

Red River County, Texas

**Financial Statements
And Independent Auditor's Report**

For the year ended September 30, 2010

Red River County, Texas
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 Year ended September 30, 2009

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INDEPENDENT AUDITOR'S REPORT

The Honorable Judge and
County Commissioners
Red River County, Texas
Clarksville, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Red River County (the County) as of and for the year ended September 30, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Red River County as of September 30, 2010, 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 December 1, 2010, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

December 1, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the County of Red River County, Texas, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities and performance for the year ended September 30, 2009. The information presented here should be read in conjunction with the independent auditor's report and the County's financial statements.

FINANCIAL HIGHLIGHTS

The County's total combined net assets were \$14.7 million at September 30, 2009. \$13 million of the net assets is invested in capital assets, net of related debt. During the year, the County's expenses were \$888 thousand more than the \$5.8 million generated in taxes, charges for services and other revenues from governmental activities.

The total cost of all the County's activities was about \$6.7 million, a decrease of \$133 thousand. Health and welfare costs were down \$275 thousand. Intergovernmental costs were up \$226 thousand. Public Safety costs decreased \$96 thousand. Revenue was down \$426 thousand. Operating grants and contributions increased \$227 thousand. Charges for services decreased \$509 thousand. The County did not have any prisoner housing contracts. This decreased \$461 thousand.

The general fund balance is \$345 thousand at September 30, 2010, which is an decrease of \$357 thousand. General fund revenue and expenditures were similar to the prior year. Since there was very little prisoner housing revenue, there were no transfers from that fund to the general fund. In the prior year, \$400 thousand had been transferred to general from prisoner housing.

During the year, \$604 thousand of fixed assets were added and \$568 thousand of fixed assets with a net book value of \$349 thousand were sold. \$423 thousand of new debt was obtained. \$635 thousand of principal was paid on debt.

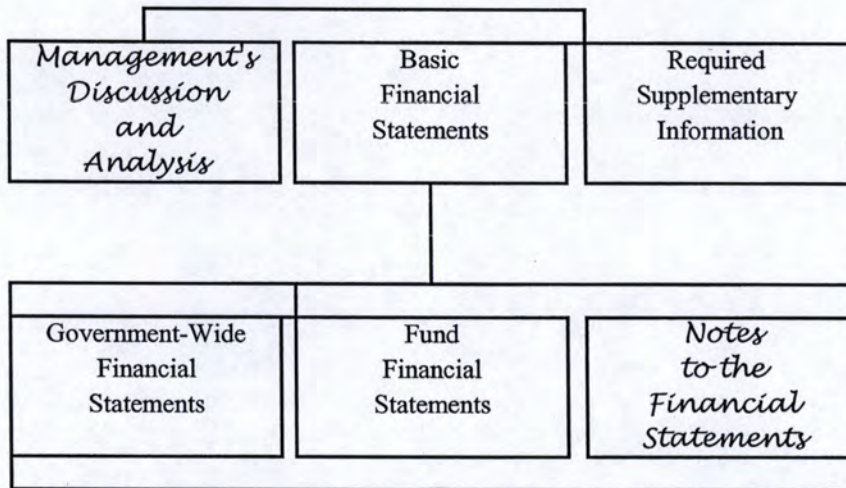
Approximately 94% of the taxes levied for 2009-10 were collected by September 30, 2010.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *government-wide financial statements* that provide information about the County's activities as a whole and present a longer-term view of the County's property and debt obligations. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the County's operations in *more detail* than the government-wide statements.
 - The *governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
 - *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*, such as a commissary operation.
 - *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 trust funds.

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				
<i>Type of Statements</i>	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

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 three 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.
- *Proprietary funds*—Services for which the County charges customers a fee are generally reported in enterprise funds. Enterprise funds, like the government-wide statements, provide both long-term and short-term financial information. *Internal service funds* are used to report activities that provide supplies and services for the County's other programs and activities. The County has no internal service funds.
- *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 \$14.7 million at September 30, 2010.

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

	Governmental Activities		Business Type Activities		Total	
	2010	2009	2010	2009	2010	2008
Current and other assets	3,671	3,821	126	119	3,797	3,940
Capital and non-current assets	12,623	13,116	1,108	1,141	13,731	14,257
TOTAL ASSETS	16,294	16,937	1,234	1,260	17,528	18,197
Long-term liabilities	696	748	-	-	696	748
Other liabilities	2,146	1,875	-	-	2,146	1,875
TOTAL LIABILITIES	2,842	2,623	-	-	2,842	2,623
Invested in capital assets net of related debt	11,926	12,369	1,108	1,141	13,034	13,510
Restricted	1,009	1,083	-	-	1,009	1,083
Unrestricted	517	862	126	119	643	981
TOTAL NET ASSETS	13,452	14,314	1,234	1,260	14,686	15,574

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 \$643 thousand of unrestricted net assets represents resources available to fund the programs of the County for the next fiscal year.

