

Hopkins County, Texas

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

For the year ended September 30, 2009

Hopkins County, Texas
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 Year ended September 30, 2009

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INDEPENDENT AUDITOR’S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hopkins County, Texas as of and for the year ended September 30, 2009, which collectively comprise the County’s basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County’s administrators. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hopkins County, Texas as of September 30, 2009, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2010, on our consideration of the County’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management’s discussion and analysis and budgetary comparison information on pages 2 through 10 and pages 50 through 53 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County’s basic financial statements. The combining 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 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

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

January 15, 2010

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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, 2009. The information presented here should be read in conjunction with the independent auditor's report and the County's financial statements.

FINANCIAL HIGHLIGHTS

The County's total combined net assets were \$19.5 million at September 30, 2009, \$12.47 million of the net assets is invested in capital assets, net of related debt. During the year, the County's expenses were \$880 thousand more than the \$15 million generated in taxes, charges for services and other revenues from governmental activities. Grant revenue decreased \$365 thousand.

The total cost of all the County's activities were up by \$234 thousand, or 1.5% compared to the prior year. Revenues were down about 2% compared to the prior year.

The general fund balance is \$1 million at September 30, 2009.

During the year, \$580 thousand of fixed assets were added. \$838 thousand of principal was paid on debt. \$219 thousand of new debt was obtained.

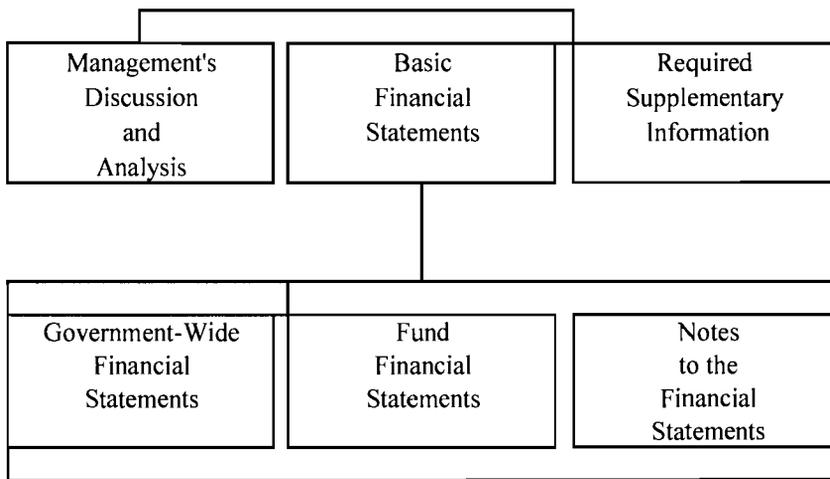
Approximately 97% of the taxes levied for 2008-09 were collected by September 30, 2009.

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

The County has no proprietary funds.

Government-wide Statements

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

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

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

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

Fund Financial Statements

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

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

The County has two kinds of funds:

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

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net assets. The County's combined net assets were approximately \$19.5 million at September 30, 2009.

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

	Governmental Activities	
	2009	2008
Current and other assets	10,036	9,792
Capital and non-current assets	20,234	21,503
TOTAL ASSETS	30,270	31,295
Long-term liabilities	8,085	8,690
Other liabilities	2,677	2,208
TOTAL LIABILITIES	10,762	10,898
Invested in capital assets net of related debt	12,475	13,125
Restricted	2,385	2,795
Unrestricted	4,648	4,477
TOTAL NET ASSETS	19,508	20,397

Net assets invested in capital assets net of related debt reflects the book value of the County's capital assets in excess of the debt which financed those assets. The \$4.6 million of unrestricted net assets represents resources available to fund the programs of the County for the next fiscal year.

The \$2.39 million is restricted as follows:

Restricted for debt service	3
Restricted for capital projects	1,305
Restricted for special revenue funds	<u>1,077</u>
	<u>2,385</u>

Net assets of the County decreased from \$20.4 million to \$19.5 million. The County's expenditures exceeded revenues by \$658 thousand. The County paid principal on debt of \$838 thousand. New debt of \$219 thousand was obtained. \$580 thousand of capital assets were acquired. \$1.75 million of depreciation was recorded. Deferred revenue of \$382 thousand from additional receivables from fees of office is recognized as revenue on the government wide statements.

Changes in net assets.

The County's total revenues were \$15 million. 56% of this came from property taxes, 11% came from sales taxes and other taxes, and 24% came from charges for services.

The total cost of all programs was \$15.9 million. Approximately 27% of this was for public safety and 29% was for public transportation.

Net assets decreased by \$880 thousand from a net loss and decreased by \$9 thousand from a prior period adjustment. The prior period adjustment was to correct accounts payable from the prior year.

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

	Governmental Activities	
	2009	2008
Revenues		
<u>Program Revenues</u>		
Charges for Services	3,686	4,391
Operating Grants and Contributions	703	977
Capital Grants and Contributions	-	91
<u>General Revenues</u>		
Property Taxes	8,421	7,730
Other taxes	1,610	1,604
Investment earnings	53	180
Other	582	392
Total Revenues	<u>15,055</u>	<u>15,365</u>
Expenses		
General government	1,304	1,235
Judicial	1,363	1,303
Legal	625	581
Financial administration	933	934
Public safety	4,653	4,538
Public transportation	4,626	4,804
Public facilities	1,718	1,374
Health and welfare	96	206
Intergovernmental	50	146
County extension	119	106
Elections	66	46
Miscellaneous	15	11
Debt service-interest on long-term debt	377	427
Total Expenses	<u>15,945</u>	<u>15,711</u>
Transfers in (out)	10	-
Increase/Decrease in Net Assets	(880)	(346)
Beginning Net Assets	20,397	20,724
Prior Period Adjustment	(9)	19
Ending Net Assets	<u>19,508</u>	<u>20,397</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 \$15.9 million.
- However, the amount that taxpayers paid for these activities through property taxes was only \$8.4 million.
- Some of the cost was paid by those who directly benefited from the programs (\$3.7 million), or by grants and contributions (\$703 thousand).

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

	Total Cost of Services		Net Cost of Services	
	2009	2008	2009	2008
General Government	1,304	1,235	830	708
Public Safety	4,653	4,538	4,085	4,038
Judicial	1,363	1,303	(291)	(1,055)
Public transportation	4,626	4,804	3,775	3,640

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

The County reported fund balance in its governmental funds of approximately \$3.39 million at September 30, 2009. This balance is composed of the following in thousands

General	1,009
Special revenue	1,077
Debt service	3
Capital projects	1,305
	<u>3,394</u>

Net loss for the general fund was \$256 thousand. General fund revenues were \$8.96 million, or 5%, more than the prior year. Taxes were \$597 thousand more than the prior year. Fees of office revenue was down \$55 thousand. Intergovernmental revenue was down \$55 thousand. Expenditures were up \$308 thousand, or 3.6%. Public safety expenditures were up \$247 thousand. Special revenue fund balances decreased \$163 thousand. The Civic Center Fund decreased \$163 thousand. Insurance proceeds of \$170 thousand had been reviewed in the prior year and another \$167 thousand was received during the current year to repair the Civic Center roof. \$387 thousand was spent on repairs during the current year. The debt service fund balances decreased \$7 thousand. The capital projects fund balances decreased \$240 thousand. The Bond Issue 2007 fund decreased \$264 thousand. \$248 thousand was spent on building renovations from this fund leaving a balance of \$1.45 million to carry forward for future projects. All of these funds decreased by a total of \$657 thousand or about 16% of the beginning fund balances.

General Fund Budgetary Highlights

Several budget amendments were made during the year. Actual expenditures were less than the final budget by 1.4% or \$123 thousand. Actual revenues were \$145 thousand more than budgeted. \$547 thousand was budgeted as a decrease to fund balance. Actually, the fund balance decreased \$256 thousand from the excess of expenditures over revenues.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

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

	Governmental Activities	
	2009	2008
Land	1,607	1,607
Buildings and improvements	16,533	16,315
Machinery and equipment	8,226	8,009
Roads and bridges	17,542	17,542
Construction in progress	-	34
Totals at historical cost	<u>43,908</u>	<u>43,507</u>
Total accumulated depreciation	<u>(23,674)</u>	<u>(22,004)</u>
Net capital assets	<u>20,234</u>	<u>21,503</u>

\$580 thousand of new assets were added. \$184 thousand was added to buildings and improvements.

