

Hopkins County, Texas
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

For the year ended September 30, 2011

Hopkins County, Texas
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 Year ended September 30, 2011

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**Standard Report on Financial Statements Issued in Accordance with
Government Auditing Standards or in a Single Audit**

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hopkins County (the County) as of and for the year ended September 30, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hopkins County as of September 30, 2011, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2012, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

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

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

February 2, 2012

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, 2011. 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 \$19.3 million at September 30, 2011, \$12.4 million of the net assets is invested in capital assets, net of related debt. During the year, the County's expenses were \$580 thousand less than the \$15.8 million generated in taxes, charges for services and other revenues from governmental activities. Revenue increased 2.4% or \$368 thousand.

The total cost of all the County's activities were down by \$1 million, or 6% compared to the prior year. General government expenses were down \$152 thousand. Public transportation expenses were down \$695 thousand.

The general fund balance is \$1.4 million at September 30, 2011 which is an increase of \$400 thousand. Costs exclusive of debt service and capital outlay decreased in total \$261 thousand. The County had \$134 thousand of insurance proceeds to pay for repairs to the annex building roof and air conditioners.

Approximately 96.5% of the taxes levied for 2010-11 were collected by September 30, 2011.

During the year, the County issued the Series 2010 Refunding Bonds for \$2.27 million to refund the 1997, 2000, and 2005 Series Certificates of Obligation. Future debt service payments were reduced by \$443 thousand. The present value of this savings is \$330 thousand.

The County paid approximately \$700 debt principal this year. \$338 thousand of new debt was obtained to acquire vehicles and equipment.

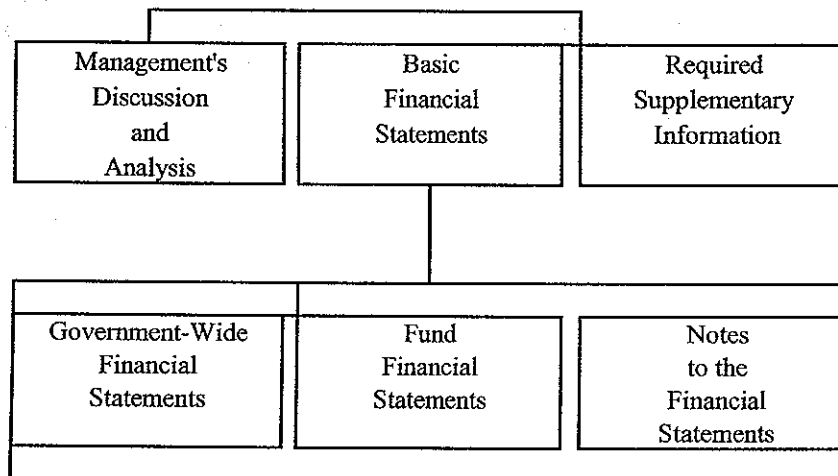
The county acquired \$1.4 million of new fixed assets this year. Approximately \$825 thousand of this was for solar panels for the Civic Center which was funded by a grant.

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 \$19.3 million at September 30, 2011.

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

	Governmental Activities	
	2011	2010
Current and other assets	9,371	9,142
Capital and non-current assets	18,783	19,273
TOTAL ASSETS	28,154	28,415
Long-term liabilities	6,681	6,942
Other liabilities	2,182	2,763
TOTAL LIABILITIES	8,863	9,705
Invested in capital assets net of related debt	12,419	12,665
Restricted	952	914
Unrestricted	5,920	5,131
TOTAL NET ASSETS	19,291	18,710

Net assets invested in capital assets net of related debt reflects the book value of the County's capital assets in excess of the debt which financed those assets. The \$5.9 million of unrestricted net assets represents resources available to fund the programs of the County for the next fiscal year.

The \$952 thousand is restricted as follows:

Restricted for debt service	59
Restricted for capital projects	234
Restricted for special revenue funds	<u>659</u>
	<u>952</u>

Net assets of the County increased from \$18.7 million to \$19.3 million. The County's revenues exceeded expenditures by \$434 thousand. The County paid principal on debt of \$700 thousand. New debt of \$338 thousand was obtained. \$1.4 million of capital assets were acquired. \$1.79 million of depreciation was recorded. Deferred revenue of \$374 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 \$15.8 million. 54% of this came from property taxes, 10% came from sales taxes, and 21% came from charges for services.

The total cost of all programs was \$15.27 million. Approximately 32% of this was for public safety and 29% was for public transportation.

Net assets increased by \$581 thousand from a net income.

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

	Governmental Activities	
	2011	2010
Revenues		
<u>Program Revenues</u>		
Charges for Services	3,287	3,283
Operating Grants and Contributions	545	1,571
Capital Grants and Contributions	1,158	-
<u>General Revenues</u>		
Property Taxes	8,627	8,661
Other taxes	1,588	1,550
Investment earnings	64	74
Other	579	341
Total Revenues	<u>15,848</u>	<u>15,480</u>
Expenses		
General government	1,265	1,417
Judicial	1,335	1,389
Legal	597	641
Financial administration	869	931
Public safety	4,839	4,732
Public transportation	4,427	5,122
Public facilities	1,387	1,457
Health and welfare	74	90
Intergovernmental	17	-
County extension	97	116
Elections	36	55
Debt service-interest on long-term debt	242	328
Fees on refunding debt	82	-
Total Expenses	<u>15,267</u>	<u>16,278</u>
Transfers in (out)	-	-
Increase/Decrease in Net Assets	581	(798)
Beginning Net Assets	18,710	19,508
Ending Net Assets	<u>19,291</u>	<u>18,710</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 \$15.2 million.
- However, the amount that taxpayers paid for these activities through property taxes was only \$8.6 million.
- Some of the cost was paid by those who directly benefited from the programs (\$3.3 million), or by grants and contributions (\$1.7 million).

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

	Total Cost of Services		Net Cost of Services	
	2011	2010	2011	2010
General Government	1,265	1,417	698	961
Public Safety	4,839	4,732	4,334	4,081
Judicial	1,335	1,389	26	(179)
Public transportation	4,427	5,122	3,410	3,748

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

The County reported fund balance in its governmental funds of approximately \$2.38 million at September 30, 2011. This balance is composed of the following in thousands

General	1,432
Special revenue	659
Debt service	59
Capital projects	233
	<u>2,383</u>

Net income for the general fund was \$446 thousand. General fund revenues were \$9.31 million, or \$22 thousand more than the prior year. Taxes were \$131 thousand more than the prior year. Fees of office revenue was down \$62 thousand. Intergovernmental revenue was down \$49 thousand. Expenditures were down \$198 thousand. Special revenue fund balances increased \$12 thousand. The debt service fund balances increased \$29 thousand. The capital projects fund balances decreased \$4 thousand.

General Fund Budgetary Highlights

Several budget amendments were made during the year. Actual expenditures were less than the final budget by 2% or \$159 thousand. Actual revenues were \$257 thousand more than budgeted. \$77 thousand was budgeted as a decrease to fund balance. Actually, the fund balance increased \$447 thousand from the excess of revenues over expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

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

	Governmental Activities	
	2011	2010
Land	1,607	1,607
Buildings and improvements	17,389	16,533
Machinery and equipment	8,722	8,599
Roads and bridges	17,542	17,542
Construction in progress	-	-
Totals at historical cost	<u>45,260</u>	<u>44,281</u>
Total accumulated depreciation	<u>(26,477)</u>	<u>(25,008)</u>
Net capital assets	<u>18,783</u>	<u>19,273</u>

\$1.4 million of new fixed assets were added. \$822 thousand was solar panels funded by a grant.

Long-Term Debt

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

	2011	2010
Bonds payable	2,075	-
Certificates of obligation	3,280	4,988
Notes payable	224	336
Leases payable	785	1,284
Compensated absences payable	317	334
	<u>6,681</u>	<u>6,942</u>

The 1997, 2000, and 2005 Series Certificates of Obligation were refunded through the issuance of the 2010 Refunding Bonds of \$2.27 million. \$700 thousand was paid on principal on debt. \$338 thousand of new debt was issued to acquire vehicles and equipment.

