Texas (the County) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board, (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies are described below.

**A. Reporting Entity**

The authority of county governments and their specific functions and responsibilities are created by and dependent upon laws and legal regulations of the Texas State Constitution. The County is governed by the Commissioner's Court, which is composed of four commissioners and the County Judge in accordance with Article 5, Paragraph 18 of the Texas Constitution. The County is not included in any other governmental "reporting entity" as defined by GASB Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

The County provides the following services to its citizens: public safety (law enforcement and detention, and fire prevention), public transportation (roads and bridges), health and welfare, culture and recreation facilities, judicial and legal, and general and financial administrative services.

**B. Government-Wide and Fund Financial Statements**

***Government-wide financial statements.*** The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by the program's revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

***Fund financial statements.*** The County uses funds to report on its financial position and the results of its operations. Separate fund financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**CASTRO COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

*Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued*

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, fines, interest revenue, and revenue received from various governmental entities associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales taxes collected and held by the state at year-end on behalf of the County also are recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

**Governmental Fund Types**

The government reports the following major governmental funds:

**General Fund** – The General Fund is the general operating fund of the County. It is used to account for all financial resources of the general government, except those required to be accounted for in another fund.

**Road and Bridge Fund** – The Road and Bridge Fund is a special revenue fund of the County. It is used to account for the expenditures of the four different precincts and for the highway and street expenditures.

**Non-major Governmental Funds – Special Revenue Funds** are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

**Fiduciary Fund Type - Agency Fund**

Fiduciary funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Formal budgetary accounting is not required for fiduciary funds. Since by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated in the government-wide financial statements.

**CASTRO COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

*Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued*

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (cont.)**

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of GASB. Governments also have the option of following subsequent private-sector guidance for their business-type and enterprise funds, subject to this same limitation. The County has no business-type or enterprise funds.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

**D. Budgets**

The County follows these procedures in establishing budgetary data reflected in the financial statements:

Public hearings are conducted at the Castro County Courthouse to obtain taxpayer comments. Prior to October 1, the budget is legally enacted through adoption of an order by the Commissioners' Court. Budgets are adopted for the general fund and most special revenue funds. All budget amendments are approved by the Commissioners' Court.

The budgeted amounts presented in these statements are as originally adopted, or as amended, by the Commissioners' Court during the year ended September 30, 2009.

The County had a large negative variance for the year ended September 30, 2010 in total capital outlay expenditures for the general fund as shown on the Budget to Actual comparison in required supplementary information on page 32. This was a result of having more expenditures than anticipated pertaining to a pickup purchase for the Extension Office and new software purchase for the County. Management is aware of the variance and will more closely monitor the budget in the future.

**E. Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**F. Encumbrances**

Encumbrances are commitments related to unperformed (executory) contracts for goods or services, and are a common budgetary control device, used in conjunction with a formally integrated budget to insure that appropriations are not exceeded. Encumbrance accounting has not been employed in the financial records of the County.

**G. Rounding**

The amounts on these statements have been rounded individually, therefore some columns may not total due to rounding.

**CASTRO COUNTY, TEXAS**  
NOTES TO FINANCIAL STATEMENTS

*Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued*

**H. Cash and Investments**

In compliance with the *Public Funds Investment Act*, the County has adopted a deposit and investment policy that does address the following risk:

**Concentration of Credit Risk:** As of September 30, 2010, the County held fully secured Certificates of Deposit totaling \$1,234,515.35 at First United Bank.

**Custodial Credit Risk:** Deposits are collateralized with securities held by the pledging financial institution's trust department or agent but not in the government's name.

**Interest Rate Risk:** The County's policy provides that the maximum allowable stated maturity of any individual investment owned by the County shall not exceed one year from the time of purchase.

**Credit Risk:** State statutes authorize the County to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The County's policies further limit its investment choices to obligations of or guaranteed by governmental entities, certificates of deposit, fully collateralized repurchase agreements, a securities lending program, banker's acceptances, commercial paper, no-load money market mutual funds and no-load mutual funds, a guaranteed investment contract as an investment vehicle for bond proceeds, and public funds investment pools, all as permitted by Texas Government Codes.

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The County's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the County's agent bank, approved pledged securities 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. The County's cash deposits at September 30, 2010 were entirely covered by the FDIC insurance or by pledged collateral held by the County's agent bank.



