

Hopkins County, Texas

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT**

For the year ended September 30, 2010

Hopkins County, Texas
 TABLE OF CONTENTS
 Year ended September 30, 2010

<u>Exhibit</u>		<u>Page</u>
	Independent Auditor's Report	1
	Management's Discussion and Analysis	2-10
	<u>BASIC FINANCIAL STATEMENTS</u>	
	Government Wide Statements:	
A-1	Statement of Net Assets	11
B-1	Statement of Activities	12
	Governmental Fund Financial Statements:	
C-1	Balance Sheet	13
C-2	Reconciliation for C-1	14
C-3	Statement of Revenues, Expenditures, and Changes in Fund Balance	15
C-4	Reconciliation for C-3	16
C-5	Budgetary Comparison Schedule - General Fund	17
	Fiduciary Fund Financial Statement:	
D-1	Statement of Fiduciary Assets and Liabilities	18
	Notes to the Financial Statements	19-34
	<u>COMBINING SCHEDULES</u>	
	Nonmajor Governmental Funds:	
E-1	Combining Balance Sheet	35-41
E-2	Combining Statement of Revenues, Expenditures and Changes in Fund Balances	42-48
	Agency Funds:	
F-1	Combining Statement of Fiduciary Assets and Liabilities	49-50
	<u>SUPPLEMENTAL INFORMATION</u>	
G-1	Budgetary Comparison Schedule - General Fund- By Department	51-52
G-2	Budgetary Comparison Schedule- Road and Bridge Maintenance Fund	53
G-3	Budgetary Comparison Schedule - Debt Service Fund	54
	<u>FEDERAL AWARDS SECTION</u>	
	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	55-56
	Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	57-58
	Schedule of Findings and Questioned Costs	59
	Schedule of Status of Prior Findings	60
	Corrective Action Plan	61
H-1	Schedule of Expenditures of Federal Awards	62
	Notes to Schedule of Expenditures of Federal Awards	63
I-1	Federal Program Project Schedules	64-66



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INDEPENDENT AUDITOR'S REPORT

The Honorable Judge and
County Commissioners
Hopkins County, Texas
Sulphur Springs, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hopkins County (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 opinions 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hopkins County as of September 30, 2010, and the respective changes in financial position, and the respective budgetary comparison for the general fund for the year then 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 February 7, 2011 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the County's financial statements as a whole. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the financial statements. The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Arnold, Walker, Arnold & Co., P.C.

Arnold, Walker, Arnold & Co., P.C.

February 7, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the County of Hopkins, Texas, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities and performance for the year ended September 30, 2010. The information presented here should be read in conjunction with the independent auditor's report and the County's financial statements.

FINANCIAL HIGHLIGHTS

The County's total combined net assets were \$18.7 million at September 30, 2010, \$12.7 million of the net assets is invested in capital assets, net of related debt. During the year, the County's expenses were \$798 thousand more than the \$15.5 million generated in taxes, charges for services and other revenues from governmental activities. Grant revenue increased \$868 thousand.

The total cost of all the County's activities were up by \$333 thousand, or 2% compared to the prior year. Revenues were up about \$425 thousand or about 3% compared to the prior year.

The general fund balance is \$1 million at September 30, 2010.

During the year, \$1.09 million of fixed assets were added. \$1.6 million of principal was paid on debt. \$448 thousand of new debt was obtained.

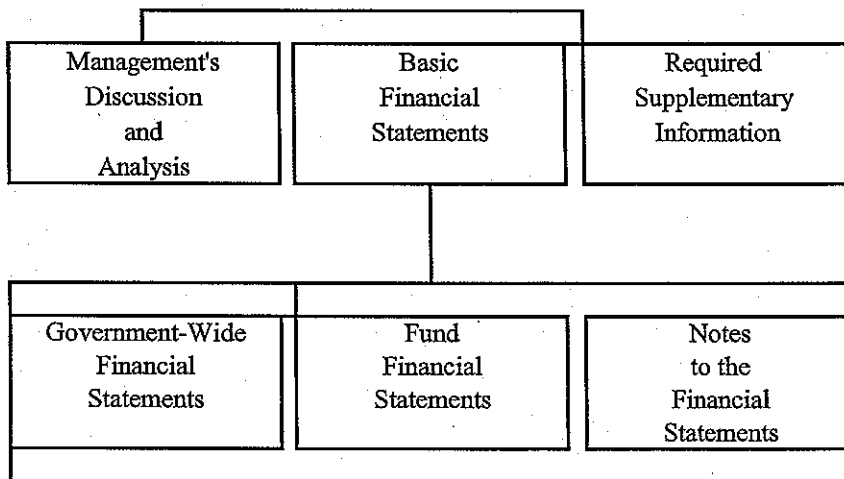
Approximately 97% of the taxes levied for 2009-10 were collected by September 30, 2010.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts--*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the County:

- The first two statements are *government-wide financial statements* that provide information about the County's activities as a whole and present a longer-term view of the County's property and debt obligations. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the County's operations in *more detail* than the government-wide statements.
 - The *governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
 - *Fiduciary fund* statements provide information about the financial relationships in which the County acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong. This fund contains District Court Clerk funds for pending cases.

Figure A-1. Required Components of the County's Annual Financial Report



Summary ↔ Detail

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the County's financial statements, including the portion of the County government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Type of Statements	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	Entire County's government (except fiduciary funds) and the County's component units	The activities of the County that are not proprietary or fiduciary	Activities the County operates similar to private businesses: self insurance	Instances in which the County is the trustee or agent for someone else's resources
<i>Required financial statements</i>	*Statement of net assets	*Balance sheet	*Statement of net assets	*Statement of fiduciary net assets
	*Statement of activities	*Statement of revenues, Expenditures & changes in fund balances	*Statement of revenues, expenses and changes in fund net assets *Statement of cash flows	*Statement of changes in fiduciary net assets
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon after	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

The County has no proprietary funds.

Government-wide Statements

The government-wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes *all* of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the County's *net assets* and how they have changed. Net assets-the difference between the County's assets and liabilities-is one way to measure the County's financial health or *position*.

- Over time, increases or decreases in the County's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the County, consideration should be given to additional nonfinancial factors such as changes in the County's tax base.

The government-wide financial statements of the County include the *Governmental activities*. Most of the County's basic services are included here, such as public safety, highways, streets and bridges, judicial and general administration. Property taxes and charges for services finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the County's most significant *funds*-not the County as a whole. Funds are accounting devices that the County uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Commissioner's Court establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The County has two kinds of funds:

- *Governmental funds*-Most of the County's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided that explains the relationship (or differences) between them.
- *Fiduciary funds*-The County is the trustee, of *fiduciary*, for certain funds. It is also responsible for other assets that-because of a trust arrangement-can be used only for the trust beneficiaries. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The County's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. These activities are excluded from the County's government-wide financial statements because the County cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net assets. The County's combined net assets were approximately \$18.7 million at September 30, 2010.

Table A-1
The County's Net Assets
(in thousands of dollars)

	Governmental Activities	
	2010	2009
Current and other assets	9,142	10,036
Capital and non-current assets	19,273	20,234
TOTAL ASSETS	28,415	30,270
Long-term liabilities	6,942	8,085
Other liabilities	2,763	2,677
TOTAL LIABILITIES	9,705	10,762
Invested in capital assets net of related debt	12,665	12,475
Restricted	914	2,385
Unrestricted	5,131	4,648
TOTAL NET ASSETS	18,710	19,508

Net assets invested in capital assets net of related debt reflects the book value of the County's capital assets in excess of the debt which financed those assets. The \$5.1 million of unrestricted net assets represents resources available to fund the programs of the County for the next fiscal year.

The \$914 thousand is restricted as follows:

Restricted for debt service	30
Restricted for capital projects	237
Restricted for special revenue funds	647
	<u>914</u>

Net assets of the County decreased from \$19.5 million to \$18.7 million. The County's expenditures exceeded revenues by \$1.45 million. The County paid principal on debt of \$1.6 million. New debt of \$448 thousand was obtained. \$1 million of capital assets were acquired. \$1.79 million of depreciation was recorded. Deferred revenue of \$438 thousand from additional receivables from fees of office is recognized as revenue on the government wide statements.

Changes in net assets.

The County's total revenues were \$15.4 million. 56% of this came from property taxes, 10% came from sales taxes and other taxes, and 21% came from charges for services.

The total cost of all programs was \$16.3 million. Approximately 29% of this was for public safety and 31% was for public transportation.

Net assets decreased by \$798 thousand from a net loss.

Table A-2
The County's Changes in Net Assets
(in thousands of dollars)

	Governmental Activities	
	2010	2009
Revenues		
<u>Program Revenues</u>		
Charges for Services	3,283	3,686
Operating Grants and Contributions	1,571	703
Capital Grants and Contributions	-	-
<u>General Revenues</u>		
Property Taxes	8,661	8,421
Other taxes	1,550	1,610
Investment earnings	74	53
Other	341	582
Total Revenues	<u>15,480</u>	<u>15,055</u>
Expenses		
General government	1,417	1,304
Judicial	1,389	1,363
Legal	641	625
Financial administration	931	933
Public safety	4,732	4,653
Public transportation	5,122	4,626
Public facilities	1,457	1,718
Health and welfare	90	96
Intergovernmental	-	50
County extension	116	119
Elections	55	66
Miscellaneous	-	15
Debt service-interest on long-term debt	328	377
Total Expenses	<u>16,278</u>	<u>15,945</u>
Transfers in (out)	-	10
Increase/Decrease in Net Assets	(798)	(880)
Beginning Net Assets	19,508	20,397
Prior Period Adjustment	-	(9)
Ending Net Assets	<u>18,710</u>	<u>19,508</u>

Table A-3 presents the cost of each of the County's largest functions as well as each function's *net cost* (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all *governmental* activities this year was \$16.3 million.
- However, the amount that taxpayers paid for these activities through property taxes was only \$8.66 million.
- Some of the cost was paid by those who directly benefited from the programs (\$3.28 million), or by grants and contributions (\$1.57 million).

Table A-3
Net Cost of Selected County Functions
(in thousands of dollars)

	Total Cost of Services		Net Cost of Services	
	2010	2009	2010	2009
General Government	1,417	1,304	961	830
Public Safety	4,732	4,653	4,081	4,085
Judicial	1,389	1,363	(179)	(291)
Public transportation	5,122	4,626	3,748	3,775

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

The County reported fund balance in its governmental funds of approximately \$1.95 million at September 30, 2010. This balance is composed of the following in thousands:

General	1,035
Special revenue	646
Debt service	30
Capital projects	238
	<u>1,949</u>

Net income for the general fund was \$26 thousand. General fund revenues were \$9.3 million, or 3.7%, more than the prior year. Taxes were \$579 thousand more than the prior year. Fees of office revenue was down \$89 thousand. Intergovernmental revenue was down \$67 thousand. Fines and forfeitures were down \$130 thousand. Expenditures were up only \$50 thousand. Special revenue fund balances decreased \$434 thousand. The Civic Center Fund decreased \$29 thousand. The Road and Bridge Maintenance fund decreased \$198 thousand. The Farm to Market Special Fund decreased \$97 thousand. The debt service fund balances increased \$27 thousand. The capital projects fund balances decreased \$1.067 million. The Bond Issue 2006 fund decreased \$1.077 million. \$1.077 million was transferred from the Bond issue fund to the Debt Service fund to pay off the Right of Way debt of approximately \$800 thousand.

