

**Hopkins County, Texas**  
**FINANCIAL STATEMENTS**  
**AND INDEPENDENT AUDITOR'S REPORT**  
**For the year ended September 30, 2013**

Hopkins County, Texas  
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 Year ended September 30, 2013

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INDEPENDENT AUDITOR'S REPORT

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hopkins County, Texas as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

Our responsibility is to express opinions on 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 from material misstatement.

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County, as of September 30, 2013, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 11 and 53 through 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual non-major fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2013, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

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

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

December 19, 2013

## 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, 2013. 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 position was \$20.5 million at September 30, 2013, \$10.3 million of the net position is invested in capital assets, net of related debt. During the year, the County's expenses were \$608 thousand less than the \$16.1 million generated in taxes, charges for services and other revenues from governmental activities. Revenue increased \$706 thousand. Property tax revenue increased \$548 thousand. Expenditures increased \$730 thousand. Expenditures in the public facilities area increased \$658 thousand. Renovations to the Civic Center comprised most of this increase.

The general fund balance is \$3.3 million at September 30, 2013 which is an increase of \$1 million. Costs exclusive of debt service and capital outlay increased in total \$61 thousand, or less than 1%. Revenue increased \$338 thousand in the general fund. This increase was from an increase in tax revenue.

Approximately 97% of the taxes levied for 2012-13 were collected by September 30, 2013.

The County paid approximately \$1.09 million debt principal this year. \$1.5 million of new debt was obtained to acquire vehicles and equipment and to renovate the Civic Center.

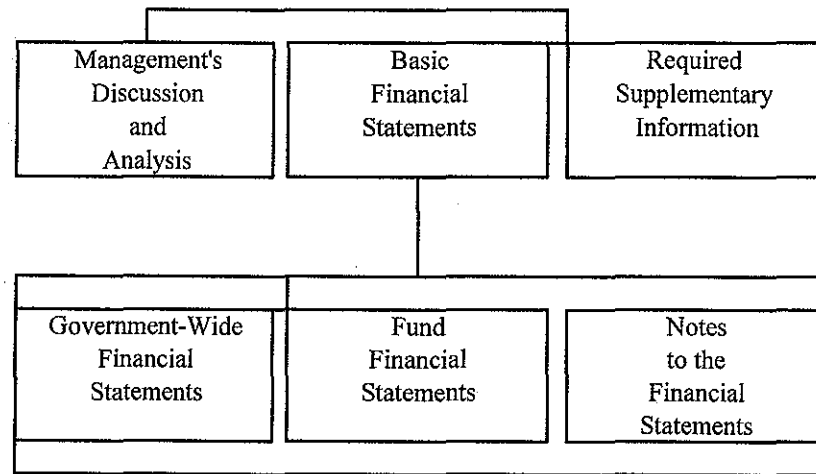
The county acquired \$1.05 million of new fixed assets this year.

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.

Figure A-2. Major Features of the County's Government-wide Fund Financial Statements				
Type of Statements	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	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
Required financial statements	*Statement of net position	*Balance sheet	*Statement of net position	*Statement of fiduciary net position
	*Statement of activities	*Statement of revenues, Expenditures & changes in fund balances	*Statement of revenues, expenses and changes in fund net position *Statement of cash flows	*Statement of changes in fiduciary net position
Accounting basis and measurement focus	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
Type of asset/liability information	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
Type of inflow/outflow information	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 position 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 position* and how it has changed. Net position-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 position is 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 position and a statement of changes in fiduciary net position. 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 position. The County's combined net position was approximately \$20.5 million at September 30, 2013.

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

	Governmental Activities	
	2013	2012
Current and other assets	12,562	11,057
Capital and non-current assets	16,790	17,578
<b>TOTAL ASSETS</b>	<b>29,352</b>	<b>28,635</b>
Long-term liabilities	6,753	6,364
Other liabilities	510	646
<b>TOTAL LIABILITIES</b>	<b>7,263</b>	<b>7,010</b>
Unavailable revenue-property taxes and fines	1,557	1,701
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>1,557</b>	<b>1,701</b>
Net position		
Invested in capital assets net of related debt	10,347	11,557
Restricted	1,718	1,320
Unrestricted	8,467	7,047
<b>TOTAL NET POSITION</b>	<b>20,532</b>	<b>19,924</b>

Net position 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 \$8.47 million of unrestricted net position represents resources available to fund the programs of the County for the next fiscal year.

The \$1.7 million is restricted as follows:

Restricted for debt service	60
Restricted for capital projects	307
Restricted for special revenue funds	<u>1,351</u>
	<u>1,718</u>

Net position of the County increased from \$19.9 million to \$20.5 million. The County's revenues exceeded expenditures by \$1.4 million. The County paid principal on debt of \$1.09 million. New debt of \$1.5 million was obtained. \$1.05 million of capital assets were acquired. \$1.75 million of depreciation was recorded. Unearned revenue of \$337 thousand from additional receivables from fees of office is recognized as revenue on the government wide statements.

Changes in net position.

The County's total revenues were \$16.1 million. 57% of this came from property taxes, 13% came from other taxes, and 23% came from charges for services.

The total cost of all programs was \$15.5 million. Approximately 31% of this was for public safety and 27% was for public transportation.

Net position increased by \$608 thousand from a net income.

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

	Governmental Activities	
	2013	2012
<b>Revenues</b>		
<u>Program Revenues</u>		
Charges for Services	3,698	3,680
Operating Grants and Contributions	397	489
Capital Grants and Contributions	339	347
<u>General Revenues</u>		
Property Taxes	9,151	8,603
Other taxes	2,043	2,019
Investment earnings	78	75
Other	443	230
<b>Total Revenues</b>	<u>16,149</u>	<u>15,443</u>
<b>Expenses</b>		
General government	1,261	1,459
Judicial	1,222	1,118
Legal	542	474
Financial administration	860	823
Public safety	4,792	4,816
Public transportation	4,176	4,250
Public facilities	1,892	1,234
Health and welfare	77	40
Intergovernmental	367	239
County extension	76	77
Elections	75	55
Miscellaneous	3	7
Debt service-interest on long-term debt	197	217
Fees on refunding debt	1	1
<b>Total Expenses</b>	<u>15,541</u>	<u>14,810</u>
Transfers in (out)	-	-
<b>Increase/Decrease in Net Positon</b>	608	633
<b>Beginning Net Position</b>	19,924	19,291
<b>Ending Net Position</b>	<u>20,532</u>	<u>19,924</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 \$15.5 million.
- However, the amount that taxpayers paid for these activities through property taxes was only \$9.1 million.
- Some of the cost was paid by those who directly benefited from the programs (\$3.7 million), or by grants and contributions (\$736 thousand).

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

	Total Cost of Services		Net Cost of Services	
	2013	2012	2013	2012
General Government	1,261	1,459	536	710
Public Safety	4,792	4,816	4,437	4,410
Judicial	1,222	1,118	(104)	(234)
Public transportation	4,176	4,250	3,331	3,378

#### FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

The County reported fund balance in its governmental funds of approximately \$5 million at September 30, 2013. This balance is composed of the following in thousands

General	3,293
Special revenue	1,351
Debt service	59
Capital projects	307
	<u>5,010</u>

Net income for the general fund was \$1.03 million. General fund revenues were \$9.83 million, or \$338 thousand more than the prior year. Tax revenue was up \$460 thousand. Expenditures were down \$18 thousand. Special revenue fund balances increased \$313 thousand. The debt service fund balances increased \$20 thousand. The capital projects fund balances increased \$65 thousand.

General Fund Budgetary Highlights

Several budget amendments were made during the year. Actual expenditures were less than the final budget by 5.6% or \$497 thousand. Actual revenues were \$599 thousand more than budgeted. \$166 thousand was budgeted as a decrease to fund balance. Actually, the fund balance increased \$1 million 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	
	2013	2012
Land	1,607	1,607
Buildings and improvements	17,590	17,590
Machinery and equipment	9,578	8,873
Roads and bridges	17,542	17,542
Construction in progress	-	-
Totals at historical cost	<u>46,317</u>	<u>45,612</u>
Total accumulated depreciation	<u>(29,527)</u>	<u>(28,034)</u>
Net capital assets	<u>16,790</u>	<u>17,578</u>

A net of \$705 thousand of new fixed assets were added after trade-ins.