Long-Term Debt

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

	2009	2008
Certificates of obligation	5,869	6,135
Notes payable	1,244	1,429
Leases payable	647	814
Compensated absences payable	325	312
	<u>8,085</u>	<u>8,690</u>

\$219 thousand of new debt was obtained. \$838 thousand was paid on debt principal.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Hopkins County economy remains relatively stable compared to the national economy. Hopkins County's unemployment rate is currently 6.5%, which is below the state (7.9%) and national average (9.4%). Sales tax collections for Hopkins County decreased in FY2009 by 1.72%, the first decrease in 7 years. With the projected spring 2010 opening of the State Highway 11 extension, retail opportunities are expected to increase for the area. The County has estimated the sales tax will keep pace with the 2009 because of increased prices not sales and new retail development.

- The appraised value used for the 2010 budget preparation is up \$12,633,814 or .81% from 2009.
- The tax rate established for 2009 is \$.5600, an increase from the 2008 rate due to the increase in valuations and new construction. The budget will raise more total property taxes than last years budget by \$78,781 or .89%, and of that amount \$28,679,570 is new construction and \$28,600,789 is loss in valuation.
- At the time the 2010 budget was prepared, inflationary trends in the region were comparable to national indices with home and land prices fairly stable. Although, property prices are still stable, property sales are somewhat stagnant.

These factors and others were taken into consideration when preparing the general fund budget for the 2010 fiscal year.

The 2010 fiscal year, unreserved fund balance in the general fund is projected decreased by \$200,000. This is the second year to see a decline in the fund balance. Increasing the Fire Department to a 24/7 schedule costs and moving the 911 operations to the Fire Department, played a major factor in the fund balance decline. FY2010 General Fund revenues and expenditures are budgeted to increase by 6% and .006% respectively over FY2009 estimated revenues and expenditures, to allow for benefit increases, and slow the erosion of the General Fund balance.

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
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2009

EXHIBIT A-1

	Primary Government
	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 3,323,859
Receivables (net of allowance for uncollectibles)	6,472,413
Prepaid Items	239,429
Capital Assets:	
Land	1,606,996
Infrastructure, net	6,272,224
Buildings, net	9,939,781
Machinery and Equipment, net	2,415,738
Total Assets	30,270,440
LIABILITIES	
Accounts Payable	638,462
Due to Others	1,592,203
Deferred Revenues	446,643
Noncurrent Liabilities	
Due Within One Year	688,394
Due in More Than One Year	7,396,632
Total Liabilities	10,762,334
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	12,474,597
Restricted for:	
Restricted for Special Revenue Funds	1,077,505
Restricted for Debt Service Fund	2,863
Restricted for Capital Project Funds	1,305,034
Unrestricted Net Assets	4,648,107
Total Net Assets	\$ 19,508,106

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

HOPKINS COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2009

EXHIBIT B-1

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
General government	\$ 1,304,397	\$ 469,540	\$ 5,583	\$ (829,274)
Judicial	1,362,743	1,368,057	286,085	291,399
Legal	625,271	115,575	9,184	(500,512)
Financial Administration	932,694	200,163	-	(732,531)
Public safety	4,652,857	329,863	238,246	(4,084,748)
Public transportation	4,625,719	784,226	66,131	(3,775,362)
Public facilities	1,717,804	387,159	24,340	(1,306,305)
Health and welfare	96,398	26,650	24,185	(45,563)
Intergovernmental	50,469	-	50,169	(300)
County extension	119,252	-	-	(119,252)
Elections	65,840	5,200	-	(60,640)
Miscellaneous	14,887	-	-	(14,887)
Debt Service-interest	375,627	-	-	(375,627)
Fees	1,984	-	-	(1,984)
TOTAL PRIMARY GOVERNMENT:	\$ 15,945,942	\$ 3,686,433	\$ 703,923	(11,555,586)

General Revenues:

Taxes:	
Property Taxes, Levied for General Purposes	7,736,612
Property Taxes, Levied for Debt Service	685,065
Insurance Proceeds	288,878
Sales Taxes	1,609,520
Miscellaneous Revenue	291,388
Investment Earnings	53,260
Transfers In (Out):	9,998
Total General Revenues and Transfers	10,674,721
Change in Net Assets	(880,865)
Net Assets--Beginning	20,397,666
Prior Period Adjustment	(8,695)
Net Assets--Ending	\$ 19,508,106

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

GOVERNMENTAL FUND FINANCIAL STATEMENTS

HOPKINS COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2009

	General Fund	Major Special Revenue Fund	Major Capital Projects Fund
ASSETS			
Cash and Cash Equivalents	\$ 807,363	\$ 892,847	\$ 1,449,376
Receivables (Net)	6,041,022	147,806	-
Due from Other Funds	-	2,823	-
Prepaid Items	173,290	32,205	-
Total Assets	\$ 7,021,675	\$ 1,075,681	\$ 1,449,376
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable and Accrued Expenditures	\$ 356,368	\$ 199,778	\$ -
Due to Other Funds	-	-	-
Due to Others	1,592,203	-	-
Deferred Revenues	4,064,074	121,697	-
Total Liabilities	6,012,645	321,475	-
Fund Balances:			
Reserved For:			
Debt Service	-	-	-
Unreserved and Undesignated:			
Reported in the General Fund	1,009,030	-	-
Reported in the Special Revenue Fund	-	754,206	-
Reported in the Capital Projects Fund	-	-	1,449,376
Total Fund Balances	1,009,030	754,206	1,449,376
Total Liabilities and Fund Balances	\$ 7,021,675	\$ 1,075,681	\$ 1,449,376

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

Other Funds	Total Governmental Funds
\$ 174,273	\$ 3,323,859
283,585	6,472,413
-	2,823
33,934	239,429
<u>\$ 491,792</u>	<u>\$ 10,038,524</u>
\$ 82,316	\$ 638,462
2,823	2,823
-	1,592,203
224,833	4,410,604
<u>309,972</u>	<u>6,644,092</u>
2,863	2,863
-	1,009,030
323,299	1,077,505
(144,342)	1,305,034
<u>181,820</u>	<u>3,394,432</u>
<u>\$ 491,792</u>	<u>\$ 10,038,524</u>

HOPKINS COUNTY
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET ASSETS
 SEPTEMBER 30, 2009

Total Fund Balances - Governmental Funds	\$	3,394,432
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$43,507,173 and the accumulated depreciation was \$22,003,744. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net assets.		13,124,850
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 2009 capital outlays and debt principal payments is to increase (decrease) net assets.		1,315,870
The 2009 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(1,746,818)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.		3,419,772
Net Assets of Governmental Activities	\$	19,508,106

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

HOPKINS COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	General Fund	Major Special Revenue Fund	Major Capital Projects Fund
REVENUES:			
Taxes	\$ 6,603,449	\$ 2,320,402	\$ -
Intergovernmental Revenue and Grants	410,866	66,131	-
Fees of Office	1,104,235	778,226	-
Fines and forfeitures	695,313	-	-
Investment Earnings	21,614	9,630	14,441
Other Revenue	123,679	28,695	-
Total Revenues	8,959,156	3,203,084	14,441
EXPENDITURES:			
Current:			
General government	1,216,775	-	-
Judicial	1,345,416	-	-
Legal	218,504	-	-
Financial Administration	879,398	-	-
Public safety	4,265,571	-	-
Public transportation	-	3,662,417	-
Public facilities	279,531	-	-
Health and welfare	75,287	-	-
Intergovernmental	-	-	-
County extension	110,719	-	-
Elections	65,840	-	-
Miscellaneous	-	-	-
Debt Service:			
Principal	86,171	300,367	-
Interest	16,081	17,618	-
Fees	-	-	-
Capital Outlay	193,869	91,280	247,908
Total Expenditures	8,753,162	4,071,682	247,908
Excess (Deficiency) of Revenues Over (Under) Expenditures	205,994	(868,598)	(233,467)
OTHER FINANCING SOURCES (USES):			
Insurance proceeds	28,710	93,148	-
Loan proceeds	108,025	91,280	-
Transfers In	8,334	702,544	-
Sale of assets	8,070	88,105	-
Transfers Out (Use)	(615,399)	-	(30,968)
Total Other Financing Sources (Uses)	(462,260)	975,077	(30,968)
Net Change in Fund Balances	(256,266)	106,479	(264,435)
Fund Balance - October 1 (Beginning)	1,265,296	656,422	1,713,811
Prior Period Adjustment	-	(8,695)	-
Fund Balance - September 30 (Ending)	\$ 1,009,030	\$ 754,206	\$ 1,449,376