General Fund Budgetary Highlights

Several budget amendments were made during the year. Actual expenditures were more than the final budget by 1% or \$76 thousand. Actual revenues were \$10 thousand more than budgeted. \$48 thousand was budgeted as a decrease to fund balance. Actually, the fund balance increased \$26 thousand from the excess of revenues over expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Table A-4
County's Capital Assets
(in thousands of dollars)

	Governmental Activities	
	2010	2009
Land	1,607	1,607
Buildings and improvements	16,533	16,533
Machinery and equipment	8,599	8,226
Roads and bridges	17,542	17,542
Construction in progress	-	-
Totals at historical cost	<u>44,281</u>	<u>43,908</u>
Total accumulated depreciation	<u>(25,008)</u>	<u>(23,674)</u>
Net capital assets	<u>19,273</u>	<u>20,234</u>

\$1.09 million of new machinery and equipment were added.

Long-Term Debt

Table A-5
County's Long-Term Debt
(in thousands of dollars)

	2010	2009
Certificates of obligation	4,988	5,869
Notes payable	336	1,244
Leases payable	1,284	647
Compensated absences payable	334	325
	<u>6,942</u>	<u>8,085</u>

\$448 thousand of new debt was obtained. \$1.6 million was paid on debt principal.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Hopkins County economy remains relatively stable compared to the national economy. Hopkins County's unemployment rate is currently 6.8%, which is below the state (8%) and national average (9.1%). Sales tax collections for Hopkins County decreased in FY2010 by 3.82%, to just above the 2005 and just under the 2006 level. The county is on track with the 2010 level of collections.

- The appraised value used for the 2011 budget preparation is down \$17,166,186 or 1.13% from 2010. The net decrease in values is due to the increase in agriculture use exemptions.
- The tax rate established for 2010 is \$.56546, the effective tax rate. The budget will raise more total property taxes than last year's budget by \$120,879, due to the elimination of the early pay discount.
- At the time the 2011 budget was prepared, inflationary trends in the region were comparable to national indices with home and land prices down an estimated 2%. There is a low inventory of houses on the market, causing property sales to be somewhat stagnant.

These factors and others were taken into consideration when preparing the general fund budget for the 2011 fiscal year.

The 2011 fiscal year, unreserved fund balance in the general fund is projected to decrease by \$122,000 and the road & bridge maintenance fund decrease by \$260,000. This is the second year to see a decline in the fund balances. An increase in court appointed attorneys fees, fire and sheriff department personnel continue to erode the budget along with a decline in court fines. All departments were asked to cut 5% from their budgets for 2011. FY2011 General Fund revenues and expenditures are budgeted to decrease 3.2% and 2.5% respectively over FY2010 estimated revenues and expenditures to try to hold taxes at the effective tax rate.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of Hopkins County's finances for all 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's Office, 118 Church, Sulphur, Springs, TX 75482.

BASIC FINANCIAL STATEMENTS

GOVERNMENT WIDE STATEMENTS

HOPKINS COUNTY, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010

EXHIBIT A-1

	Primary Government
	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 1,938,495
Receivables (net of allowance for uncollectibles)	6,978,557
Prepaid Items	225,038
Capital Assets:	
Land	1,606,996
Infrastructure, net	5,650,328
Buildings, net	9,391,358
Machinery and Equipment, net	2,624,245
Total Assets	28,415,017
LIABILITIES	
Accounts Payable	772,713
Deferred Revenues	1,990,137
Noncurrent Liabilities	
Due Within One Year	577,541
Due in More Than One Year	6,364,304
Total Liabilities	9,704,695
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	12,665,145
Restricted for:	
Restricted for Special Revenue Funds	646,434
Restricted for Debt Service	30,145
Restricted for Capital Projects	237,359
Unrestricted Net Assets	5,131,239
Total Net Assets	\$ 18,710,322

The notes to the Financial Statements are an integral part of this statement.

HOPKINS COUNTY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2010

EXHIBIT B-1

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
General government	\$ 1,416,586	\$ 445,957	\$ 9,667	\$ (960,962)
Judicial	1,389,438	1,280,269	287,849	178,680
Legal	641,271	48,591	13,863	(578,817)
Financial Administration	931,393	211,071	-	(720,322)
Public safety	4,732,425	176,269	474,828	(4,081,328)
Public transportation	5,121,877	758,085	615,818	(3,747,974)
Public facilities	1,456,904	340,233	108,895	(1,007,776)
Health and welfare	90,195	18,800	-	(71,395)
County extension	116,012	-	-	(116,012)
Elections	54,516	3,725	60,475	9,684
Debt service-interest	325,779	-	-	(325,779)
Fees	1,984	-	-	(1,984)
TOTAL PRIMARY GOVERNMENT:	\$ 16,278,380	\$ 3,283,000	\$ 1,571,395	(11,423,985)

General Revenues:

Taxes:	
Property Taxes, Levied for General Purposes	8,297,628
Property Taxes, Levied for Debt Service	362,503
Sales Taxes	1,550,243
Miscellaneous Revenue	341,561
Investment Earnings	74,266
Total General Revenues	10,626,201
Change in Net Assets	(797,784)
Net Assets--Beginning	19,508,106
Net Assets--Ending	\$ 18,710,322

The notes to the Financial Statements are an integral part of this statement.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

HOPKINS COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010

	General Fund	Major Special Revenue Fund	Other Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 911,157	\$ 591,611	\$ 435,727	\$ 1,938,495
Receivables (Net)	6,326,790	180,694	471,073	6,978,557
Due from Other Funds	-	63,122	-	63,122
Prepaid Items	159,603	34,278	31,157	225,038
Total Assets	\$ 7,397,550	\$ 869,705	\$ 937,957	\$ 9,205,212
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable and Accrued Expenditures	\$ 392,603	\$ 173,142	\$ 206,968	\$ 772,713
Due to Other Funds	-	-	63,122	63,122
Deferred Revenues	5,969,967	140,269	310,223	6,420,459
Total Liabilities	6,362,570	313,411	580,313	7,256,294
Fund Balances:				
Reserved For:				
Debt Service	-	-	30,145	30,145
Unreserved and Undesignated:				
Reported in the General Fund	1,034,980	-	-	1,034,980
Reported in the Special Revenue Fund	-	556,294	90,140	646,434
Reported in the Capital Projects Fund	-	-	237,359	237,359
Total Fund Balances	1,034,980	556,294	357,644	1,948,918
Total Liabilities and Fund Balances	\$ 7,397,550	\$ 869,705	\$ 937,957	\$ 9,205,212

The notes to the Financial Statements are an integral part of this statement.

HOPKINS COUNTY, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET ASSETS
 SEPTEMBER 30, 2010

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	1,948,918
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$43,908,298 and the accumulated depreciation was \$23,673,559. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net assets.		12,474,596
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2010 capital outlays and debt principal payments is to increase (decrease) net assets.		2,425,333
The 2010 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(1,785,946)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.		3,647,421
Net Assets of Governmental Activities	\$	18,710,322

The notes to the Financial Statements are an integral part of this statement.

HOPKINS COUNTY, TEXAS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

	General Fund	Major Special Revenue Fund	Other Funds	Total Governmental Funds
REVENUES:				
Taxes	\$ 7,182,638	\$ 2,111,127	\$ 986,345	\$ 10,280,110
Intergovernmental Revenue and Grants	344,115	62,672	1,067,714	1,474,501
Fees of Office	1,015,146	752,585	490,408	2,258,139
Fines and Forfeitures	565,458	-	46,832	612,290
Investment Earnings	45,409	13,878	14,979	74,266
Other Revenue	135,832	4,582	4,752	145,166
Total Revenues	9,288,598	2,944,844	2,611,030	14,844,472
EXPENDITURES:				
Current:				
General government	1,249,410	-	152,480	1,401,890
Judicial	1,375,517	-	9,979	1,385,496
Legal	212,576	-	411,978	624,554
Financial Administration	874,724	-	-	874,724
Public safety	4,388,482	-	59,878	4,448,360
Public transportation	-	3,927,378	197,644	4,125,022
Public facilities	258,481	-	808,310	1,066,791
Health and welfare	67,180	-	-	67,180
County extension	106,959	-	-	106,959
Elections	54,516	-	-	54,516
Debt Service:				
Bond Principal	93,453	299,368	1,208,378	1,601,199
Bond Interest	16,135	11,240	298,404	325,779
Fees	-	-	1,984	1,984
Capital Outlay	106,050	658,579	325,893	1,090,522
Total Expenditures	8,803,483	4,896,565	3,474,928	17,174,976
Excess (Deficiency) of Revenues Over (Under) Expenditures	485,115	(1,951,721)	(863,898)	(2,330,504)
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	-	362,681	-	362,681
Non-Current Loans	65,088	383,750	-	448,838
Transfers In	-	1,007,378	1,715,943	2,723,321
Other Resources	69,189	-	1,130	70,319
Transfers Out (Use)	(593,442)	-	(2,129,879)	(2,723,321)
Total Other Financing Sources (Uses)	(459,165)	1,753,809	(412,806)	881,838
Net Change in Fund Balances	25,950	(197,912)	(1,276,704)	(1,448,666)
Fund Balance - October 1 (Beginning)	1,009,030	754,206	1,634,348	3,397,584
Fund Balance - September 30 (Ending)	\$ 1,034,980	\$ 556,294	\$ 357,644	\$ 1,948,918

The notes to the Financial Statements are an integral part of this statement.

HOPKINS COUNTY, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

Total Net Change in Fund Balances - Governmental Funds	\$	(1,448,666)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2010 capital outlays and debt principal payments is to increase (decrease) net assets.		2,425,333
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.		(1,785,946)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.		11,495
Change in Net Assets of Governmental Activities	<u>\$</u>	<u>(797,784)</u>

The notes to the Financial Statements are an integral part of this statement.

