

**Castro County, Texas**  
**Financial Statements**  
**and**  
**Independent Auditor's Report**  
**For the Year Ended**  
**September 30, 2009**

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**Castro County, Texas**  
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**BROWN, GRAHAM & COMPANY**

PROFESSIONAL CORPORATION  
CERTIFIED PUBLIC ACCOUNTANTS

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**UNQUALIFIED OPINION ON BASIC FINANCIAL STATEMENTS**

**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, 2009, 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, 2009, 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 8, 2010, 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 8, 2010

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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, 2009.

### Financial Highlights

#### Government-Wide Financial Statements

- The assets of Castro County exceeded its liabilities at September 30, 2009 by \$5,533,660 (*net assets*). Of this amount, \$2,177,263 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors, \$1,852,889 (*restricted net assets*) legally must be used for expenditures for specified purposes, such as road and bridge, library, juvenile probation, etc., and \$1,503,508 of the County's equity is invested in capital assets, net of related debt.
- The County's total debt outstanding at September 30, 2009 is \$33,348 which are all capital leases.
- The net assets (*equity*) of the County increased by \$310,680 during the 2009 fiscal year.

#### Fund Financial Statements

- As of September 30, 2009, Castro County's governmental funds reported combined ending fund balances of \$3,887,876. This fund balance reflects an increase of \$311,462 for the current year. Approximately 58% of fund balance, \$2,254,466, is *available for spending* at the government's discretion.
- At September 30, 2009, reserved fund balances for special revenue funds and prepaid expenses were \$1,602,163 and \$31,247, 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 the 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 the Castro County, assets exceeded liabilities by \$5,533,660 at September 30, 2009.

\$1,503,508 of the 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, those 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**

	Governmental Activities 2009	Governmental Activities 2008
Current and other assets	\$ 4,217,336	\$ 3,869,834
Capital Assets	1,536,856	1,665,851
Total Assets	5,754,192	5,535,685
Long-term liabilities	33,348	145,996
Other liabilities	187,184	166,709
Total Liabilities	220,532	312,705
Invested in capital assets, net of related debt	1,503,508	1,519,855
Restricted	1,852,889	1,893,933
Unrestricted	2,177,263	1,809,193
Total net assets	\$ 5,533,660	\$ 5,222,980

The government's net assets increased by \$310,680 during the year ended September 30, 2009.

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

	Governmental Activities 2009	Governmental Activities 2008
Revenues:		
Program Revenues:		
Charges for Services	\$ 784,780	\$ 806,378
Operating Grants and Contributions	427,617	460,475
General Revenues		
Property Taxes	2,744,008	2,565,327
Interest Income	41,853	123,927
Miscellaneous Income	110,393	110,277
Total Revenues	4,108,651	4,066,384
Expenses		
General Government	1,086,676	1,173,481
Judicial	158,410	144,067
Legal	83,983	82,216
Public Facilities	129,301	143,819
Public Safety	1,162,523	1,220,088
Health and Welfare	13,508	18,408
Road and Bridge	1,163,570	1,017,115
Total Expenses	3,797,971	3,799,194
Increase in net assets	310,680	267,190
Net Assets – beginning	5,222,980	4,955,790
Net Assets – ending	\$ 5,533,660	\$ 5,222,980

**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, 2009, Castro County's governmental funds reported combined ending fund balances of \$3,887,876. Approximately 58 percent of this total amount (\$2,254,466) 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 (\$1,602,163) and prepaid expenses (\$31,247) 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 99% of the total general fund expenditures or approximately 12 months of operating equity.

**Fund Budgetary Highlights**

The original budget for the General fund reflected a deficit of \$121,592, which drew upon fund balance. Amendments to the original budget reflected an increase in expenditures, causing the final budget to show a deficit of \$191,092. The actual expenditures were \$411,765 less than the final budgeted amounts, and actual revenues were \$28,260 more than was budgeted, resulting in a favorable variance of \$440,025.

In the Road and Bridge fund (special revenue fund), the original budget reflected a deficit of \$89,384 which drew upon the fund balance. The final amended budget did not change from the original budget. The actual expenditures were \$156,325 less than the final budgeted amounts, and actual revenues were \$4,576 more than was budgeted, resulting in a favorable variance of \$160,901.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets.** Castro County's investment in capital assets for its governmental activities as of September 30, 2009, amounts to \$1,536,856 (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, 2009.