Long-Term Debt

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

	2013	2012
Bonds payable	1,645	1,860
Certificates of obligation	3,615	3,135
Notes payable	-	112
Leases payable	1,183	914
Compensated absences payable	310	343
	<u>6,753</u>	<u>6,364</u>

\$1.5 million of new debt was added to fund machinery and equipment acquisitions and to renovate the Civic Center. \$1.09 million of debt principal was paid.

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

The Hopkins County economy remains stable with an optimistic atmosphere. Hopkins County's unemployment rate is currently 5.1%, which is below the state (6.0%) and national level (7.0%). Sales tax collections for Hopkins County increased as projected for FY 2013 by 8.0% with this trend continuing, based on improving economic data and new retail development in the area.

The appraised value used for the 2014 budget increased by \$56,101,293 or 3.39% from 2013.

The tax rate established for 2014 is \$.560575, which is the same rate as 2013, but 2.90% above the 2013 effective rate.

At the time the 2014 budget was prepared, the local economy was showing optimistic signs of growth. The city of Sulphur Springs has completed the downtown plaza improvements and has had continued success in event promotions. Several of the downtown buildings have been updated and new businesses and restaurants are showing steady growth. The hotel occupancy rates are consistently improving, and the convention center is showing improved business following the remodel.

The Hopkins County Commissioners are continuing to revitalize the 950 miles of county roads using a chip seal method instead of road oil. By doing this, the cost of resurfacing has decreased by about half, and cost savings are being realized on shared equipment use.

The fiscal year unreserved fund balance in the general fund is projected to decrease about \$50,000 based on a planned fund balance expenditure for capital improvements, and the road & bridge maintenance fund is planned to increase over \$108,000. A capital projects fund has been continued to establish a reserve account for costly trials and set aside money to allow for the initial steps of building a new jail; the transfer to this fund for 2014 is budgeted at \$200,000.

The Estimated Beginning General Fund Balance is estimated to be about \$640,000 higher due to tight controls on expenses and careful revenue estimations. Revenue estimations are based on previous year actual numbers instead of projecting for possible increases. This allows for adjustments if growth should slow and the ability to decrease estimations if indicators show another downturn. Currently sales tax is projected to continue to grow and property tax rates are estimated to be 3.5% - 5% higher. This should create another healthy addition to our fund balance allowing for additional capital improvement projects.

Hopkins County also approved a \$16,000,000 bond election for a new Law Enforcement Center and construction should begin around July, 2014. This could cause a \$.76 increase in the property tax rate, but careful continued planning should allow for modest reductions in the rate over the next few years.

## 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, 2013

EXHIBIT A-1

	Primary Government
	Governmental Activities
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 4,632,986
Receivables (net of allowance for uncollectibles)	7,648,428
Prepaid Items	281,612
Capital Assets:	
Land	1,606,996
Infrastructure, net	3,784,640
Buildings, net	8,834,184
Machinery and Equipment, net	2,563,556
Total Assets	<u>29,352,402</u>
<b>LIABILITIES</b>	
Accounts Payable and Accrued Expenses	470,602
Unearned Revenues	39,580
Noncurrent Liabilities	
Due Within One Year	706,046
Due in More Than One Year	6,047,249
Total Liabilities	<u>7,263,477</u>
<b>DEFERRED INFLOW OF RESOURCES</b>	
Unavailable Revenue-Property Taxes & Fines	1,556,895
Total Deferred Inflows of Resources	<u>1,556,895</u>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	10,346,573
Restricted for:	
Restricted for Special Revenue Funds	1,351,151
Restricted for Debt Service	59,474
Restricted for Capital Projects	307,239
Unrestricted Net Assets	8,467,593
Total Net Assets	<u>\$ 20,532,030</u>

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



EXHIBIT B-1

Net (Expense) Revenue and Changes in Net Position	
Capital Grants and Contributions	Primary Government Governmental
\$ -	\$ (536,722)
-	103,700
-	(416,990)
-	(667,510)
51,631	(4,437,263)
-	(3,331,351)
41,590	(1,306,601)
-	(48,045)
245,350	(122,604)
-	(75,939)
-	(67,180)
-	(3,436)
-	(196,511)
-	(1,000)
<u>\$ 338,571</u>	<u>(11,107,452)</u>

8,568,153
583,490
2,043,174
12,942
176,235
254,351
77,521
<u>11,715,866</u>
608,414
19,923,616
<u>\$ 20,532,030</u>

GOVERNMENTAL FUND FINANCIAL STATEMENTS

HOPKINS COUNTY, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2013

EXHIBIT C-1

	General Fund	Major Special Revenue Fund	Other Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 3,035,089	\$ 658,923	\$ 938,974	\$ 4,632,986
Receivables (Net)	7,057,816	256,598	334,014	7,648,428
Due from Other Funds	-	1,613	-	1,613
Prepaid Items	198,532	40,737	42,343	281,612
<b>Total Assets</b>	<b>\$ 10,291,437</b>	<b>\$ 957,871</b>	<b>\$ 1,315,331</b>	<b>\$ 12,564,639</b>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Expenditures	\$ 319,506	\$ 65,622	\$ 85,474	\$ 470,602
Due to Other Funds	-	-	1,613	1,613
Unearned Revenues	32,971	1,599	5,010	39,580
<b>Total Liabilities</b>	<b>352,477</b>	<b>67,221</b>	<b>92,097</b>	<b>511,795</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Property Taxes	6,645,654	149,516	246,504	7,041,674
<b>Total Inflows of Resources</b>	<b>6,645,654</b>	<b>149,516</b>	<b>246,504</b>	<b>7,041,674</b>
<b>FUND BALANCES</b>				
Capital Acquisition & Contractual Obligation	-	-	307,239	307,239
Retirement of Long-Term Debt	-	-	59,474	59,474
Reported in Special Revenue Funds	-	741,134	610,017	1,351,151
Unassigned Fund Balance	3,293,306	-	-	3,293,306
<b>Total Fund Balances</b>	<b>3,293,306</b>	<b>741,134</b>	<b>976,730</b>	<b>5,011,170</b>
<b>Total Liabilities, Deferred Inflows &amp; Fund Balances</b>	<b>\$ 10,291,437</b>	<b>\$ 957,871</b>	<b>\$ 1,315,331</b>	<b>\$ 12,564,639</b>

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 POSITION  
 SEPTEMBER 30, 2013

<b>Total Fund Balances - Governmental Funds</b>	\$	5,011,170
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 \$45,612,089 and the accumulated depreciation was \$28,033,829. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position.		11,557,006
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 2013 capital outlays and debt principal payments is to increase (decrease) net position.		2,057,162
The 2013 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(1,749,979)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		3,656,671
<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b>20,532,030</b>