HOPKINS COUNTY, TEXAS
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Taxes	\$ 7,214,397	\$ 7,214,397	\$ 7,182,638	\$ (31,759)
Intergovernmental Revenue and Grants	192,323	218,408	344,115	125,707
Fees of Office	1,039,200	1,039,200	1,015,146	(24,054)
Fines and Forfeitures	635,000	635,000	565,458	(69,542)
Investment Earnings	50,000	50,000	45,409	(4,591)
Other Revenue	91,975	121,599	135,832	14,233
Total Revenues	9,222,895	9,278,604	9,288,598	9,994
EXPENDITURES:				
Current:				
General Government:				
General government	1,306,870	1,302,775	1,249,410	53,365
Judicial	1,361,610	1,385,610	1,375,517	10,093
Legal	212,581	212,581	212,576	5
Financial Administration	893,582	889,687	874,724	14,963
Public safety	4,206,678	4,275,662	4,388,482	(112,820)
Public facilities	263,208	276,157	258,481	17,676
Health and welfare	69,502	69,441	67,180	2,261
Public Safety:				
County extension	108,402	108,402	106,959	1,443
Elections	76,613	76,613	54,516	22,097
Debt Service:				
Bond Principal	92,149	93,492	93,453	39
Bond Interest	16,138	16,141	16,135	6
Capital Outlay:				
Capital Outlay	35,113	104,341	106,050	(1,709)
Total Expenditures	8,642,446	8,810,902	8,803,483	7,419
Excess (Deficiency) of Revenues Over (Under) Expenditures	580,449	467,702	485,115	17,413
OTHER FINANCING SOURCES (USES):				
Non-Current Loans	-	65,088	65,088	-
Other Resources	-	12,225	69,189	56,964
Transfers Out (Use)	(593,442)	(593,442)	(593,442)	-
Total Other Financing Sources (Uses)	(593,442)	(516,129)	(459,165)	56,964
Net Change	(12,993)	(48,427)	25,950	74,377
Fund Balance - October 1 (Beginning)	1,009,030	1,009,030	1,009,030	-
Fund Balance - September 30 (Ending)	\$ 996,037	\$ 960,603	\$ 1,034,980	\$ 74,377

The accompanying notes are an integral part of this statement.

FIDUCIARY FUND FINANCIAL STATEMENT

HOPKINS COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2010

EXHIBIT D-1

	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 1,343,714
Total Assets	<u><u>\$ 1,343,714</u></u>
LIABILITIES	
Accounts Payable and Accrued Expenses	\$ 18,614
Due to Others	1,325,100
Total Liabilities	<u><u>\$ 1,343,714</u></u>

The accompanying notes are an integral part of this statement.

Hopkins County, Texas
NOTES TO THE FINANCIAL STATEMENTS
At September 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Hopkins County, Texas is a county government operating under the applicable laws and regulations of the State of Texas. It is governed by a five member Commissioner's Court elected by registered voters of the County. The County prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

A. REPORTING ENTITY

The Commissioner's Court is elected by the public and it has the authority to make decisions and significantly influence operations. It has the primary accountability for fiscal matters. Therefore, the County is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of Hopkins County with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, charges for services, grants and other intergovernmental revenues. Business type activities include operations that rely to a significant extent on fees and charges for support. The County has no business-type activities.

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

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

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

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

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

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The County considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The County considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

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

D. FUND ACCOUNTING

The County reports the following major governmental funds:

1. **The General Fund** -- The general fund is the County's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. **Special Revenue Fund** -- One special revenue fund is considered a major fund. See the definition of these funds below.

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

Governmental Funds:

1. **Special Revenue Funds** -- The County accounts for resources restricted to, or designated for, specific purposes by the County or a grantor in a special revenue fund.
2. **Debt Service Funds** -- The County accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.
3. **Capital Project Funds** -- The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

Fiduciary Funds:

1. **Agency Funds** -- The County accounts for resources held for others in a custodial capacity in agency funds. The County's Agency Funds contains the funds of the various fee collecting offices.

E. OTHER ACCOUNTING POLICIES

1. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.
2. Capital assets, which include land, buildings, machinery and equipment and roads and bridges are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Buildings, machinery and equipment of the County and the component units are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20-30
Building Improvements	30
Vehicles	5-10
Office Equipment	5-7
Computer Equipment	5-7
Machinery	7

3. Some cash and investments are restricted for future debt payments and for purchase of right of way.
4. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.
5. When the County incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.
6. Investments are recorded at fair market value.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

<u>Capital Assets at the Beginning of the year</u>	<u>Historic Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value at the Beginning of the Year</u>	<u>Change in Net Assets</u>
Land	1,606,996	-	1,606,996	
Buildings & Improvements	16,533,009	6,593,228	9,939,781	
Machinery & Equipment	8,226,467	5,810,729	2,415,738	
Road & Bridges	<u>17,541,826</u>	<u>11,269,602</u>	<u>6,272,224</u>	
Change in Net Assets	<u>43,908,298</u>	<u>23,673,559</u>	<u>20,234,739</u>	<u>20,234,739</u>

This does not include fixed assets of the internal service funds.

<u>Long-term Liabilities at the Beginning of the year</u>	<u>Payable at the Beginning of the Year</u>	
Leases payable	647,334	
Certificates of obligation payable	5,869,000	
Notes payable	<u>1,243,809</u>	
Change in Net Assets		<u>7,760,143</u>
Net Adjustment to Net Assets		<u><u>12,474,596</u></u>

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

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

	<u>Amount</u>	<u>Adjustments to Changes in Net Assets</u>	<u>Adjustments to Net Assets</u>
<u>Current year Capital Outlay</u>			
Building & improvement	-		
Machinery & equipment	1,090,522		
Total Capital Outlay	<u>1,090,522</u>	<u>1,090,522</u>	<u>1,090,522</u>
Book value of assets sold or traded	<u>(266,388)</u>	<u>(266,388)</u>	<u>(266,388)</u>
<u>Debt Principal Payments</u>			
Certificate of obligation	281,000		
Note principal	907,378		
Leases payable	<u>412,821</u>		
Total Principal Payments	<u>1,601,199</u>	<u>1,601,199</u>	<u>1,601,199</u>
Total Adjustment to Net Assets		<u><u>2,425,333</u></u>	<u><u>2,425,333</u></u>

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

	<u>Amount</u>	<u>Adjustments to Change in Net Assets</u>	<u>Adjustments to Net Assets</u>
<u>Adjustments to Revenue and Deferred Revenue</u>			
Taxes Collected from Prior Year Levies	209,722	(209,722)	-
Uncollected taxes (assumed collectible) from Current Year Levy	291,738	291,738	291,738
Effect of prior year tax entries	50,364	(50,364)	-
Effect of prior year deferred revenue from fines	3,700,724	-	3,700,724
Increase to deferred revenue from fines during current year	437,860	437,860	437,860
<u>Reclassify Proceeds of Bonds, Loans & Capital Leases</u>			
Proceeds from leases and loans	448,838	(448,838)	(448,838)
<u>Compensated absences</u>			
Balance at beginning of year	324,884	-	(324,884)
Additions to balance	9,179	(9,179)	(9,179)
Total		<u><u>11,495</u></u>	<u><u>3,647,421</u></u>

On the adjustments above related to deferred revenue from fines, fine revenues are deferred on the funds, however, the net change in the deferred fines for the year is recognized as revenue in the Statement of Activities.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

The County prepares its appropriated budget on a basis consistent with generally accepted accounting principles using the organization perspective, that is, the budget follows the formal, usually statutory, patterns of authority and responsibility granted to actually carry out the functions of the government. For example, the county judge's office has a separate budget from the county sheriff's office; although, various offices may be subsidized from revenues generated by maintenance and operation ad valorem taxes.

The county auditor and the county judge prepare an estimated budget based on recommendations and requests submitted by each department head. This estimated budget is presented to the commissioners, who then begin the process of reallocating specific items that, in their opinion, need to be modified. The final budget, when approved by the commissioner's court, is filed for public inspection with the county clerk. Public hearings are then held, if required, and the budget is adjusted, if necessary, and approved in its final form by commissioner's court. Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Revisions to the budget were made throughout the year.

The County does not record encumbrances as part of its accounting records.

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the County to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District 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 Act also requires the County to have independent auditors perform test procedures related to investment practices as provided by the Act. The county is in substantial compliance with the requirements of the Act and with local policies.

Additional contractual provisions governing deposits and investments for the County are as follows:

Policies Governing Deposits and Investments

In compliance with the Public Funds Investment Act, the County has adopted a deposit and investment policy. That policy does address the following risks:

1. **Custodial Credit Risk – Deposits:** In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The County's policy regarding types of deposits allowed and collateral requirements is that the funds of the County must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping in an amount sufficient to protect the County's 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.

Deposits of the County are insured or collateralized with securities held by the pledging financial institution's trust department or agent in the name of the County.

At September 30, 2010, the carrying amount of the County's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$3,280,871 and the bank balance was \$3,582,240. The County's cash deposits at September 30, 2010 and during the year ended September 30, 2010 were entirely covered by FDIC insurance or by a letter of credit.

A. DEPOSITS AND INVESTMENTS (continued)

In addition, the following is disclosed regarding coverage of combined balances as of September 30, 2010:

- a. Depository: Alliance Bank
 - b. A \$7,000,000 Letter of Credit is provided by FHLB of Dallas to cover balances at September 30, 2010.
 - c. The combined balances of cash, savings, and time deposits amounted to \$3,582,240 at September 30, 2010.
 - d. Total amount of FDIC coverage at September 30, 2010 was \$500,000.
2. **Custodial Credit Risk -- Investments:** For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Positions in external investment pools are not subject to custodial credit risk. The County has no investments exposed to custodial credit risk at the end of the period.
 3. **Interest- rate Risk – Interest-rate risk** occurs when potential purchases of debt securities do not agree to pay face value for these securities if interest rates rise. The County does not purchase investments where the face value is not guaranteed.
 4. **Concentration Risk – Concentration risk** is defined as positions of 5 percent or more in the securities of a single issuer. Investments in external investment pools are not subject to concentration risk. The County is not exposed to any amounts of concentration risk.
 5. **Other Credit Risk Exposure –** The County has investments in external investment pools. The ratings of the pools are disclosed below.

The County's investments at September 30, 2010, are shown below:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Average CreditQuality/ Ratings</u>	<u>Weighted Avg. Days to Maturity</u>
Texpool	666	AAAm	34
MBIA	672	N/A	1

B. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the County in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

C. DELINQUENT TAXES RECEIVABLE

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the County is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

D. INTERFUND TRANSFERS

Transfers between funds were as follows:

Transfers to Major Special Revenue Fund:	
From Nonmajor Governmental Funds	<u>1,007,378</u>
Total Transferred to Major Special Revenue Fund	<u><u>1,007,378</u></u>
Transfers to Nonmajor Governmental Funds from:	
General Fund	593,442
Other Nonmajor Governmental Funds	<u>1,122,501</u>
Total Transferred to Nonmajor Governmental Funds	<u><u>1,715,943</u></u>
Due to's/from's between funds were as follows:	
Due to Major Special Revenue Funds from	
Other Nonmajor Governmental Funds	<u><u>63,122</u></u>

The amount is due from an ORCA grant fund to the Road and Bridge Maintenance Fund for road repair supplies.