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

	Governmental Activities 2009	Governmental Activities 2008
Land	\$ 14,388	\$ 14,388
Buildings	298,222	315,773
Furniture and equipment	1,224,246	1,335,689
Total	\$ 1,536,856	\$ 1,665,850

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

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

***CAPITAL LEASES PAYABLE***

- **Capital Leases Payable.** At September 30, 2009, the County had total leases payable of \$33,348

The County's overall lease payable decreased by \$112,648 during the year ended September 30, 2009. 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 continues to upgrade equipment so that the services to our citizens can be provided without interruption.
- 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 2010 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, 2009**

	Primary Government Governmental Activities
<b>Assets:</b>	
Cash and cash equivalents	\$ 4,016,299
Receivables:	
Property Tax (net)	142,742
Sales tax	24,117
Due from agency funds	2,931
Prepays	31,247
Capital assets, net	1,536,856
<b>Total Assets</b>	<b>5,754,192</b>
<b>Liabilities</b>	
Accounts payable and accrued expenses	151,960
Due to others	19,717
Due to state	15,507
Non-current liabilities:	
Lease payable due in one year	16,360
Lease payable due in more than one year	16,988
<b>Total Liabilities</b>	<b>220,532</b>
<b>Net Assets:</b>	
Investment in capital assets, net of related debt	1,503,508
Restricted for special revenue	1,852,889
Unrestricted	2,177,263
<b>Total Net Assets</b>	<b>\$ 5,533,660</b>

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

**Castro County, Texas**  
**Statement of Activities**  
**For the Year ended September 30, 2009**

Function/Program	Expenses	Program Revenues		Primary Government
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Primary Government				
Governmental activities				
General government	\$ 1,086,676	\$ 113,900	\$ 21,303	\$ (951,473)
Judicial	158,410	35,982	20,700	(101,728)
Legal	83,983	3,290	26,525	(54,168)
Public facilities	129,301	4,894	101,433	(22,974)
Public safety	1,162,523	118,065	257,656	(786,802)
Health and welfare	13,508	-	-	(13,508)
Road and bridge	1,163,570	508,649	-	(654,921)
Total governmental activities	<u>3,797,971</u>	<u>784,780</u>	<u>427,617</u>	<u>(2,585,574)</u>
Total primary government	<u>\$ 3,797,971</u>	<u>\$ 784,780</u>	<u>\$ 427,617</u>	

General revenues:	
Property taxes, other taxes, penalties	2,744,008
Interest income	41,853
Miscellaneous income	110,393
Total general revenues	<u>2,896,254</u>
Change in net assets	310,680
Net assets- beginning	<u>5,222,980</u>
Net assets- ending	<u>\$ 5,533,660</u>

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

**Castro County, Texas**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2009**

	General Fund	Road and Bridge Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Cash and cash equivalents	\$ 2,237,098	\$ 1,181,032	\$ 598,169	\$ 4,016,299
Receivables:				
Property Tax	107,599	35,143	-	142,742
Sales tax	24,117	-	-	24,117
Due from agency funds	2,931	-	-	2,931
Due from others	-	-	10,409	10,409
Due from other funds	73,488	5,488	3,569	82,545
Prepays	18,381	9,803	3,063	31,247
<b>Total Assets</b>	<b><u>\$ 2,463,614</u></b>	<b><u>\$ 1,231,466</u></b>	<b><u>\$ 615,210</u></b>	<b><u>\$ 4,310,290</u></b>
<b>Liabilities</b>				
Accounts payable and accrued expenditures	\$ 62,802	\$ 49,945	\$ 35,677	\$ 148,424
Due to others	230	-	28,337	28,567
Due to state	20,136	-	-	20,136
Due to other funds	-	-	82,545	82,545
Deferred revenue- taxes	107,599	35,143	-	142,742
<b>Total Liabilities</b>	<b><u>190,767</u></b>	<b><u>85,088</u></b>	<b><u>146,559</u></b>	<b><u>422,414</u></b>
<b>Fund Equity</b>				
Unreserved, reported in general fund	2,254,466	-	-	2,254,466
Reserved for prepaids	18,381	9,803	3,063	31,247
Reserved for special revenue	-	1,136,575	465,588	1,602,163
<b>Total Fund Equity</b>	<b><u>2,272,847</u></b>	<b><u>1,146,378</u></b>	<b><u>468,651</u></b>	<b><u>3,887,876</u></b>
<b>Total Liabilities and Fund Equity</b>	<b><u>\$ 2,463,614</u></b>	<b><u>\$ 1,231,466</u></b>	<b><u>\$ 615,210</u></b>	<b><u>\$ 4,310,290</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, 2009**