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

Other Funds	Total Governmental Funds
\$ 1,326,884	\$ 10,250,735
214,585	691,582
340,448	2,222,909
220,247	915,560
7,575	53,260
45,488	197,862
<u>2,155,227</u>	<u>14,331,908</u>
72,641	1,289,416
14,295	1,359,711
393,455	611,959
-	879,398
105,105	4,370,676
15,800	3,678,217
1,049,385	1,328,916
-	75,287
50,469	50,469
-	110,719
-	65,840
14,887	14,887
451,205	837,743
341,928	375,627
1,984	1,984
<u>20,000</u>	<u>553,057</u>
<u>2,531,154</u>	<u>15,603,906</u>
<u>(375,927)</u>	<u>(1,271,998)</u>
167,020	288,878
20,000	219,305
682,860	1,393,738
50	96,225
<u>(737,373)</u>	<u>(1,383,740)</u>
<u>132,557</u>	<u>614,406</u>
<u>(243,370)</u>	<u>(657,592)</u>
425,190	4,060,719
-	(8,695)
<u>\$ 181,820</u>	<u>\$ 3,394,432</u>

HOPKINS COUNTY
 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, 2009

Total Net Change in Fund Balances - Governmental Funds	\$	(657,592)
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 2009 capital outlays and debt principal payments is to increase (decrease) net assets.		1,315,870
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.		(1,746,818)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.		207,675
Change in Net Assets of Governmental Activities	<u>\$</u>	<u>(880,865)</u>

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

HOPKINS COUNTY
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

EXHIBIT C-5

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 6,480,381	\$ 6,480,381	\$ 6,603,449	\$ 123,068
Intergovernmental Revenue and Grants	287,587	329,762	410,866	81,104
Fees of Office	1,067,825	1,069,825	1,104,235	34,410
Fines and forfeitures	725,000	725,000	695,313	(29,687)
Investment Earnings	100,000	100,000	21,614	(78,386)
Other Revenue	90,300	109,161	123,679	14,518
Total Revenues	<u>8,751,093</u>	<u>8,814,129</u>	<u>8,959,156</u>	<u>145,027</u>
EXPENDITURES:				
Current:				
General government	1,279,984	1,290,305	1,216,775	73,530
Judicial	1,373,226	1,373,226	1,345,416	27,810
Legal	223,559	223,559	218,504	5,055
Financial Administration	891,934	885,079	879,398	5,681
Public safety	4,135,030	4,206,443	4,265,571	(59,128)
Public facilities	277,875	277,875	279,531	(1,656)
Health and welfare	108,147	113,678	75,287	38,391
County extension	112,581	112,581	110,719	1,862
Elections	78,766	92,725	65,840	26,885
Debt Service:				
Principal	90,373	89,962	86,171	3,791
Interest	16,869	17,136	16,081	1,055
Capital Outlay	85,000	193,883	193,869	14
Total Expenditures	<u>8,673,344</u>	<u>8,876,452</u>	<u>8,753,162</u>	<u>123,290</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>77,749</u>	<u>(62,323)</u>	<u>205,994</u>	<u>268,317</u>
OTHER FINANCING SOURCES (USES):				
Insurance proceeds	-	2,490	28,710	26,220
Loan proceeds	-	108,025	108,025	-
Transfers In	-	15,250	8,334	(6,916)
Sale of assets	-	8,020	8,070	50
Transfers Out (Use)	(618,429)	(618,429)	(615,399)	3,030
Total Other Financing Sources (Uses)	<u>(618,429)</u>	<u>(484,644)</u>	<u>(462,260)</u>	<u>22,384</u>
Net Change in Fund Balances	<u>(540,680)</u>	<u>(546,967)</u>	<u>(256,266)</u>	<u>290,701</u>
Fund Balance - October 1 (Beginning)	<u>1,265,296</u>	<u>1,265,296</u>	<u>1,265,296</u>	<u>-</u>
Fund Balance - September 30 (Ending)	<u>\$ 724,616</u>	<u>\$ 718,329</u>	<u>\$ 1,009,030</u>	<u>\$ 290,701</u>

The accompanying notes are an integral part of this statement.

FIDUCIARY FUND FINANCIAL STATEMENT

HOPKINS COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2009

	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 1,243,964
Total Assets	<u>\$ 1,243,964</u>
LIABILITIES	
Accounts Payable and Accrued Expenses	\$ 14,017
Due to Others	1,229,947
Total Liabilities	<u>\$ 1,243,964</u>

The accompanying notes are an integral part of this statement.

Hopkins County, Texas
NOTES TO THE FINANCIAL STATEMENTS
At September 30, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

D. FUND ACCOUNTING

The County reports the following major governmental funds:

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

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

Governmental Funds:

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

Fiduciary Funds:

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

E. OTHER ACCOUNTING POLICIES

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

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

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

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

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

<u>Capital Assets at the Beginning of the year</u>	<u>Historic Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value at the Beginning of the Year</u>	<u>Change in Net Assets</u>
Construction in Progress	34,476	-	34,476	
Land	1,606,996	-	1,606,996	
Buildings & Improvements	16,315,003	6,052,908	10,262,095	
Machinery & Equipment	8,008,872	5,303,130	2,705,742	
Road & Bridges	17,541,826	10,647,706	6,894,120	
Change in Net Assets	<u>43,507,173</u>	<u>22,003,744</u>	<u>21,503,429</u>	<u>21,503,429</u>

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

<u>Long-term Liabilities at the Beginning of the year</u>	<u>Payable at the Beginning of the Year</u>
Leases payable	814,566
Certificates of obligation payable	6,135,000
Notes payable	1,429,013
Change in Net Assets	<u>8,378,579</u>
Net Adjustment to Net Assets	<u>13,124,850</u>

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

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

	<u>Amount</u>	<u>Adjustments to Changes in Net Assets</u>	<u>Adjustments to Net Assets</u>
<u>Current year Capital Outlay</u>			
Building & improvement	183,530		
Machinery & equipment	396,037		
Total Capital Outlay	<u>579,567</u>	<u>579,567</u>	<u>579,567</u>
Book value of assets sold or traded	(101,439)	(101,439)	(101,439)
<u>Debt Principal Payments</u>			
Certificate of obligation	266,000		
Note principal	185,204		
Leases payable	386,538		
Total Principal Payments	<u>837,742</u>	<u>837,742</u>	<u>837,742</u>
Total Adjustment to Net Assets		<u><u>1,315,870</u></u>	<u><u>1,315,870</u></u>

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

	<u>Amount</u>	<u>Adjustments to Change in Net Assets</u>	<u>Adjustments to Net Assets</u>
<u>Adjustments to Revenue and Deferred Revenue</u>			
Taxes Collected from Prior Year Levies	166,923	(166,923)	-
Uncollected taxes (assumed collectible) from Current Year Levy	263,237	263,237	263,237
Effect of prior year tax entries	39,050	(39,050)	-
Effect of prior year deferred revenue from fines	3,318,481	-	3,318,481
Increase to deferred revenue from fines during current year	382,244	382,244	382,244
<u>Reclassify Proceeds of Bonds, Loans & Capital Leases</u>			
Proceeds from leases and loans	219,306	(219,306)	(219,306)
<u>Compensated absences</u>			
Balance at beginning of year	312,357	-	(312,357)
Additions to balance	<u>12,527</u>	<u>(12,527)</u>	<u>(12,527)</u>
Total		<u><u>207,675</u></u>	<u><u>3,419,772</u></u>

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

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

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

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

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the County to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the County to have independent auditors perform test procedures related to investment practices as provided by the Act. The county is in substantial compliance with the requirements of the Act and with local policies.

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

Policies Governing Deposits and Investments

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

1. **Custodial Credit Risk – Deposits:** In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The County's policy regarding types of deposits allowed and collateral requirements is that the funds of the County must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping in an amount sufficient to protect the County's funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

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

At September 30, 2009, the carrying amount of the County's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$2,902,207 and the bank balance was \$3,418,613. The County's cash deposits at September 30, 2009 and during the year ended September 30, 2009 were entirely covered by FDIC insurance or by a letter of credit.

A. DEPOSITS AND INVESTMENTS (continued)

In addition, the following is disclosed regarding coverage of combined balances as of September 30, 2009:

- a. Depository: Alliance Bank
 - b. A \$7,000,000 Letter of Credit is provided by FHLB of Dallas to cover balances at September 30, 2009.
 - c. The combined balances of cash, savings, and time deposits amounted to \$3,418,613 at September 30, 2009.
 - d. Total amount of FDIC coverage at September 30, 2009 was \$500,000.
2. Custodial Credit Risk – Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Positions in external investment pools are not subject to custodial credit risk. The County has no investments exposed to custodial credit risk at the end of the period.
3. Interest- rate Risk – Interest-rate risk occurs when potential purchases of debt securities do not agree to pay face value for these securities if interest rates rise. The County does not purchase investments where the face value is not guaranteed.
4. Concentration Risk – Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. Investments in external investment pools are not subject to concentration risk. The County is not exposed to any amounts of concentration risk.
5. Other Credit Risk Exposure – The County has investments in external investment pools. The ratings of the pools are disclosed below.