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, 2013

	General Fund	Major Special Revenue Fund	Other Funds	Total Governmental Funds
<b>REVENUES:</b>				
Taxes:				
Taxes	\$ 7,731,638	\$ 2,325,423	\$ 1,423,698	\$ 11,480,759
Intergovernmental Revenue and Grants	209,020	94,188	502,383	805,591
Fees of Office	1,118,909	741,374	425,968	2,286,251
Fines and Forfeitures	539,490	-	117,676	657,166
Investment Earnings	45,808	11,675	20,038	77,521
Other Revenue	190,479	30,799	73,680	294,958
Total Revenues	<u>9,835,344</u>	<u>3,203,459</u>	<u>2,563,443</u>	<u>15,602,246</u>
<b>EXPENDITURES:</b>				
Current:				
General Government:				
General government	1,101,347	-	156,788	1,258,135
Judicial	1,203,156	-	12,928	1,216,084
Legal	220,136	-	305,485	525,621
Financial Administration	805,166	-	-	805,166
Public safety	4,415,140	-	137,886	4,553,026
Public transportation	-	3,273,757	2,464	3,276,221
Public facilities	235,411	-	1,216,066	1,451,477
Health and welfare	27,730	-	-	27,730
Intergovernmental	-	-	367,954	367,954
Public Safety:				
County extension	65,591	-	-	65,591
Elections	75,049	-	-	75,049
Miscellaneous	-	-	3,436	3,436
Debt Service:				
Principal	97,433	451,487	547,147	1,096,067
Interest	10,308	8,432	177,771	196,511
Fees	-	-	1,000	1,000
Capital Outlay:				
Capital Outlay	83,571	536,469	437,305	1,057,345
Total Expenditures	<u>8,340,038</u>	<u>4,270,145</u>	<u>3,366,230</u>	<u>15,976,413</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,495,306</u>	<u>(1,066,686)</u>	<u>(802,787)</u>	<u>(374,167)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Insurance Proceeds	12,942	-	-	12,942
Proceeds from Capital Leases	-	482,805	334,760	817,565
Proceeds from Certificates of Obligation	-	-	700,000	700,000
Transfers In	4,800	500,000	665,068	1,169,868
Other Resources	1,319	270,669	548	272,536
Transfers Out (Use)	(484,009)	-	(685,859)	(1,169,868)
Total Other Financing Sources (Uses)	<u>(464,948)</u>	<u>1,253,474</u>	<u>1,014,517</u>	<u>1,803,043</u>

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, 2013

	General Fund	Major Special Revenue Fund	Other Funds	Total Governmental Funds
Net Change in Fund Balances	1,030,358	186,788	211,730	1,428,876
Fund Balance - October 1 (Beginning)	2,262,948	554,346	765,000	3,582,294
Fund Balance - September 30 (Ending)	<u>\$ 3,293,306</u>	<u>\$ 741,134</u>	<u>\$ 976,730</u>	<u>\$ 5,011,170</u>

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, 2013

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$ 1,428,876
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 2013 capital outlays and debt principal payments is to increase (decrease) the change in net position.	2,057,162
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 the change in net position.	(1,749,979)
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) the change in net position.	(1,127,645)
<b>Change in Net Position of Governmental Activities</b>	<u>\$ 608,414</u>

HOPKINS COUNTY, TEXAS  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - GENERAL FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

EXHIBIT C-5

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 7,227,054	\$ 7,227,054	\$ 7,731,638	\$ 504,584
Intergovernmental Revenue and Grants	244,099	244,099	209,020	(35,079)
Fees of Office	970,450	970,450	1,118,909	148,459
Fines and Forfeitures	555,000	555,000	539,490	(15,510)
Investment Earnings	45,000	45,000	45,808	808
Other Revenue	203,394	194,623	190,479	(4,144)
<b>Total Revenues</b>	<b>9,244,997</b>	<b>9,236,226</b>	<b>9,835,344</b>	<b>599,118</b>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
General government	1,228,781	1,183,432	1,101,347	82,085
Judicial	1,227,943	1,242,678	1,203,156	39,522
Legal	215,880	221,496	220,136	1,360
Financial Administration	793,697	833,072	805,166	27,906
Public safety	4,432,638	4,627,786	4,415,140	212,646
Public facilities	299,265	299,265	235,411	63,854
Health and welfare	28,897	28,897	27,730	1,167
County extension	78,542	78,542	65,591	12,951
Elections	70,011	75,051	75,049	2
<b>Debt Service:</b>				
Principal	97,500	97,500	97,433	67
Interest	10,500	10,500	10,308	192
<b>Capital Outlay:</b>				
Capital Outlay	117,000	138,669	83,571	55,098
<b>Total Expenditures</b>	<b>8,600,654</b>	<b>8,836,888</b>	<b>8,340,038</b>	<b>496,850</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>644,343</b>	<b>399,338</b>	<b>1,495,306</b>	<b>1,095,968</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Insurance Proceeds	-	-	12,942	12,942
Transfers In	-	-	4,800	4,800
Other Resources	-	1,300	1,319	19
Transfers Out (Use)	(566,997)	(566,997)	(484,009)	82,988
<b>Total Other Financing Sources (Uses)</b>	<b>(566,997)</b>	<b>(565,697)</b>	<b>(464,948)</b>	<b>100,749</b>
<b>Net Change in Fund Balances</b>	<b>77,346</b>	<b>(166,359)</b>	<b>1,030,358</b>	<b>1,196,717</b>
Fund Balance - October 1 (Beginning)	2,262,948	2,262,948	2,262,948	-
<b>Fund Balance - September 30 (Ending)</b>	<b>\$ 2,340,294</b>	<b>\$ 2,096,589</b>	<b>\$ 3,293,306</b>	<b>\$ 1,196,717</b>



FIDUCIARY FUND FINANCIAL STATEMENT

HOPKINS COUNTY, TEXAS  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
SEPTEMBER 30, 2013

EXHIBIT D-1

	Agency Funds
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 1,255,113
<b>Total Assets</b>	<u>\$ 1,255,113</u>
<b>LIABILITIES</b>	
Accounts Payable and Accrued Expenses	\$ 34,615
Due to Others	1,220,498
<b>Total Liabilities</b>	<u>\$ 1,255,113</u>

The accompanying notes are an integral part of this statement.

**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 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 Position 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. The Road and Bridge Fund is considered a major fund.

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 position.
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.
7. Deferred Outflows/Inflows of Resources—The County implemented GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and GASB Statement No. 65, Items Previously Reported as Assets and Liabilities for the year ended September 30, 2013. In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has no type of item that qualifies for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The County has one type of item that qualifies for reporting in this category, property taxes and fines. This amount will be recognized as an inflow of resources in the subsequent years as collected.

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

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

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the beginning of the year 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 Position</u>
Land	1,606,996	-	1,606,996	
Buildings & Improvements	17,589,603	8,234,387	9,355,216	
Machinery & Equipment	8,873,664	6,664,152	2,209,512	
Road & Bridges	<u>17,541,826</u>	<u>13,135,290</u>	<u>4,406,536</u>	
Change in Net Position	<u>45,612,089</u>	<u>28,033,829</u>	<u>17,578,260</u>	<u>17,578,260</u>
<u>Long-term Liabilities at the Beginning of the year</u>			<u>Payable at the Beginning of the Year</u>	
Leases payable			914,107	
Certificates of obligation payable and bonds payable			4,995,000	
Notes payable			<u>112,147</u>	
Change in Net Position				<u>6,021,254</u>
Net Adjustment to Net Position				<u><u>11,557,006</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 position of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net position balance and the change in net position. The details of this adjustment are as follows:

	<u>Amount</u>	<u>Adjustments to Changes in Net Position</u>	<u>Adjustments to Net Position</u>
<u>Current year Capital Outlay</u>			
Building & improvement	-		
Machinery & equipment	1,057,345		
Total Capital Outlay	<u>1,057,345</u>	<u>1,057,345</u>	<u>1,057,345</u>
Book value of assets sold or traded	(96,250)	(96,250)	(96,250)
<u>Debt Principal Payments</u>			
Bonds payable	215,000		
Certificate of obligation	220,000		
Note principal	112,147		
Leases payable	548,920		
Total Principal Payments	<u>1,096,067</u>	<u>1,096,067</u>	<u>1,096,067</u>
Total Adjustment to Net Position		<u><u>2,057,162</u></u>	<u><u>2,057,162</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 Position</u>	<u>Adjustments to Net Position</u>
<u>Adjustments to Revenue and Deferred Revenue</u>			
Taxes Collected from Prior Year Levies	428,634	(428,634)	-
Uncollected taxes (assumed collectible) from Current Year Levy	279,626	279,626	279,626
Effect of prior year tax entries	169,435	169,435	-
Effect of prior year deferred revenue from fines	4,867,747	-	4,867,747
Increase to deferred revenue from fines during current year	337,406	337,406	337,406
<u>Reclassify Proceeds of Bonds, Loans &amp; Capital Leases</u>			
Proceeds from leases and certificates of obligation	1,517,616	(1,517,616)	(1,517,616)
<u>Compensated absences</u>			
Balance at beginning of year	342,630	-	(342,630)
Additions to balance	32,138	32,138	32,138
Total		<u><u>(1,127,645)</u></u>	<u><u>3,656,671</u></u>

On the adjustments above related to unavailable revenue from fines, fine revenues are deferred on the funds, however, the net change in the unavailable 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, 2013, the carrying amount of the County's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$4,822,981 and the bank balance was \$6,067,559. The County's cash deposits at September 30, 2013 and during the year ended September 30, 2013 were entirely covered by FDIC insurance or by securities pledged.