**CASTRO COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

*Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued*

**I. Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

Taxes are levied on October 1 in conformity with Subtitle E, Texas Property Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1. Property taxes attach as an enforceable lien as of January 1 to secure the payment of all taxes, penalties, and interest ultimately imposed. The Castro County Appraisal District assesses and collects property taxes for the County. The County is permitted by the Municipal Finance Law of the State to levy taxes up to \$1.20 per \$100 of appraised valuation for general services, permanent improvements, lateral road, jury, and other operational purposes. Additional taxes may be levied for the payment of principal as established by the Attorney General of the State of Texas. The tax rate for the year ended September 30, 2010 was \$.652 per \$100 valuation.

All receivables are shown net of an allowance for uncollectible amounts.

**J. Capital Assets**

Capital assets, which include property, plant, and equipment, are reported in the governmental activities column in the government-wide financial statements. The County's policy is to capitalize assets costing \$5,000 or greater. All capital assets are valued at their historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments which materially extend the useful lives of the capital assets are capitalized.

Depreciable capital assets are depreciated using the straight-line method over the asset's estimated useful life as follows:

Buildings	25-40 years
Improvements other than buildings	10-20 years
Equipment	3-12 years

**K. Long-Term Debt**

In the government-wide financial statements, long-term debt is reported as a liability in the governmental activities column. The only long-term debt the County has is a capital lease on County motor graders.

**L. Fund Equity**

In the fund financial statements, governmental special revenue funds report reservations for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**CASTRO COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

*Note 2: RETIREMENT PLAN*

Plan Description

The County provides retirement, disability, and death benefits for all of its full-time employees through an agent multiple-employer defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 602 participating subdivisions. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034, or may be obtained from the TCDRS website at <http://www.tcdrs.com>.

The plan provisions are adopted by the governing body of the County, within the options available in the Texas State statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service but must leave their accumulated contributions in the plan to receive any County-financed benefit. Members who withdraw their personal deposits in a lump sum are not entitled to any amounts contributed by the County.

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

Funding Policy

The County has elected the annually determined contribution rate (variable rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the County based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The County contributed using the actuarially determined rate of 9.49% for the months of the accounting year in 2010, and 7.23% for the months of the accounting year in 2009. The contribution rate payable by the employee members for calendar years 2010 and 2009 was 7% as adopted by the governing body of the County. The employee contribution rate and the County contribution rate may be changed by the governing body of the County within the options available in the TCDRS Act.

The TCDRS Act allows the County to elect to make an additional optional contribution to its account during the year, in addition to its regular monthly contributions.

Annual Pension Cost

For the County's accounting year ended September 30, 2010, the annual pension cost for the TCDRS plan for its employees was \$145,228, and the actual contributions were \$145,228. The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees, and were in compliance with the GASB Statement No. 27 parameters based on the actuarial valuations as of December 31, 2009, the basis for determining the contribution rate for fiscal year 2010. The December 31, 2009 actuarial valuation is the most recent valuation.

**CASTRO COUNTY, TEXAS**  
NOTES TO FINANCIAL STATEMENTS

*Note 2: RETIREMENT PLAN – continued*

Actuarial Valuation Information

Actuarial valuation date	<u>12/31/07</u>	<u>12/31/08</u>	<u>12/31/09</u>
Actuarial cost method	entry age	entry age	entry age
Amortization method	level percentage of payroll, open	level percentage of payroll, closed	level percentage of payroll, closed
Amortization period in years	30	20	20
Asset valuation method	SAF: 10 yrs Smoothed value; ESF: fund value	SAF: 10 yrs smoothed value; ESF: fund value	SAF: 10 yr smoothed value; ESF: fund value
Actuarial Assumptions:			
Investment return*	8.00%	8.00%	8.00%
Projected salary increases*	5.3%	5.3%	5.4%
Inflation	3.5%	3.5%	3.5%
Cost of living adjustments	0.0%	0.0%	0.0%

\*Includes inflation at the stated rate

Trend Information  
for the Retirement Plan for the Employees of Castro County

Accounting Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
September 30, 2010	\$145,228	100%	-0-
September 30, 2009	\$114,658	100%	-0-
September 30, 2008	\$117,554	100%	-0-