The County’s investments at September 30, 2009, are shown below:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Average CreditQuality/ Ratings</u>	<u>Weighted Avg. Days to Maturity</u>
Texpool	286,473	AAAm	35
MBIA	30,130	N/A	1

B. PROPERTY TAXES

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

C. DELINQUENT TAXES RECEIVABLE

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

D. INTERFUND TRANSFERS

Transfers between funds were as follows:

Transfers to Major Special Revenue Fund:

From Nonmajor Governmental Funds 702,544

Total Transferred to Major Special Revenue Fund 702,544

Transfers to General Fund:

From Agency Funds 8,334

Total Transferred to General Fund 8,334

Transfers to Agency Funds:

From other Agency Funds 2,898

Total Transferred to Agency Funds 2,898

Transfers to Nonmajor Governmental Funds from:

General Fund 615,399

Major Capital Projects Fund 30,968

Agency Funds 1,664

Other Nonmajor Governmental Funds 34,829

Total Transferred to Nonmajor Governmental Funds 682,860

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

Due to Nonmajor Governmental Funds from

Other Nonmajor Governmental Funds 2,823

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at September 30, 2009, 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	343,815	10,515,867	308,834	-	11,168,516
Major Special Revenue Fund	171,884	-	16,079	452	188,415
Nonmajor Governmental Funds	95,420	333,960	27,191	2,823	459,394
Total - Governmental Activities	<u>611,119</u>	<u>10,849,827</u>	<u>352,104</u>	<u>3,275</u>	<u>11,816,325</u>
Amounts not scheduled for collection during the subsequent year	<u>144,317</u>	<u>5,199,595</u>	<u>-</u>	<u>-</u>	<u>5,343,912</u>

Payables at September 30, 2009, were as follows:

	<u>Accounts</u>	<u>Salaries and Benefits</u>	<u>Due to Others</u>	<u>Other</u>	<u>Total Payables</u>
Governmental Activities:					
General Fund	254,413	89,325	1,592,203	12,630	1,948,571
Major Special Revenue Fund	176,368	23,410	-	-	199,778
Nonmajor Governmental Funds	66,952	15,364	-	-	82,316
Total - Governmental Activities	<u>497,733</u>	<u>128,099</u>	<u>1,592,203</u>	<u>12,630</u>	<u>2,230,665</u>
Amounts not scheduled for collection during the subsequent year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

F. CAPITAL ASSET ACTIVITY

Capital asset activity for the County for the year ended September 30, 2009, was as follows:

	Primary Government			<u>Ending Balance</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	
Governmental Activities:				
County:				
Land	1,606,996	-	-	1,606,996
Buildings and Improvements	16,315,003	218,006	-	16,533,009
Construction in progress	34,476	-	(34,476)	-
Machinery and Equipment	8,008,872	396,037	(178,442)	8,226,467
Roads and Bridges	17,541,826	-	-	17,541,826
	<u>43,507,173</u>	<u>614,043</u>	<u>(212,918)</u>	<u>43,908,298</u>
Totals at Historic Cost				
Less Accumulated Depreciation for:				
Buildings and Improvements	(6,052,908)	(540,320)	-	(6,593,228)
Machinery and Equipment	(5,303,130)	(584,602)	77,003	(5,810,729)
Roads and Bridges	(10,647,706)	(621,896)	-	(11,269,602)
Total Accumulated Depreciation	<u>(22,003,744)</u>	<u>(1,746,818)</u>	<u>77,003</u>	<u>(23,673,559)</u>
Governmental Activities Capital Assets, Net	<u>21,503,429</u>	<u>(1,132,775)</u>	<u>(135,915)</u>	<u>20,234,739</u>

Depreciation expense was charged to governmental functions as follows:

General Government	10,805
Judicial	3,032
Legal	13,312
Financial administration	53,296
Public safety	278,005
Public transportation	969,836
Public facilities	388,888
Extension services	8,533
Health and welfare	21,111
	<u>1,746,818</u>

G. CHANGES IN LONG-TERM DEBT

The following is a summary of long-term debt transactions for the year ended September 30, 2009.

Hopkins County GLTD					
	Interest Rate	Payable at 10/1/2008	Additions (Reductions)	Payable at 9/30/2009	Due within one year
Certificates of Obligation:					
Jail Expansion	4.75%-6.25%	810,000	(70,000)	740,000	75,000
Courthouse Renovation	5.50%-6.00%	945,000	(55,000)	890,000	60,000
Civic Center Horse Pavilion	4.98%-6.00%	705,000	(16,000)	689,000	16,000
Annex Building	3.65%-5.125%	3,675,000	(125,000)	3,550,000	130,000
Notes Payable:					
Series 2006 Tax	4.15%	560,715	(112,142)	448,573	112,142
Right of Way	3.78%	868,298	(73,062)	795,236	75,824
Leases Payable:					
2007 Ford Pickup	4.15%	11,035	(8,219)	2,816	2,816
Caterpillar 924G Loader	4.45%	71,713	(60,350)	11,363	11,363
2008 Ford Pickup	4.45%	10,935	(6,144)	4,791	4,791
2008 Ford F450	4.45%	13,443	(7,946)	5,497	5,497
John Deere 6415 Tractor	4.45%	43,772	(21,400)	22,372	22,372
New Holland Backhoe	4.25%	43,668	(21,371)	22,297	22,297
Heavy Equipment	3.90%	3,505	(3,505)	-	-
Various Road Equipment	3.55%	30,185	(30,185)	-	-
Asphalt Zipper	3.60%	23,187	(23,187)	-	-
Computer Equipment	4.75%	52,857	(21,930)	30,927	23,009
IBM AS 400 Computer	4.50%	31,819	(29,165)	2,654	2,654
Caterpillar 140H Motor Grader	4.85%	162,142	(24,065)	138,077	25,275
2008 Mack Truck, Precinct 2	3.50%	91,305	(91,305)	-	-
Truck, Precinct 1	4.40%	25,000	(25,000)	-	-
Ag Extension Office	4.75%	200,000	(12,766)	187,234	16,844
Working Pens	3.99%	-	20,000	20,000	20,000
8 Ford F-150's	3.99%	-	108,026	108,026	37,842
2009 Mack Truck, Precinct 2	3.99%	-	91,280	91,280	24,668
		<u>8,378,579</u>	<u>(618,436)</u>	<u>7,760,143</u>	<u>688,394</u>

G. CHANGES IN LONG-TERM DEBT cont'd

The debt service fund long-term debt as of September 30, 2009, follows:

(A) Certificates of Obligation Jail Expansion Due in annual installments with interest at 4.75%-6.25%	740,000
(B) Certificates of Obligation Courthouse Renovation Due in annual installments with interest at 5.50%-6.00%	890,000
(C) Certificates of Obligation Civic Center Horse Pavillion Due in annual installments with interest at 4.98%-6.00%	689,000
(D) Certificates of Obligation Annex Building Due in annual installments with interest at 3.65%-5.125%	3,550,000
(E) Note payable-Series 2006 Tax Due in annual installments with interest at 4.15%	448,573
(F) Note payable-Right of Way Due in annual installments with interest at 3.78%	795,236
(G) Lease Payable 2007 Ford Due in monthly installments of \$710 including interest at 4.15%	2,816
(H) Lease Payable Caterpillar 924G Loader Due in monthly installments of \$26,065 including interest at 4.45%	11,363
(I) Lease Payable 2008 Ford Pickup Due in monthly installments of \$542 including interest at 4.45%	4,791
(J) Lease Payable 2008 Ford F450 Due in monthly installments of \$699 including interest at 4.45%	5,497
(K) Lease Payable John Deere 6415 Tractor Due in monthly installments of \$1,910 including interest at 4.45%	22,372
(L) Lease Payable New Holland Backhoe Due in monthly installments of \$1,901 including interest at 4.25%	22,297
(M) Lease Payable Computer Equipment Due in monthly installments of \$1,999 including interest at 4.75%	30,927
(N) Lease Payable IBM AS 400 Computer Due in monthly installments of \$2,717 including interest at 4.50%	2,654
(O) Lease Payable Caterpillar 140H Motor Grader Due in monthly installments of \$2,625 including interest at 4.85%	138,077
(P) Lease Payable Ag Extension Office Due in monthly installments of \$2,124 including interest at 4.75%	187,234
(Q) Lease Payable Working Pens at Civic Center Due in one installment of \$20,798 including interest at 3.99%	20,000
(R) Lease Payable Eight 2009 Ford F150's Due in monthly installments of \$3,750 including interest at 3.99%	108,026
(S) Lease Payable 2009 Mack Truck, Precinct 2 Due in monthly installments of \$2,781 including interest at 3.99%	91,280
	<hr/> <hr/> 7,760,143

G. CHANGES IN LONG-TERM DEBT cont'd

The annual requirements to amortize bonded debt and certificates of obligation as of September 30, 2009, follows:

Years Ending 9/30	Principal	Interest	Total
2010	281,000	272,556	553,556
2011	301,000	258,447	559,447
2012	311,000	243,171	554,171
2013	326,000	227,363	553,363
2014	346,000	210,638	556,638
2015-2019	1,756,000	800,015	2,556,015
2020-2024	1,346,000	444,685	1,790,685
2025-2029	951,000	167,400	1,118,400
2030-2034	203,000	48,182	251,182
2035	48,000	1,497	49,497
Total	<u>5,869,000</u>	<u>2,673,954</u>	<u>8,542,954</u>

The annual requirements to amortize notes as of September 30, 2009, follows:

Years Ending 9/30	Principal	Interest	Total
2010	407,394	80,789	488,183
2011	317,236	58,142	375,378
2012	299,960	45,320	345,280
2013	248,404	34,045	282,449
2014	137,471	23,750	161,221
2015-2019	480,678	46,958	527,636
Total	<u>1,891,143</u>	<u>289,004</u>	<u>2,180,147</u>

In April, 2009, the County entered into a note with Guaranty Bond Bank. Proceeds from the note, \$20,000, were used to purchase working pens at the Civic Center. Repayment will be made in one payment in April, 2010, \$20,798 including interest at 3.99%.