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at September 30, 2010, were as follows:

	<u>Property Taxes</u>	<u>Fees of Office</u>	<u>Intergovern- mental</u>	<u>Other</u>	<u>Total</u>
Governmental Activities:					
General Fund	421,562	11,803,593	288,530	-	12,513,685
Major Special Revenue Fund	187,274	11,785	14,705	-	213,764
Nonmajor Governmental Funds	106,024	348,436	218,881	8,546	681,887
Total - Governmental Activities	<u>714,860</u>	<u>12,163,814</u>	<u>522,116</u>	<u>8,546</u>	<u>13,409,336</u>
Amounts not scheduled for - collection during the subsequent year	<u>122,219</u>	<u>6,308,560</u>	<u>-</u>	<u>-</u>	<u>6,430,779</u>

Payables at September 30, 2010, were as follows:

	<u>Accounts</u>	<u>Salaries and Benefits</u>	<u>Due to Others</u>	<u>Other</u>	<u>Total Payables</u>
Governmental Activities:					
General Fund	278,062	107,440	7,101	-	392,603
Major Special Revenue Fund	146,233	26,909	-	-	173,142
Nonmajor Governmental Funds	191,078	15,890	-	-	206,968
Total - Governmental Activities	<u>615,373</u>	<u>150,239</u>	<u>7,101</u>	<u>-</u>	<u>772,713</u>
Amounts not scheduled for collection during the subsequent year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

F. CAPITAL ASSET ACTIVITY

Capital asset activity for the County for the year ended September 30, 2010, was as follows:

	Primary Government			Ending Balance
	Beginning Balance	Additions	Retirements	
Governmental Activities:				
County:				
Land	1,606,996	-	-	1,606,996
Buildings and Improvements	16,533,009	-	-	16,533,009
Construction in progress	-	-	-	-
Machinery and Equipment	8,226,467	1,090,522	(718,327)	8,598,662
Roads and Bridges	17,541,826	-	-	17,541,826
Totals at Historic Cost	43,908,298	1,090,522	(718,327)	44,280,493
Less Accumulated Depreciation for:				
Buildings and Improvements	(6,593,228)	(548,423)	-	(7,141,651)
Machinery and Equipment	(5,810,729)	(615,627)	451,939	(5,974,417)
Roads and Bridges	(11,269,602)	(621,896)	-	(11,891,498)
Total Accumulated Depreciation	(23,673,559)	(1,785,946)	451,939	(25,007,566)
Governmental Activities Capital Assets, Net	20,234,739	(695,424)	(266,388)	19,272,927

Depreciation expense was charged to governmental functions as follows:

General Government	11,636
Judicial	3,942
Legal	16,717
Financial administration	56,669
Public safety	281,005
Public transportation	993,796
Public facilities	390,113
Extension services	9,053
Health and welfare	23,015
	<u>1,785,946</u>

G. CHANGES IN LONG-TERM DEBT

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

Hopkins County GLTD					
	Interest <u>Rate</u>	Payable at <u>10/1/2009</u>	Additions <u>(Reductions)</u>	Payable at <u>9/30/2010</u>	Due within <u>one year</u>
Certificates of Obligation:					
Jail Expansion	4.75%-6.25%	740,000	(75,000)	665,000	80,000
Courthouse Renovation	5.50%-6.00%	890,000	(60,000)	830,000	65,000
Civic Center Horse Pavilion	4.98%-6.00%	689,000	(16,000)	673,000	16,000
Annex Building	3.65%-5.125%	3,550,000	(130,000)	3,420,000	140,000
Notes Payable:					
Series 2006 Tax	4.15%	448,573	(112,142)	336,431	112,142
Right of Way	3.78%	795,236	(795,236)	-	-
Leases Payable:					
2007 Ford Pickup	4.15%	2,816	(2,816)	-	-
Caterpillar 924G Loader	4.45%	11,363	(11,363)	-	-
2008 Ford Pickup	4.45%	4,791	(4,791)	-	-
2008 Ford F450	4.45%	5,497	(5,497)	-	-
John Deere 6415 Tractor	4.45%	22,372	(22,372)	-	-
New Holland Backhoe	4.25%	22,297	(22,297)	-	-
Computer Equipment	4.75%	30,927	(23,009)	7,918	7,918
IBM AS 400 Computer	4.50%	2,654	(2,654)	-	-
Caterpillar 140H Motor Grader	4.85%	138,077	(138,077)	-	-
Ag Extension Office	4.75%	187,234	(16,844)	170,390	17,674
Working Pens	3.99%	20,000	(20,000)	-	-
8 Ford F-150's	3.99%	108,026	(37,842)	70,184	42,980
2009 Mack Truck, Precinct 2	3.99%	91,280	(91,280)	-	-
Caterpillar 140H Motor Grader	4.25%	-	169,296	169,296	24,843
2009 Peir Fire Truck	4.03%	-	65,088	65,088	13,211
Rex Mixer	3.60%	-	12,000	12,000	12,000
2011 Ford F450 Truck	3.98%	-	23,439	23,439	7,345
2011 Mack Truck	3.98%	-	98,136	98,136	19,528
2008 New Holland Backhoe	3.92%	-	66,900	66,900	18,900
		<u>7,760,143</u>	<u>(1,152,361)</u>	<u>6,607,782</u>	<u>577,541</u>

G. CHANGES IN LONG-TERM DEBT cont'd

The debt service fund long-term debt as of September 30, 2010, follows:

(A) Certificates of Obligation Jail Expansion Due in annual installments with interest at 4.75%-6.25%	665,000
(B) Certificates of Obligation Courthouse Renovation Due in annual installments with interest at 5.50%-6.00%	830,000
(C) Certificates of Obligation Civic Center Horse Pavillion Due in annual installments with interest at 4.98%-6.00%	673,000
(D) Certificates of Obligation Annex Building Due in annual installments with interest at 3.65%-5.125%	3,420,000
(E) Note payable-Series 2006 Tax Due in annual installments with interest at 4.15%	336,431
(F) Lease Payable Computer Equipment Due in monthly installments of \$1,999 including interest at 4.75%	7,918
(G) Lease Payable Ag Extension Office Due in monthly installments of \$2,124 including interest at 4.75%	170,390
(H) Lease Payable Eight 2009 Ford F150's Due in monthly installments of \$3,750 including interest at 3.99%	70,184
(I) Lease Payable Caterpillar 140H Motor Grader Due in monthly installments of \$2,625 including interest at 4.25%	169,296
(J) Lease Payable 2009 Peir Fire Truck Due in monthly installments of \$1,493 including interest at 4.03%	65,088
(K) Lease Payable Rex Mixer Due in two installments of \$6,181 including interest at 3.60%	12,000
(L) Lease Payable 2011 Ford F450 Truck Due in monthly installments of \$1,035 including interest at 3.98%	23,439
(M) Lease Payable 2011 Mac Truck Due in monthly installments of \$2,945 including interest at 3.98%	98,136
(N) Lease Payable 2008 New Holland Backhoe Due in monthly installments of \$2,003 including interest at 3.92%	66,900
	<u>6,607,782</u>

G. CHANGES IN LONG-TERM DEBT cont'd

The annual requirements to amortize bonded debt and certificates of obligation as of September 30, 2010, follows:

Years Ending 9/30	Principal	Interest	Total
2011	301,000	258,447	559,447
2012	311,000	243,171	554,171
2013	326,000	227,363	553,363
2014	346,000	210,638	556,638
2015	362,000	195,387	557,387
2016-2020	1,725,000	717,678	2,442,678
2021-2025	1,297,000	387,690	1,684,690
2026-2030	705,000	125,866	830,866
2031-2035	215,000	35,158	250,158
Total	<u>5,588,000</u>	<u>2,401,398</u>	<u>7,989,398</u>

The annual requirements to amortize notes as of September 30, 2010, follows:

Years Ending 9/30	Principal	Interest	Total
2011	276,541	42,232	318,773
2012	267,184	28,542	295,726
2013	237,055	18,156	255,211
2014	79,717	8,975	88,692
2015	52,276	6,209	58,485
2016-2019	107,003	6,575	113,578
Total	<u>1,019,776</u>	<u>110,689</u>	<u>1,130,465</u>

In March 2010, the County entered into a note with Pilgrim Bank. Proceeds from the note, \$183,275, were used to purchase a motor grader. Repayment will be made in monthly installments of \$2,625 including interest at 4.25% beginning in March 2010 until fully repaid in December 2016.

In May, 2010, the County entered into a note with Guaranty Bond Bank. Proceeds from the note, \$65,088, were used to purchase a 2009 Pier Fire Truck. Repayment will be made in monthly installments of \$1,493 including interest at 4.03% beginning in November, 2010 until fully repaid in October 2014.

In September, 2010, the County entered into a note with Guaranty Bond Bank. Proceeds from the note, \$12,000, were used to purchase a Rex Mixer. Repayment will be made in two annual installments of \$6,181 including interest at 3.60% beginning February, 2011 until fully repaid in February, 2012.

In August, 2010 the County entered into a note with Guaranty Bond Bank. Proceeds from the note, \$23,439, were used to purchase a Ford F-450 truck. Repayment will be made in monthly installments of \$1,035 including interest at 3.98% beginning in February, 2011 until fully repaid in January 2013.

In August, 2010 the County entered into a note with Guaranty Bond Bank. Proceeds from the note, \$98,136, were used to purchase a 2011 Mack truck. Repayment will be made in monthly installments of \$2,945 including interest at 3.98% beginning in February, 2011 until fully repaid in January 2014.

In May, 2010 the County entered into a note with Guaranty Bond Bank. Proceeds from the note, \$66,900, were used to purchase a 2008 New Holland Backhoe. Repayment will be made in monthly installments of \$2,003 including interest at 3.92% beginning in November 2010 until fully repaid in October 2013.

H. RETIREMENT PLAN

Plan Description. Hopkins 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 County 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 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 employer, 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 deposits in the plan to receive any employer-financed benefit. Members withdraw their personal deposits 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 deposits 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 contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated deposits and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Funding Policy. The employer has elected the annually determined contribution rate (Variable-Rate) plan provisions of the 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 11.32% for the months of the accounting year in 2009, and 11.58% for the months of the accounting year in 2010.

The deposit rate payable by the employee members for calendar year 2010 is the rate of 7.00% as adopted by the governing body of the employer.

Annual Pension Cost. For the employer's accounting year ending September 30, 2010, the annual pension cost for the TCDRS plan for its employees was \$787,636, and the actual contributions were \$787,636.