Schedule of Funding Progress for the Retirement Plan  
for the Employees of Castro County

(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)	
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/07	5,414,321	5,408,929	(5,392)	100.10%	1,475,208	- .37%
12/31/08	4,926,915	5,334,562	407,647	92.36%	1,525,860	26.72%
12/31/09	5,044,944	5,401,234	356,290	93.40%	1,579,665	22.55%

**CASTRO COUNTY, TEXAS**  
NOTES TO FINANCIAL STATEMENTS

*Note 3: CHANGES IN CAPITAL ASSETS*

The changes in capital assets for the year ended September 30, 2010 are as follows:

	Balance October 1, 2009	Additions	Deletions	Balance September 30, 2010
<b>Capital Assets</b>				
Land (not depreciated)	\$ 14,388			\$ 14,388
Buildings	899,457			899,457
Furniture and equipment	2,916,306	300,669	(69,408)	3,147,567
<b>Total capital assets</b>	<b>3,830,151</b>	<b>300,669</b>	<b>(69,408)</b>	<b>4,061,412</b>
Less accumulated depreciation for:				
Buildings	601,234	17,045		618,279
Furniture and equipment	1,692,061	294,217	(66,670)	1,919,607
<b>Total accumulated depreciation</b>	<b>2,293,296</b>	<b>311,261</b>	<b>(66,670)</b>	<b>2,537,886</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 1,536,856</b>	<b>(10,592)</b>	<b>(2,738)</b>	<b>\$ 1,523,526</b>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities

General government	\$29,079
Public facilities	15,290
Public safety	48,429
Road and bridge	218,463
	\$311,261

*Note 4: OBLIGATIONS UNDER CAPITAL LEASES*

The following is a summary of long-term debt transactions of the County for the fiscal year ended September 30, 2010:

	Balance October 1, 2009	Additions	Retirements	Balance September 30, 2010	Due within one year
Governmental activities:					
Capital lease payable	<u>\$ 33,348</u>	<u>\$ 0</u>	<u>\$ 16,360</u>	<u>\$ 16,988</u>	<u>\$ 16,988</u>

**CASTRO COUNTY, TEXAS**  
NOTES TO FINANCIAL STATEMENTS

*Note 4: OBLIGATIONS UNDER CAPITAL LEASES- continued*

The County is currently making payments on a capital lease for a motor grader. The agreement requires one more annual payment of \$16,988 in the next year. Interest paid on the capital lease is 5.5%. Total interest expense amounted to \$1,591 for the year ended September 30, 2010. Future minimum lease commitments under the lease agreements are as follows:

<u>Year</u>	<u>Payments</u>
2011	<u>17,937</u>
Less: Amount representing interest	<u>(949)</u>
Present Value of minimum lease payments	<u>\$ 16,988</u>

Total equipment, net of accumulated depreciation, under capital lease is \$89,105. Related depreciation, in the amount of \$25,459, is included in depreciation expense.

*Note 5: RISK MANAGEMENT*

The County is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omission; and natural disasters. During fiscal year 2010, the County purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

*Note 6: SUBSEQUENT EVENTS*

Management has evaluated subsequent events through November 14, 2011, which is the date on which the financial statements were issued.

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**Required Supplementary Information**

Castro County, Texas  
Statement of Revenues, Expenditures, and Changes in Fund Balance- Budget and Actual  
General Fund and Road and Bridge Fund  
For the Year ended September 30, 2010