In December, 2008, the County entered into a note with Guaranty Bond Bank. Proceeds from the note, \$108,026, were used to purchase eight Ford F-150 trucks for the Sheriff's Department. Repayment will be made in monthly installments of \$3,750 including interest at 3.99% beginning October, 2009 until fully repaid in May, 2012.

In December, 2008, the County entered into a note with Guaranty Bond Bank. Proceeds from the note, \$91,280, were used to purchase a 2009 Mack Truck for Precinct 2. Repayment will be made in monthly installments of \$2,781 including interest at 3.99% beginning in November 2009 until fully repaid in October 2012.

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 586 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.

H. RETIREMENT PLAN cont'd

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

Funding Policy. The employer has elected the annually determined contribution rate (Variable-Rate) plan provisions of the Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The employer contributed using the actuarially determined rate of 11.01% for the months of the accounting year in 2008, and 11.32% for the months of the accounting year in 2009.

The deposit rate payable by the employee members for calendar year 2009 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, 2009, the annual pension cost for the TCDRS plan for its employees was \$776,623, and the actual contributions were \$776,623.

1. Annual required contributions (ARC)	776,623
2. Interest on net pension obligation	-
3. Adjustment to ARC	-
4. Annual pension cost	776,623
5. Contributions made	776,623
6. Increase (decrease) in NPO	-
7. NPO beginning of year	-
8. NPO end of year	-

The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees, and were in compliance with the GASB Statement No.27 parameters based on the actuarial valuations as of December 31, 2005 and December 31, 2006, the basis for determining the contribution rates for calendar years 2008 and 2009. The December 31, 2008 actuarial valuation is the most recent valuation.

Actuarial Valuation Information

Actuarial valuation date	12/31/06	12/31/07	12/31/08
Actuarial cost method	entry age	entry age	entry age
Amortization method	level percentage of payroll, closed	level percentage of payroll, closed	level percentage of payroll, closed
Amortization period	15	15	20
Asset valuation method	SAF: 10 yr. smoothed value ESF: Fund value	SAF: 10 yr. smoothed value ESF: Fund value	SAF: 10 yr. smoothed value ESF: Fund value

Actuarial Assumptions:

Investment return ¹	8.00%	8.00%	8.00%
Projected salary increases ¹	5.3%	5.3%	5.3%
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
2007	703,574	100%	-
2008	726,279	100%	-
2009	776,623	100%	-

H. RETIREMENT PLAN cont'd

**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	UAAL as a Percentage of Covered Payroll
12/31/06	12,238,024	14,488,600	2,250,576	84.47%	6,051,089	37.19%
12/31/07	14,016,091	16,560,526	2,544,434	84.64%	6,422,410	39.62%
12/31/08	14,261,308	17,916,842	3,655,534	79.60%	6,933,168	52.73%

(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 2009, the County purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

K. COMMITMENTS AND CONTINGENCIES

The County has no significant commitments or contingencies at September 30, 2009.

L. LITIGATION

The County has no pending litigation at September 30, 2009

M. PRIOR PERIOD ADJUSTMENT

A prior period adjustment of \$8,695 is reflected as a decrease to the road and bridge main to correct prior year accounts payable.

N. DEFICIT FUND BALANCES

Three nonmajor special revenue funds have deficit fund balances at September 30, 2009. The law library fund has a deficit fund balance of \$13 thousand. Fees will be received subsequent to September 30, 2010 to correct this and costs are being trimmed. The Civic Center Horse Pavillion Construction fund has a deficit fund balance of \$158 at September 30, 2009. Additional transfers from the general fund will be budgeted in the future to correct this. The Civic Center fund has a deficit fund balance of \$121 thousand at September 30, 2009. This deficit appears to be decreasing as more events continue to be held and additional transfers from the general are budgeted in the future.

O. COMPENSATED ABSENCES

The liability for compensated absences is reflected on the government wide statements. The liability increased from \$312,357 at September 30, 2008 to \$324,884 at September 30, 2009.

The liability is composed of:

Vacation	289,743
Comp. Time	33,394
Holiday	<u>1,747</u>
Total	<u>324,884</u>

All of these are payable upon employee separation from duty.

COMBINING SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

HOPKINS COUNTY
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2009

	Record Management Fund	Civic Center Hotel/Motel Tax	Child Abuse Prevention	Civic Center Fund
ASSETS				
Cash and Cash Equivalents	\$ 16,502	\$ 58,925	\$ 476	\$ (123,925)
Receivables (Net)	288	22,918	-	16,656
Prepaid Items	-	5,000	-	28,656
Total Assets	<u>\$ 16,790</u>	<u>\$ 86,843</u>	<u>\$ 476</u>	<u>\$ (78,613)</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable and Accrued Expenditures	\$ 423	\$ 5,854	\$ -	\$ 41,980
Due to Other Funds	-	-	-	-
Deferred Revenues	175	-	-	-
Total Liabilities	<u>598</u>	<u>5,854</u>	<u>-</u>	<u>41,980</u>
Fund Balances:				
Reserved For:				
Debt Service	-	-	-	-
Unreserved and Undesignated:				
Reported in the Special Revenue Fund	16,192	80,989	476	(120,593)
Reported in the Capital Projects Fund	-	-	-	-
Total Fund Balances	<u>16,192</u>	<u>80,989</u>	<u>476</u>	<u>(120,593)</u>
Total Liabilities and Fund Balances	<u>\$ 16,790</u>	<u>\$ 86,843</u>	<u>\$ 476</u>	<u>\$ (78,613)</u>

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

JP Computer Tech	District Attorney	Law Library	Records Preservation DC/CC	Courthouse Security	Justice Court Security	HAVA Grant	Pct # 1 House
\$ 6,235	\$ 19,376	\$ (9,579)	\$ 64,264	\$ 1,964	\$ 10,927	\$ -	\$ 551
18,440	5,861	44,649	58,271	34,975	2,611	-	-
-	-	-	-	-	-	526	(248)
<u>\$ 24,675</u>	<u>\$ 25,237</u>	<u>\$ 35,070</u>	<u>\$ 122,535</u>	<u>\$ 36,939</u>	<u>\$ 13,538</u>	<u>\$ 526</u>	<u>\$ 303</u>
\$ 1,237	\$ 8,779	\$ 3,542	\$ 389	\$ 528	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
18,061	-	44,334	58,153	34,616	2,519	-	-
<u>19,298</u>	<u>8,779</u>	<u>47,876</u>	<u>58,542</u>	<u>35,144</u>	<u>2,519</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-
5,377	16,458	(12,806)	63,993	1,795	11,019	526	303
-	-	-	-	-	-	-	-
<u>5,377</u>	<u>16,458</u>	<u>(12,806)</u>	<u>63,993</u>	<u>1,795</u>	<u>11,019</u>	<u>526</u>	<u>303</u>
<u>\$ 24,675</u>	<u>\$ 25,237</u>	<u>\$ 35,070</u>	<u>\$ 122,535</u>	<u>\$ 36,939</u>	<u>\$ 13,538</u>	<u>\$ 526</u>	<u>\$ 303</u>