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 7.2%, which is below the state (8.4%) and national average (8.8%). Sales tax collections for Hopkins County increased in FY2011 by 2.38%, to just above the 2007 and just under the 2008 level. The county added the sales tax to county wide telecommunications for 2012. There is no data to gauge the increase, but a rough estimate of \$100,000 was used in preparation of the 2012 County budget.

The appraised value used for the 2012 budget preparation is down \$10,062 or .65% from 2011.

The tax rate established for 2011 is \$.560575, the effective tax rate.

At the time the 2012 budget was prepared, the local economy was showing a slight upturn. The city of Sulphur Springs started a large revitalization project of the downtown square, expansion of a local industry, Owen's Sausage, and a slight increase in sales tax receipts for the last 3 months of the fiscal year showed positive increases in the local economy.

These factors and others were taken into consideration when preparing the general fund budget for the 2012 fiscal year.

The 2012 fiscal year, unreserved fund balance in the general fund is projected to increase \$245,500 and the road & bridge maintenance fund increase \$9,300. A net of 3.5 positions were eliminated from the budget coupled with an insurance credit of \$91,000 redistributed back to the operating funds helped to direct the fund balance in a positive direction.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of Hopkins County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Auditor's Office, 118 Church, Sulphur, Springs, TX 75482.

BASIC FINANCIAL STATEMENTS

GOVERNMENT WIDE STATEMENTS

HOPKINS COUNTY, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

EXHIBIT A-1

	Primary Government
	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 1,858,423
Receivables (net of allowance for uncollectibles)	7,281,877
Prepaid Items	229,665
Capital Assets:	
Land	1,606,996
Infrastructure, net	5,028,432
Buildings, net	9,675,995
Machinery and Equipment, net	2,472,338
Total Assets	28,153,726
LIABILITIES	
Accounts Payable	445,938
Deferred Revenues	1,735,312
Noncurrent Liabilities	
Due Within One Year	678,818
Due in More Than One Year	6,003,010
Total Liabilities	8,863,078
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	12,419,417
Restricted for:	
Restricted for Debt Service	58,905
Restricted for Capital Projects	233,314
Restricted for Special Revenue Funds	658,750
Unrestricted Net Assets	5,920,262
Total Net Assets	\$ 19,290,648

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

Net (Expense) Revenue and Changes in Net Assets	
Capital Grants and Contributions	Primary Government Governmental
\$ -	\$ (697,966)
-	(26,814)
-	(446,184)
-	(642,253)
194,103	(4,333,480)
141,325	(3,410,205)
822,334	(248,258)
-	(18,442)
-	(3,794)
-	(96,711)
-	(29,487)
-	(241,176)
-	(82,363)
<u>\$ 1,157,762</u>	<u>(10,277,133)</u>

8,008,188
618,465
1,587,998
424,369
64,156
<u>154,283</u>
<u>10,857,459</u>
580,326
18,710,322
<u>\$ 19,290,648</u>

GOVERNMENTAL FUND FINANCIAL STATEMENTS

HOPKINS COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

EXHIBIT C-1

	General Fund	Road & Bridge	Other Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 1,106,570	\$ 426,697	\$ 325,156	\$ 1,858,423
Receivables (Net)	6,658,044	174,458	449,375	7,281,877
Due from Other Funds	-	2,016	-	2,016
Prepaid Items	161,602	32,753	35,310	229,665
Total Assets	\$ 7,926,216	\$ 635,924	\$ 809,841	\$ 9,371,981
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable and Accrued Expenditures	\$ 327,264	\$ 80,830	\$ 37,844	\$ 445,938
Due to Other Funds	-	-	2,016	2,016
Deferred Revenues	6,166,518	138,316	235,791	6,540,625
Total Liabilities	6,493,782	219,146	275,651	6,988,579
Fund Balances:				
Restricted Fund Balance:				
Capital Projects	-	-	233,314	233,314
Retirement of Long-Term Debt	-	-	58,905	58,905
Reported in Special Revenue Funds	-	416,779	241,971	658,750
Unassigned Fund Balance	1,432,433	-	-	1,432,433
Total Fund Balances	1,432,433	416,779	534,190	2,383,402
Total Liabilities and Fund Balances	\$ 7,926,215	\$ 635,925	\$ 809,841	\$ 9,371,981

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

HOPKINS COUNTY, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET ASSETS
 SEPTEMBER 30, 2011

Total Fund Balances - Governmental Funds	\$	2,383,402
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 \$44,280,493 and the accumulated depreciation was \$25,007,566. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net assets.		12,665,145
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 2011 capital outlays and debt principal payments is to increase (decrease) net assets.		1,961,043
The 2011 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(1,786,163)
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.		4,067,221
Net Assets of Governmental Activities	\$	19,290,648

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

HOPKINS COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	General Fund	Road & Bridge	Other Funds	Total Governmental Funds
REVENUES:				
Taxes	\$ 7,313,815	\$ 1,939,248	\$ 1,241,235	\$ 10,494,298
Intergovernmental Revenue and Grants	295,484	120,920	480,957	897,361
Fees of Office	953,773	748,356	1,236,255	2,938,384
Fines and Forfeitures	549,155	-	180,430	729,585
Investment Earnings	45,417	9,236	9,512	64,165
Other Revenue	152,934	23,122	18,358	194,414
Total Revenues	9,310,578	2,840,882	3,166,747	15,318,207
EXPENDITURES:				
Current:				
General government	1,098,445	-	124,052	1,222,497
Judicial	1,291,214	-	38,960	1,330,174
Legal	212,839	-	367,163	580,002
Financial Administration	810,904	-	-	810,904
Public safety	4,368,440	-	194,109	4,562,549
Public transportation	-	3,349,340	141,201	3,490,541
Public facilities	371,502	-	578,734	950,236
Health and welfare	50,073	-	-	50,073
Intergovernmental	-	-	17,006	17,006
County extension	87,623	-	-	87,623
Elections	36,289	-	-	36,289
Debt Service:				
Principal	81,783	155,258	463,143	700,184
Interest	14,625	17,214	209,337	241,176
Fees	-	-	82,363	82,363
Capital Outlay:				
Capital Outlay	182,233	340,904	900,560	1,423,697
Total Expenditures	8,605,970	3,862,716	3,116,628	15,585,314
Excess (Deficiency) of Revenues Over (Under) Expenditures	704,608	(1,021,834)	50,119	(267,107)
OTHER FINANCING SOURCES (USES):				
Debt Proceeds	120,984	217,761	2,270,000	2,608,745
Transfers In	30,385	522,296	593,112	1,145,793
Deposit with Escrow Agent	-	-	(2,188,137)	(2,188,137)
Insurance Proceeds	133,992	1,320	-	135,312
Sale of Assets	-	145,604	67	145,671
Transfers Out (Use)	(543,299)	(4,662)	(597,832)	(1,145,793)
Total Other Financing Sources (Uses)	(257,938)	882,319	77,210	701,591
Net Change in Fund Balances	446,670	(139,515)	127,329	434,484
Fund Balance - October 1 (Beginning)	1,034,980	556,294	357,644	1,948,918
Prior Period Adjustment	(49,217)	-	49,217	-
Fund Balance - September 30 (Ending)	\$ 1,432,433	\$ 416,779	\$ 534,190	\$ 2,383,402

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

HOPKINS COUNTY, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

Total Net Change in Fund Balances - Governmental Funds	\$	434,484
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 2011 capital outlays and debt principal payments is to increase (decrease) net assets.		1,961,043
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.		(1,786,163)
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.		(29,038)
Change in Net Assets of Governmental Activities	\$	580,326