	General Fund			
	Budget		(Budget Basis)	Variance
	Original	Final	Actual	Favorable (Unfavorable)
Revenues:				
Intergovernmental	\$ 15,100	\$ 15,100	\$ 45,800	\$ 30,700
State and Federal	41,000	41,447	37,661	(3,786)
Property taxes, other taxes and penalties	2,006,400	2,006,400	2,073,291	66,891
Interest earnings	12,000	12,000	39,168	27,168
Fees and charges for services	88,000	88,000	80,427	(7,573)
Fines and forfeitures	146,480	146,480	163,999	17,519
Rent and utilities	12,800	12,800	12,925	125
Other miscellaneous	69,047	69,047	78,098	9,051
Total Revenues	<u>2,390,827</u>	<u>2,391,274</u>	<u>2,531,369</u>	<u>140,095</u>
Expenditures:				
Current:				
General government	1,266,802	1,265,028	1,057,682	207,346
Judicial	190,168	192,309	180,048	12,261
Legal	82,850	82,850	78,820	4,030
Public facilities	49,400	49,400	23,909	25,491
Public safety	1,010,557	1,010,637	1,009,048	1,589
Health and welfare	13,009	13,009	3,205	9,804
Road and bridge	-	-	-	-
Capital Outlay	69,550	69,550	140,369	(70,819)
Total Expenditures	<u>2,682,336</u>	<u>2,682,783</u>	<u>2,493,082</u>	<u>189,701</u>
Excess of Revenues over (under) Expenditures	<u>(291,509)</u>	<u>(291,509)</u>	<u>38,287</u>	<u>329,796</u>
Other Financing Sources (Uses):				
Proceeds from capital lease	-	-	-	-
Sale of Assets	-	-	-	-
Interfund Transfers In (Out)	-	-	5,589	5,589
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>5,589</u>	<u>5,589</u>
Net Change in Fund Balance	(291,509)	(291,509)	43,876	335,385
Fund Balance- Beginning of Year	<u>2,272,847</u>	<u>2,272,847</u>	<u>2,272,847</u>	<u>-</u>
Fund Balance- End of Year	<u>\$ 1,981,338</u>	<u>\$ 1,981,338</u>	<u>\$ 2,316,723</u>	<u>\$ 335,385</u>



Road and Bridge

Budget		(Budget Basis)	Variance
Original	Final	Actual	Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ -
755,076	755,076	748,705	(6,371)
13,776	13,776	20,340	6,564
496,548	496,548	460,506	(36,042)
-	-	-	-
-	-	-	-
-	-	95	95
<u>1,265,400</u>	<u>1,265,400</u>	<u>1,229,646</u>	<u>(35,754)</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
1,121,383	1,121,383	1,050,694	70,689
430,000	430,000	132,100	297,900
<u>1,551,383</u>	<u>1,551,383</u>	<u>1,182,794</u>	<u>368,589</u>
<u>(285,983)</u>	<u>(285,983)</u>	<u>46,852</u>	<u>332,835</u>
-	-	-	-
-	-	1,810	1,810
-	-	(8,660)	(8,660)
-	-	<u>(6,850)</u>	<u>(6,850)</u>
<u>(285,983)</u>	<u>(285,983)</u>	<u>40,002</u>	<u>325,985</u>
<u>1,146,378</u>	<u>1,146,378</u>	<u>1,146,378</u>	<u>-</u>
<u>\$ 860,395</u>	<u>\$ 860,395</u>	<u>\$ 1,186,380</u>	<u>\$ 325,985</u>

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**Combining Fund Statements  
and Schedules**

Castro County, Texas  
 Combining Balance Sheet  
 Non-Major Governmental Funds  
 September 30, 2010

	Check and Sight Fund	Courthouse Security	Records Management	Law Library	Library	Juvenile Probation
<b>Assets:</b>						
Cash and cash equivalents	\$ 20,564	\$ 51,210	\$ 65,967	\$ 11,034	\$ 133,933	\$ 185,927
Prepays	-	-	-	-	76	-
Due from other funds	1,397	0	0	-	530	1,642
Other Current Assets	-	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 21,961</b>	<b>\$ 51,210</b>	<b>\$ 65,967</b>	<b>\$ 11,034</b>	<b>\$ 134,539</b>	<b>\$ 187,569</b>
<b>Liabilities</b>						
Accounts Payable and Accrued Expenditures	\$ -	\$ -	\$ 26,349	\$ -	\$ 6,522	\$ 12,274
Due to Others	-	-	-	-	-	22,767
Due to other funds	-	-	-	-	-	31,905
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>26,349</b>	<b>-</b>	<b>6,522</b>	<b>66,946</b>
<b>Fund Equity</b>						
Reserved for prepaids	-	-	-	-	76	-
Reserved fund balances	21,961	51,210	39,618	11,034	127,941	120,623
<b>Total Fund Balance</b>	<b>21,961</b>	<b>51,210</b>	<b>39,618</b>	<b>11,034</b>	<b>128,017</b>	<b>120,623</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 21,961</b>	<b>\$ 51,210</b>	<b>\$ 65,967</b>	<b>\$ 11,034</b>	<b>\$ 134,539</b>	<b>\$ 187,569</b>