HOPKINS COUNTY
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2009

	Road & Bridge Special Maint	Farm to Market Special	Pleasant Grove Special Assessment	Fire Service Grant
ASSETS				
Cash and Cash Equivalents	\$ 29,449	\$ 127,176	\$ -	\$ -
Receivables (Net)	19,036	21,515	2,823	-
Prepaid Items	-	-	-	-
Total Assets	<u>\$ 48,485</u>	<u>\$ 148,691</u>	<u>\$ 2,823</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable and Accrued Expenditures	\$ -	\$ 15,800	\$ -	\$ -
Due to Other Funds	-	-	2,823	-
Deferred Revenues	17,818	20,447	-	-
Total Liabilities	<u>17,818</u>	<u>36,247</u>	<u>2,823</u>	<u>-</u>
Fund Balances:				
Reserved For:				
Debt Service	-	-	-	-
Unreserved and Undesignated:				
Reported in the Special Revenue Fund	30,667	112,444	-	-
Reported in the Capital Projects Fund	-	-	-	-
Total Fund Balances	<u>30,667</u>	<u>112,444</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 48,485</u>	<u>\$ 148,691</u>	<u>\$ 2,823</u>	<u>\$ -</u>

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

Homeland Security Grant	North Hopkins STEP Grant	Shady Grove STEP Grant	Co. Attorney Forfeiture	S/O Drug Forfeiture	District Attorney Drug Forfeiture	Co. Attorney Check Collection	D.A. Check Collection
\$ -	\$ -	\$ -	\$ 2,295	\$ 551	\$ 44,463	\$ 4,295	\$ (189)
-	3,412	-	-	-	-	208	294
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 3,412</u>	<u>\$ -</u>	<u>\$ 2,295</u>	<u>\$ 551</u>	<u>\$ 44,463</u>	<u>\$ 4,503</u>	<u>\$ 105</u>
\$ -	\$ 3,412	\$ -	\$ -	\$ -	\$ 548	\$ (273)	\$ 97
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	3,412	-	-	-	548	(273)	97
-	-	-	-	-	-	-	-
-	-	-	2,295	551	43,915	4,776	8
-	-	-	-	-	-	-	-
-	-	-	2,295	551	43,915	4,776	8
<u>\$ -</u>	<u>\$ 3,412</u>	<u>\$ -</u>	<u>\$ 2,295</u>	<u>\$ 551</u>	<u>\$ 44,463</u>	<u>\$ 4,503</u>	<u>\$ 105</u>

HOPKINS COUNTY
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2009

	S/O Federal Forfeiture	Federal Equitable Sharing	Total Nonmajor Special Revenue Funds	Debt Service Fund
ASSETS				
Cash and Cash Equivalents	\$ 27,203	\$ 37,711	\$ 318,670	\$ 5
Receivables (Net)	-	-	251,957	31,568
Prepaid Items	-	-	33,934	-
Total Assets	<u>\$ 27,203</u>	<u>\$ 37,711</u>	<u>\$ 604,561</u>	<u>\$ 31,573</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable and Accrued Expenditures	\$ -	\$ -	\$ 82,316	\$ -
Due to Other Funds	-	-	2,823	-
Deferred Revenues	-	-	196,123	28,710
Total Liabilities	<u>-</u>	<u>-</u>	<u>281,262</u>	<u>28,710</u>
Fund Balances:				
Reserved For:				
Debt Service	-	-	-	2,863
Unreserved and Undesignated:				
Reported in the Special Revenue Fund	27,203	37,711	323,299	-
Reported in the Capital Projects Fund	-	-	-	-
Total Fund Balances	<u>27,203</u>	<u>37,711</u>	<u>323,299</u>	<u>2,863</u>
Total Liabilities and Fund Balances	<u>\$ 27,203</u>	<u>\$ 37,711</u>	<u>\$ 604,561</u>	<u>\$ 31,573</u>

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

Courthouse Restoration Cap. Project	C.C. Horse Pavillion Cap. Project	Total Nonmajor Governmental Funds
\$ 13,620	\$ (158,022)	\$ 174,273
60	-	283,585
-	-	33,934
<u>\$ 13,680</u>	<u>\$ (158,022)</u>	<u>\$ 491,792</u>
\$ -	\$ -	\$ 82,316
-	-	2,823
-	-	224,833
<u>-</u>	<u>-</u>	<u>309,972</u>
-	-	2,863
-	-	323,299
13,680	(158,022)	(144,342)
<u>13,680</u>	<u>(158,022)</u>	<u>181,820</u>
<u>\$ 13,680</u>	<u>\$ (158,022)</u>	<u>\$ 491,792</u>

HOPKINS COUNTY
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Record Management Fund	Civic Center Hotel/Motel Tax	Child Abuse Prevention	Civic Center Fund
REVENUES:				
Taxes	\$ -	\$ 124,252	\$ -	\$ -
Intergovernmental Revenue and Grants	-	-	-	12,000
Fees of Office	37,887	-	465	226,198
Fines and forfeitures	-	-	-	-
Investment Earnings	130	257	3	177
Other Revenue	-	-	-	20,009
Total Revenues	38,017	124,509	468	258,384
EXPENDITURES:				
Current:				
General government	39,266	-	-	-
Judicial	-	-	-	-
Legal	-	-	-	-
Public safety	-	-	-	-
Public transportation	-	-	-	-
Public facilities	-	32,342	-	973,008
Intergovernmental	-	-	-	-
Miscellaneous	-	-	-	-
Debt Service:				
Principal	-	16,000	-	-
Interest	-	41,867	-	-
Fees	-	-	-	-
Capital Outlay	-	-	-	20,000
Total Expenditures	39,266	90,209	-	993,008
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,249)	34,300	468	(734,624)
OTHER FINANCING SOURCES (USES):				
Insurance proceeds	-	-	-	167,020
Loan proceeds	-	-	-	20,000
Transfers In	-	-	-	383,614
Sale of assets	-	-	-	50
Transfers Out (Use)	-	(31,042)	-	-
Total Other Financing Sources (Uses)	-	(31,042)	-	570,684
Net Change in Fund Balance	(1,249)	3,258	468	(163,940)
Fund Balance - October 1 (Beginning)	17,441	77,731	8	43,347
Fund Balance - September 30 (Ending)	\$ 16,192	\$ 80,989	\$ 476	\$ (120,593)

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

JP Computer Tech	District Attorney	Law Library	Records Preservation DC/CC	Courthouse Security	Justice Court Security	HAVA Grant	Pct # 1 House
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	113,377	-	-	-	-	-	-
-	-	21,157	18,908	22,108	2,904	-	-
13,223	-	-	-	-	-	-	-
57	123	4	333	27	55	33	18
-	-	-	-	1,939	-	5,200	6,000
<u>13,280</u>	<u>113,500</u>	<u>21,161</u>	<u>19,241</u>	<u>24,074</u>	<u>2,959</u>	<u>5,233</u>	<u>6,018</u>
-	-	-	2,056	31,191	16	112	-
14,295	-	-	-	-	-	-	-
-	342,895	33,766	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	944
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>14,295</u>	<u>342,895</u>	<u>33,766</u>	<u>2,056</u>	<u>31,191</u>	<u>16</u>	<u>112</u>	<u>944</u>
<u>(1,015)</u>	<u>(229,395)</u>	<u>(12,605)</u>	<u>17,185</u>	<u>(7,117)</u>	<u>2,943</u>	<u>5,121</u>	<u>5,074</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	245,853	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	(6,331)
-	<u>245,853</u>	-	-	-	-	-	<u>(6,331)</u>
(1,015)	16,458	(12,605)	17,185	(7,117)	2,943	5,121	(1,257)
<u>6,392</u>	-	<u>(201)</u>	<u>46,808</u>	<u>8,912</u>	<u>8,076</u>	<u>(4,595)</u>	<u>1,560</u>
<u>\$ 5,377</u>	<u>\$ 16,458</u>	<u>\$ (12,806)</u>	<u>\$ 63,993</u>	<u>\$ 1,795</u>	<u>\$ 11,019</u>	<u>\$ 526</u>	<u>\$ 303</u>

HOPKINS COUNTY
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Road & Bridge Special Maint	Farm to Market Special	Pleasant Grove Special Assessment	Fire Service Grant
REVENUES:				
Taxes	\$ 249,857	\$ 262,761	\$ -	\$ -
Intergovernmental Revenue and Grants	-	-	-	-
Fees of Office	-	-	-	-
Fines and forfeitures	-	-	-	-
Investment Earnings	572	2,451	-	-
Other Revenue	-	-	-	-
Total Revenues	250,429	265,212	-	-
EXPENDITURES:				
Current:				
General government	-	-	-	-
Judicial	-	-	-	-
Legal	-	-	-	-
Public safety	-	-	-	-
Public transportation	-	15,800	-	-
Public facilities	-	-	-	-
Intergovernmental	-	-	-	-
Miscellaneous	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Fees	-	-	-	-
Capital Outlay	-	-	-	-
Total Expenditures	-	15,800	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	250,429	249,412	-	-
OTHER FINANCING SOURCES (USES):				
Insurance proceeds	-	-	-	-
Loan proceeds	-	-	-	-
Transfers In	-	-	-	-
Sale of assets	-	-	-	-
Transfers Out (Use)	(350,000)	(350,000)	-	-
Total Other Financing Sources (Uses)	(350,000)	(350,000)	-	-
Net Change in Fund Balance	(99,571)	(100,588)	-	-
Fund Balance - October 1 (Beginning)	130,238	213,032	-	-
Fund Balance - September 30 (Ending)	\$ 30,667	\$ 112,444	\$ -	\$ -