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

HOPKINS COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

EXHIBIT C-5

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 7,157,359	\$ 7,157,359	\$ 7,313,815	\$ 156,456
Intergovernmental Revenue and Grants	203,932	254,140	295,484	41,344
Fees of Office	977,025	952,025	953,773	1,748
Fines and Forfeitures	550,000	550,000	549,155	(845)
Investment Earnings	35,000	35,000	45,417	10,417
Other Revenue	71,700	104,922	152,934	48,012
Total Revenues	<u>8,995,016</u>	<u>9,053,446</u>	<u>9,310,578</u>	<u>257,132</u>
EXPENDITURES:				
Current:				
General government	1,302,583	1,130,919	1,098,445	32,474
Judicial	1,365,519	1,365,519	1,291,214	74,305
Legal	213,440	213,440	212,839	601
Financial Administration	884,028	880,741	810,904	69,837
Public safety	4,220,263	4,363,929	4,368,440	(4,511)
Public facilities	262,500	380,158	371,502	8,656
Health and welfare	20,100	52,025	50,073	1,952
County extension	93,304	93,304	87,623	5,681
Elections	67,969	67,969	36,289	31,680
Debt Service:				
Principal	78,997	81,783	81,783	-
Interest	-	14,625	14,625	-
Capital Outlay:				
Capital Outlay	65,183	201,070	182,233	18,837
Total Expenditures	<u>8,573,886</u>	<u>8,845,482</u>	<u>8,605,970</u>	<u>239,512</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>421,130</u>	<u>207,964</u>	<u>704,608</u>	<u>496,644</u>
OTHER FINANCING SOURCES (USES):				
Debt Proceeds	-	120,984	120,984	-
Transfers In	-	-	30,385	30,385
Insurance Proceeds	-	137,164	133,992	(3,172)
Transfers Out (Use)	(543,298)	(543,298)	(543,299)	(1)
Total Other Financing Sources (Uses)	<u>(543,298)</u>	<u>(285,150)</u>	<u>(257,938)</u>	<u>27,212</u>
Net Change in Fund Balances	(122,168)	(77,186)	446,670	523,856
Fund Balance - October 1 (Beginning)	1,034,980	1,034,980	1,034,980	-
Prior Period Adjustment	-	-	(49,217)	(49,217)
Fund Balance - September 30 (Ending)	<u>\$ 912,812</u>	<u>\$ 957,794</u>	<u>\$ 1,432,433</u>	<u>\$ 474,639</u>

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

FIDUCIARY FUND FINANCIAL STATEMENTS

HOPKINS COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2011

	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 1,493,754
Total Assets	<u>\$ 1,493,754</u>
LIABILITIES	
Accounts Payable and Accrued Expenses	\$ 15,523
Due to Others	<u>1,478,231</u>
Total Liabilities	<u>\$ 1,493,754</u>

The accompanying notes are an integral part of this statement.

Hopkins County, Texas
NOTES TO THE FINANCIAL STATEMENTS
At September 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

D. FUND ACCOUNTING

The County reports the following major governmental funds:

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

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

Governmental Funds:

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

Fiduciary Funds:

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

E. OTHER ACCOUNTING POLICIES

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

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

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

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

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

<u>Capital Assets at the Beginning of the year</u>	<u>Historic Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value at the Beginning of the Year</u>	<u>Change in Net Assets</u>
Land	1,606,996	-	1,606,996	
Buildings & Improvements	16,533,009	7,141,651	9,391,358	
Machinery & Equipment	8,598,662	5,974,417	2,624,245	
Road & Bridges	17,541,826	11,891,498	5,650,328	
Change in Net Assets	<u>44,280,493</u>	<u>25,007,566</u>	<u>19,272,927</u>	<u>19,272,927</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	683,351
Certificates of obligation payable	5,588,000
Notes payable	336,431
Change in Net Assets	<u>6,607,782</u>
Net Adjustment to Net Assets	<u>12,665,145</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	856,734		
Machinery & equipment	566,963		
Total Capital Outlay	<u>1,423,697</u>	<u>1,423,697</u>	<u>1,423,697</u>
Book value of assets sold or traded	<u>(126,700)</u>	<u>(126,700)</u>	<u>(126,700)</u>
<u>Debt Principal Payments</u>			
Bonds payable	195,000		
Certificate of obligation	119,862		
Note principal	112,142		
Leases payable	<u>237,042</u>		
Total Principal Payments	<u>664,046</u>	<u>664,046</u>	<u>664,046</u>
Total Adjustment to Net Assets		<u><u>1,961,043</u></u>	<u><u>1,961,043</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	245,602	(245,602)	-
Uncollected taxes (assumed collectible) from Current Year Levy	292,238	292,238	292,238
Effect of prior year tax entries	46,136	(46,136)	-
Effect of prior year deferred revenue from fines	4,138,584	-	4,138,584
Increase to deferred revenue from fines during current year	374,491	374,491	374,491
<u>Reclassify Proceeds of Bonds, Loans & Capital Leases</u>			
Proceeds from bonds	2,270,000	(2,270,000)	(2,270,000)
Deposit with escrow agent	2,188,137	2,188,137	2,188,137
Proceeds from leases and loans	338,745	(338,745)	(338,745)
<u>Compensated absences</u>			
Balance at beginning of year	334,063	-	(334,063)
Reductions to balance	<u>16,579</u>	<u>16,579</u>	<u>16,579</u>
Total		<u><u>(29,038)</u></u>	<u><u>4,067,221</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, 2011, the carrying amount of the County's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,908,523 and the bank balance was \$3,011,346. The County's cash deposits at September 30, 2011 and during the year ended September 30, 2011 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, 2011:

- a. Depository: Alliance Bank
 - b. A \$7,000,000 Letter of Credit is provided by FHLB of Dallas to cover balances at September 30, 2011.
 - c. The combined balances of cash, savings, and time deposits amounted to \$3,011,346 at September 30, 2011.
 - d. Total amount of FDIC coverage at September 30, 2011 was \$538,596.
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, 2011, are shown below:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Average CreditQuality/ Ratings</u>	<u>Weighted Avg. Days to Maturity</u>
Texpool	666	AAAm	34
MBIA	673	N/A	1

B. PROPERTY TAXES

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

From Nonmajor Governmental Funds 30,385

Transfers to Major Special Revenue Fund:

From Nonmajor Governmental Funds 522,296

Total Transferred to Major Special Revenue Fund 522,296

Transfers to Nonmajor Governmental Funds from:

General Fund 543,299

Other Nonmajor Governmental Funds 45,151

Major Special Revenue Fund 4,662

Total Transferred to Nonmajor Governmental Funds 593,112

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

Due to Major Special Revenue Funds from
Other Nonmajor Governmental Funds 2,016

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at September 30, 2011, 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	457,146	13,038,659	307,690	125,630	13,929,125
Major Special Revenue Fund	186,295	8,176	15,101	51	209,623
Nonmajor Governmental Funds	101,723	366,933	203,796	2,406	674,858
Total - Governmental Activities	<u>745,164</u>	<u>13,413,768</u>	<u>526,587</u>	<u>128,087</u>	<u>14,813,606</u>
Amounts not scheduled for collection during the subsequent year	<u>126,454</u>	<u>7,405,275</u>	<u>-</u>	<u>-</u>	<u>7,531,729</u>

Payables at September 30, 2011, 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	317,020	206	5,620	4,418	327,264
Major Special Revenue Fund	80,763	67	-	-	80,830
Nonmajor Governmental Funds	37,844	-	-	-	37,844
Total - Governmental Activities	<u>435,627</u>	<u>273</u>	<u>5,620</u>	<u>4,418</u>	<u>445,938</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, 2011, 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	16,533,009	856,734	-	17,389,743
Construction in progress	-	-	-	-
Machinery and Equipment	8,598,662	566,963	(443,798)	8,721,827
Roads and Bridges	17,541,826	-	-	17,541,826
Totals at Historic Cost	<u>44,280,493</u>	<u>1,423,697</u>	<u>(443,798)</u>	<u>45,260,392</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(7,141,651)	(572,097)	-	(7,713,748)
Machinery and Equipment	(5,974,417)	(592,170)	317,098	(6,249,489)
Roads and Bridges	(11,891,498)	(621,896)	-	(12,513,394)
Total Accumulated Depreciation	<u>(25,007,566)</u>	<u>(1,786,163)</u>	<u>317,098</u>	<u>(26,476,631)</u>
Governmental Activities Capital Assets, Net	<u>19,272,927</u>	<u>(362,466)</u>	<u>(126,700)</u>	<u>18,783,761</u>

Depreciation expense was charged to governmental functions as follows:

General Government	11,777
Judicial	5,043
Legal	17,207
Financial administration	58,015
Public safety	282,222
Public transportation	942,416
Public facilities	436,274
Extension services	9,088
Health and welfare	24,121
	<u>1,786,163</u>

G. CHANGES IN LONG-TERM DEBT

The following is a summary of long-term debt transactions for the year ended September 30, 2011.