<u>Constable Law Enforcement Education</u>	<u>Sheriff Law Enforcement Education</u>	<u>Sherriff Forfeited Funds</u>	<u>Attorney Forfeited Funds</u>	<u>JP Court Technology Fund</u>	<u>Unclaimed Property Holder Account</u>	<u>Centennial Plaza</u>	<u>Crime Line</u>
\$ 6,329	\$ 4,863	\$ 7,451	\$ 2,523	\$ 26,791	\$ 16,093	\$ 14,129	\$ 3,760
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 6,329</u>	<u>\$ 4,863</u>	<u>\$ 7,451</u>	<u>\$ 2,523</u>	<u>\$ 26,791</u>	<u>\$ 16,093</u>	<u>\$ 14,129</u>	<u>\$ 3,760</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
6,329	4,863	7,451	2,523	26,791	16,093	14,129	3,760
<u>6,329</u>	<u>4,863</u>	<u>7,451</u>	<u>2,523</u>	<u>26,791</u>	<u>16,093</u>	<u>14,129</u>	<u>3,760</u>
<u>\$ 6,329</u>	<u>\$ 4,863</u>	<u>\$ 7,451</u>	<u>\$ 2,523</u>	<u>\$ 26,791</u>	<u>\$ 16,093</u>	<u>\$ 14,129</u>	<u>\$ 3,760</u>

Castro County, Texas  
 Combining Balance Sheet  
 Non-Major Governmental Funds  
 September 30, 2010

	Sherriff Petty Cash	Sunnyside Dam	Payroll Fund	Emergency Management	Conference & Training	Technology Grant Fund	Totals Nonmajor Governmental Funds
<b>Assets:</b>							
Cash and cash equivalents	\$ 2,905	\$ 205	\$ 22,313	\$ (16,756)	\$ 90	\$ 618	\$ 559,949
Prepays	-	-	-	-	-	-	76
Due from other funds	-	-	-	-	-	-	3,569
Other Current Assets	-	-	10,631	-	-	-	10,631
<b>Total Assets</b>	<b>\$ 2,905</b>	<b>\$ 205</b>	<b>\$ 32,944</b>	<b>\$ (16,756)</b>	<b>\$ 90</b>	<b>\$ 618</b>	<b>\$ 574,225</b>
<b>Liabilities</b>							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ 45,145
Due to Others	-	-	8,114	-	-	-	30,881
Due to other funds	-	-	24,830	-	-	-	56,735
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>32,944</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>132,761</b>
<b>Fund Equity</b>							
Reserved for prepaids	-	-	-	-	-	-	76
Reserved fund balances	2,905	205	-	(16,756)	90	618	441,388
<b>Total Fund Balance</b>	<b>2,905</b>	<b>205</b>	<b>-</b>	<b>(16,756)</b>	<b>90</b>	<b>618</b>	<b>441,464</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 2,905</b>	<b>\$ 205</b>	<b>\$ 32,944</b>	<b>\$ (16,756)</b>	<b>\$ 90</b>	<b>\$ 618</b>	<b>\$ 574,225</b>

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**Castro County, Texas**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Non-Major Governmental Funds**  
**For the Year ended September 30, 2010**