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

Homeland Security Grant	North Hopkins STEP Grant	Shady Grove STEP Grant	Co. Attorney Forfeiture	S/O Drug Forfeiture	District Attorney Drug Forfeiture	Co. Attorney Check Collection	D.A. Check Collection
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
39,039	47,494	2,675	-	-	-	-	-
-	-	-	-	-	-	10,671	150
-	-	-	-	30,003	97,356	-	-
-	-	-	-	49	281	-	-
-	-	-	-	-	-	-	-
<u>39,039</u>	<u>47,494</u>	<u>2,675</u>	<u>-</u>	<u>30,052</u>	<u>97,637</u>	<u>10,671</u>	<u>150</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	16,802	(8)
-	-	-	-	36,784	68,321	-	-
-	-	-	-	-	-	-	-
43,091	-	-	-	-	-	-	-
-	47,494	2,675	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>43,091</u>	<u>47,494</u>	<u>2,675</u>	<u>-</u>	<u>36,784</u>	<u>68,321</u>	<u>16,802</u>	<u>(8)</u>
<u>(4,052)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,732)</u>	<u>29,316</u>	<u>(6,131)</u>	<u>158</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
4,052	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	14,599	-	(14,599)
<u>4,052</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,599</u>	<u>-</u>	<u>(14,599)</u>
-	-	-	-	(6,732)	43,915	(6,131)	(14,441)
-	-	-	2,295	7,283	-	10,907	14,449
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,295</u>	<u>\$ 551</u>	<u>\$ 43,915</u>	<u>\$ 4,776</u>	<u>\$ 8</u>

HOPKINS COUNTY
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

	S/O Federal Forfeiture	Federal Equitable Sharing	Total Nonmajor Special Revenue Funds	Debt Service Fund
REVENUES:				
Taxes	\$ -	\$ -	\$ 636,870	\$ 690,014
Intergovernmental Revenue and Grants	-	-	214,585	-
Fees of Office	-	-	340,448	-
Fines and forfeitures	29,302	50,363	220,247	-
Investment Earnings	122	14	4,706	2,857
Other Revenue	-	-	33,148	-
Total Revenues	<u>29,424</u>	<u>50,377</u>	<u>1,450,004</u>	<u>692,871</u>
EXPENDITURES:				
Current:				
General government	-	-	72,641	-
Judicial	-	-	14,295	-
Legal	-	-	393,455	-
Public safety	-	-	105,105	-
Public transportation	-	-	15,800	-
Public facilities	-	-	1,049,385	-
Intergovernmental	-	-	50,169	-
Miscellaneous	2,221	12,666	14,887	-
Debt Service:				
Principal	-	-	16,000	435,205
Interest	-	-	41,867	300,061
Fees	-	-	-	1,984
Capital Outlay	-	-	20,000	-
Total Expenditures	<u>2,221</u>	<u>12,666</u>	<u>1,793,604</u>	<u>737,250</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>27,203</u>	<u>37,711</u>	<u>(343,600)</u>	<u>(44,379)</u>
OTHER FINANCING SOURCES (USES):				
Insurance proceeds	-	-	167,020	-
Loan proceeds	-	-	20,000	-
Transfers In	-	-	633,519	37,299
Sale of assets	-	-	50	-
Transfers Out (Use)	-	-	(737,373)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>83,216</u>	<u>37,299</u>
Net Change in Fund Balance	27,203	37,711	(260,384)	(7,080)
Fund Balance - October 1 (Beginning)	<u>-</u>	<u>-</u>	<u>583,683</u>	<u>9,943</u>
Fund Balance - September 30 (Ending)	<u>\$ 27,203</u>	<u>\$ 37,711</u>	<u>\$ 323,299</u>	<u>\$ 2,863</u>

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

Courthouse Restoration Cap. Project	C.C. Horse Pavillion Cap. Project	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 1,326,884
-	-	214,585
-	-	340,448
-	-	220,247
12	-	7,575
12,340	-	45,488
<u>12,352</u>	<u>-</u>	<u>2,155,227</u>
-	-	72,641
-	-	14,295
-	-	393,455
-	-	105,105
-	-	15,800
-	-	1,049,385
300	-	50,469
-	-	14,887
-	-	451,205
-	-	341,928
-	-	1,984
-	-	20,000
<u>300</u>	<u>-</u>	<u>2,531,154</u>
<u>12,052</u>	<u>-</u>	<u>(375,927)</u>
-	-	167,020
-	-	20,000
-	12,042	682,860
-	-	50
-	-	(737,373)
<u>-</u>	<u>12,042</u>	<u>132,557</u>
12,052	12,042	(243,370)
<u>1,628</u>	<u>(170,064)</u>	<u>425,190</u>
<u>\$ 13,680</u>	<u>\$ (158,022)</u>	<u>\$ 181,820</u>

AGENCY FUNDS

Hopkins County, Texas
 COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES—AGENCY FUNDS
 as of September 30, 2009

	<u>Tax Assessor Collector</u>	<u>County Clerk</u>	<u>District Clerk</u>	<u>Sheriff</u>	<u>Justice of the Peace Number One</u>
ASSETS					
Cash and cash equivalents	170,622	31,172	621,636	100,751	28,795
Total assets	170,622	31,172	621,636	100,751	28,795
LIABILITIES					
Accounts payable and accrued expenses	-	-	-	-	-
Due to others	170,622	31,172	621,636	100,751	28,795
Total liabilities	170,622	31,172	621,636	100,751	28,795

<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>
10,415	27,602	183,177	23,736	46,058	1,243,964
<hr/>					
10,415	27,602	183,177	23,736	46,058	1,243,964
<hr/>					
-	-	-	12,153	1,864	14,017
10,415	27,602	183,177	11,583	44,194	1,229,947
<hr/>					
10,415	27,602	183,177	23,736	46,058	1,243,964
<hr/>					

SUPPLEMENTAL INFORMATION

Hopkins County, Texas
 General Fund-By Department
 Budgetary Comparison Schedule
 for the year ended September 30, 2009

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget Positive or (Negative)
	Original	Final		
REVENUES				
Taxes	6,480,381	6,480,381	6,603,449	123,068
Fees of office	1,067,825	1,069,825	1,104,235	34,410
Intergovernmental	287,587	329,762	410,866	81,104
Fines and forfeitures	725,000	725,000	695,313	(29,687)
Interest	100,000	100,000	21,614	(78,386)
Miscellaneous	90,300	109,161	123,679	14,518
Total Revenues	8,751,093	8,814,129	8,959,156	145,027
EXPENDITURES:				
Current:				
General Government				
County Judge	167,794	167,938	166,850	1,088
County Administration	343,050	353,050	353,045	5
Risk Management	223,870	223,870	222,796	1,074
County Clerk	332,868	332,868	324,850	8,018
Archive Project	70,000	70,000	13,464	56,536
Veteran Service	40,027	40,027	37,661	2,366
Nondepartmental	102,375	102,552	98,109	4,443
Total General Government	1,279,984	1,290,305	1,216,775	73,530
Judicial				
County Court	245,862	245,862	241,266	4,596
8th District Court	266,315	266,315	289,035	(22,720)
62nd District Court	88,094	88,094	79,632	8,462
District Clerk	448,428	448,428	416,066	32,362
Justice of the Peace #1	161,780	161,780	159,945	1,835
Justice of the Peace #2	162,747	162,747	159,472	3,275
Total Judicial	1,373,226	1,373,226	1,345,416	27,810
Legal				
County Attorney	223,559	223,559	218,504	5,055
Total Legal	223,559	223,559	218,504	5,055
Financial Administration				
County Auditor	231,932	231,932	230,578	1,354
County Treasurer	128,277	128,277	128,050	227
Tax Assessor Collector	366,986	366,986	363,873	3,113
Information Systems	164,739	157,884	156,897	987
Total Financial Administration	891,934	885,079	879,398	5,681
Public Facilities				
Building Maintenance	277,875	277,875	279,531	(1,656)
Total Public Facilities	277,875	277,875	279,531	(1,656)

Hopkins County, Texas
General Fund-By Department
Budgetary Comparison Schedule
for the year ended September 30, 2009