	Interest Rate	Payable at 10/1/2010	Additions (Reductions)	Payable at 9/30/2011	Due within one year
Certificates of Obligation:					
Jail Expansion	4.75%-6.25%	665,000	(665,000)	-	-
Courthouse Renovation	5.50%-6.00%	830,000	(830,000)	-	-
Civic Center Horse Pavilion	4.98%-6.00%	673,000	(673,000)	-	-
Annex Building	3.65%-5.125%	3,420,000	(140,000)	3,280,000	145,000
General Obligation:					
Refunding Bonds, Series 2010	.6%-4.25%	-	2,270,000 (195,000)	2,075,000	215,000
Notes Payable:					
Series 2006 Tax	4.15%	336,431	(112,142)	224,289	112,142
Leases Payable:					
Computer Equipment	4.75%	7,918	(7,918)	-	-
Ag Extension Office	4.75%	170,390	(17,674)	152,716	18,524
8 Ford F-150's	3.99%	70,184	(42,980)	27,204	27,204
Caterpillar 140H Motor Grader	4.25%	169,296	(24,843)	144,453	25,858
2009 Peir Fire Truck	4.03%	65,088	(13,211)	51,877	16,122
Rex Mixer	3.60%	12,000	(6,034)	5,966	5,966
2011 Ford F450 Truck	3.98%	23,439	(7,345)	16,094	11,990
2011 Mack Truck	3.98%	98,136	(98,136)	-	-
2008 New Holland Backhoe	3.92%	66,900	(18,900)	48,000	22,550
6 Ford F-150's	2.99%	-	120,984	120,984	37,693
Various Equipment-Pct #1 & #2	2.95%	-	217,761	217,761	40,769
		<u>6,607,782</u>	<u>(243,438)</u>	<u>6,364,344</u>	<u>678,818</u>

G. CHANGES IN LONG-TERM DEBT cont'd

The debt service fund long-term debt as of September 30, 2011, follows:

(A) Certificates of Obligation Jail Expansion Due in annual installments with interest at 4.75%-6.25%	3,280,000
(B) General Obligation Refunding Bonds, Series 2010 Due in annual installments with interest at .60%-4.25%	2,075,000
(C) Note payable-Series 2006 Tax Due in annual installments with interest at 4.15%	224,289
(D) Lease Payable Ag Extension Office Due in monthly installments of \$2,124 including interest at 4.75%	152,716
(E) Lease Payable Eight 2009 Ford F150's Due in monthly installments of \$3,750 including interest at 3.99%	27,204
(F) Lease Payable Caterpillar 140H Motor Grader Due in monthly installments of \$2,625 including interest at 4.25%	144,453
(G) Lease Payable 2009 Peir Fire Truck Due in monthly installments of \$1,493 including interest at 4.03%	51,877
(H) Lease Payable Rex Mixer Due in two installments of \$6,181 including interest at 3.60%	5,966
(I) Lease Payable 2011 Ford F450 Truck Due in monthly installments of \$1,035 including interest at 3.98%	16,094
(J) Lease Payable 2008 New Holland Backhoe Due in monthly installments of \$2,003 including interest at 3.92%	48,000
(K) Lease Payable 2008 New Holland Backhoe Due in monthly installments of \$2,003 including interest at 3.92%	120,984
(L) Lease Payable 2008 New Holland Backhoe Due in monthly installments of \$2,003 including interest at 3.92%	217,761
	<u>6,364,344</u>

G. CHANGES IN LONG-TERM DEBT cont'd

The annual requirements to amortize bonded debt and certificates of obligation as of September 30, 2011, follows:

Years Ending	Principal	Interest	Total
9/30			
2012	360,000	178,438	538,438
2013	365,000	168,856	533,856
2014	380,000	158,588	538,588
2015	390,000	147,798	537,798
2016	400,000	137,950	537,950
2017-2021	1,615,000	522,530	2,137,530
2022-2026	1,325,000	266,446	1,591,446
2027-2031	405,000	50,608	455,608
2032-2036	115,000	12,504	127,504
Total	<u>5,355,000</u>	<u>1,643,718</u>	<u>6,998,718</u>

The annual requirements to amortize notes as of September 30, 2011, follows:

Years Ending	Principal	Interest	Total
9/30			
2012	318,818	37,675	356,493
2013	286,260	23,536	309,796
2014	153,881	12,953	166,834
2015	97,157	8,293	105,450
2016	99,325	4,631	103,956
2017-2021	53,903	2,689	56,592
Total	<u>1,009,344</u>	<u>89,777</u>	<u>1,099,121</u>

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

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

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

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

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

In March 2011, the County entered into a note with Guaranty Bond Bank. Proceeds from the note, \$120,984 were used to purchase six 2011 Ford F-150's. Repayment will be made in monthly installments of \$3,850 including interest at 2.99% beginning in March 2010 until fully repaid in October 2014.

In September 2011, the County entered into a note with City National Bank. Proceeds from the note, \$217,761, were used to purchase a motor grader, 2 shredders, a Case Backhoe, and a 2005 Mack truck. Repayment will be made in monthly installments of \$2,625 including interest at 4.25% beginning in November 2011 until fully repaid in October, 2016.

In November 2010, the County refunded a portion of the County's outstanding debt. Proceeds from the bonds, \$2,270,000, refunded the Certificates of Obligation Series 1997, Series 2000, and Series 2005 and paid costs related to the issuance of the Bonds. This transaction resulted in a reduction in future debt service payments of \$443,179 and an economic gain of \$330,642 in present value. The principal balance of the refunded debt is \$2,007,000 at September 30, 2011. Repayments are being made in annual payments of principal and semi-annual payments of interest at rates from 0.60% to 4.25% beginning in March 2011 until fully repaid in September, 2035.

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 601 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

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

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

Funding Policy. The employer has elected the annually determined contribution rate (Variable-Rate) plan provisions of the Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The employer contributed using the actuarially determined rate of 11.58% for the months of the accounting year in 2010, and 11.78% for the months of the accounting year in 2011.

The deposit rate payable by the employee members for calendar year 2011 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, 2011, the annual pension cost for the TCDRS plan for its employees was \$806,602 and the actual contributions were \$806,602.

1. Annual required contributions (ARC)	806,602
2. Interest on net pension obligation	-
3. Adjustment to ARC	-
4. Annual pension cost	806,602
5. Contributions made	806,602
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, 2008 and December 31, 2009, the basis for determining the contribution rates for calendar years 2010 and 2011. The December 31, 2010 actuarial valuation is the most recent valuation.

Actuarial Valuation Information

Actuarial valuation date	12/31/08	12/31/09	12/31/10
Actuarial cost method	entry age	entry age	entry age
Amortization method	level percentage of payroll, closed	level percentage of payroll, closed	level percentage of payroll, closed
Amortization period	20	20	20
Asset valuation method	SAF: 10 yr. smoothed value ESF: Fund value	SAF: 10 yr. smoothed value ESF: Fund value	SAF: 10 yr. smoothed value ESF: Fund value
Actuarial Assumptions:			
Investment return ¹	8.00%	8.00%	8.00%
Projected salary increases ¹	5.3%	5.4%	5.4%
Inflation	3.5%	3.5%	3.5%
Cost-of-living adjustments	0.0%	0.0%	0.0%

(1)Includes inflation at the stated rate

H. RETIREMENT PLAN cont'd

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

Accounting Year <u>Ending</u>	Annual Pension Cost (APC)	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
2009	776,623	100%	-
2010	787,636	100%	-
2011	806,602	100%	-

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

Actuarial Valuation <u>Date</u>	Actuarial Value of <u>Assets</u>	Actuarial Accrued Liability <u>(AAL)</u>	Unfunded AAL <u>(UAAL)</u>	Funded <u>Ratio</u>	Annual Covered <u>Payroll</u>	UAAL as a Percentage of Covered <u>Payroll</u>
12/31/08	14,261,308	17,916,842	3,655,534	79.60%	6,933,168	52.73%
12/31/09	16,148,685	19,660,480	3,511,795	82.14%	6,906,692	50.85%
12/31/10	17,122,431	20,917,430	3,794,999	81.86%	6,811,924	55.71%

(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 2011, 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, 2011.