	Check and Sight Fund	Courthouse Security	Records Management	Law Library	Library	Juvenile Probation
<b>Revenues</b>						
Fees and charges for services	\$ 2,844	\$ 3,979	14,634	\$ 2,590	\$ -	\$ -
Taxes	-	-	-	-	-	-
Intergovernmental	-	-	-	-	85,817	98,641
State and Federal	-	-	-	-	5,462	198,991
Interest earnings	-	-	-	-	753	965
Sale of labor and materials	-	-	-	-	-	-
Other miscellaneous	-	-	45	-	2,655	-
Forfeitures and settlements	-	-	-	-	-	-
<b>Total Revenues</b>	<u>2,844</u>	<u>3,979</u>	<u>14,679</u>	<u>2,590</u>	<u>94,687</u>	<u>298,597</u>
<b>Expenditures</b>						
Current:						
Salaries and benefits	-	-	-	-	60,078	123,617
Supplies	1,886	-	-	-	3,214	668
Other operating	2,659	324	38,699	3,604	36,866	157,864
Capital Outlay	-	-	-	-	-	-
<b>Total Expenditures</b>	<u>4,545</u>	<u>324</u>	<u>38,699</u>	<u>3,604</u>	<u>100,158</u>	<u>282,149</u>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	<u>(1,701)</u>	<u>3,655</u>	<u>(24,020)</u>	<u>(1,014)</u>	<u>(5,471)</u>	<u>16,448</u>
<b>Other Financing Sources (Uses):</b>						
Proceeds from capital lease	-	-	-	-	-	-
Interfund Transfers In (Out)	-	-	-	-	(50)	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(50)</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>(1,701)</u>	<u>3,655</u>	<u>(24,020)</u>	<u>(1,014)</u>	<u>(5,521)</u>	<u>16,448</u>
<b>Fund Balance- Beginning of Year</b>	<u>23,662</u>	<u>47,555</u>	<u>63,638</u>	<u>12,048</u>	<u>133,538</u>	<u>104,175</u>
<b>Fund Balance - End of Year</b>	<u>\$ 21,961</u>	<u>\$ 51,210</u>	<u>\$ 39,618</u>	<u>\$ 11,034</u>	<u>\$ 128,017</u>	<u>\$ 120,623</u>



Constable Law Enforcement Education	Sheriff Law Enforcement Education	Sherriff Forfeited Funds	Attorney Forfeited Funds	JP Court Technology Fund	Unclaimed Property Holder Account	Centennial Plaza	Crime Line
\$ 638	\$ 1,661	\$ -	\$ -	\$ 3,070	\$ -	\$ -	2,264
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	165	36
-	-	-	-	-	-	-	-
-	-	17,077	7,749	-	2,223	-	-
<u>638</u>	<u>1,661</u>	<u>17,077</u>	<u>7,749</u>	<u>3,070</u>	<u>2,223</u>	<u>165</u>	<u>2,300</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
145	1,367	11,585	8,982	462	-	485	1,707
-	-	-	-	-	-	-	-
<u>145</u>	<u>1,367</u>	<u>11,585</u>	<u>8,982</u>	<u>462</u>	<u>-</u>	<u>485</u>	<u>1,707</u>
-	-	-	-	-	-	-	-
493	294	5,492	(1,233)	2,608	2,223	(320)	593
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	155
-	-	-	-	-	-	-	155
493	294	5,492	(1,233)	2,608	2,223	(320)	748
5,836	4,569	1,959	3,756	24,183	13,870	14,449	3,012
<u>\$ 6,329</u>	<u>\$ 4,863</u>	<u>\$ 7,451</u>	<u>\$ 2,523</u>	<u>\$ 26,791</u>	<u>\$ 16,093</u>	<u>\$ 14,129</u>	<u>\$ 3,760</u>

Castro County, Texas  
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balance  
 Non-Major Governmental Funds  
 For the Year ended September 30, 2010

	Sherriff Petty Cash	Sunnyside Dam	Technology Grant Fund	Emergency Management	Conference and Training	Total Non-Major Governmental Funds
<b>Revenues</b>						
Fees and charges for services	-	\$ -	\$ -	\$ -	\$ -	\$ 31,680
Taxes	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	184,458
State and Federal	-	-	-	-	-	204,453
Interest earnings	33	-	-	-	-	1,952
Sale of labor and materials	-	-	-	-	-	-
Other miscellaneous	-	-	618	-	-	3,318
Forfeitures and settlements	-	-	-	-	-	27,049
<b>Total Revenues</b>	<b>33</b>	<b>-</b>	<b>618</b>	<b>-</b>	<b>-</b>	<b>452,910</b>
<b>Expenditures</b>						
Current:						
Salaries and benefits	-	-	-	-	-	183,695
Supplies	-	-	-	-	-	5,768
Other operating	118	638	-	-	-	265,505
Capital Outlay	-	-	-	28,200	-	28,200
<b>Total Expenditures</b>	<b>118</b>	<b>638</b>	<b>-</b>	<b>28,200</b>	<b>-</b>	<b>483,168</b>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	<b>(85)</b>	<b>(638)</b>	<b>618</b>	<b>(28,200)</b>	<b>-</b>	<b>(30,258)</b>
<b>Other Financing Sources (Uses):</b>						
Proceeds from capital lease	-	-	-	-	-	-
Interfund Transfers In (Out)	2,966	-	-	-	-	3,071
<b>Total Other Financing Sources (Uses)</b>	<b>2,966</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,071</b>
<b>Net Change in Fund Balance</b>	<b>2,881</b>	<b>(638)</b>	<b>618</b>	<b>(28,200)</b>	<b>-</b>	<b>(27,187)</b>
<b>Fund Balance- Beginning of Year</b>	<b>24</b>	<b>843</b>	<b>-</b>	<b>11,444</b>	<b>90</b>	<b>468,651</b>
<b>Fund Balance - End of Year</b>	<b>\$ 2,905</b>	<b>\$ 205</b>	<b>\$ 618</b>	<b>\$ (16,756)</b>	<b>\$ 90</b>	<b>\$ 441,464</b>