**A. DEPOSITS AND INVESTMENTS (continued)**

In addition, the following is disclosed regarding coverage of combined balances as of September 30, 2013:

- a. Depository: Alliance Bank
  - b. Securities pledged equals \$13,351,232 at September 30, 2013.
  - c. The combined balances of cash, savings, and time deposits amounted to \$6,067,559 at September 30, 2013.
  - d. Total amount of FDIC coverage at September 30, 2013 was \$250,000.
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, 2013, 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	673	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 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 General Fund:

From Nonmajor Governmental Funds 4,800

Transfers to Major Special Revenue Fund:

From Nonmajor Governmental Funds 500,000

Total Transferred to Major Special Revenue Fund 500,000

Transfers to Nonmajor Governmental Funds from:

General Fund 484,009

Other Nonmajor Governmental Funds 181,059

Total Transferred to Nonmajor Governmental Funds 665,068

These were normal operating transfers

Due to's/from's between funds were as follows:

Due to Major Special Revenue Funds from

Other Nonmajor Governmental Funds 1,613

**E. DISAGGREGATION OF RECEIVABLES AND PAYABLES**

Receivables at September 30, 2013, 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	490,695	13,700,142	311,132	35,088	14,537,057
Major Special Revenue Fund	202,549	6,370	29,588	56,500	295,007
Nonmajor Governmental Funds	104,767	392,953	23,563	48,277	569,560
Total - Governmental Activities	<u>798,011</u>	<u>14,099,465</u>	<u>364,283</u>	<u>139,865</u>	<u>15,401,624</u>
Amounts not scheduled for collection during the subsequent year	<u>142,063</u>	<u>7,611,133</u>	<u>-</u>	<u>-</u>	<u>7,753,196</u>

Payables at September 30, 2013, were as follows:

	<u>Accounts</u>	<u>Salaries and Benefits</u>	<u>Other</u>	<u>Total Payables</u>
Governmental Activities:				
General Fund	163,197	147,947	8,362	319,506
Major Special Revenue Fund	32,134	33,488	-	65,622
Nonmajor Governmental Funds	55,629	21,810	8,035	85,474
Total - Governmental Activities	<u>250,960</u>	<u>203,245</u>	<u>16,397</u>	<u>470,602</u>
Amounts not scheduled for collection during the subsequent year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**F. CAPITAL ASSET ACTIVITY**

Capital asset activity for the County for the year ended September 30, 2013, was as follows:

	Primary Government			Ending Balance
	Beginning Balance	Additions	Retirements	
Governmental Activities:				
County:				
Land	1,606,996	-	-	1,606,996
Buildings and Improvements	17,589,603	-	-	17,589,603
Construction in progress	-	-	-	-
Machinery and Equipment	8,873,664	1,057,345	(352,823)	9,578,186
Roads and Bridges	17,541,826	-	-	17,541,826
Totals at Historic Cost	45,612,089	1,057,345	(352,823)	46,316,611
Less Accumulated Depreciation for:				
Buildings and Improvements	(8,234,387)	(521,032)	-	(8,755,419)
Machinery and Equipment	(6,664,152)	(607,051)	256,573	(7,014,630)
Roads and Bridges	(13,135,290)	(621,896)	-	(13,757,186)
Total Accumulated Depreciation	(28,033,829)	(1,749,979)	256,573	(29,527,235)
Governmental Activities Capital Assets, Net	17,578,260	(692,634)	(96,250)	16,789,376

Depreciation expense was charged to governmental functions as follows:

General Government	13,175
Judicial	5,565
Legal	16,373
Financial administration	55,005
Public safety	249,444
Public transportation	910,413
Public facilities	440,341
Extension services	10,348
Health and welfare	49,315
	<u>1,749,979</u>

**G. CHANGES IN LONG-TERM DEBT**

The following is a summary of long-term debt transactions for the year ended September 30, 2013.

	Interest Rate	Payable at 10/1/2012	Additions (Reductions)	Payable at 9/30/2013	Due within one year
<b>Certificates of Obligation:</b>					
Annex Building	3.65%-5.125%	3,135,000	(150,000)	2,985,000	160,000
Civic Center	0.40%-1.75%	-	700,000	630,000	65,000
<b>General Obligation:</b>					
Refunding Bonds, Series 2010	0.60%-4.25%	1,860,000	(215,000)	1,645,000	220,000
<b>Notes Payable:</b>					
Series 2006 Tax	4.15%	112,147	(112,147)	-	-
<b>Leases Payable:</b>					
Ag Extension Office	4.75%	134,192	(19,456)	114,736	20,414
Caterpillar 140M Motor Grader	4.25%	118,595	(118,595)	-	-
2009 Pier Fire Truck	4.03%	35,755	(16,788)	18,967	17,478
2008 New Holland Backhoe	3.92%	25,450	(25,450)	-	-
6 Ford F-150's	2.99%	83,291	(41,024)	42,267	42,267
Various Equipment-Prct #1 and #2	2.95%	176,992	(176,992)	-	-
AS 400	2.15%	65,372	(20,165)	45,207	20,603
Peterbilt Truck-Precinct #1	1.99%	25,050	(25,050)	-	-
Dump Truck- Precinct #1	2.10%	49,500	(49,500)	-	-
Civic Center Chiller/Boiler	1.99%	199,910	(16,715)	183,195	18,586
Motor Grader - Precinct #2	1.65%	-	162,993	141,308	26,419
			(21,685)		
Motor Grader/Mack Trk - Precinct 2	2.25%	-	70,008	70,008	20,339
Various Equipment-Prct #1	2.25%	-	193,355	193,355	32,041
Case Backhoe - Precinct 3	2.45%	-	56,500	39,000	6,575
			(17,500)		
Equipped Freightliner	1.95%	-	334,760	334,760	56,324
		<u>6,021,254</u>	<u>421,549</u>	<u>6,442,803</u>	<u>706,046</u>

**G. CHANGES IN LONG-TERM DEBT cont'd**

The debt service fund long-term debt as of September 30, 2013, follows:

(A) Certificates of Obligation Annex Building Due in annual installments with interest at 3.65%-5.125%	2,985,000
(B) Certificates of Obligation Civic Center Due in annual installments with interest at 0.40%-1.75%	630,000
(C) General Obligation Refunding Bonds, Series 2010 Due in annual installments with interest at 0.60%-4.25%	1,645,000
(D) Lease Payable Ag Extension Office Due in monthly installments of \$2,124 including interest at 4.75%	114,736
(E) Lease payable 2009 Pier Fire Truck Due in monthly installments of \$1,493 including interest at 4.03%	18,967
(F) Lease payable six 2011 Ford F-150 Trucks Due in monthly installments of \$3,580 including interest at 2.99%	42,267
(G) Lease payable AS 400 equipment Due in monthly installments of \$1,781 including interest at 2.15%	45,207
(H) Lease payable Chiller/Boiler Due in monthly installments of \$1,839 including interest at 1.99%	183,195
(I) Lease payable Motor Grader Due in monthly installments of \$2,379 including interest at 1.65%	141,308
(J) Lease payable Motor Grader/Mack Trk Due in monthly installments of \$2,036 including interest at 2.25%	70,008
(K) Lease payable various equipment Due in monthly installments of \$3,449 including interest at 2.25%	193,355
(L) Lease payable Case Backhoe Due in monthly installments of \$733 including interest at 2.45%	39,000
(M) Lease payable Equipped Freightliner Due in monthly installments of \$5,920 including interest at 1.95%	334,760
	<u>6,442,803</u>