L. LITIGATION

The County has no pending litigation at September 30, 2011

M. DEFICIT FUND BALANCES

Some non-major special revenue funds have deficit fund balances at September 30, 2011. The law library fund has a deficit fund balance of \$16 thousand. Costs continue to be trimmed. This fund improved by \$5 thousand. The Civic Center Horse Pavillion Construction fund has a deficit fund balance of \$118 at September 30, 2011. 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 \$66 thousand at September 30, 2011. This deficit decreased \$83 thousand this fiscal year. Costs continue to be trimmed where possible. The Courthouse Security fund has a deficit fund balance of \$13 thousand. Transfers from the general fund are possible to correct this.

N. COMPENSATED ABSENCES

The liability for compensated absences is reflected on the government wide statements. The liability decreased from \$334,063 at September 30, 2010 to \$317,484 at September 30, 2011.

The liability is composed of:

Vacation	275,889
Comp. Time	30,521
Holiday	<u>11,074</u>
Total	<u>317,484</u>

All of these are payable upon employee separation from duty.

O. SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 2, 2012, the financial statement issuance date.

P. PRIOR PERIOD ADJUSTMENT

A prior period adjustment is reflected on the governmental fund financial statements to move \$49 thousand from the General fund to set up a new fund, the County Clerk Archive fund. This was from fees collected in previous years.

COMBINING SCHEDULES

NON-MAJOR GOVERNMENTAL FUNDS

EXHIBIT E-1

JP Computer Tech	District Attorney	Law Library	Records Preservation DC/CC	Courthouse Security	Justice Court Security	HAVA Grant	PCT # 1 House
\$ 3,257	\$ 16,798	\$ (15,672)	\$ 54,404	\$ (13,257)	\$ 8,840	\$ 14,784	\$ -
19,115	-	39,524	57,214	33,535	3,432	-	-
-	-	-	-	-	-	531	(229)
<u>\$ 22,372</u>	<u>\$ 16,798</u>	<u>\$ 23,852</u>	<u>\$ 111,618</u>	<u>\$ 20,278</u>	<u>\$ 12,272</u>	<u>\$ 15,315</u>	<u>\$ (229)</u>
\$ 1,347	\$ 831	\$ 1,533	\$ -	\$ 85	\$ -	\$ -	\$ 75
-	-	-	-	-	-	-	-
18,868	-	38,959	56,914	33,243	3,373	-	-
<u>20,215</u>	<u>831</u>	<u>40,492</u>	<u>56,914</u>	<u>33,328</u>	<u>3,373</u>	<u>-</u>	<u>75</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
2,157	15,967	(16,640)	54,704	(13,050)	8,899	15,315	(304)
<u>2,157</u>	<u>15,967</u>	<u>(16,640)</u>	<u>54,704</u>	<u>(13,050)</u>	<u>8,899</u>	<u>15,315</u>	<u>(304)</u>
<u>\$ 22,372</u>	<u>\$ 16,798</u>	<u>\$ 23,852</u>	<u>\$ 111,618</u>	<u>\$ 20,278</u>	<u>\$ 12,272</u>	<u>\$ 15,315</u>	<u>\$ (229)</u>

EXHIBIT E-1 (Cont'd)

ORCA Grant	Homeland Security Grant	Cert Grant	CDBG Grant	County Attorney Forfeiture	Sheriff Office Drug Forfeiture	District Attorney Drug Forfeiture	Co. Attorney Check Collection
\$ (2,815)	\$ (161,108)	\$ -	\$ -	\$ -	\$ 3,260	\$ 106,207	\$ 6,864
7,815	161,108	-	13,212	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 5,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,212</u>	<u>\$ -</u>	<u>\$ 3,260</u>	<u>\$ 106,207</u>	<u>\$ 6,864</u>
\$ -	\$ -	\$ -	\$ 13,212	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	13,212	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
5,000	-	-	-	-	3,260	106,207	6,864
<u>5,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,260</u>	<u>106,207</u>	<u>6,864</u>
<u>\$ 5,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,212</u>	<u>\$ -</u>	<u>\$ 3,260</u>	<u>\$ 106,207</u>	<u>\$ 6,864</u>

EXHIBIT E-1 (Cont'd)

S/O Federal Forfeiture	D.A. Federal Forfeiture	Court of Appeals Fee	Co. Attny Special Restitution	Total Nonmajor Special Revenue Funds	Debt Service Fund	Courthouse Restoration Fund	Horse Pavillion Cap. Project
\$ 1,533	\$ 2,364	\$ 447	\$ 3,152	\$ 40,813	\$ 56,695	\$ 951	\$ (118,022)
-	-	769	-	404,906	38,803	5,666	-
-	-	-	-	35,310	-	-	-
<u>\$ 1,533</u>	<u>\$ 2,364</u>	<u>\$ 1,216</u>	<u>\$ 3,152</u>	<u>\$ 481,029</u>	<u>\$ 95,498</u>	<u>\$ 6,617</u>	<u>\$ (118,022)</u>
\$ -	\$ -	\$ -	\$ -	\$ 37,844	\$ -	\$ -	\$ -
-	-	-	-	2,016	-	-	-
-	-	729	-	199,198	36,593	-	-
-	-	729	-	239,058	36,593	-	-
-	-	-	-	-	-	6,617	(118,022)
-	-	-	-	-	58,905	-	-
1,533	2,364	487	3,152	241,971	-	-	-
<u>1,533</u>	<u>2,364</u>	<u>487</u>	<u>3,152</u>	<u>241,971</u>	<u>58,905</u>	<u>6,617</u>	<u>(118,022)</u>
<u>\$ 1,533</u>	<u>\$ 2,364</u>	<u>\$ 1,216</u>	<u>\$ 3,152</u>	<u>\$ 481,029</u>	<u>\$ 95,498</u>	<u>\$ 6,617</u>	<u>\$ (118,022)</u>

HOPKINS COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2011

	Bond Issue	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 344,719	\$ 227,648	\$ 325,156
Receivables (Net)	-	5,666	449,375
Prepaid Items	-	-	35,310
Total Assets	<u>\$ 344,719</u>	<u>\$ 233,314</u>	<u>\$ 809,841</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable and Accrued Expenditures	\$ -	\$ -	\$ 37,844
Due to Other Funds	-	-	2,016
Deferred Revenues	-	-	235,791
Total Liabilities	<u>-</u>	<u>-</u>	<u>275,651</u>
Fund Balances:			
Restricted Fund Balance:			
Capital Projects	344,719	233,314	233,314
Retirement of Long-Term Debt	-	-	58,905
Reported in Special Revenue Funds	-	-	241,971
Total Fund Balances	<u>344,719</u>	<u>233,314</u>	<u>534,190</u>
Total Liabilities and Fund Balances	<u>\$ 344,719</u>	<u>\$ 233,314</u>	<u>\$ 809,841</u>

JP Computer Tech	District Attorney	Law Library	Records Preservation DC/CC	Courthouse Security	Justice Court Security	HAVA Grant	PCT # 1 House
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	98,338	-	-	-	-	-	-
9,254	-	25,085	24,165	18,948	2,121	6,800	6,626
53	396	3	648	2	102	88	17
-	3,427	-	-	17	-	-	-
<u>9,307</u>	<u>102,161</u>	<u>25,088</u>	<u>24,813</u>	<u>18,967</u>	<u>2,223</u>	<u>6,888</u>	<u>6,643</u>
-	-	-	37,501	22,169	388	1,529	-
13,162	327,676	19,961	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	5,212
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>13,162</u>	<u>327,676</u>	<u>19,961</u>	<u>37,501</u>	<u>22,169</u>	<u>388</u>	<u>1,529</u>	<u>5,212</u>
<u>(3,855)</u>	<u>(225,515)</u>	<u>5,127</u>	<u>(12,688)</u>	<u>(3,202)</u>	<u>1,835</u>	<u>5,359</u>	<u>1,431</u>
-	-	-	-	-	-	-	-
-	201,958	-	-	-	-	-	4,662
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	(6,151)
-	<u>201,958</u>	-	-	-	-	-	<u>(1,489)</u>
<u>(3,855)</u>	<u>(23,557)</u>	<u>5,127</u>	<u>(12,688)</u>	<u>(3,202)</u>	<u>1,835</u>	<u>5,359</u>	<u>(58)</u>
<u>6,012</u>	<u>39,524</u>	<u>(21,767)</u>	<u>67,392</u>	<u>(9,848)</u>	<u>7,064</u>	<u>9,956</u>	<u>(246)</u>
-	-	-	-	-	-	-	-
<u>\$ 2,157</u>	<u>\$ 15,967</u>	<u>\$ (16,640)</u>	<u>\$ 54,704</u>	<u>\$ (13,050)</u>	<u>\$ 8,899</u>	<u>\$ 15,315</u>	<u>\$ (304)</u>