Castro County, Texas  
Combining Statement of Changes in Assets and Liabilities  
All Agency Funds  
For the Year ended September 30, 2010

	Balance October 1, 2009	Additions	Deductions	Balance September 30, 2010
<b>Tax Assessor Collector</b>				
Assets:				
Cash and cash equivalents	\$ 36,992	\$ 1,100,339	\$ 1,099,449	\$ 37,882
Total Assets	<u>\$ 36,992</u>	<u>\$ 1,100,339</u>	<u>\$ 1,099,449</u>	<u>\$ 37,882</u>
Liabilities:				
Due to State	\$ 34,061	\$ -	\$ 2,366	\$ 31,695
Due to others	-	-	-	-
Due to other funds	2,931	3,256	-	6,187
Total Liabilities	<u>\$ 36,992</u>	<u>\$ 3,256</u>	<u>\$ 2,366</u>	<u>\$ 37,882</u>
<b>Court Deposits</b>				
Assets:				
Cash and cash equivalents	\$ 69,922	\$ 59,152	\$ 1,991	\$ 127,083
Total Assets	<u>\$ 69,922</u>	<u>\$ 59,152</u>	<u>\$ 1,991</u>	<u>\$ 127,083</u>
Liabilities:				
Due to others	\$ 69,922	\$ 59,152	\$ 1,991	\$ 127,083
Total Liabilities	<u>\$ 69,922</u>	<u>\$ 59,152</u>	<u>\$ 1,991</u>	<u>\$ 127,083</u>
<b>Bail Bond Security</b>				
Assets:				
Cash and cash equivalents	\$ 27,455	\$ 13,600	\$ 8,601	\$ 32,454
Total Assets	<u>\$ 27,455</u>	<u>\$ 13,600</u>	<u>\$ 8,601</u>	<u>\$ 32,454</u>
Liabilities:				
Due to others	\$ 27,455	\$ 13,600	\$ 8,601	\$ 32,454
Total Liabilities	<u>\$ 27,455</u>	<u>\$ 13,600</u>	<u>\$ 8,601</u>	<u>\$ 32,454</u>
<b>Juvenile Probation Restitution</b>				
Assets:				
Cash and cash equivalents	\$ 126	\$ 13,520	\$ 12,181	\$ 1,465
Total Assets	<u>\$ 126</u>	<u>\$ 13,520</u>	<u>\$ 12,181</u>	<u>\$ 1,465</u>
Liabilities:				
Due to others	\$ 126	\$ 13,520	\$ 12,181	\$ 1,465
Total Liabilities	<u>\$ 126</u>	<u>\$ 13,520</u>	<u>\$ 12,181</u>	<u>\$ 1,465</u>
<b>County Attorney</b>				
Assets:				
Cash and cash equivalents	\$ 4,817	\$ 31,860	\$ 32,769	\$ 3,908
Total Assets	<u>\$ 4,817</u>	<u>\$ 31,860</u>	<u>\$ 32,769</u>	<u>\$ 3,908</u>
Liabilities:				
Due to others	\$ 4,817	\$ 31,860	\$ 32,769	\$ 3,908
Total Liabilities	<u>\$ 4,817</u>	<u>\$ 31,860</u>	<u>\$ 32,769</u>	<u>\$ 3,908</u>
<b>Total All Agency Funds</b>				
Assets:				
Cash and cash equivalents	\$ 139,312	\$ 1,218,471	\$ 1,154,991	\$ 202,792
Total Assets	<u>\$ 139,312</u>	<u>\$ 1,218,471</u>	<u>\$ 1,154,991</u>	<u>\$ 202,792</u>
Liabilities:				
Due to State	\$ 34,061	\$ -	\$ 2,366	\$ 31,695
Due to others	102,320	118,132	55,542	164,910
Due to other funds	2,931	3,256	-	6,187
Total Liabilities	<u>\$ 139,312</u>	<u>\$ 121,388</u>	<u>\$ 57,908</u>	<u>\$ 202,792</u>