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget Positive or (Negative)
	Original	Final		
Public Safety				
Volunteer Fire Department	150,811	150,811	140,214	10,597
County Fire Department	449,391	468,307	537,541	(69,234)
Constable #1	69,531	69,531	67,625	1,906
Constable #2	69,164	69,164	67,554	1,610
Sheriff's Department	1,764,518	1,790,815	1,790,620	195
State Agencies	35,657	35,657	35,181	476
Dispatch	157,550	198,866	198,860	6
Jail	1,306,095	1,290,979	1,293,795	(2,816)
Juvenile Probation	121,288	121,288	120,728	560
Adult Probation	11,025	11,025	13,453	(2,428)
Total Public Safety	4,135,030	4,206,443	4,265,571	(59,128)
Health and Welfare				
Environmental Quality	108,147	113,493	75,102	38,391
Solid Waste Grant	-	185	185	-
Total Health and Welfare	108,147	113,678	75,287	38,391
County Extension				
Extension Office	112,581	112,581	110,719	1,862
Total County Extension	112,581	112,581	110,719	1,862
Elections				
Elections	78,766	92,725	65,840	26,885
Total Elections	78,766	92,725	65,840	26,885
Miscellaneous				
Hazmet	-	-	-	-
Total Miscellaneous	-	-	-	-
Debt Service				
Principal	90,373	89,962	86,171	3,791
Interest	16,869	17,136	16,081	1,055
Capital Outlay	85,000	193,883	193,869	14
Total expenditures	8,673,344	8,876,452	8,753,162	123,290
Excess (deficiency) of revenues over (under) expenditures	77,749	(62,323)	205,994	268,317
OTHER FINANCING SOURCES (USES)				
Insurance proceeds	-	2,490	28,710	26,220
Sale of assets	-	8,020	8,070	50
Loan proceeds	-	108,025	108,025	-
Transfers In	-	15,250	8,334	(6,916)
Transfers Out	(618,429)	(618,429)	(615,399)	3,030
Total other resources	(618,429)	(484,644)	(462,260)	(3,836)
Excess of revenues and other sources over (under) expenditures and other uses	(540,680)	(546,967)	(256,266)	264,481
FUND BALANCE				
Beginning of year	1,265,296	1,265,296	1,265,296	-
End of year	724,616	718,329	1,009,030	264,481

Hopkins County, Texas
 Road and bridge Maintenance Fund
 Budgetary Comparison Schedule
 for the year ended September 30, 2009

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget Positive or (Negative)
	Original	Final		
REVENUES				
Taxes	2,313,139	2,313,139	2,320,402	7,263
Fees of office	750,000	750,000	778,226	28,226
Intergovernmental	66,000	66,000	66,131	131
Interest	20,000	20,000	9,630	(10,370)
Miscellaneous	1,000	24,634	28,695	4,061
Total Revenues	3,150,139	3,173,773	3,203,084	29,311
EXPENDITURES:				
Current:				
Public Transportation				
Road and Bridge Number One				
Personnel	420,581	361,581	355,115	6,466
Operating	498,020	676,226	675,523	703
Debt Service	26,464	49,865	49,865	-
Capital	50,000	-	-	-
Total Road and Bridge Number One	995,065	1,087,672	1,080,503	7,169
Road and Bridge Number Two				
Personnel	419,868	361,910	355,091	6,819
Operating	372,687	468,899	444,148	24,751
Debt Service	152,510	222,392	222,392	-
Capital	50,000	121,280	91,280	30,000
Total Road and Bridge Number Two	995,065	1,174,481	1,112,911	61,570
Road and Bridge Number Three				
Personnel	442,245	442,245	384,380	57,865
Operating	462,820	517,431	501,380	16,051
Capital	90,000	35,745	-	35,745
Total Road and Bridge Number Three	995,065	995,421	885,760	109,661
Road and Bridge Number Four				
Personnel	400,087	392,565	371,421	21,144
Operating	499,249	579,213	575,359	3,854
Debt Service	45,729	45,729	45,728	1
Capital	50,000	-	-	-
Total Road and Bridge Number Four	995,065	1,017,507	992,508	24,999
Total expenditures	3,980,260	4,275,081	4,071,682	203,399
Excess (deficiency) of revenues over (under) expenditures	(830,121)	(1,101,308)	(868,598)	232,710
OTHER FINANCING SOURCES (USES)				
Insurance proceeds	-	93,148	93,148	-
Sale of assets	-	86,759	88,105	1,346
Debt proceeds	-	91,280	91,280	-
Operating transfers in	700,000	700,000	702,544	2,544
Total other resources	700,000	971,187	975,077	3,890
Excess of revenues and other sources over (under) expenditures and other uses	(130,121)	(130,121)	106,479	236,600
FUND BALANCE				
Beginning of year	656,422	656,422	656,422	-
Prior period adjustment	-	-	(8,695)	(8,695)
End of year	526,301	526,301	754,206	227,905

Hopkins County, Texas
 BUDGETARY COMPARISON SCHEDULE
 Debt Service Fund
 for the year ended September 30, 2009

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget Positive or (Negative)
	Original	Final		
REVENUES				
Taxes	686,906	686,906	690,014	3,108
Interest	4,000	4,000	2,857	(1,143)
Total revenues	690,906	690,906	692,871	1,965
EXPENDITURES				
Debt service-principal	435,206	435,206	435,205	1
Debt service-interest and fees	302,062	302,062	302,045	17
Total expenditures	737,268	737,268	737,250	18
Excess of revenues over (under) expenditures	(46,362)	(46,362)	(44,379)	1,983
OTHER FINANCING SOURCES (USES)				
Operating transfers in	30,331	30,331	37,299	6,968
Total other sources (uses)	30,331	30,331	37,299	6,968
Excess of revenues and other sources over (under) expenditures and other uses	(16,031)	(16,031)	(7,080)	8,951
FUND BALANCE				
Beginning of year	9,943	9,943	9,943	-
End of year	(6,088)	(6,088)	2,863	8,951

FEDERAL AWARDS SECTION



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS*

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 the County of Hopkins, Texas, as of and for the year ended September 30, 2009, which collectively comprise the County's basic financial statements and have issued our report thereon dated January 15, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2009-1 and 2009-2 to be significant deficiencies in internal control over financial reporting.

A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that neither of the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

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

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

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

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

January 15, 2010

Hopkins County, Texas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended September 30, 2009

I. Summary of the Auditor's Results:

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

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

09-1 DISTRICT ATTORNEY

- Condition-** The subsidiary ledger on the pending account does not equal the reconciled bank balance for the pending account.
- Criteria-** Internal controls call for a subsidiary ledger detailing the pending funds held that agrees to the reconciled bank balance at the end of each month.
- Cause-** The reason for the difference between the subsidiary ledger and the cash balance has not yet been identified.
- Effect-** The subsidiary ledger balance exceeds the reconciled bank balance by approximately \$9,000.

09-2 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 \$2,000 at September 30, 2009. The reconciled bank balance reflects approximately \$30,000 as of that date.
- Effect-** At September 30, 2009, the bank balance exceeds the subsidiary ledger by \$28,000. So, there is more money in the account than is substantiated by the inmate balance.

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

None

Hopkins County, Texas
SCHEDULE OF STATUS OF PRIOR FINDINGS
For the year ended September 30, 2009

PRIOR YEAR'S FINDINGS/ NONCOMPLIANCE

08-1 District Attorney

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

08-2 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 09-1 The reconciliations are being worked on. There is still a difference between the subsidiary ledger and the reconciled bank balance.

See 09-2 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, 2009

- 09-1 The subsidiary ledger on the District Attorney Pending Account will be reviewed and agreed to the reconciled bank balance each month.
- 09-2 The subsidiary ledger for the Inmate Trust Fund will be printed and 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, 2009

Federal Grantor: U.S. Department of HUD

Pass Through Grantor: ORCA

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

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

Hopkins County, Texas
 FEDERAL PROGRAM PROJECT SCHEDULE
 PROJECTS THAT ENDED OR WERE IN OPERATION
 For the year ended September 30, 2009

Federal Grantor: U.S. Department of HUD
 Pass Through Grantor: Texas Community Development
 CFDA # 14.228, Project #726166, Contract Period: 1/7/07-1/6/09

	<u>Budget</u>	<u>Prior Year</u>	<u>Federal Current Year</u>	<u>Total</u>
REVENUE				
Federal	<u>191,805</u>	<u>165,911</u>	<u>2,675</u>	<u>168,586</u>
REVENUE				
Water facilities	139,005	117,111	2,000	119,111
Engineering	30,800	30,800	-	30,800
Administration	<u>22,000</u>	<u>18,000</u>	<u>675</u>	<u>18,675</u>
TOTAL EXPENSES	<u>191,805</u>	<u>165,911</u>	<u>2,675</u>	<u>168,586</u>
EXCESS REVENUE OVER EXPENSES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>