Total Fund Balances- Governmental Funds	\$	3,887,876
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.		1,536,856
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.		142,742
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.		(33,814)
Net assets in Governmental Activities	<u>\$</u>	<u>5,533,660</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, 2009**

	General Fund	Road and Bridge Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Intergovernmental	\$ 13,975	\$ -	\$ 159,547	\$ 173,522
State and Federal	47,225	-	201,127	248,352
Property taxes, other taxes and penalties	2,056,606	677,986	-	2,734,592
Interest earnings	31,545	9,401	908	41,854
Fees and charges for services	88,337	508,649	7,246	604,232
Fines and forfeitures	145,047	-	11,205	156,252
Rent and utilities	19,000	-	-	19,000
Other miscellaneous	84,540	-	28,667	113,227
<b>Total Revenues</b>	<b>2,486,275</b>	<b>1,196,036</b>	<b>408,720</b>	<b>4,091,031</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	1,029,064	-	47,261	1,076,325
Judicial	160,438	-	808	161,246
Legal	70,241	-	4,696	74,937
Public facilities	25,050	-	88,455	113,505
Public safety	883,646	-	246,964	1,130,610
Health and welfare	13,508	-	-	13,508
Road and bridge	-	1,064,789	-	1,064,789
Capital Outlay	55,395	59,730	30,597	145,722
<b>Total Expenditures</b>	<b>2,237,342</b>	<b>1,124,519</b>	<b>418,781</b>	<b>3,780,642</b>
<b>Excess of Revenues over (under) Expenditures</b>	<b>248,933</b>	<b>71,517</b>	<b>(10,061)</b>	<b>310,389</b>
<b>Other Financing Sources (Uses):</b>				
Sale of Assets	-	1,073	-	1,073
Interfund Transfers In (Out)	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>1,073</b>	<b>-</b>	<b>1,073</b>
<b>Net Change in Fund Balance</b>	<b>248,933</b>	<b>72,590</b>	<b>(10,060)</b>	<b>311,462</b>
<b>Fund Balance- Beginning of Year</b>	<b>2,023,914</b>	<b>1,073,788</b>	<b>478,711</b>	<b>3,576,413</b>
<b>Fund Balance- End of Year</b>	<b>\$ 2,272,847</b>	<b>\$ 1,146,378</b>	<b>\$ 468,651</b>	<b>\$ 3,887,875</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, 2009**

Net Change in Fund Balances- Governmental Funds	\$ 311,462
Amounts reported for governmental activities in the statement of net assets are different because:	
but they are shown as increases in capital assets in the government-wide financial statements. The net effect of including capital outlays is to increase net assets.	145,722
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.	(281,738)
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 increase net assets.	13,280
Current year proceeds from the trade of fixed assets are not shown as revenue in the fund financial statements. The net effect is to decrease net assets.	7,021
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.	112,648
Accrued interest on capital leases is not due and payable in the current period and therefore are not reported in the governmental funds, but because the accrued expense is less this year than last, the net effect is to increase net	2,285
Change in Net Assets of Governmental Activities	\$ 310,680

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

**Castro County, Texas**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**For the Year ended September 30, 2009**

	Agency Funds
Assets	
Cash and cash investments	\$ 139,313
Total Assets	\$ 139,313
Liabilities	
Due to others	\$ 102,321
Due to State	34,061
Due to other funds	2,931
Total Liabilities	\$ 139,313

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 principals 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 made up 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 Governmental Accounting Standards Board ("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 the Governmental Accounting Standards Board. 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, 2008.

**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. 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

**G. 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, 2009, the County had the following cash and cash equivalents, which represents all of the County's cash and cash equivalents:

<b>First United Bank</b>	<b>Demand and Time Deposits</b>	<b>\$ 1,231,016</b>
<b>Peoples Bank</b>	<b>Time Deposit</b>	<b>\$ 2,723,343</b>
<b>HTFCU</b>	<b>Time Deposit</b>	<b>\$ 235,054</b>

**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 deposits, (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, 2009 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*

**H. 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 on 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, 2009 was \$.701 per \$100 valuation.