**G. CHANGES IN LONG-TERM DEBT cont'd**

The annual requirements to amortize bonded debt and certificates of obligation as of September 30, 2013, follows:

Years Ending 9/30	Principal	Interest	Total
2014	445,000	165,681	610,681
2015	460,000	154,501	614,501
2016	470,000	144,163	614,163
2017	485,000	132,629	617,629
2018	380,000	119,926	499,926
2019-2023	1,675,000	428,813	2,103,813
2024-2028	1,155,000	159,638	1,314,638
2029-2033	130,000	29,344	159,344
2034-2035	60,000	3,824	63,824
<b>Total</b>	<b>5,260,000</b>	<b>1,338,519</b>	<b>6,598,519</b>

The annual requirements to amortize notes as of September 30, 2013, follows:

Years Ending 9/30	Principal	Interest	Total
2014	261,045	30,543	291,588
2015	225,266	19,345	244,611
2016	211,052	14,255	225,307
2017	189,843	9,509	199,352
2018	192,307	5,010	197,317
2019-2022	101,453	3,717	105,170
2023	1,837	3	1,840
<b>Total</b>	<b>1,182,803</b>	<b>82,382</b>	<b>1,265,185</b>

In January, 2013, the County entered into an obligation with City National Bank. Proceeds from the certificates of obligation, \$700,000, were used to make improvements to the Civic Center. Repayment will be made in semi-annual installments including interest between 0.40% and 1.75% beginning in September 2013 until fully repaid in September 2022.

In November, 2012, the County entered into a note with Guaranty Bond Bank. Proceeds from the note, \$162,993 were used to purchase a Motor Grader. Repayment will be made in monthly installments of \$2,379 including interest at 1.65% beginning in December, 2012 until fully repaid in November, 2018.

In April, 2013, the County entered into a note with Guaranty Bond Bank. Proceeds from the note, \$70,008, were used to purchase a Mack Truck and Motor Grader. Repayment will be made in monthly installments of \$2,036 including interest at 2.25% beginning November, 2013 until fully repaid in October, 2016.

In April, 2013, the County entered into a note with Guaranty Bond Bank. Proceeds from the note, \$193,355 were used to purchase various equipment for Precinct 1. Repayment will be made in monthly installments of \$3,449 including interest at 2.25% beginning in November, 2013 until fully repaid in October, 2018.

In September, 2013, the County entered into a note with Guaranty Bond Bank. Proceeds from the note, \$56,500 were used to purchase a Case Backhoe for Precinct 3. Repayment will be made in monthly installments of \$733 including interest at 2.45% beginning in November, 2013 until fully repaid in October, 2020.

In April, 2013, the County entered into a note with Alliance Bank. Proceeds from the note, \$334,760 were used to purchase an Equipped Freightliner. Repayment will be made in monthly installments of \$5,920 including interest at 1.95% beginning in November, 2013 until fully repaid in October, 2018.

## 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 624 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 12.39% for the months of the accounting year in 2012, and 12.96% for the months of the accounting year in 2013.

The deposit rate payable by the employee members for calendar year 2013 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, 2013, the annual pension cost for the TCDRS plan for its employees was \$863,922, and the actual contributions were \$863,922.

1. Annual required contributions (ARC)	863,922
2. Interest on net pension obligation	-
3. Adjustment to ARC	-
4. Annual pension cost	863,922
5. Contributions made	863,922
6. Increase (decrease) in NPO	-
7. NPO beginning of year	-
8. NPO end of year	-



**H. RETIREMENT PLAN cont'd**

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, 2010 and December 31, 2011, the basis for determining the contribution rates for calendar years 2012 and 2013. The December 31, 2012 actuarial valuation is the most recent valuation.

**Actuarial Valuation Information**

Actuarial valuation date	12/31/10	12/31/11	12/31/12
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	20	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
<b>Actuarial Assumptions:</b>			
Investment return <sup>1</sup>	8.00%	8.00%	8.00%
Projected salary increases <sup>1</sup>	5.4%	5.4%	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

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

Accounting Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	806,602	100%	-
2012	784,195	100%	-
2013	863,922	100%	-

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll <sup>1</sup>	UAAL as a Percentage of Covered Payroll
12/31/10	17,122,431	20,917,430	3,794,999	81.86%	6,811,924	55.71%
12/31/11	18,079,951	22,027,674	3,947,723	82.08%	6,672,118	59.17%
12/31/12	19,346,702	23,847,764	4,501,062	81.13%	6,585,056	68.35%

(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 2013, 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. DEFERRED INFLOWS OF RESOURCES**

In the government wide statements and the governmental fund financial statements the amount of property taxes receivable and fines expected to be collected in the future is reflected as a deferred inflow of resources and will be recognized as such each year as it is collected.

**L. COMMITMENTS AND CONTINGENCIES**

The County has no significant commitments or contingencies at September 30, 2013.

**M. LITIGATION**

The County has no pending litigation at September 30, 2013.

**N. DEFICIT FUND BALANCES**

Some non-major special revenue funds have deficit fund balances at September 30, 2013. The law library fund has a deficit fund balance of \$17 thousand. Costs continue to be trimmed. The Civic Center Horse Pavillion Construction fund has a deficit fund balance of \$78 at September 30, 2013. Additional transfers from the general fund will be budgeted in the future to correct this. The Courthouse Security fund has a deficit fund balance of \$9 thousand. Transfers from the general fund are possible to correct this.

**O. COMPENSATED ABSENCES**

The liability for compensated absences is reflected on the government wide statements. The liability decreased from \$342,630 at September 30, 2012 to \$310,492 at September 30, 2013.

The liability is composed of:

Vacation	268,517
Comp. Time	36,947
Holiday	5,028
Total	<u>310,492</u>

All of these are payable upon employee separation from duty.

**P. SUBSEQUENT EVENT**

Management has evaluated subsequent events through December 19, 2013, the financial statement issuance date. Subsequent to September 30, 2013, the County issued the Hopkins County, Texas, General Obligation Bonds Series 2013 for \$16 million. This is to pay for a portion of the construction and equipping of a facility for the County Jail and Sheriff's offices, land, and paying professional services and costs of issuance of the Bonds. \$8 million of these proceeds will be issued in December 2013 and the remaining \$8 million will be issued in early 2014.

## COMBINING SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

FUND	DEPARTMENT	ACCOUNT	AMOUNT
100	100	100	100
101	101	101	101
102	102	102	102
103	103	103	103
104	104	104	104
105	105	105	105
106	106	106	106
107	107	107	107
108	108	108	108
109	109	109	109
110	110	110	110
111	111	111	111
112	112	112	112
113	113	113	113
114	114	114	114
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198	198	198	198
199	199	199	199

EXHIBIT E-1 (Cont'd)

JP Computer Technology	District Attorney	Law Library	Record Preservation DC/CC	Courthouse Security	Justice Court Security	HAVA Grant	PCT #1 House
\$ 2,517	\$ 90,732	\$ (14,645)	\$ 45,150	\$ (8,358)	\$ 11,584	\$ 3,464	\$ 64
18,654	720	44,003	63,969	34,643	3,321	-	-
-	-	-	-	-	-	584	290
<u>\$ 21,171</u>	<u>\$ 91,452</u>	<u>\$ 29,358</u>	<u>\$ 109,119</u>	<u>\$ 26,285</u>	<u>\$ 14,905</u>	<u>\$ 4,048</u>	<u>\$ 354</u>
\$ -	\$ 9,687	\$ 2,627	\$ 3,255	\$ 989	\$ 12	\$ -	\$ 75
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	9,687	2,627	3,255	989	12	-	75
18,518	-	43,828	63,741	34,419	3,288	-	-
18,518	-	43,828	63,741	34,419	3,288	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
2,653	81,765	(17,097)	42,123	(9,123)	11,605	4,048	279
2,653	81,765	(17,097)	42,123	(9,123)	11,605	4,048	279
<u>\$ 21,171</u>	<u>\$ 91,452</u>	<u>\$ 29,358</u>	<u>\$ 109,119</u>	<u>\$ 26,285</u>	<u>\$ 14,905</u>	<u>\$ 4,048</u>	<u>\$ 354</u>