1. Annual required contributions (ARC)	787,636
2. Interest on net pension obligation	-
3. Adjustment to ARC	-
4. Annual pension cost	787,636
5. Contributions made	787,636
6. Increase (decrease) in NPO	-
7. NPO beginning of year	-
8. NPO end of year	-

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 2009 and 2010. The December 31, 2009 actuarial valuation is the most recent valuation.

Actuarial Valuation Information

Actuarial valuation date	12/31/07	12/31/08	12/31/09
Actuarial cost method	entry age	entry age	entry age
Amortization method	level percentage of payroll, closed	level percentage of payroll, closed	level percentage of payroll, closed
Amortization period	15	20	20
Asset valuation method	SAF: 10 yr. smoothed value ESF: Fund value	SAF: 10 yr. smoothed value ESF: Fund value	SAF: 10 yr. smoothed value ESF: Fund value

Actuarial Assumptions:

Investment return ¹	8.00%	8.00%	8.00%
Projected salary increases ¹	5.3%	5.3%	5.4%
Inflation	3.5%	3.5%	3.5%
Cost-of-living adjustments	0.0%	0.0%	0.0%

(1)Includes inflation at the stated rate

H. RETIREMENT PLAN cont'd

**Trend Information
for the Retirement Plan for the Employees of Hopkins County**

Accounting Year <u>Ending</u>	Annual Pension <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
2008	726,279	100%	-
2009	776,623	100%	-
2010	787,636	100%	-

**Schedule of Funding Progress for the Retirement Plan
for the Employees of Hopkins County**

Actuarial Valuation <u>Date</u>	Actuarial Value of <u>Assets</u>	Actuarial Accrued Liability <u>(AAL)</u>	Unfunded AAL <u>(UAAL)</u>	Funded <u>Ratio</u>	Annual Covered <u>Payroll</u>	UAAL as a Percentage of Covered <u>Payroll</u>
12/31/07	14,016,091	16,560,526	2,544,434	84.64%	6,422,410	39.62%
12/31/08	14,261,308	17,916,842	3,655,534	79.60%	6,933,168	52.73%
12/31/09	16,148,685	19,660,480	3,511,795	82.14%	6,906,692	50.85%

(1) The annual covered payroll is based on the employee deposits received by TCDRS for the year ending with the valuation date.

I. FEDERAL GRANTS

In the normal course of operations, the County receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

J. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 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.

K. COMMITMENTS AND CONTINGENCIES

The County has no significant commitments or contingencies at September 30, 2010.

L. LITIGATION

The County has no pending litigation at September 30, 2010

M. DEFICIT FUND BALANCES

Some non-major special revenue funds have deficit fund balances at September 30, 2010. The law library fund has a deficit fund balance of \$22 thousand. Fees will be received subsequent to September 30, 2010 to correct this and costs are being trimmed. The Civic Center Horse Pavillion Construction fund has a deficit fund balance of \$138 at September 30, 2010. Additional transfers from the general fund will be budgeted in the future to correct this. The Civic Center fund has a deficit fund balance of \$150 thousand at September 30, 2010. Costs will be trimmed where possible to help overcome this. The Courthouse Security fund has a deficit fund balance of \$10 thousand. Transfers from the general fund are possible to correct this.

N. COMPENSATED ABSENCES

The liability for compensated absences is reflected on the government wide statements. The liability increased from \$324,884 at September 30, 2009 to \$334,063 at September 30, 2010.

The liability is composed of:

Vacation	290,814
Comp. Time	32,995
Holiday	<u>10,254</u>
Total	<u>334,063</u>

All of these are payable upon employee separation from duty.

O. SUBSEQUENT EVENT

In November, 2010 the County refunded three Series Certificates of obligation. The Series 1997, 2000, and 2005 Series were refunded. General Obligation Refunding Bonds series 2010 totaling \$2.27 million were issued. The County will have a savings of \$443,179 from the refunding. The present value of the savings is \$330,642.

COMBINING SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

HOPKINS COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2010

	Record Management Fund	Civic Center Hotel/Motel Tax	Child Abuse Prevention
ASSETS			
Cash and Cash Equivalents	\$ 13,292	\$ 22,133	\$ 859
Receivables (Net)	490	12,158	5,042
Prepaid Items	-	-	-
Total Assets	<u>\$ 13,782</u>	<u>\$ 34,291</u>	<u>\$ 5,901</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable and Accrued Expenditures	\$ 509	\$ 932	\$ -
Due to Other Funds	-	-	-
Deferred Revenues	168	-	5,042
Total Liabilities	<u>677</u>	<u>932</u>	<u>5,042</u>
Fund Balances:			
Reserved For:			
Debt Service	-	-	-
Unreserved and Undesignated:			
Reported in the Special Revenue Fund	13,105	33,359	859
Reported in the Capital Projects Fund	-	-	-
Total Fund Balances	<u>13,105</u>	<u>33,359</u>	<u>859</u>
Total Liabilities and Fund Balances	<u>\$ 13,782</u>	<u>\$ 34,291</u>	<u>\$ 5,901</u>

Civic Center Fund	JP Computer Tech	District Attorney	Law Library	Records Preservation DC/CC	Courthouse Security	Justice Court Security	HAVA Grant
\$ (147,010)	\$ 5,711	\$ 43,918	\$ (18,722)	\$ 67,450	\$ (9,745)	\$ 7,012	\$ 9,425
2,885	18,324	3,190	41,420	57,764	33,817	2,830	1,345
30,872	-	-	-	-	-	-	531
<u>\$ (113,253)</u>	<u>\$ 24,035</u>	<u>\$ 47,108</u>	<u>\$ 22,698</u>	<u>\$ 125,214</u>	<u>\$ 24,072</u>	<u>\$ 9,842</u>	<u>\$ 11,301</u>
\$ 36,673	\$ -	\$ 7,584	\$ 3,920	\$ 468	\$ 521	\$ 13	\$ 1,345
-	-	-	-	-	-	-	-
-	18,023	-	40,545	57,354	33,399	2,765	-
<u>36,673</u>	<u>18,023</u>	<u>7,584</u>	<u>44,465</u>	<u>57,822</u>	<u>33,920</u>	<u>2,778</u>	<u>1,345</u>
-	-	-	-	-	-	-	-
(149,926)	6,012	39,524	(21,767)	67,392	(9,848)	7,064	9,956
-	-	-	-	-	-	-	-
<u>(149,926)</u>	<u>6,012</u>	<u>39,524</u>	<u>(21,767)</u>	<u>67,392</u>	<u>(9,848)</u>	<u>7,064</u>	<u>9,956</u>
<u>\$ (113,253)</u>	<u>\$ 24,035</u>	<u>\$ 47,108</u>	<u>\$ 22,698</u>	<u>\$ 125,214</u>	<u>\$ 24,072</u>	<u>\$ 9,842</u>	<u>\$ 11,301</u>

HOPKINS COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2010

	Pct#1 House	Road & Bridge Special Maint	Farm to Market Special	Pleasant Grove Special Assessment
ASSETS				
Cash and Cash Equivalents	\$ -	\$ (3,948)	\$ 13,335	\$ 403
Receivables (Net)	-	21,522	22,072	2,016
Prepaid Items	(246)	-	-	-
Total Assets	<u>\$ (246)</u>	<u>\$ 17,574</u>	<u>\$ 35,407</u>	<u>\$ 2,419</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable and Accrued Expenditures	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-	2,419
Deferred Revenues	-	19,766	20,439	-
Total Liabilities	<u>-</u>	<u>19,766</u>	<u>20,439</u>	<u>2,419</u>
Fund Balances:				
Reserved For:				
Debt Service	-	-	-	-
Unreserved and Undesignated:				
Reported in the Special Revenue Fund	(246)	(2,192)	14,968	-
Reported in the Capital Projects Fund	-	-	-	-
Total Fund Balances	<u>(246)</u>	<u>(2,192)</u>	<u>14,968</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ (246)</u>	<u>\$ 17,574</u>	<u>\$ 35,407</u>	<u>\$ 2,419</u>

ORCA Grant	Homeland Security Grant	North Hopkins STEP Grant	Co. Attorney Forfeiture	S/O Drug Forfeiture	District Attorney Drug Forfeiture	Co. Attorney Check Collection	D.A. Check Collection
\$ 117,780	\$ (35,310)	\$ -	\$ 1,021	\$ 299	\$ 46,586	\$ 779	\$ 233
79,703	35,310	-	-	-	-	235	-
-	-	-	-	-	-	-	-
<u>\$ 197,483</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,021</u>	<u>\$ 299</u>	<u>\$ 46,586</u>	<u>\$ 1,014</u>	<u>\$ 233</u>
\$ 55,530	\$ -	\$ -	\$ 50	\$ -	\$ 389	\$ 338	\$ -
60,703	-	-	-	-	-	-	-
81,250	-	-	-	-	-	-	-
<u>197,483</u>	<u>-</u>	<u>-</u>	<u>50</u>	<u>-</u>	<u>389</u>	<u>338</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	971	299	46,197	676	233
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>971</u>	<u>299</u>	<u>46,197</u>	<u>676</u>	<u>233</u>
<u>\$ 197,483</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,021</u>	<u>\$ 299</u>	<u>\$ 46,586</u>	<u>\$ 1,014</u>	<u>\$ 233</u>

HOPKINS COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2010

	Co. Record Archive Fund	CC/DC Technology Fund	Civic Center SECO Grant	S/O Federal Forfeiture
ASSETS				
Cash and Cash Equivalents	\$ 3,557	\$ 101	\$ 1,405	\$ 1,797
Receivables (Net)	1,852	143	96,895	-
Prepaid Items	-	-	-	-
Total Assets	<u>\$ 5,409</u>	<u>\$ 244</u>	<u>\$ 98,300</u>	<u>\$ 1,797</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable and Accrued Expenditures	\$ -	\$ -	\$ 98,300	\$ -
Due to Other Funds	-	-	-	-
Deferred Revenues	1,747	143	-	-
Total Liabilities	<u>1,747</u>	<u>143</u>	<u>98,300</u>	<u>-</u>
Fund Balances:				
Reserved For:				
Debt Service	-	-	-	-
Unreserved and Undesignated:				
Reported in the Special Revenue Fund	3,662	101	-	1,797
Reported in the Capital Projects Fund	-	-	-	-
Total Fund Balances	<u>3,662</u>	<u>101</u>	<u>-</u>	<u>1,797</u>
Total Liabilities and Fund Balances	<u>\$ 5,409</u>	<u>\$ 244</u>	<u>\$ 98,300</u>	<u>\$ 1,797</u>