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

**I. 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

**J. 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 capital leases on County motor graders.

**K. 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 a nontraditional, 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 553 nontraditional defined benefit pension plans. 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. 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 employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

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

Funding Policy

The County has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The employer contributed using the actuarially determined rate of 7.23% for the months of the accounting year in 2009, and 7.45% for the months of the accounting year in 2008. The contribution rate payable by the employee members for calendar years 2009 and 2008 was 7% as adopted by the governing body of the County. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

Annual Pension Cost

For the County's accounting years ending September 30, 2009 and 2008, the annual pension cost for the TCDRS plan for the County was \$114,658 and \$ 117,554, and the actual employee contributions were \$111,638 and \$104,411, respectively.

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, 2007 and December 31, 2008, the basis for determining the contribution rates for calendar years 2008 and 2009. The December 31, 2008 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>12/31/06</u>	<u>12/31/07</u>	<u>12/31/08</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	15	30	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%	5.3%
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, 2009	\$114,658	100%	-0-
September 30, 2008	\$117,554	100%	-0-
September 30, 2007	\$119,105	100%	-0-

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

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	((b-a)/c) UAAL as a Percentage of Covered Payroll
12/31/06	5,094,997	5,138,481	43,484	99.15%	1,395,485	3.12%
12/31/07	5,414,321	5,408,929	(5,392)	100.0%	1,475,208	-.37%
12/31/08	4,926,915	5,334,562	407,647	92.36%	1,525,860	26.72%

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

*Note 3: CHANGES IN CAPITAL ASSETS*

The changes in capital assets for the year ended September 30, 2009 are as follows:

	Balance October 1, 2008	Additions	Deletions	Balance September 30, 2009
<b>Capital Assets</b>				
Land (not depreciated)	\$ 14,388			\$ 14,388
Buildings	899,457			899,457
Furniture and equipment	2,782,584	158,722	(25,000)	2,916,306
<b>Total capital assets</b>	<b>3,696,429</b>	<b>158,722</b>	<b>(25,000)</b>	<b>3,830,151</b>
Less accumulated depreciation for:				
Buildings	583,684	17,551		601,234
Furniture and equipment	1,446,895	264,187	(19,021)	1,692,061
<b>Total accumulated depreciation</b>	<b>2,030,579</b>	<b>281,738</b>	<b>(19,021)</b>	<b>2,293,296</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 1,665,850</b>			<b>\$ 1,536,856</b>

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

Governmental Activities

General government	\$20,319
Public facilities	15,290
Public safety	31,912
Road and bridge	213,711
Library	506
	<u>\$281,738</u>

*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, 2009:

	Balance October 1, 2008	Additions	Retirements	Balance September 30, 2009	Due within one year
Governmental activities:					
Capital lease payable	<u>\$ 145,996</u>	<u>\$ 0</u>	<u>\$ 112,648</u>	<u>\$ 33,348</u>	<u>\$ 16,360</u>

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

*Note 4: OBLIGATIONS UNDER CAPITAL LEASES- continued*

The County is currently making payments on capital leases for several motor graders. The agreements require annual payments of \$18,208 over the next two years. Interest paid on the capital leases is 5.5%. Total interest expense amounted to \$5,166 for the year ended September 30, 2009. Future minimum lease commitments under the lease agreements are as follows:

Year	Payments
2010	18,209
2011	18,209
Less: Amount representing interest	(3,068)
Present Value of minimum lease payments	\$ 33,348

Total equipment, net of accumulated depreciation, under capital lease is \$114,564. Related amortization, 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 2009, 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.

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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, 2009