EXHIBIT E-1 (Cont'd)

Homeland Security Grant	CDBG Grant #711270	Sheriff's Office Drug Forfeiture	District Attorney Forfeiture	County Attorney Ck Collection	District Attorney Ck Collection	Court Record Archive	CC/DC Tech Fund
\$ -	\$ (500)	\$ 5,817	\$ 114,547	\$ 352	\$ 608	\$ 17,745	\$ 2,778
-	22,253	-	-	347	-	4,403	863
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 21,753</u>	<u>\$ 5,817</u>	<u>\$ 114,547</u>	<u>\$ 699</u>	<u>\$ 608</u>	<u>\$ 22,148</u>	<u>\$ 3,641</u>
\$ -	\$ 21,753	\$ -	\$ 1,739	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	21,753	-	1,739	-	-	-	-
-	-	-	-	-	-	4,352	828
-	-	-	-	-	-	4,352	828
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	5,817	112,808	699	608	17,796	2,813
-	-	5,817	112,808	699	608	17,796	2,813
<u>\$ -</u>	<u>\$ 21,753</u>	<u>\$ 5,817</u>	<u>\$ 114,547</u>	<u>\$ 699</u>	<u>\$ 608</u>	<u>\$ 22,148</u>	<u>\$ 3,641</u>

EXHIBIT E-1 (Cont'd)

County Attny Special Restitution	Total Nonmajor Special Revenue Funds	Debt Service Fund	Courthouse Restoration Fund	Civic Center Horse Pavillion	Civic Center Cert. Oblig. 2013	Bond Issue 2007	Special Projects Fund
\$ 3,152	\$ 575,680	\$ 56,055	\$ 5,771	\$ (78,022)	\$ -	\$ 327,360	\$ 52,130
12,435	292,313	41,701	-	-	-	-	-
-	42,343	-	-	-	-	-	-
<u>\$ 15,587</u>	<u>\$ 910,336</u>	<u>\$ 97,756</u>	<u>\$ 5,771</u>	<u>\$ (78,022)</u>	<u>\$ -</u>	<u>\$ 327,360</u>	<u>\$ 52,130</u>
\$ 12,435	\$ 85,474	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	1,613	-	-	-	-	-	-
-	1,591	3,419	-	-	-	-	-
<u>12,435</u>	<u>88,678</u>	<u>3,419</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	211,641	34,863	-	-	-	-	-
-	211,641	34,863	-	-	-	-	-
-	-	-	5,771	(78,022)	-	327,360	52,130
-	-	59,474	-	-	-	-	-
3,152	610,017	-	-	-	-	-	-
<u>3,152</u>	<u>610,017</u>	<u>59,474</u>	<u>5,771</u>	<u>(78,022)</u>	<u>-</u>	<u>327,360</u>	<u>52,130</u>
<u>\$ 15,587</u>	<u>\$ 910,336</u>	<u>\$ 97,756</u>	<u>\$ 5,771</u>	<u>\$ (78,022)</u>	<u>\$ -</u>	<u>\$ 327,360</u>	<u>\$ 52,130</u>

HOPKINS COUNTY, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2013

EXHIBIT E-1

	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 307,239	\$ 938,974
Receivables (Net)	-	334,014
Prepaid Items	-	42,343
Total Assets	<u>\$ 307,239</u>	<u>\$ 1,315,331</u>
<b>LIABILITIES</b>		
Accounts Payable and Accrued Expenditures	-	\$ 85,474
Due to Other Funds	-	1,613
Unearned Revenues	-	5,010
Total Liabilities	<u>-</u>	<u>92,097</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable Revenue - Property Taxes	-	246,504
Total Inflows of Resources	<u>-</u>	<u>246,504</u>
<b>FUND BALANCES</b>		
Capital Acquisition & Contractual Obligation	307,239	307,239
Retirement of Long-Term Debt	-	59,474
Reported in Special Revenue Funds	-	610,017
Total Fund Balances	<u>307,239</u>	<u>976,730</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 307,239</u>	<u>\$ 1,315,331</u>



EXHIBIT E-2 (Cont'd)

JP Computer Technology	District Attorney	Law Library	Record Preservation DC/CC	Courthouse Security	Justice Court Security	HAVA Grant	PCT #1 House
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	80,742	-	-	-	-	-	-
11,100	-	22,315	23,876	21,185	2,699	7,869	7,688
24	1,263	3	576	2	121	49	20
-	6,045	-	-	-	-	-	-
<u>11,124</u>	<u>88,050</u>	<u>22,318</u>	<u>24,452</u>	<u>21,187</u>	<u>2,820</u>	<u>7,918</u>	<u>7,708</u>
-	-	-	32,948	23,840	570	4,858	-
10,178	274,330	24,377	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	2,294
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>10,178</u>	<u>274,330</u>	<u>24,377</u>	<u>32,948</u>	<u>23,840</u>	<u>570</u>	<u>4,858</u>	<u>2,294</u>
946	(186,280)	(2,059)	(8,496)	(2,653)	2,250	3,060	5,414
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	175,009	-	-	-	-	-	-
-	-	-	-	-	-	-	548
-	-	-	-	-	-	-	(6,050)
-	<u>175,009</u>	-	-	-	-	-	<u>(5,502)</u>
946	(11,271)	(2,059)	(8,496)	(2,653)	2,250	3,060	(88)
1,707	93,036	(15,038)	50,619	(6,470)	9,355	988	367
<u>\$ 2,653</u>	<u>\$ 81,765</u>	<u>\$ (17,097)</u>	<u>\$ 42,123</u>	<u>\$ (9,123)</u>	<u>\$ 11,605</u>	<u>\$ 4,048</u>	<u>\$ 279</u>

EXHIBIT E-2 (Cont'd)

Homeland Security Grant	CDBG Grant #711270	Sheriffs Office Drug Forfeiture	District Attorney Forfeiture	County Attorney Ck Collection	District Attorney Ck Collection	Court Record Archive	CC/DC Tech Fund
\$ 51,631	\$ 315,110	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	16,920	45,670	7,052	-	5,599	1,185
-	-	115	1,437	-	-	197	25
-	-	-	-	81	-	-	-
<u>51,631</u>	<u>315,110</u>	<u>17,035</u>	<u>47,107</u>	<u>7,133</u>	<u>-</u>	<u>5,796</u>	<u>1,210</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	2,750	-
51,631	-	25,360	58,986	6,778	-	-	-
-	-	-	-	-	-	-	-
-	315,110	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>51,631</u>	<u>315,110</u>	<u>25,360</u>	<u>58,986</u>	<u>6,778</u>	<u>-</u>	<u>2,750</u>	<u>-</u>
-	-	(8,325)	(11,879)	355	-	3,046	1,210
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	(4,800)	-	-	-	-	-
-	-	(4,800)	-	-	-	-	-
-	-	(13,125)	(11,879)	355	-	3,046	1,210
-	-	18,942	124,687	344	608	14,750	1,603
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,817</u>	<u>\$ 112,808</u>	<u>\$ 699</u>	<u>\$ 608</u>	<u>\$ 17,796</u>	<u>\$ 2,813</u>

EXHIBIT E-2 (Cont'd)