ORCA Grant	Homeland Security Grant	Cert Grant	CDBG Grant	County Attorney Forfeiture	Sheriff Office Drug Forfeiture	District Attorney Drug Forfeiture	Co. Attorney Check Collection
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
141,325	194,103	3,794	13,212	-	-	-	-
-	-	-	-	-	-	-	24,739
-	-	-	-	-	54,770	115,550	-
-	-	-	-	-	119	1,148	-
-	-	-	-	-	-	1	4
<u>141,325</u>	<u>194,103</u>	<u>3,794</u>	<u>13,212</u>	-	<u>54,889</u>	<u>116,699</u>	<u>24,743</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	115,877	-	-	971	-	-	18,555
113,029	-	-	-	-	21,543	56,689	-
-	-	3,794	13,212	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	78,226	-	-	-	-	-	-
<u>113,029</u>	<u>194,103</u>	<u>3,794</u>	<u>13,212</u>	<u>971</u>	<u>21,543</u>	<u>56,689</u>	<u>18,555</u>
<u>28,296</u>	-	-	-	(971)	<u>33,346</u>	<u>60,010</u>	<u>6,188</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(23,296)	-	-	-	-	(30,385)	-	-
<u>(23,296)</u>	-	-	-	-	<u>(30,385)</u>	-	-
5,000	-	-	-	(971)	2,961	60,010	6,188
-	-	-	-	971	299	46,197	676
-	-	-	-	-	-	-	-
<u>\$ 5,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,260</u>	<u>\$ 106,207</u>	<u>\$ 6,864</u>

S/O Federal Forfeiture	D.A. Federal Forfeiture	Court of Appeals Fee	Co. Attny Special Restitution	Total Nonmajor Special Revenue Funds	Debt Service Fund	Courthouse Restoration Fund	Horse Pavillion Cap. Project
\$ -	\$ -	\$ -	\$ -	\$ 611,312	\$ 629,923	\$ -	\$ -
-	-	-	-	464,039	-	16,918	-
-	-	-	-	1,236,255	-	-	-
856	-	-	-	180,430	-	-	-
29	206	1	-	4,793	4,528	23	-
-	-	3,650	-	13,119	4,231	1,008	-
<u>885</u>	<u>206</u>	<u>3,651</u>	<u>-</u>	<u>2,509,948</u>	<u>638,682</u>	<u>17,949</u>	<u>-</u>
1,149	-	-	-	124,052	-	-	-
-	22,843	2,955	-	38,960	-	-	-
-	-	-	-	367,163	-	-	-
-	-	-	-	194,109	-	-	-
-	-	-	-	114,029	-	-	-
-	-	-	-	563,744	-	14,990	-
-	-	-	-	17,006	-	-	-
-	-	-	-	21,000	442,143	-	-
-	-	-	-	35,907	173,430	-	-
-	-	-	-	-	82,363	-	-
-	-	-	-	900,560	-	-	-
<u>1,149</u>	<u>22,843</u>	<u>2,955</u>	<u>-</u>	<u>2,376,530</u>	<u>697,936</u>	<u>14,990</u>	<u>-</u>
<u>(264)</u>	<u>(22,637)</u>	<u>696</u>	<u>-</u>	<u>133,418</u>	<u>(59,254)</u>	<u>2,959</u>	<u>-</u>
-	-	-	-	-	2,270,000	-	-
-	-	-	-	566,961	6,151	-	20,000
-	-	-	-	-	(2,188,137)	-	-
-	-	-	-	67	-	-	-
-	-	-	-	(597,832)	-	-	-
-	-	-	-	(30,804)	88,014	-	20,000
(264)	(22,637)	696	-	102,614	28,760	2,959	20,000
1,797	25,001	(209)	3,152	90,140	30,145	3,658	(138,022)
-	-	-	-	49,217	-	-	-
<u>\$ 1,533</u>	<u>\$ 2,364</u>	<u>\$ 487</u>	<u>\$ 3,152</u>	<u>\$ 241,971</u>	<u>\$ 58,905</u>	<u>\$ 6,617</u>	<u>\$ (118,022)</u>

HOPKINS COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Bond Issue	Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
REVENUES:			
Taxes:			
Taxes	\$ -	\$ -	\$ 1,241,235
Intergovernmental Revenue and Grants	-	16,918	480,957
Fees of Office	-	-	1,236,255
Fines and Forfeitures	-	-	180,430
Investment Earnings	168	191	9,512
Other Revenue	-	1,008	18,358
Total Revenues	<u>168</u>	<u>18,117</u>	<u>3,166,747</u>
EXPENDITURES:			
Current:			
General Government:			
General government	-	-	124,052
Judicial	-	-	38,960
Legal	-	-	367,163
Public safety	-	-	194,109
Public transportation	27,172	27,172	141,201
Public facilities	-	14,990	578,734
Intergovernmental	-	-	17,006
Debt Service:			
Principal	-	-	463,143
Interest	-	-	209,337
Fees	-	-	82,363
Capital Outlay:			
Capital Outlay	-	-	900,560
Total Expenditures	<u>27,172</u>	<u>42,162</u>	<u>3,116,628</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(27,004)</u>	<u>(24,045)</u>	<u>50,119</u>
OTHER FINANCING SOURCES (USES):			
Debt Proceeds	-	-	2,270,000
Transfers In	-	20,000	593,112
Deposit with Escrow Agent	-	-	(2,188,137)
Sale of Assets	-	-	67
Transfers Out (Use)	-	-	(597,832)
Total Other Financing Sources (Uses)	<u>-</u>	<u>20,000</u>	<u>77,210</u>
Net Change in Fund Balance	(27,004)	(4,045)	127,329
Fund Balance - October 1 (Beginning)	371,723	237,359	357,644
Prior Period Adjustment	-	-	49,217
Fund Balance - September 30 (Ending)	<u>\$ 344,719</u>	<u>\$ 233,314</u>	<u>\$ 534,190</u>

AGENCY FUNDS

<u>Justice of the Peace Number Two</u>	<u>County Attorney</u>	<u>District Attorney</u>	<u>Payroll Clearing Fund</u>	<u>Vouchers Payable Fund</u>	<u>Total Agency Funds</u>
4,286	2,327	604,310	23,678	12,257	1,493,754
<hr/> 4,286	<hr/> 2,327	<hr/> 604,310	<hr/> 23,678	<hr/> 12,257	<hr/> 1,493,754
-	-	-	10,492	5,031	15,523
<hr/> 4,286	<hr/> 2,327	<hr/> 604,310	<hr/> 13,186	<hr/> 7,226	<hr/> 1,478,231
<hr/> 4,286	<hr/> 2,327	<hr/> 604,310	<hr/> 23,678	<hr/> 12,257	<hr/> 1,493,754

SUPPLEMENTAL INFORMATION

Hopkins County, Texas
General Fund-By Department
Budgetary Comparison Schedule
for the year ended September 30, 2011