	General Fund			
	Budget		(Budget Basis) Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Intergovernmental	\$ 28,463	\$ 28,463	\$ 13,975	\$ (14,488)
State and Federal	39,000	39,000	47,225	8,225
Property taxes, other taxes and penalties	2,005,243	2,005,248	2,056,606	51,358
Interest earnings	55,000	55,000	31,545	(23,455)
Fees and charges for services	82,000	82,000	88,337	6,337
Fines and forfeitures	176,000	176,000	145,047	(30,953)
Rent and utilities	17,200	17,200	19,000	1,800
Other miscellaneous	55,104	55,104	84,540	29,436
<b>Total Revenues</b>	<b>2,458,015</b>	<b>2,458,015</b>	<b>2,486,275</b>	<b>29,260</b>
Expenditures:				
Current:				
General government	1,214,438	1,283,938	1,029,064	254,874
Judicial	179,214	179,214	160,438	18,776
Legal	85,050	85,050	70,241	14,809
Public facilities	47,100	47,100	25,050	22,050
Public safety	988,622	988,522	883,646	104,976
Health and welfare	13,508	13,508	13,508	-
Road and bridge	-	-	-	-
Capital Outlay	51,675	51,675	55,395	(3,720)
<b>Total Expenditures</b>	<b>2,579,607</b>	<b>2,649,107</b>	<b>2,237,342</b>	<b>411,765</b>
Excess of Revenues over (under) Expenditures	(121,592)	(191,092)	248,933	440,025
Other Financing Sources (Uses):				
Sale of Assets	-	-	-	-
Interfund Transfers in (Out)	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balance	(121,592)	(191,092)	248,933	440,025
Fund Balance- Beginning of Year	2,023,914	2,023,914	2,023,914	-
<b>Fund Balance- End of Year</b>	<b>\$ 1,902,322</b>	<b>\$ 1,832,822</b>	<b>\$ 2,272,847</b>	<b>\$ 440,025</b>



Road and Bridge

Budget		(Budget Basis)	Variance
Original	Final	Actual	Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ -
-	-	-	-
658,860	658,860	677,986	19,126
42,931	-12,931	9,401	(33,530)
489,669	489,669	508,649	18,980
-	-	-	-
-	-	-	-
<u>1,191,460</u>	<u>1,191,460</u>	<u>1,196,036</u>	<u>4,576</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
1,128,594	1,128,594	1,064,789	63,805
152,250	152,250	59,730	92,520
<u>1,280,844</u>	<u>1,280,844</u>	<u>1,124,519</u>	<u>156,325</u>
<u>(89,384)</u>	<u>(89,384)</u>	<u>71,517</u>	<u>160,901</u>
-	-	1,073	1,073
-	-	-	-
-	-	<u>1,073</u>	<u>1,073</u>
(89,384)	(89,384)	72,590	161,974
<u>1,073,788</u>	<u>1,073,788</u>	<u>1,073,788</u>	<u>-</u>
<u>\$ 984,404</u>	<u>\$ 984,404</u>	<u>\$ 1,146,378</u>	<u>\$ 161,974</u>

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**Combining Fund Statements  
and Schedules**

Castro County, Texas  
Combining Balance Sheet  
Non-Major Governmental Funds  
September 30, 2009

	<u>Check and Sight Fund</u>	<u>Courthouse Security</u>	<u>Records Management</u>	<u>Law Library</u>	<u>Library</u>	<u>Juvenile Probation</u>
<b>Assets:</b>						
Cash and cash equivalents	\$ 22,265	\$ 47,555	92,017	\$ 12,048	\$ 135,009	\$ 181,971
Prepays	-	-	-	-	1,225	1,838
Due from other funds	1,397	-	-	-	530	1,642
Other Current Assets	-	-	-	-	-	-
<b>Total Assets</b>	<u>\$ 23,662</u>	<u>\$ 47,555</u>	<u>\$ 92,017</u>	<u>\$ 12,048</u>	<u>\$ 136,764</u>	<u>\$ 185,451</u>
<b>Liabilities</b>						
Accounts payable	\$ -	\$ -	28,379	\$ -	\$ 1,654	\$ 5,607
Due to Others	-	-	-	-	1,572	17,954
Due to other funds	-	-	-	-	-	57,715
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>28,379</u>	<u>-</u>	<u>3,226</u>	<u>81,276</u>
<b>Fund Equity</b>						
Reserved for prepaids	-	-	-	-	1,225	1,838
Reserved fund balances	23,662	47,555	63,638	12,048	132,313	102,337
<b>Total Fund Balance</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>Total Liabilities and Fund Balance</b>	<u>\$ 23,662</u>	<u>\$ 47,555</u>	<u>\$ 92,017</u>	<u>\$ 12,048</u>	<u>\$ 136,764</u>	<u>\$ 185,451</u>

<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>
\$ 5,836	\$ 4,569	\$ 1,959	\$ 3,756	\$ 24,183	\$ 13,870	\$ 14,449
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 5,836</u>	<u>\$ 4,569</u>	<u>\$ 1,959</u>	<u>\$ 3,756</u>	<u>\$ 24,183</u>	<u>\$ 13,870</u>	<u>\$ 14,449</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
5,836	4,569	1,959	3,756	24,183	13,870	14,449
<u>5,836</u>	<u>4,569</u>	<u>1,959</u>	<u>3,756</u>	<u>24,183</u>	<u>13,870</u>	<u>14,449</u>
<u>\$ 5,836</u>	<u>\$ 4,569</u>	<u>\$ 1,959</u>	<u>\$ 3,756</u>	<u>\$ 24,183</u>	<u>\$ 13,870</u>	<u>\$ 14,449</u>