County	Total Nonmajor Special Revenue Funds	Debt Service Fund	Courthouse Restoration Fund	Civic Center Horse Pavillion	Civic Center Cert. Oblig. 2013	Bond Issue 2007	Special Projects Fund
\$ -	\$ 818,188	\$ 605,510	\$ -	\$ -	\$ -	\$ -	\$ -
-	460,793	-	41,590	-	-	-	-
-	425,968	-	-	-	-	-	-
-	117,676	-	-	-	-	-	-
-	10,494	4,496	259	-	878	3,281	630
-	72,840	-	840	-	-	-	-
-	1,905,959	610,006	42,689	-	878	3,281	630
-	156,788	-	-	-	-	-	-
-	12,928	-	-	-	-	-	-
-	305,485	-	-	-	-	-	-
-	137,886	-	-	-	-	-	-
-	2,464	-	-	-	-	-	-
-	589,233	-	-	-	598,333	-	28,500
-	315,110	-	52,844	-	-	-	-
-	3,436	-	-	-	-	-	-
-	-	547,147	-	-	-	-	-
-	-	177,771	-	-	-	-	-
-	-	1,000	-	-	-	-	-
-	334,760	-	-	-	102,545	-	-
-	1,858,090	725,918	52,844	-	700,878	-	28,500
-	47,869	(115,912)	(10,155)	-	(700,000)	3,281	(27,870)
-	334,760	-	-	-	-	-	-
-	-	-	-	-	700,000	-	-
-	429,009	136,059	-	20,000	-	-	80,000
-	548	-	-	-	-	-	-
-	(685,859)	-	-	-	-	-	-
-	78,458	136,059	-	20,000	700,000	-	80,000
-	126,327	20,147	(10,155)	20,000	-	3,281	52,130
3,152	483,690	39,327	15,926	(98,022)	-	324,079	-
\$ 3,152	\$ 610,017	\$ 59,474	\$ 5,771	\$ (78,022)	\$ -	\$ 327,360	\$ 52,130

HOPKINS COUNTY, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
<b>REVENUES:</b>		
Taxes	\$ -	\$ 1,423,698
Intergovernmental Revenue and Grants	41,590	502,383
Fees of Office	-	425,968
Fines and Forfeitures	-	117,676
Investment Earnings	5,048	20,038
Other Revenue	840	73,680
Total Revenues	47,478	2,563,443
<b>EXPENDITURES:</b>		
Current:		
General government	-	156,788
Judicial	-	12,928
Legal	-	305,485
Public safety	-	137,886
Public transportation	-	2,464
Public facilities	626,833	1,216,066
Intergovernmental	52,844	367,954
Miscellaneous	-	3,436
Debt Service:		
Principal	-	547,147
Interest	-	177,771
Fees	-	1,000
Capital Outlay:		
Capital Outlay	102,545	437,305
Total Expenditures	782,222	3,366,230
Excess (Deficiency) of Revenues Over (Under) Expenditures	(734,744)	(802,787)
<b>OTHER FINANCING SOURCES (USES):</b>		
Proceeds from Capital Leases	-	334,760
Proceeds from Certificates of Obligation	700,000	700,000
Transfers In	100,000	665,068
Other Resources	-	548
Transfers Out (Use)	-	(685,859)
Total Other Financing Sources (Uses)	800,000	1,014,517
Net Change in Fund Balance	65,256	211,730
Fund Balance - October 1 (Beginning)	241,983	765,000
Fund Balance - September 30 (Ending)	\$ 307,239	\$ 976,730

AGENCY FUNDS

<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>
4,190	2,507	285,741	15,389	19,226	1,255,113
<u>4,190</u>	<u>2,507</u>	<u>285,741</u>	<u>15,389</u>	<u>19,226</u>	<u>1,255,113</u>
-	-	-	15,389	19,226	34,615
<u>4,190</u>	<u>2,507</u>	<u>285,741</u>	-	-	<u>1,220,498</u>
<u>4,190</u>	<u>2,507</u>	<u>285,741</u>	<u>15,389</u>	<u>19,226</u>	<u>1,255,113</u>

SUPPLEMENTAL INFORMATION

Hopkins County, Texas  
 General Fund-By Department  
 Budgetary Comparison Schedule  
 for the year ended September 30, 2013

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	7,227,054	7,227,054	7,731,638	504,584
Intergovernmental revenue and grants	244,099	244,099	209,020	(35,079)
Fees of office	970,450	970,450	1,118,909	148,459
Fines and forfeitures	555,000	555,000	539,490	(15,510)
Investment earnings	45,000	45,000	45,808	808
Other revenue	203,394	194,623	190,479	(4,144)
<b>Total Revenues</b>	<b>9,244,997</b>	<b>9,236,226</b>	<b>9,835,344</b>	<b>599,118</b>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
<b>General Government</b>				
County Judge	160,715	160,715	146,275	14,440
County Administration	420,533	349,849	311,764	38,085
Risk Management	258,050	283,385	283,381	4
County Clerk	265,209	265,209	265,199	10
Veteran Service	35,191	35,191	33,602	1,589
Nondepartmental	89,083	89,083	61,126	27,957
<b>Total General Government</b>	<b>1,228,781</b>	<b>1,183,432</b>	<b>1,101,347</b>	<b>82,085</b>
<b>Judicial</b>				
County Court	251,672	251,672	241,742	9,930
8th District Court	277,128	291,863	291,853	10
62nd District Court	82,966	82,966	79,147	3,819
District Clerk	320,400	320,400	300,232	20,168
Justice of the Peace #1	148,116	148,116	144,100	4,016
Justice of the Peace #2	147,661	147,661	146,082	1,579
<b>Total Judicial</b>	<b>1,227,943</b>	<b>1,242,678</b>	<b>1,203,156</b>	<b>39,522</b>
<b>Legal</b>				
County Attorney	215,880	221,496	220,136	1,360
<b>Total Legal</b>	<b>215,880</b>	<b>221,496</b>	<b>220,136</b>	<b>1,360</b>
<b>Financial Administration</b>				
County Auditor	198,193	198,193	197,712	481
County Treasurer	111,751	111,751	111,145	606
Tax Assessor Collector	313,473	313,473	308,936	4,537
Information Systems	170,280	209,655	187,373	22,282
<b>Total Financial Administration</b>	<b>793,697</b>	<b>833,072</b>	<b>805,166</b>	<b>27,906</b>
<b>Public Facilities</b>				
Building Maintenance	299,265	299,265	235,411	63,854
<b>Total Public Facilities</b>	<b>299,265</b>	<b>299,265</b>	<b>235,411</b>	<b>63,854</b>



Hopkins County, Texas  
 General Fund-By Department  
 Budgetary Comparison Schedule  
 for the year ended September 30, 2013

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget Positive or (Negative)
	Original	Final		
<b>Public Safety</b>				
Volunteer Fire Department	136,011	136,011	134,026	1,985
County Fire Department	436,748	450,748	445,852	4,896
Constable #1	71,217	71,217	69,377	1,840
Constable #2	71,433	71,433	65,580	5,853
Sheriff's Department	1,761,940	1,851,392	1,844,908	6,484
State Agencies	39,043	39,043	38,603	440
Dispatch	353,113	353,113	335,917	17,196
Jail	1,467,036	1,600,642	1,378,987	221,655
Extradition	67,697	80,785	80,782	3
Juvenile/Adult Probation Building	28,400	28,400	21,108	7,292
<b>Total Public Safety</b>	<b>4,432,638</b>	<b>4,682,784</b>	<b>4,415,140</b>	<b>267,644</b>
<b>Health and Welfare</b>				
Environmental Quality	28,897	28,897	27,730	1,167
<b>Total Health and Welfare</b>	<b>28,897</b>	<b>28,897</b>	<b>27,730</b>	<b>#REF!</b>
<b>County Extension</b>				
Extension Office	78,542	78,542	65,591	12,951
<b>Total County Extension</b>	<b>78,542</b>	<b>78,542</b>	<b>65,591</b>	<b>12,951</b>
<b>Elections</b>				
Elections	70,011	75,051	75,049	2
<b>Total Elections</b>	<b>70,011</b>	<b>75,051</b>	<b>75,049</b>	<b>2</b>
<b>Debt Service</b>				
Principal	97,500	97,500	97,433	67
Interest	10,500	10,500	10,308	192
<b>Capital outlay</b>	<b>117,000</b>	<b>83,571</b>	<b>83,571</b>	<b>-</b>
<b>Total expenditures</b>	<b>8,600,654</b>	<b>8,836,888</b>	<b>8,340,038</b>	<b>496,850</b>
Excess (deficiency) of revenues over (under) expenditures	664,343	399,338	1,495,306	1,095,968
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance proceeds	-	-	12,942	12,942
Transfers In	-	-	4,800	4,800
Sale of Assets	-	1,300	1,319	19
Transfers Out (Use)	(566,997)	(566,997)	(484,009)	82,988
<b>Total other resources</b>	<b>(566,997)</b>	<b>(566,697)</b>	<b>(464,948)</b>	<b>100,749</b>
Excess of revenues and other sources over (under) expenditures and other uses	97,346	(166,359)	1,030,358	1,196,717
<b>FUND BALANCE</b>				
Beginning of year	2,262,948	2,262,948	2,262,948	-
End of year	<u>2,360,294</u>	<u>2,096,589</u>	<u>3,293,306</u>	<u>1,196,717</u>