D.A. Federal Forfeiture	Court of Appeals Fee Fund	Co. Attorney Special Restitution	Total Nonmajor Special Revenue Funds	Debt Service Fund	Courthouse Restoration Cap. Project	Horse Pavillion Cap. Project	Bond Issue
\$ 25,001	\$ 112	\$ 3,152	\$ 170,626	\$ 27,742	\$ 3,658	\$ (138,022)	\$ 371,723
-	409	-	439,422	31,651	-	-	-
-	-	-	31,157	-	-	-	-
<u>\$ 25,001</u>	<u>\$ 521</u>	<u>\$ 3,152</u>	<u>\$ 641,205</u>	<u>\$ 59,393</u>	<u>\$ 3,658</u>	<u>\$ (138,022)</u>	<u>\$ 371,723</u>
\$ -	\$ 396	\$ -	\$ 206,968	\$ -	\$ -	\$ -	\$ -
-	-	-	63,122	-	-	-	-
-	334	-	280,975	29,248	-	-	-
-	730	-	551,065	29,248	-	-	-
-	-	-	-	30,145	-	-	-
25,001	(209)	3,152	90,140	-	-	-	-
-	-	-	-	-	3,658	(138,022)	371,723
<u>25,001</u>	<u>(209)</u>	<u>3,152</u>	<u>90,140</u>	<u>30,145</u>	<u>3,658</u>	<u>(138,022)</u>	<u>371,723</u>
<u>\$ 25,001</u>	<u>\$ 521</u>	<u>\$ 3,152</u>	<u>\$ 641,205</u>	<u>\$ 59,393</u>	<u>\$ 3,658</u>	<u>\$ (138,022)</u>	<u>\$ 371,723</u>

HOPKINS COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2010

	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
ASSETS		
Cash and Cash Equivalents	\$ 237,359	\$ 435,727
Receivables (Net)	-	471,073
Prepaid Items	-	31,157
Total Assets	<u>\$ 237,359</u>	<u>\$ 937,957</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Expenditures	\$ -	\$ 206,968
Due to Other Funds	-	63,122
Deferred Revenues	-	310,223
Total Liabilities	<u>-</u>	<u>580,313</u>
Fund Balances:		
Reserved For:		
Debt Service	-	30,145
Unreserved and Undesignated:		
Reported in the Special Revenue Fund	-	90,140
Reported in the Capital Projects Fund	237,359	237,359
Total Fund Balances	<u>237,359</u>	<u>357,644</u>
Total Liabilities and Fund Balances	<u>\$ 237,359</u>	<u>\$ 937,957</u>

HOPKINS COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Record Management Fund	Civic Center Hotel/Motel Tax	Child Abuse Prevention
REVENUES:			
Taxes	\$ -	\$ 101,387	\$ -
Intergovernmental Revenue and Grants	-	-	-
Fees of Office	32,345	-	374
Fines and Forfeitures	-	-	-
Investment Earnings	162	348	9
Other Revenue	-	-	-
Total Revenues	32,507	101,735	383
EXPENDITURES:			
Current:			
General government	35,594	-	-
Judicial	-	-	-
Legal	-	-	-
Public safety	-	-	-
Public transportation	-	-	-
Public facilities	-	20,967	-
Debt Service:			
Bond Principal	-	36,000	-
Bond Interest	-	41,793	-
Fees	-	-	-
Capital Outlay	-	11,605	-
Total Expenditures	35,594	110,365	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,087)	(8,630)	383
OTHER FINANCING SOURCES (USES):			
Transfers In	-	-	-
Other Resources	-	-	-
Transfers Out (Use)	-	(39,000)	-
Total Other Financing Sources (Uses)	-	(39,000)	-
Net Change in Fund Balance	(3,087)	(47,630)	383
Fund Balance - October 1 (Beginning)	16,192	80,989	476
Fund Balance - September 30 (Ending)	\$ 13,105	\$ 33,359	\$ 859

Civic Center Fund	JP Computer Tech	District Attorney	Law Library	Records Preservation DC/CC	Courthouse Security	Justice Court Security	HAVA Grant
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12,000	-	137,884	-	-	-	-	60,476
262,957	-	-	24,010	24,411	19,912	2,716	3,725
-	10,539	-	-	-	-	-	-
95	75	317	4	782	3	110	53
1,371	-	1,329	-	229	380	-	-
<u>276,423</u>	<u>10,614</u>	<u>139,530</u>	<u>24,014</u>	<u>25,422</u>	<u>20,295</u>	<u>2,826</u>	<u>64,254</u>
-	-	-	-	22,023	31,938	6,781	54,824
-	9,979	-	-	-	-	-	-
-	-	345,906	32,975	-	-	-	-
-	-	-	-	-	-	-	-
689,886	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>689,886</u>	<u>9,979</u>	<u>345,906</u>	<u>32,975</u>	<u>22,023</u>	<u>31,938</u>	<u>6,781</u>	<u>54,824</u>
(413,463)	635	(206,376)	(8,961)	3,399	(11,643)	(3,955)	9,430
383,000	-	229,442	-	-	-	-	-
1,130	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>384,130</u>	<u>-</u>	<u>229,442</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(29,333)	635	23,066	(8,961)	3,399	(11,643)	(3,955)	9,430
(120,593)	5,377	16,458	(12,806)	63,993	1,795	11,019	526
<u>\$ (149,926)</u>	<u>\$ 6,012</u>	<u>\$ 39,524</u>	<u>\$ (21,767)</u>	<u>\$ 67,392</u>	<u>\$ (9,848)</u>	<u>\$ 7,064</u>	<u>\$ 9,956</u>

HOPKINS COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Pct#1 House	Road & Bridge Special Maint	Farm to Market Special	Pleasant Grove Special Assessment
REVENUES:				
Taxes	\$ -	\$ 266,714	\$ 249,842	\$ -
Intergovernmental Revenue and Grants	-	-	-	-
Fees of Office	5,500	-	-	-
Fines and Forfeitures	-	-	-	-
Investment Earnings	23	427	2,682	-
Other Revenue	15	-	-	-
Total Revenues	<u>5,538</u>	<u>267,141</u>	<u>252,524</u>	<u>-</u>
EXPENDITURES:				
Current:				
General government	-	-	-	-
Judicial	-	-	-	-
Legal	-	-	-	-
Public safety	-	-	-	-
Public transportation	-	-	-	-
Public facilities	562	-	-	-
Debt Service:				
Bond Principal	-	-	-	-
Bond Interest	-	-	-	-
Fees	-	-	-	-
Capital Outlay	-	-	-	-
Total Expenditures	<u>562</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>4,976</u>	<u>267,141</u>	<u>252,524</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	-	-
Other Resources	-	-	-	-
Transfers Out (Use)	(5,525)	(300,000)	(350,000)	-
Total Other Financing Sources (Uses)	<u>(5,525)</u>	<u>(300,000)</u>	<u>(350,000)</u>	<u>-</u>
Net Change in Fund Balance	<u>(549)</u>	<u>(32,859)</u>	<u>(97,476)</u>	<u>-</u>
Fund Balance - October 1 (Beginning)	<u>303</u>	<u>30,667</u>	<u>112,444</u>	<u>-</u>
Fund Balance - September 30 (Ending)	<u>\$ (246)</u>	<u>\$ (2,192)</u>	<u>\$ 14,968</u>	<u>\$ -</u>

ORCA Grant	Homeland Security Grant	North Hopkins STEP Grant	Co. Attorney Forfeiture	S/O Drug Forfeiture	District Attorney Drug Forfeiture	Co. Attorney Check Collection	D.A. Check Collection
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
553,146	302,888	1,320	-	-	-	-	-
-	-	-	-	-	-	11,577	225
-	-	-	-	8,134	27,245	-	-
-	-	-	-	20	615	-	-
-	-	-	-	-	121	35	-
<u>553,146</u>	<u>302,888</u>	<u>1,320</u>	-	<u>8,154</u>	<u>27,981</u>	<u>11,612</u>	<u>225</u>
-	-	1,320	-	-	-	-	-
-	-	-	1,324	-	-	15,712	-
195,768	-	-	-	8,406	25,699	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	302,888	-	-	-	-	-	-
<u>195,768</u>	<u>302,888</u>	<u>1,320</u>	<u>1,324</u>	<u>8,406</u>	<u>25,699</u>	<u>15,712</u>	-
357,378	-	-	(1,324)	(252)	2,282	(4,100)	225
-	-	-	-	-	-	-	-
(357,378)	-	-	-	-	-	-	-
<u>(357,378)</u>	-	-	-	-	-	-	-
-	-	-	(1,324)	(252)	2,282	(4,100)	225
-	-	-	2,295	551	43,915	4,776	8
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 971</u>	<u>\$ 299</u>	<u>\$ 46,197</u>	<u>\$ 676</u>	<u>\$ 233</u>

HOPKINS COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Co. Record Archive Fund	CC/DC Technology Fund	Civic Center SECO Grant	S/O Federal Forfeiture
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental Revenue and Grants	-	-	-	-
Fees of Office	3,645	101	96,895	-
Fines and Forfeitures	-	-	-	245
Investment Earnings	17	-	-	122
Other Revenue	-	-	-	-
Total Revenues	3,662	101	96,895	367
EXPENDITURES:				
General Government:				
General government	-	-	-	-
Judicial	-	-	-	-
Legal	-	-	-	-
Public safety	-	-	-	25,773
Public transportation	-	-	-	-
Public facilities	-	-	85,495	-
Debt Service:				
Bond Principal	-	-	-	-
Bond Interest	-	-	-	-
Fees	-	-	-	-
Capital Outlay	-	-	11,400	-
Total Expenditures	-	-	96,895	25,773
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,662	101	-	(25,406)
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	-	-
Other Resources	-	-	-	-
Transfers Out (Use)	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	3,662	101	-	(25,406)
Fund Balance - October 1 (Beginning)	-	-	-	27,203
Fund Balance - September 30 (Ending)	\$ 3,662	\$ 101	\$ -	\$ 1,797