**Castro County, Texas**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**September 30, 2009**

	Crime Line	Sunnyside Dam	Payroll Fund	Emergency Management	Conference & Training	Totals Nonmajor Governmental Funds
<b>Assets:</b>						
Cash and cash equivalents	\$ 3,073	\$ 843	\$ 23,232	\$ 11,444	\$ 90	\$ 598,169
Prepays	-	-	-	-	-	3,063
Due from other funds	-	-	-			3,569
Other Current Assets			10,409			10,409
<b>Total Assets</b>	<b>\$ 3,073</b>	<b>\$ 843</b>	<b>\$ 33,641</b>	<b>\$ 11,444</b>	<b>\$ 90</b>	<b>615,210</b>
<b>Liabilities</b>						
Accounts payable	\$ 37	\$ -	\$ -	\$ -	\$ -	\$ 35,677
Due to Others	-	-	8,811	-	-	28,337
Due to other funds	-	-	24,830	-	-	82,545
<b>Total Liabilities</b>	<b>37</b>	<b>-</b>	<b>33,641</b>	<b>-</b>	<b>-</b>	<b>146,559</b>
<b>Fund Equity</b>						
Reserved for prepaids	-	-	-	-	-	3,063
Reserved fund balances	3,036	843	-	11,444	90	465,588
<b>Total Fund Balance</b>	<b>3,036</b>	<b>843</b>	<b>-</b>	<b>11,444</b>	<b>90</b>	<b>468,651</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 3,073</b>	<b>\$ 843</b>	<b>\$ 33,641</b>	<b>\$ 11,444</b>	<b>\$ 90</b>	<b>\$ 615,210</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, 2009

	Check and Sight Fund	Courthouse Security	Records Management	Law Library	Library	Juvenile Probation
Revenues						
Fees and charges for services	\$ 4,222	\$ 4,994	15,870	\$ 3,290	\$ -	\$ 1,585
Taxes	-	-	-	-	-	-
Intergovernmental	-	-	-	-	97,208	60,754
State and Federal	-	-	-	-	4,225	177,902
Interest earnings	-	-	-	-	301	539
Sale of labor and materials	-	-	-	-	-	-
Other miscellaneous	-	-	-	-	2,761	-
Forfeitures and settlements	-	-	-	-	-	-
<b>Total Revenues</b>	<b>4,222</b>	<b>4,994</b>	<b>15,870</b>	<b>3,290</b>	<b>104,495</b>	<b>240,780</b>
Expenditures						
Current:						
Salaries and benefits	1,397	-	-	-	56,301	142,626
Supplies	-	-	-	-	3,222	700
Other operating	7,649	(19,407)	9,011	1,606	28,892	97,028
Capital Outlay	-	19,504	27,628	-	-	-
<b>Total Expenditures</b>	<b>9,046</b>	<b>97</b>	<b>26,639</b>	<b>1,606</b>	<b>88,415</b>	<b>240,354</b>
Excess (Deficit) of Revenues Over Expenditures	(4,824)	4,897	(20,769)	1,684	16,080	426
<b>Net Change in Fund Balance</b>	<b>(4,824)</b>	<b>4,897</b>	<b>(20,769)</b>	<b>1,684</b>	<b>16,080</b>	<b>426</b>
Fund Balance- Beginning of Year	28,486	42,658	84,407	10,364	117,458	103,749
<b>Fund Balance - End of Year</b>	<b>\$ 23,662</b>	<b>\$ 47,555</b>	<b>\$ 63,638</b>	<b>\$ 12,048</b>	<b>\$ 133,538</b>	<b>\$ 104,175</b>