Hopkins County, Texas  
 Road and bridge Maintenance Fund  
 Budgetary Comparison Schedule  
 for the year ended September 30, 2013

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget Positive or (Negative)
	Original	Final		
REVENUES				
Taxes	2,239,146	2,239,146	2,325,423	86,277
Intergovernmental	71,000	71,000	94,188	23,188
Fees of office	735,000	735,000	741,374	6,374
Interest	9,500	9,500	11,675	2,175
Miscellaneous	28,376	30,671	30,799	128
Total Revenues	3,083,022	3,085,317	3,203,459	118,142
EXPENDITURES:				
Current:				
Public Transportation				
Road and Bridge Number One				
Personnel	383,020	368,551	367,137	1,414
Operating	408,980	451,465	451,460	5
Debt Service	40,000	150,859	150,859	-
Capital	50,000	131,292	131,292	-
Total Road and Bridge Number One	882,000	1,102,167	1,100,748	1,419
Road and Bridge Number Two				
Personnel	364,743	341,784	340,262	1,522
Operating	443,047	464,433	464,427	6
Debt Service	56,400	252,023	252,023	-
Capital	17,810	263,404	263,403	1
Total Road and Bridge Number Two	882,000	1,321,644	1,320,115	1,529
Road and Bridge Number Three				
Personnel	376,920	363,797	363,110	687
Operating	457,080	484,289	482,723	1,566
Debt Service	-	17,500	17,500	-
Capital	48,000	111,000	111,000	-
Total Road and Bridge Number Three	882,000	976,586	974,333	2,253
Road and Bridge Number Four				
Personnel	361,531	347,841	347,578	263
Operating	446,437	463,015	457,060	5,955
Debt Service	24,032	39,538	39,537	1
Capital	50,000	32,979	30,774	2,205
Total Road and Bridge Number Four	882,000	883,373	874,949	8,424
Total expenditures	3,528,000	4,283,770	4,270,145	13,625
Excess (deficiency) of revenues over (under) expenditures	(444,978)	(1,198,453)	(1,066,686)	131,767
OTHER FINANCING SOURCES (USES)				
Lease proceeds	-	482,806	482,805	1
Transfers in	500,000	500,000	500,000	-
Insurance proceeds	-	-	-	-
Sale of assets	-	270,669	270,669	-
Transfers out	-	-	-	-
Total other resources	500,000	1,253,475	1,253,474	-
Excess of revenues and other sources over (under) expenditures and other uses	55,022	55,022	186,788	131,766
FUND BALANCE				
Beginning of year	554,346	554,346	554,346	-
End of year	609,368	609,368	741,134	131,766

Hopkins County, Texas  
 BUDGETARY COMPARISON SCHEDULE  
 Debt Service Fund  
 for the year ended September 30, 2013

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	583,777	583,777	605,510	21,733
Investment earnings	4,000	4,000	4,496	496
<b>Total revenues</b>	<b>587,777</b>	<b>587,777</b>	<b>610,006</b>	<b>22,229</b>
<b>EXPENDITURES</b>				
Debt service-principal	569,900	567,649	547,147	20,502
Debt service-interest and fees	173,184	175,435	178,771	(3,336)
<b>Total expenditures</b>	<b>743,084</b>	<b>743,084</b>	<b>725,918</b>	<b>17,166</b>
Excess of revenues over (under) expenditures	(155,307)	(155,307)	(115,912)	39,395
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	152,189	152,189	136,059	(16,130)
<b>Total other sources (uses)</b>	<b>152,189</b>	<b>152,189</b>	<b>136,059</b>	<b>(16,130)</b>
Excess of revenues and other sources over (under) expenditures and other uses	(3,118)	(3,118)	20,147	23,265
<b>FUND BALANCE</b>				
Beginning of year	39,327	39,327	39,327	-
End of year	36,209	36,209	59,474	23,265

FEDERAL AWARDS SECTION



**ARNOLD, WALKER, ARNOLD, & Co., P.C.**  
*Certified Public Accountants and Consultants*

Bob J. Arnold, C.P.A., P.F.S.  
Lanny G. Walker, C.P.A., P.F.S.  
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MEMBER

American Institute Of  
Certified Public Accountants

Texas State Society Of  
Certified Public Accountants

INDEPENDENT AUDITOR'S 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 County, Texas  
Sulphur Springs, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hopkins County, Texas, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 19, 2013.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 13-1 and 13-2 that we consider to be significant deficiencies.

**Compliance and Other Matters**

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

**Hopkins County's Response to Findings**

Hopkins County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Hopkins County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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

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

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

December 19, 2013

Hopkins County, Texas  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the year ended September 30, 2013

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

- a. The type of report issued on the financial statements of Hopkins County, Texas was an unmodified 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*.**

**13-1 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 is less than the reconciled bank balance by approximately \$10,000.

**13-2 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 \$34,513 at September 30, 2013. The reconciled bank balance reflects approximately \$66,363 as of that date.
- Effect-** At September 30, 2013, the bank balance exceeds the subsidiary ledger by \$31,850. 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, 2013

PRIOR YEAR'S FINDINGS/ NONCOMPLIANCE

12-1 District Attorney

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

12-2 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 12-1 The reconciliations are being worked on. There is still a difference between the subsidiary ledger and the reconciled bank balance.

See 12-2 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, 2013

- 13-1 The subsidiary ledger on the District Attorney Pending Account will be reviewed and agreed to the reconciled bank balance each month.
- 13-2 The subsidiary ledger for the Inmate Trust Fund will be agreed to the reconciled bank balance each month.

Hopkins County, Texas  
 FEDERAL PROGRAM PROJECT SCHEDULE  
 PROJECTS THAT ENDED OR WERE IN OPERATION  
 For the year ended September 30, 2013

Federal Grantor: U.S. Department of HUD  
 Pass Through Grantor: TDRA  
 CFDA # 14.228, Project #711270, Contract Period: 10/1/11-9/30/13

	<u>Budget</u>	<u>Prior Year</u>	<u>Federal Current Year</u>	<u>Total</u>
REVENUE				
Federal	<u>272,300</u>	<u>26,950</u>	<u>245,350</u>	<u>272,300</u>
EXPENSES				
Water Improvements	215,300	-	215,300	215,300
Engineering	30,000	13,450	16,550	30,000
Administration	<u>27,000</u>	<u>13,500</u>	<u>13,500</u>	<u>27,000</u>
TOTAL EXPENSES	<u>272,300</u>	<u>26,950</u>	<u>245,350</u>	<u>272,300</u>
EXCESS REVENUE OVER EXPENSES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>



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

*Certified Public Accountants and Consultants*

Bob J. Arnold, C.P.A., P.F.S.  
Lanny G. Walker, C.P.A., P.F.S.  
Kris Arnold, C.P.A., P.F.S.  
Andrew T. Arnold, C.P.A.  
Melissa J. Godfrey, C.P.A.  
Amy E. Smith, C.P.A.

MEMBER

American Institute Of  
Certified Public Accountants

Texas State Society Of  
Certified Public Accountants

December 19, 2013

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hopkins County, Texas for the year ended September 30, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 16, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the County are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2013. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the County's financial statements were the allowance for uncollectible taxes and the depreciable lives of fixed assets.

Management's estimate of the allowance for uncollectible taxes is based on historical collection rates. Management's estimates of the depreciable lives of assets is based upon a range of lives generally used by governmental entities. We evaluated the key factors and assumptions used to develop the above estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

*Disagreements with Management*

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

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 19, 2013.

*Management Consultations with Other Independent Accountants*

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

*Other Audit Findings or Issues*

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

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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

Very truly yours,

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

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