D.A. Federal Forfeiture	Court of Appeals Fee Fund	Co. Attorney Special Restitution	Total Nonmajor Special Revenue Funds	Debt Service Fund	Courthouse Restoration Cap. Project	Horse Pavillion Cap. Project	Bond Issue
\$ -	\$ -	\$ -	\$ 617,943	\$ 368,402	\$ -	\$ -	\$ -
-	-	-	1,067,714	-	-	-	-
-	2,015	-	490,408	-	-	-	-
669	-	-	46,832	-	-	-	-
451	7	-	6,322	6,352	106	-	2,199
-	-	-	3,480	-	1,272	-	-
<u>1,120</u>	<u>2,022</u>	-	<u>2,232,699</u>	<u>374,754</u>	<u>1,378</u>	-	<u>2,199</u>
-	-	-	152,480	-	-	-	-
-	-	-	9,979	-	-	-	-
13,830	2,231	-	411,978	-	-	-	-
-	-	-	59,878	-	-	-	-
-	-	-	195,768	-	-	-	1,876
-	-	-	796,910	-	11,400	-	-
-	-	-	36,000	1,172,378	-	-	-
-	-	-	41,793	256,611	-	-	-
-	-	-	-	1,984	-	-	-
-	-	-	325,893	-	-	-	-
<u>13,830</u>	<u>2,231</u>	-	<u>2,030,679</u>	<u>1,430,973</u>	<u>11,400</u>	-	<u>1,876</u>
<u>(12,710)</u>	<u>(209)</u>	-	<u>202,020</u>	<u>(1,056,219)</u>	<u>(10,022)</u>	-	<u>323</u>
-	-	-	612,442	1,083,501	-	20,000	-
-	-	-	1,130	-	-	-	-
-	-	-	(1,051,903)	-	-	-	(1,077,976)
-	-	-	(438,331)	1,083,501	-	20,000	(1,077,976)
<u>(12,710)</u>	<u>(209)</u>	-	<u>(236,311)</u>	<u>27,282</u>	<u>(10,022)</u>	<u>20,000</u>	<u>(1,077,653)</u>
<u>37,711</u>	-	3,152	<u>326,451</u>	<u>2,863</u>	<u>13,680</u>	<u>(158,022)</u>	<u>1,449,376</u>
<u>\$ 25,001</u>	<u>\$ (209)</u>	<u>\$ 3,152</u>	<u>\$ 90,140</u>	<u>\$ 30,145</u>	<u>\$ 3,658</u>	<u>\$ (138,022)</u>	<u>\$ 371,723</u>

HOPKINS COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Nonmajor Capital Project Funds	Nonmajor Governmental Funds
REVENUES:		
Taxes	\$ -	\$ 986,345
Intergovernmental Revenue and Grants	-	1,067,714
Fees of Office	-	490,408
Fines and Forfeitures	-	46,832
Investment Earnings	2,305	14,979
Other Revenue	1,272	4,752
Total Revenues	<u>3,577</u>	<u>2,611,030</u>
EXPENDITURES:		
Current:		
General government	-	152,480
Judicial	-	9,979
Legal	-	411,978
Public safety	-	59,878
Public transportation	1,876	197,644
Public facilities	11,400	808,310
Debt Service:		
Bond Principal	-	1,208,378
Bond Interest	-	298,404
Fees	-	1,984
Capital Outlay	-	325,893
Total Expenditures	<u>13,276</u>	<u>3,474,928</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(9,699)</u>	<u>(863,898)</u>
OTHER FINANCING SOURCES (USES):		
Transfers In	20,000	1,715,943
Other Resources	-	1,130
Transfers Out (Use)	<u>(1,077,976)</u>	<u>(2,129,879)</u>
Total Other Financing Sources (Uses)	<u>(1,057,976)</u>	<u>(412,806)</u>
Net Change in Fund Balance	<u>(1,067,675)</u>	<u>(1,276,704)</u>
Fund Balance - October 1 (Beginning)	<u>1,305,034</u>	<u>1,634,348</u>
Fund Balance - September 30 (Ending)	<u>\$ 237,359</u>	<u>\$ 357,644</u>

AGENCY FUNDS

Hopkins County, Texas
 COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES—AGENCY FUNDS
 as of September 30, 2010

	<u>Tax Assessor Collector</u>	<u>County Clerk</u>	<u>District Clerk</u>	<u>Sheriff</u>	<u>Justice of the Peace Number One</u>
ASSETS					
Cash and cash equivalents	163,418	30,153	589,852	84,872	26,605
Total assets	163,418	30,153	589,852	84,872	26,605
LIABILITIES					
Accounts payable and accrued expenses	-	-	-	-	-
Due to others	163,418	30,153	589,852	84,872	26,605
Total liabilities	163,418	30,153	589,852	84,872	26,605

<u>Justice of the Peace Number Two</u>	<u>County Attorney</u>	<u>District Attorney</u>	<u>Payroll Clearing Fund</u>	<u>Vouchers Payable Fund</u>	<u>Total Agency Funds</u>
5,117	23,575	385,923	26,431	7,768	1,343,714
<hr/> 5,117	<hr/> 23,575	<hr/> 385,923	<hr/> 26,431	<hr/> 7,768	<hr/> 1,343,714
-	-	-	14,848	3,766	18,614
5,117	23,575	385,923	11,583	4,002	1,325,100
<hr/> 5,117	<hr/> 23,575	<hr/> 385,923	<hr/> 26,431	<hr/> 7,768	<hr/> 1,343,714

SUPPLEMENTAL INFORMATION

Hopkins County, Texas
General Fund-By Department
Budgetary Comparison Schedule
for the year ended September 30, 2010

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget Positive or (Negative)
	Original	Final		
REVENUES				
Taxes	7,214,397	7,214,397	7,182,638	(31,759)
Fees of office	1,039,200	1,039,200	1,015,146	(24,054)
Intergovernmental	192,323	218,408	344,115	125,707
Fines and forfeitures	635,000	635,000	565,458	(69,542)
Interest	50,000	50,000	45,409	(4,591)
Miscellaneous	91,975	121,599	135,832	14,233
Total Revenues	9,222,895	9,278,604	9,288,598	9,994
EXPENDITURES:				
Current:				
General Government				
County Judge	168,229	168,229	167,147	1,082
County Administration	408,710	386,009	385,050	959
Risk Management	208,800	208,800	211,058	(2,258)
County Clerk	326,411	326,411	323,010	3,401
Archive Project	70,000	70,000	25,896	44,104
Veteran Service	40,270	40,270	38,978	1,292
Nondepartmental	84,450	103,056	98,271	4,785
Total General Government	1,306,870	1,302,775	1,249,410	53,365
Judicial				
County Court	245,479	245,479	254,138	(8,659)
8th District Court	268,009	292,009	304,855	(12,846)
62nd District Court	88,128	88,128	85,728	2,400
District Clerk	434,918	434,918	409,748	25,170
Justice of the Peace #1	162,099	162,099	160,324	1,775
Justice of the Peace #2	162,977	162,977	160,724	2,253
Total Judicial	1,361,610	1,385,610	1,375,517	10,093
Legal				
County Attorney	212,581	212,581	212,576	5
Total Legal	212,581	212,581	212,576	5
Financial Administration				
County Auditor	233,619	233,619	232,017	1,602
County Treasurer	129,344	129,344	125,396	3,948
Tax Assessor Collector	367,814	367,383	360,260	7,123
Information Systems	162,805	159,341	157,051	2,290
Total Financial Administration	893,582	889,687	874,724	14,963
Public Facilities				
Building Maintenance	263,208	276,157	258,481	17,676
Total Public Facilities	263,208	276,157	258,481	17,676

Hopkins County, Texas
General Fund-By Department
Budgetary Comparison Schedule
for the year ended September 30, 2010

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget Positive or (Negative)
	Original	Final		
Public Safety				
Volunteer Fire Department	141,011	139,725	136,732	2,993
County Fire Department	493,320	494,512	532,593	(38,081)
Constable #1	69,860	69,860	65,682	4,178
Constable #2	68,845	68,845	67,256	1,589
Sheriff's Department	1,710,974	1,789,599	1,853,287	(63,688)
State Agencies	35,909	35,909	35,306	603
Dispatch	237,869	237,869	242,454	(4,585)
Jail	1,348,364	1,338,817	1,338,804	13
Juvenile Probation	89,876	89,876	101,245	(11,369)
Adult Probation	10,650	10,650	15,123	(4,473)
Total Public Safety	4,206,678	4,275,662	4,388,482	(112,820)
Health and Welfare				
Environmental Quality	69,502	69,441	65,222	4,219
Recycling	-	-	1,958	(1,958)
Total Health and Welfare	69,502	69,441	67,180	2,261
County Extension				
Extension Office	108,402	108,402	106,959	1,443
Total County Extension	108,402	108,402	106,959	1,443
Elections				
Elections	76,613	76,613	54,516	22,097
Total Elections	76,613	76,613	54,516	22,097
Debt Service				
Principal	92,149	93,492	93,453	39
Interest	16,138	16,141	16,135	6
Capital Outlay	35,113	104,341	106,050	(1,709)
Total expenditures	8,642,446	8,810,902	8,803,483	7,419
Excess (deficiency) of revenues over (under) expenditures	580,449	467,702	485,115	17,413
OTHER FINANCING SOURCES (USES)				
Insurance proceeds	-	-	-	-
Sale of assets	-	-	-	-
Loan proceeds	-	65,088	65,088	-
Other resources	-	12,225	69,189	56,964
Transfers Out (Use)	(593,442)	(593,442)	(593,442)	-
Total other resources	(593,442)	(516,129)	(459,165)	56,964
Excess of revenues and other sources over (under) expenditures and other uses	(12,993)	(48,427)	25,950	74,377
FUND BALANCE				
Beginning of year	1,009,030	1,009,030	1,009,030	-
End of year	996,037	960,603	1,034,980	74,377

Hopkins County, Texas
Road and bridge Maintenance Fund
Budgetary Comparison Schedule
for the year ended September 30, 2010

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget Positive or (Negative)
	Original	Final		
REVENUES				
Taxes	2,089,562	2,089,562	2,111,127	21,565
Fees of office	740,000	740,000	752,585	12,585
Intergovernmental	66,000	66,000	62,672	(3,328)
Interest	10,000	10,000	13,878	3,878
Miscellaneous	5,000	5,000	4,582	(418)
Total Revenues	2,910,562	2,910,562	2,944,844	34,282
EXPENDITURES:				
Current:				
Public Transportation				
Road and Bridge Number One				
Personnel	415,000	366,222	365,763	459
Operating	456,089	553,931	553,924	7
Debt Service	23,976	-	-	-
Capital	50,000	57,439	57,439	-
Total Road and Bridge Number One	945,065	977,592	977,126	466
Road and Bridge Number Two				
Personnel	357,613	347,125	347,120	5
Operating	443,545	850,110	849,758	352
Debt Service	93,907	264,862	264,862	-
Capital	50,000	451,474	451,474	-
Total Road and Bridge Number Two	945,065	1,913,571	1,913,214	357
Road and Bridge Number Three				
Personnel	403,768	355,669	355,645	24
Operating	491,297	567,094	557,174	9,920
Capital	90,000	86,800	86,800	-
Total Road and Bridge Number Three	985,065	1,009,563	999,619	9,944
Road and Bridge Number Four				
Personnel	383,696	359,860	359,855	5
Operating	465,632	527,295	524,565	2,730
Debt Service	45,737	45,748	45,747	1
Capital	50,000	80,440	76,439	4,001
Total Road and Bridge Number Four	945,065	1,013,343	1,006,606	6,737
Total expenditures	3,820,260	4,914,069	4,896,565	17,504
Excess (deficiency) of revenues over (under) expenditures	(909,698)	(2,003,507)	(1,951,721)	51,786
OTHER FINANCING SOURCES (USES)				
Insurance proceeds	-	-	-	-
Sale of assets	-	362,681	362,681	-
Debt proceeds	-	383,750	383,750	-
Operating transfers in	650,000	1,007,378	1,007,378	-
Total other resources	650,000	1,753,809	1,753,809	-
Excess of revenues and other sources over (under) expenditures and other uses	(259,698)	(249,698)	(197,912)	51,786
FUND BALANCE				
Beginning of year	754,206	754,206	754,206	-
Prior period adjustment	-	-	-	-
End of year	494,508	504,508	556,294	51,786