Constable Law Enforcement Education	Sheriff Law Enforcement Education	Sheriff Forfeited Funds	Attorney Forfeited Funds	JP Court Technology Fund	Unclaimed Property Holder Account	Centennial Plaza
\$ -	\$ 1,709	\$ -	\$ -	\$ 2,836	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	68
-	-	-	-	-	-	-
-	-	1,563	418	-	7,553	-
-	1,709	1,563	418	2,836	7,553	68
-	-	-	-	-	-	-
-	-	-	-	-	-	-
200	1,433	325	3,000	808	-	40
-	-	1,000	-	-	-	-
200	1,433	1,325	3,000	808	-	40
(200)	276	238	(2,672)	2,028	7,553	28
(200)	276	238	(2,672)	2,028	7,553	28
6,036	4,293	1,721	6,428	22,155	6,317	14,421
<u>\$ 5,836</u>	<u>\$ 4,569</u>	<u>\$ 1,959</u>	<u>\$ 3,756</u>	<u>\$ 24,183</u>	<u>\$ 13,870</u>	<u>\$ 14,449</u>

**Castro County, Texas**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Non-Major Governmental Funds**  
**For the Year ended September 30, 2009**

	Crime Line	Sunnyside Dam	Payroll Fund	Emergency Management	Conference and Training	Total Non-Major Governmental Funds
<b>Revenues</b>						
Fees and charges for services	\$ 1,037	\$ -	\$ -	\$ -	\$ -	\$ 35,543
Taxes	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	157,962
State and Federal	-	-	-	19,000	886	202,013
Interest earnings	-	-	-	-	-	908
Sale of labor and materials	-	-	-	-	-	-
Other miscellaneous	-	-	-	-	-	2,761
Forfeitures and settlements	-	-	-	-	-	9,534
<b>Total Revenues</b>	<u>1,037</u>	<u>-</u>	<u>-</u>	<u>19,000</u>	<u>886</u>	<u>408,721</u>
<b>Expenditures</b>						
Current:						
Salaries and benefits	-	-	-	-	-	200,324
Supplies	-	-	-	-	-	3,322
Other operating	1,693	657	-	-	822	133,847
Capital Outlay	-	-	-	32,556	0	80,668
<b>Total Expenditures</b>	<u>1,693</u>	<u>657</u>	<u>-</u>	<u>32,556</u>	<u>822</u>	<u>418,781</u>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	<u>(656)</u>	<u>(657)</u>	<u>-</u>	<u>(13,556)</u>	<u>64</u>	<u>(10,060)</u>
<b>Net Change in Fund Balance</b>	<u>(656)</u>	<u>(657)</u>	<u>-</u>	<u>(13,556)</u>	<u>64</u>	<u>(10,060)</u>
<b>Fund Balance- Beginning of Year</b>	3,692	1,500	-	25,000	26	478,711
<b>Fund Balance - End of Year</b>	<u>\$ 3,036</u>	<u>\$ 843</u>	<u>\$ -</u>	<u>\$ 11,444</u>	<u>\$ 90</u>	<u>\$ 468,651</u>

Castro County, Texas  
Combining Statement of Changes in Assets and Liabilities  
All Agency Funds  
For the Year ended September 30, 2009