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget Positive or (Negative)
	Original	Final		
REVENUES				
Taxes	7,157,359	7,157,359	7,313,815	156,456
Fees of office	977,025	952,025	953,773	1,748
Intergovernmental	203,932	254,140	295,484	41,344
Fines and forfeitures	550,000	550,000	549,155	(845)
Interest	35,000	35,000	45,417	10,417
Miscellaneous	71,700	104,922	152,934	48,012
Total Revenues	8,995,016	9,053,446	9,310,578	257,132
EXPENDITURES:				
Current:				
General Government				
County Judge	166,350	166,350	155,348	11,002
County Administration	444,125	306,241	303,027	3,214
Risk Management	213,150	230,250	230,248	2
County Clerk	315,811	315,811	312,103	3,708
Archive Project	70,000	-	-	-
Veteran Service	27,880	27,880	25,668	2,212
Nondepartmental	65,267	84,387	72,051	12,336
Total General Government	1,302,583	1,130,919	1,098,445	32,474
Judicial				
County Court	252,979	252,979	240,691	12,288
8th District Court	292,549	292,549	259,915	32,634
62nd District Court	90,278	90,278	77,268	13,010
District Clerk	415,080	415,080	398,771	16,309
Justice of the Peace #1	156,892	156,892	156,865	27
Justice of the Peace #2	157,741	157,741	157,704	37
Total Judicial	1,365,519	1,365,519	1,291,214	74,305
Legal				
County Attorney	213,440	213,440	212,839	601
Total Legal	213,440	213,440	212,839	601
Financial Administration				
County Auditor	227,927	227,927	224,077	3,850
County Treasurer	126,268	126,290	106,078	20,212
Tax Assessor Collector	361,222	361,222	314,126	47,096
Information Systems	168,611	165,302	166,623	(1,321)
Total Financial Administration	884,028	880,741	810,904	69,837
Public Facilities				
Building Maintenance	262,500	380,158	371,502	8,656
Total Public Facilities	262,500	380,158	371,502	8,656

Hopkins County, Texas
General Fund-By Department
Budgetary Comparison Schedule
for the year ended September 30, 2011

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget Positive or (Negative)
	Original	Final		
Public Safety				
Volunteer Fire Department	136,011	136,011	121,488	14,523
County Fire Department	497,802	526,078	526,067	11
Constable #1	69,241	69,241	67,547	1,694
Constable #2	68,826	68,826	67,849	977
Sheriff's Department	1,733,516	1,812,382	1,813,289	(907)
State Agencies	34,555	34,555	33,883	672
Dispatch	245,595	248,636	248,631	5
Jail	1,330,655	1,364,138	1,372,738	(8,600)
Juvenile Probation	80,362	80,362	80,362	-
Juvenile/Adult Probation Building	23,700	23,700	36,586	(12,886)
Total Public Safety	<u>4,220,263</u>	<u>4,363,929</u>	<u>4,368,440</u>	<u>(4,511)</u>
Health and Welfare				
Environmental Quality	20,100	20,100	20,097	3
Recycling	-	31,925	29,976	1,949
Total Health and Welfare	<u>20,100</u>	<u>52,025</u>	<u>50,073</u>	<u>1,952</u>
County Extension				
Extension Office	93,304	93,304	87,623	5,681
Total County Extension	<u>93,304</u>	<u>93,304</u>	<u>87,623</u>	<u>5,681</u>
Elections				
Elections	67,969	67,969	36,289	31,680
Total Elections	<u>67,969</u>	<u>67,969</u>	<u>36,289</u>	<u>31,680</u>
Debt Service				
Principal	78,997	81,783	81,783	-
Interest	-	14,625	14,625	-
Capital Outlay	<u>65,183</u>	<u>201,070</u>	<u>182,233</u>	<u>18,837</u>
Total expenditures	<u>8,573,886</u>	<u>8,845,482</u>	<u>8,605,970</u>	<u>239,512</u>
Excess (deficiency) of revenues over (under) expenditures	<u>421,130</u>	<u>207,964</u>	<u>704,608</u>	<u>496,644</u>
OTHER FINANCING SOURCES (USES)				
Insurance proceeds	-	137,164	133,992	(3,172)
Transfers in	-	-	30,385	30,385
Debt proceeds	-	120,984	120,984	-
Other resources	-	-	-	-
Transfers Out (Use)	(543,298)	(543,298)	(543,299)	(1)
Total other resources	<u>(543,298)</u>	<u>(285,150)</u>	<u>(257,938)</u>	<u>27,212</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(122,168)</u>	<u>(77,186)</u>	<u>446,670</u>	<u>523,856</u>
FUND BALANCE				
Beginning of year	1,034,980	1,034,980	1,034,980	-
Prior period adjustment	-	-	(49,217)	(49,217)
End of year	<u>912,812</u>	<u>957,794</u>	<u>1,432,433</u>	<u>474,639</u>

Hopkins County, Texas
Road and bridge Maintenance Fund
Budgetary Comparison Schedule
for the year ended September 30, 2011

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget Positive or (Negative)
	Original	Final		
REVENUES				
Taxes	1,898,701	1,898,701	1,939,248	40,547
Fees of office	725,000	725,000	748,356	23,356
Intergovernmental	58,000	116,457	120,920	4,463
Interest	12,000	12,000	9,236	(2,764)
Miscellaneous	5,000	5,000	23,122	18,122
Total Revenues	2,698,701	2,757,158	2,840,882	83,724
EXPENDITURES:				
Current:				
Public Transportation				
Road and Bridge Number One				
Personnel	371,418	363,959	362,438	1,521
Operating	431,167	519,900	517,716	2,184
Debt Service	12,415	15,492	15,491	1
Capital	50,000	107,963	106,080	1,883
Total Road and Bridge Number One	865,000	1,007,314	1,001,725	5,589
Road and Bridge Number Two				
Personnel	374,597	329,143	328,859	284
Operating	407,400	483,720	482,932	788
Debt Service	25,000	132,949	132,949	-
Capital	58,003	185,226	185,225	1
Total Road and Bridge Number Two	865,000	1,131,038	1,129,965	1,073
Road and Bridge Number Three				
Personnel	364,450	359,450	355,167	4,283
Operating	450,550	501,206	474,405	26,801
Capital	50,000	8,750	10,950	(2,200)
Total Road and Bridge Number Three	865,000	869,406	840,522	28,884
Road and Bridge Number Four				
Personnel	347,910	302,389	300,771	1,618
Operating	441,157	534,870	527,052	7,818
Debt Service	25,933	25,433	24,032	1,401
Capital	50,000	38,649	38,649	-
Total Road and Bridge Number Four	865,000	901,341	890,504	10,837
Total expenditures	3,460,000	3,909,099	3,862,716	46,383
Excess (deficiency) of revenues over (under) expenditures	(761,299)	(1,151,941)	(1,021,834)	130,107
OTHER FINANCING SOURCES (USES)				
Insurance proceeds	-	1,320	1,320	-
Sale of assets	-	145,253	145,604	351
Debt proceeds	-	217,761	217,761	-
Operating transfers in	500,000	523,297	517,634	(5,663)
Total other resources	500,000	887,631	882,319	(5,312)
Excess of revenues and other sources over (under) expenditures and other uses	(261,299)	(264,310)	(139,515)	124,795
FUND BALANCE				
Beginning of year	556,294	556,294	556,294	-
End of year	294,995	291,984	416,779	124,795

Hopkins County, Texas
 BUDGETARY COMPARISON SCHEDULE
 Debt Service Fund
 for the year ended September 30, 2011

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget Positive or (Negative)
	Original	Final		
REVENUES				
Taxes	626,956	626,956	629,923	2,967
Interest	3,500	3,500	8,759	5,259
Total revenues	<u>630,456</u>	<u>630,456</u>	<u>638,682</u>	<u>8,226</u>
EXPENDITURES				
Debt service-principal	397,143	442,143	442,143	-
Debt service-interest and fees	233,384	188,384	255,793	(67,409)
Total expenditures	<u>630,527</u>	<u>630,527</u>	<u>697,936</u>	<u>(67,409)</u>
Excess of revenues over (under) expenditures	<u>(71)</u>	<u>(71)</u>	<u>(59,254)</u>	<u>(59,183)</u>
OTHER FINANCING SOURCES (USES)				
Debt proceeds	-	-	2,270,000	2,270,000
Operating transfers in	5,592	5,592	6,151	559
Deposit with escrow agent	-	-	(2,188,137)	(2,188,137)
Total other sources (uses)	<u>5,592</u>	<u>5,592</u>	<u>88,014</u>	<u>82,422</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>5,521</u>	<u>5,521</u>	<u>28,760</u>	<u>23,239</u>
FUND BALANCE				
Beginning of year	<u>30,145</u>	<u>30,145</u>	<u>30,145</u>	<u>-</u>
End of year	<u><u>35,666</u></u>	<u><u>35,666</u></u>	<u><u>58,905</u></u>	<u><u>23,239</u></u>

FEDERAL AWARDS SECTION



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

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Lanny G. Walker, C.P.A.
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MEMBER

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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 Commisioners
Hopkins, Texas
Sulphur Springs, Texas**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hopkins County, Texas as of and for the year ended September 30, 2011, which collectively comprise the County's basic financial statements and have issued our report thereon dated February 2, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs listed as items 11-1 and 11-2 that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

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

Respectfully Submitted,

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

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

February 2, 2012



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

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**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Independent Auditor's Report

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

Compliance

We have audited HOPKINS COUNTY's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of HOPKINS COUNTY's major federal programs for the year ended September 30, 2011. HOPKINS COUNTY's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of HOPKINS COUNTY's management. Our responsibility is to express an opinion on HOPKINS COUNTY's compliance based on our audit.