Hopkins County, Texas
 BUDGETARY COMPARISON SCHEDULE
 Debt Service Fund
 for the year ended September 30, 2010

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget Positive or (Negative)
	Original	Final		
REVENUES				
Taxes	360,369	360,369	368,402	8,033
Interest	1,500	1,500	6,352	4,852
Total revenues	<u>361,869</u>	<u>361,869</u>	<u>374,754</u>	<u>12,885</u>
EXPENDITURES				
Debt service-principal	377,143	377,143	1,172,378	(795,235)
Debt service-interest and fees	252,105	252,105	258,595	(6,490)
Total expenditures	<u>629,248</u>	<u>629,248</u>	<u>1,430,973</u>	<u>(801,725)</u>
Excess of revenues over (under) expenditures	<u>(267,379)</u>	<u>(267,379)</u>	<u>(1,056,219)</u>	<u>(788,840)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	282,532	282,532	1,083,501	800,969
Total other sources (uses)	<u>282,532</u>	<u>282,532</u>	<u>1,083,501</u>	<u>800,969</u>
Excess of revenues and other sources over (under) expenditures and other uses	15,153	15,153	27,282	12,129
FUND BALANCE				
Beginning of year	<u>2,863</u>	<u>2,863</u>	<u>2,863</u>	<u>-</u>
End of year	<u>18,016</u>	<u>18,016</u>	<u>30,145</u>	<u>12,129</u>

FEDERAL AWARDS SECTION



ARNOLD, WALKER, ARNOLD, & Co., P.C.

Certified Public Accountants and Consultants

Bob J. Arnold, C.P.A.
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MEMBER
American Institute Of
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Texas State Society Of
Certified Public Accountants

**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***

**The Honorable Judge and
County Commissioners
Hopkins, Texas
Sulphur Springs, Texas**

We have audited the financial statements of the governmental activities and each major fund of Hopkins County, Texas as of and for the year ended September 30, 2010, which collectively comprise the County's basic financial statements and have issued our report thereon dated February 7, 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs listed as items 10-1 and 10-2 that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, Commissioner's Court, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully Submitted,

Arnold, Walker, Arnold & Co., P.C.

Arnold, Walker, Arnold & Co., P.C.

February 7, 2011



ARNOLD, WALKER, ARNOLD, & Co., P.C.

Certified Public Accountants and Consultants

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REPORT ON COMPLINACE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Judge and
County Commissioners
Hopkins County, Texas
Sulphur Springs, Texas

Compliance

We have audited the compliance of the County of Hopkins, Texas with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2010. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2010.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of management, Commissioner's Court, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Arnold, Walker, Arnold & Co., P.C.

Arnold, Walker, Arnold & Co., P.C.

February 7, 2011

Hopkins County, Texas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended September 30, 2010

I. Summary of the Auditor's Results:

- a. The type of report issued on the financial statements of Hopkins County, Texas was an unqualified opinion.
- b. Where applicable, a statement that control deficiencies in internal control were disclosed by the audit of the financial statements and whether they were material weaknesses. See below, none are material weaknesses
- c. A statement as to whether the audit disclosed any noncompliance which is material to the financial statements of the auditee.
NONE
- d. Where applicable, a statement that control deficiencies in internal control over major programs were disclosed by the audit and whether any such conditions were material weaknesses. N/A
- e. The type of report the auditor issued on compliance for major programs. N/A
- f. A statement as to whether the audit disclosed any audit findings which the auditor is required to report under Section.510(a).
These include: N/A
- g. An identification of major programs: N/A
- h. The dollar threshold used to distinguish between Type A and Type B programs. N/A
- i. A statement as to whether the auditee qualified as a low-risk auditee. N/A

II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with *Generally Accepted Government Auditing Standards.*

10-1 DISTRICT ATTORNEY

- Condition-** The subsidiary ledger on the pending account does not equal the reconciled bank balance for the pending account.
- Criteria-** Internal controls call for a subsidiary ledger detailing the pending funds held that agrees to the reconciled bank balance at the end of each month.
- Cause-** The reason for the difference between the subsidiary ledger and the cash balance has not yet been identified.
- Effect-** The subsidiary ledger balance exceeds the reconciled bank balance by approximately \$6,000.

10-2 INMATE TRUST FUND

- Condition-** The inmate trust fund subsidiary ledger is not reconciled to the reconciled bank balance each month.
- Criteria-** Internal controls call for a subsidiary ledger detailing the funds held that agree to the reconciled bank balance at the end of each month.
- Cause-** The detail of the trust fund subsidiary ledger totals approximately \$1,100 at September 30, 2010. The reconciled bank balance reflects approximately \$39,000 as of that date.
- Effect-** At September 30, 2010, the bank balance exceeds the subsidiary ledger by \$38,000. So, there is more money in the account than is substantiated by the inmate balance.

III. Findings and Questioned Costs for Federal Awards Including Audit Findings as Described in I.f Above

None

Hopkins County, Texas
SCHEDULE OF STATUS OF PRIOR FINDINGS
For the year ended September 30, 2010

PRIOR YEAR'S FINDINGS/ NONCOMPLIANCE

09-1 District Attorney

The subsidiary ledger on the pending account did not equal the reconciled bank balance for the pending account.

09-2 Inmate Trust Account

The inmate trust fund subsidiary ledger was not reconciled to the reconciled bank balance.

STATUS OF PRIOR YEAR'S FINDINGS/ NONCOMPLIANCE

See 10-1 The reconciliations are being worked on. There is still a difference between the subsidiary ledger and the reconciled bank balance.

See 10-2 The reconciliations are being worked on. There is more money in the bank than the subsidiary ledger.

Hopkins County, Texas
CORRECTIVE ACTION PLAN
For the year ended September 30, 2010

- 10-1 The subsidiary ledger on the District Attorney Pending Account will be reviewed and agreed to the reconciled bank balance each month.
- 10-2 The subsidiary ledger for the Inmate Trust Fund will be agreed to the reconciled bank balance each month.

Hopkins County, Texas
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the year ended September 30, 2010

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity identifying Number	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<u>Passed Through Texas Department of Rural Affairs</u>			
CDBG- Water Facilities	14.228	728046	1,320
Disaster Relief	14.258	729107	346,971
Disaster Relief	14.228	710107	<u>287,425</u>
Total Passed Through TDRA			<u>635,716</u>
TOTAL DEPARTMENT OF HUD			<u>635,716</u>
DEPARTMENT OF ENERGY	81.128	DE-EE0000893	<u>86,365</u>
U.S. ELECTIONS ASSISTANCE COMMISSION HAVA	90.401	--	<u>52,776</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
<u>Passed Through Texas Department of Public Safety</u>			
Homeland Security	97.044	SHSP08	133,751
Homeland Security	97.044	SHSP09	<u>100,391</u>
TOTAL DEPARTMENT OF HOMELAND SECURITY			<u>234,142</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>1,008,999</u></u>

Hopkins County, Texas
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2010

1. Special revenue funds are normally used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund. The sewer grant was accounted for in the proprietary fund.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. Some federal grant funds were accounted for in a Special Revenue Fund which is a Governmental Fund type. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund types and Agency Funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on Long-Term Debt, which is recognized when due.

The Proprietary Fund Type is accounted for on a flow of economic resources measurement focus and utilizes the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Assets. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

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

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

Hopkins County, Texas
 FEDERAL PROGRAM PROJECT SCHEDULE
 PROJECTS THAT ENDED OR WERE IN OPERATION
 For the year ended September 30, 2010

Federal Grantor: U.S. Department of HUD

Pass Through Grantor: TDRA

CFDA # 14.228, Project #728046, Contract Period: 01/17/08-01/16/10

	<u>Budget</u>	<u>Prior Year</u>	<u>Federal Current Year</u>	<u>Total</u>
REVENUE				
Federal	<u>58,542</u>	<u>47,494</u>	<u>1,320</u>	<u>48,814</u>
EXPENSES				
Water facilities	35,370	25,642	-	25,642
Engineering	9,972	9,972	-	9,972
Administration	<u>13,200</u>	<u>11,880</u>	<u>1,320</u>	<u>13,200</u>
TOTAL EXPENSES	<u>58,542</u>	<u>47,494</u>	<u>1,320</u>	<u>48,814</u>
EXCESS REVENUE OVER EXPENSES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Hopkins County, Texas
FEDERAL PROGRAM PROJECT SCHEDULE
PROJECTS THAT ENDED OR WERE IN OPERATION
For the year ended September 30, 2010

Federal Grantor: U.S. Department of HUD

Pass Through Grantor: TDRA

CFDA # 14.228, Project #729107, Contract Period: 9/28/09-9/27/11

	<u>Budget</u>	<u>Prior Year</u>	<u>Federal Current Year</u>	<u>Total</u>
REVENUE				
Federal	<u>349,971</u>	<u>-</u>	<u>346,971</u>	<u>346,971</u>
EXPENSES				
Street Improvements	74,461	-	74,461	74,461
Flood Drainage	90,490	-	90,490	90,490
Demolition	155,020	-	155,020	155,020
Administration	<u>30,000</u>	<u>-</u>	<u>27,000</u>	<u>27,000</u>
TOTAL EXPENSES	<u>349,971</u>	<u>-</u>	<u>346,971</u>	<u>346,971</u>
EXCESS REVENUE OVER EXPENSES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Hopkins County, Texas
 FEDERAL PROGRAM PROJECT SCHEDULE
 PROJECTS THAT ENDED OR WERE IN OPERATION
 For the year ended September 30, 2010

Federal Grantor: U.S. Department of HUD

Pass Through Grantor: TDRA

CFDA # 14.228, Project #710107, Contract Period: 7/18/10-7/17/12

	<u>Budget</u>	<u>Federal Current Year</u>	<u>Total</u>
REVENUE			
Federal	<u>350,000</u>	<u>287,425</u>	<u>287,425</u>
EXPENSES			
Street Improvements	243,750	188,675	188,675
Flood Drainage	81,250	81,250	81,250
Administration	<u>25,000</u>	<u>17,500</u>	<u>17,500</u>
TOTAL EXPENSES	<u>350,000</u>	<u>287,425</u>	<u>287,425</u>
EXCESS REVENUE OVER EXPENSES	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>