	Balance October 1, 2008	Additions	Deductions	Balance September 30, 2009
<b>Tax Assessor Collector</b>				
Assets:				
Cash and cash equivalents	\$ 54,482	\$ 1,111,041	\$ 1,128,531	\$ 36,992
Total Assets	<u>\$ 54,482</u>	<u>\$ 1,111,041</u>	<u>\$ 1,128,531</u>	<u>\$ 36,992</u>
Liabilities:				
Due to State	\$ 50,881	\$ -	\$ 16,820	\$ 34,061
Due to Others	2,266	-	2,266	-
Due to other funds	1,335	1,596	-	2,931
Total Liabilities	<u>\$ 54,482</u>	<u>\$ 1,596</u>	<u>\$ 19,086</u>	<u>\$ 36,992</u>
<b>Court Deposits</b>				
Assets:				
Cash and cash equivalents	\$ 103,991	\$ 26,467	\$ 60,536	\$ 69,922
Total Assets	<u>\$ 103,991</u>	<u>\$ 26,467</u>	<u>\$ 60,536</u>	<u>\$ 69,922</u>
Liabilities:				
Due to others	\$ 103,991	\$ 26,467	\$ 60,536	\$ 69,922
Total Liabilities	<u>\$ 103,991</u>	<u>\$ 26,467</u>	<u>\$ 60,536</u>	<u>\$ 69,922</u>
<b>Bail Bond Security</b>				
Assets:				
Cash and cash equivalents	\$ 30,614	\$ 40,054	\$ 43,214	\$ 27,455
Total Assets	<u>\$ 30,614</u>	<u>\$ 40,054</u>	<u>\$ 43,214</u>	<u>\$ 27,455</u>
Liabilities:				
Due to others	\$ 30,614	\$ 40,054	\$ 43,214	\$ 27,455
Total Liabilities	<u>\$ 30,614</u>	<u>\$ 40,054</u>	<u>\$ 43,214</u>	<u>\$ 27,455</u>
<b>Juvenile Probation Restitution</b>				
Assets:				
Cash and cash equivalents	\$ 1,464	\$ 9,551	\$ 10,889	\$ 126
Total Assets	<u>\$ 1,464</u>	<u>\$ 9,551</u>	<u>\$ 10,889</u>	<u>\$ 126</u>
Liabilities:				
Due to others	\$ 1,464	\$ 9,551	\$ 10,889	\$ 126
Total Liabilities	<u>\$ 1,464</u>	<u>\$ 9,551</u>	<u>\$ 10,889</u>	<u>\$ 126</u>
<b>County Attorney</b>				
Assets:				
Cash and cash equivalents	\$ 1,206	\$ 80,935	\$ 77,324	\$ 4,817
Total Assets	<u>\$ 1,206</u>	<u>\$ 80,935</u>	<u>\$ 77,324</u>	<u>\$ 4,817</u>
Liabilities:				
Due to Others	\$ 1,206	\$ 80,935	\$ 77,324	\$ 4,817
Total Liabilities	<u>\$ 1,206</u>	<u>\$ 80,935</u>	<u>\$ 77,324</u>	<u>\$ 4,817</u>
<b>Total All Agency Funds</b>				
Assets:				
Cash and cash equivalents	\$ 191,757	\$ 1,268,048	\$ 1,320,493	\$ 139,313
Total Assets	<u>\$ 191,757</u>	<u>\$ 1,268,048</u>	<u>\$ 1,320,493</u>	<u>\$ 139,313</u>
Liabilities:				
Due to state	\$ 50,881	\$ -	\$ 16,820	\$ 34,061
Due to others	139,541	157,007	194,227	102,321
Due to other funds	1,335	1,596	-	2,931
Total Liabilities	<u>\$ 191,757</u>	<u>\$ 158,603</u>	<u>\$ 211,047</u>	<u>\$ 139,313</u>

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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, 2009, which collectively comprise Castro County, Texas's basic financial statements and have issued our report thereon dated November 8, 2010. 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 deficiencies described in the accompanying schedule of findings and responses as items one and two to be significant deficiencies 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. However, of the significant deficiencies described above, we consider items one and two to be material weaknesses.

## **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 items one and two.

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 8, 2010

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

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

Criteria- Under current generally accepted auditing standards, Castro County, Texas (the County) is required to take ultimate responsibility for the financial statements to be materially correct. As part of these requirements and standards, the County is expected to have controls in place internally as well as the skills and competencies necessary to prevent, detect and correct material misstatements. This process includes complete and accurate bank reconciliations prepared by the County.

Condition- During the audit, it was noted that cash accounts were not properly reconciled to the general ledger.

Cause- The County did not have procedures in place to ensure that the bank reconciliations were done in an accurate and complete manner.

Effect- Since 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.

Recommendation- Management should review and revise procedures to ensure complete and accurate bank reconciliations are performed on a monthly basis on all cash accounts.

**Item 2- 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 were 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 Both Items 1 and 2:**

After discussion with management concerning both of these items, they have indicated to the auditor that both areas 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, 2008**

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

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

Finding- During the 2008 audit, it was noted that the County did not have complete and accurate bank reconciliations. The County did not have controls in place to ensure that the bank reconciliations were done, therefore the cash accounts were not properly reconciled to the general ledger. Since the procedures were not in place; the bank reconciliation resulted in an unreconciled variance and extensive procedures by the auditor to ensure cash accounts were materially correct.

Current Status- During the audit for the fiscal year ending September 30, 2009, it was again noted that the cash was not reconciled in an accurate, complete and timely manner.

**Item 2- Prior Period Dating on Certain Check Payments and Payables**

Finding- During the 2008 audit, it was noted that in various instances the County was recording expenses either paid or payable in the subsequent year into the prior audit/budget fiscal year. Due to the incorrect dating on the expense and payables, the financial statements required adjustment to allocate these amounts to the correct fiscal year.

Current Status- During the audit for the fiscal year ending September 30, 2009, it was noted that this finding has been corrected.