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## **BROWN, GRAHAM & COMPANY**

PROFESSIONAL CORPORATION  
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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***

**To the Honorable Judge Sava, County Judge  
and Members of the Commissioners Court  
Castro County, Texas**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Castro County, Texas (the County) as of and for the year ended September 30, 2010, which collectively comprise Castro County, Texas's basic financial statements and have issued our report thereon dated November 14, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and responses as item one to be a significant deficiency in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We consider the significant deficiency described above to be a material weakness.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as item one.

Castro County, Texas's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Members of the Commissioners Court of the County, the County's management, 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.

*Brown, Graham, and Company P.C.*

Dimmitt, Texas

November 14, 2011

**Castro County, Texas**  
**Schedule of Findings and Responses**  
**For the Year ended September 30, 2010**

**Item 1- Reliance Upon the Independent Auditor**

Criteria- Under current generally accepted auditing standards; the County is required to take the ultimate responsibility for the financial statements to be materially correct. As a part of these requirements and standards, the County is expected to have the controls in place internally as well as the skills and competencies necessary to prevent, detect and correct material misstatements.

Condition- During the audit, it was noted that various accounts on the general ledger needed to be adjusted in order for the County's financial statements to be materially correct. The adjusting entries proposed during the audit of the County included but were not limited to: adjusting cash accounts, tax receivables and deferred revenue, vacation and comp time accruals, incorrectly recorded transfers, grant income, and intercompany payables and receivables.

Cause- the County did not have the procedures in place to allow the financial statements to be prepared without material adjustments having to be made to the financial statements.

Effect- Since procedures and policies were not in place, material adjustments were needed in order for the financial statements to be materially correct.

Recommendation- Management should review and revise procedures to ensure that the general ledger accounts are materially correct, and not rely upon the independent auditor to perform these tasks.

**Management Response to Item 1:**

After discussion with management concerning this item, they have indicated to the auditor that this would be corrected and monitored on a timely basis to prevent these weaknesses from recurring in the future audit years.

**Castro County, Texas**  
**Schedule of Prior Year Findings and Responses**  
**For the Year ended September 30, 2009**

**Prior year findings and the current status of the findings are as follows:**

**Item 1- Incomplete and Inaccurate Bank Reconciliations**

Finding- During the 2009 audit, it was noted that the County's cash accounts were not properly reconciled to the general ledger. Since proper reconciliation procedures were not in place; the bank reconciliation resulted in an unreconciled variance and extensive procedures were performed by the auditor to ensure cash accounts were materially correct.

Current Status- During the audit for the fiscal year ending September 30, 2010, it was noted that there has been some improvement in this area, however, there are still some reconciliations not being performed. Management should review and revise procedures to ensure complete and accurate bank reconciliations are performed on a monthly basis for all cash accounts.

**Item 2- Reliance Upon the Independent Auditor**

Finding- During the 2009 audit, it was noted that various accounts on the general ledger needed to be adjusted in order for the County's financial statements to be materially correct. The adjusting entries proposed during the audit of the County included but were not limited to: adjusting cash accounts, tax receivables and deferred revenue, vacation and comp time accruals, incorrectly recorded transfers, grant income, and intercompany payables and receivables. The proper procedures were not in place to allow the financial statements to be prepared without material adjustments having to be made to the financial statements.

Current Status- During the audit for the fiscal year ending September 30, 2010, it was noted that due to the conversion to a new computer system and incomplete data, material adjustments and beginning balance adjustments would be needed to the current year books. Management should review and revise procedures to ensure that the general ledger accounts are materially correct, and not rely upon the independent auditor to perform these tasks.