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

In our opinion, HOPKINS COUNTY complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011.

Internal Control Over Compliance

Management of HOPKINS COUNTY is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered HOPKINS COUNTY's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of HOPKINS COUNTY's internal control over compliance.

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

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

This report is intended solely for the information and use of management, Commissioners Court, others within the entity, 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.

February 2, 2012

Hopkins County, Texas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended September 30, 2011

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. None
- e. The type of report the auditor issued on compliance for major programs. Unqualified opinion
- 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: None
- g. An identification of major programs: Department of Energy CFDA # 81.041
- h. The dollar threshold used to distinguish between Type A and Type B programs. \$300,000
- i. A statement as to whether the auditee qualified as a low-risk auditee. No

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

11-1 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 \$4,000.

11-2 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 \$2,200 at September 30, 2011. The reconciled bank balance reflects approximately \$53,000 as of that date.
- Effect-** At September 30, 2011, the bank balance exceeds the subsidiary ledger by \$51,000. 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, 2011

PRIOR YEAR'S FINDINGS/ NONCOMPLIANCE

10-1 District Attorney

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

10-2 Inmate Trust Account

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

STATUS OF PRIOR YEAR'S FINDINGS/ NONCOMPLIANCE

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

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

Hopkins County, Texas
CORRECTIVE ACTION PLAN
For the year ended September 30, 2011

- 11-1 The subsidiary ledger on the District Attorney Pending Account will be reviewed and agreed to the reconciled bank balance each month.
- 11-2 The subsidiary ledger for the Inmate Trust Fund will be agreed to the reconciled bank balance each month.

Hopkins County, Texas
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the year ended September 30, 2011

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity identifying Number	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<u>Passed Through Texas Department of Agriculture</u>			
Disaster Relief	14.228	729107	3,000
Disaster Relief	14.228	710107	<u>60,075</u>
Total Passed Through TDA			<u>63,075</u>
TOTAL DEPARTMENT OF HUD			<u>63,075</u>
DEPARTMENT OF ENERGY			
<u>Passed Through State Energy Conservation Office</u>			
SECO Grant	81.128	CS0242	1,405
SECO Grant	81.041	CS0039	<u>823,739</u>
Total Passed Through State Energy Conservation Office			<u>825,144</u>
TOTAL DEPARTMENT OF ENERGY			<u>825,144</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
<u>Passed Through Texas Department of Public Safety</u>			
Homeland Security	97.073	SHSP09	133,841
Homeland Security	97.073	SHSP09	<u>60,261</u>
TOTAL DEPARTMENT OF HOMELAND SECURITY			<u>194,102</u>
U.S. DEPARTMENT OF JUSTICE			
<u>Passed Through Office of Attorney General</u>			
State Criminal Alien Assistance Program	16.606	H2416	<u>7,714</u>
TOTAL DEPARTMENT OF JUSTICE			<u>7,714</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through Texas Department of Family & Protective Services</u>			
Title IV-E Administration Legal Services	93.658	23379908	-
Title IV-E Administration Legal Services	93.658	23356774	17,036
Family and Protective Services	93.658	23379907	<u>5,894</u>
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>22,930</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>1,112,965</u></u>

Hopkins County, Texas
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2011

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

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

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

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

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

Hopkins County, Texas
 FEDERAL PROGRAM PROJECT SCHEDULE
 PROJECTS THAT ENDED OR WERE IN OPERATION
 For the year ended September 30, 2011

Federal Grantor: U.S. Department of HUD
 Pass Through Grantor: TDA
 CFDA # 14.228, Project #729107, Contract Period: 9/28/09-9/27/11

	<u>Budget</u>	<u>Prior Year</u>	<u>Federal Current Year</u>	<u>Total</u>
REVENUE				
Federal	<u>349,971</u>	<u>346,971</u>	<u>3,000</u>	<u>349,971</u>
EXPENSES				
Street Improvements	74,461	74,461	-	74,461
Flood Drainage	90,490	90,490	-	90,490
Demolition	155,020	155,020	-	155,020
Administration	<u>30,000</u>	<u>27,000</u>	<u>3,000</u>	<u>30,000</u>
TOTAL EXPENSES	<u>349,971</u>	<u>346,971</u>	<u>3,000</u>	<u>349,971</u>
EXCESS REVENUE OVER EXPENSES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Hopkins County, Texas
FEDERAL PROGRAM PROJECT SCHEDULE
PROJECTS THAT ENDED OR WERE IN OPERATION
For the year ended September 30, 2011

Federal Grantor: U.S. Department of HUD

Pass Through Grantor: TDA

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

	<u>Budget</u>	<u>Federal Prior Year</u>	<u>Federal Current Year</u>	<u>Total</u>
REVENUE				
Federal	<u>350,000</u>	<u>287,425</u>	<u>60,075</u>	<u>347,500</u>
EXPENSES				
Street Improvements	243,750	188,675	55,075	243,750
Flood Drainage	81,250	81,250	-	81,250
Administration	<u>25,000</u>	<u>17,500</u>	<u>5,000</u>	<u>22,500</u>
TOTAL EXPENSES	<u>350,000</u>	<u>287,425</u>	<u>60,075</u>	<u>347,500</u>
EXCESS REVENUE OVER EXPENSES	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>

Hopkins County, Texas
FEDERAL PROGRAM PROJECT SCHEDULE
PROJECTS THAT ENDED OR WERE IN OPERATION
 For the year ended September 30, 2011

Federal Grantor: U.S. Department of HUD

Pass Through Grantor: TDA

CFDA # 14.228, Project #711270, Contract Period: 10/1/11-9/30/13

	<u>Budget</u>	<u>Federal Prior Year</u>	<u>Federal Current Year</u>	<u>Total</u>
REVENUE				
Federal	<u>272,300</u>	-	-	-
EXPENSES				
Water Improvements	215,300	-	-	-
Engineering	30,000	-	-	-
Administration	<u>27,000</u>	-	-	-
TOTAL EXPENSES	<u>272,300</u>	-	-	-
EXCESS REVENUE OVER EXPENSES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>



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

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

MEMBER

American Institute Of
Certified Public Accountants

Texas State Society Of
Certified Public Accountants

February 2, 2012

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hopkins County for the year ended September 30, 2011, and have issued our report thereon dated February 2, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, Government Auditing Standards, and OMB Circular A-133 as well as certain information related to the planned scope and timing of our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated July 6, 2011 our responsibility, as described by professional standards, is to express opinions about whether the financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our audit planning letter given to you and discussed on January 30, 2012.

Professional Standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Hopkins County are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2011. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

Difficulties Encountered in Performing the Audit

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

However, we noted the following items. The Sheriff's Department bank accounts have not been reconciled timely. These should be reconciled monthly. Also, we noted that some payroll reporting and benefits reporting were not filed timely.

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 2, 2012.

Management Consultations with Other Independent Accountants

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

Other Information in Documents Containing Audited Financial Statements

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

Other Audit Findings or Issues

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

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

Very truly yours,

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

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