The \$1 million is restricted as follows:

Restricted for debt service	-
Restricted for special revenue funds	<u>1,009</u>
	<u>1,009</u>

Net assets of the County decreased \$888 thousand. The County recorded depreciation of \$781 thousand. \$424 thousand of new debt was obtained. \$474 thousand of debt was paid off. \$604 thousand of fixed assets were added.

Changes in net assets.

The County's total revenues were \$5.8 million. 51% of this came from property taxes, 11% came from sales taxes and other taxes, 11% came from charges for services, and 23% came from operating grants and contributions.

The total cost of all programs was \$6.7 million. Approximately 26% of this was for public safety and 27% was for highways, streets and bridges.

Net assets decreased by \$888 thousand because of the excess of expenses over revenues. Depreciation expense was \$781 thousand for the year.

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

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues						
<u>Program Revenues</u>						
Charges for Services	610	658	14	475	624	1,133
Operating Grants and Contributions	1,319	1,092	-	-	1,319	1,092
<u>General Revenues</u>						
Property Taxes	2,974	2,994	-	-	2,974	2,994
Other taxes	657	710	-	-	657	710
Investment earnings	16	12	-	2	16	14
Other	210	283	-	-	210	283
Total Revenues	<u>5,786</u>	<u>5,749</u>	<u>14</u>	<u>477</u>	<u>5,800</u>	<u>6,226</u>
Expenses						
General Government	377	353	-	-	377	353
Judicial	376	425	-	-	376	425
Legal	132	127	-	-	132	127
Financial	404	394	-	-	404	394
Public Facility	179	196	-	-	179	196
Public Safety	1,731	1,777	40	90	1,771	1,867
Health and Welfare	300	575	-	-	300	575
Roads & Streets	1,824	1,790	-	-	1,824	1,790
Cultural and Recreational	102	98	-	-	102	98
Conservation	132	124	-	-	132	124
Intergovernmental	572	346	-	-	572	346
General-miscellaneous	539	555	-	-	539	555
Debt service	24	15	-	-	24	15
Total Expenses	<u>6,692</u>	<u>6,775</u>	<u>40</u>	<u>90</u>	<u>6,732</u>	<u>6,865</u>
Other Sources (Uses)						
Transfers in (out)	-	707	-	(707)	-	-
Gain on sale of assets	44	157	-	-	44	157
Increase (Decrease) in Net Assets	<u>(862)</u>	<u>(162)</u>	<u>(26)</u>	<u>(320)</u>	<u>(888)</u>	<u>(482)</u>
Beginning Net Assets	<u>14,314</u>	<u>14,479</u>	<u>1,260</u>	<u>1,577</u>	<u>15,574</u>	<u>16,056</u>
Prior Period Adjustment	<u>-</u>	<u>(3)</u>	<u>-</u>	<u>3</u>	<u>-</u>	<u>-</u>
Ending Net Assets	<u>13,452</u>	<u>14,314</u>	<u>1,234</u>	<u>1,260</u>	<u>14,686</u>	<u>15,574</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 \$6.69 million.
- However, the amount that taxpayers paid for these activities through property taxes was only \$2.97 million.
- Some of the cost was paid by those who directly benefited from the programs (\$610 thousand), or by grants and contributions (\$1.31 million).

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

	Total Cost of Services		Net Cost of Services	
	2010	2009	2010	2009
General Government	377	353	166	225
Public Safety	1,731	1,777	1,360	1,491
Highways, Streets and Bridges	1,824	1,790	1,679	1,780

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

The County reported fund balance in its governmental funds of approximately \$1.35 million at September 30, 2010. This balance is composed of the following in thousands

General	346
Special revenue	1,009
	<u>1,355</u>

Fund balance in the governmental funds decreased \$432 thousand. The general fund balance decreased \$358 thousand. Revenue and expenditures were both up approximately \$95 thousand. Because of the loss of prisoners, there was no transfer of funds from the prisoner housing fund. \$400 thousand had been transferred from prisoner housing to general in the prior year. The road and bridge fund balance decreased \$215 thousand. There had been a \$300 thousand transfer from the prisoner housing to road and bridge the prior year and none this year.

General Fund Budgetary Highlights

Several budget amendments were made during the year. Even with these amendments, actual expenditures were less than budgeted by \$478 thousand. Actual revenues were \$289 thousand more than budgeted. \$536 thousand was budgeted as a decrease to fund balance. Actually, the fund balance decreased \$358 thousand.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

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

	Governmental Activities		Business-Type Activities	
	2010	2009	2009	2009
Land	128	128	22	22
Roads	16,692	16,692	-	-
Buildings and improvements	5,478	5,461	1,642	1,642
Machinery and equipment	3,173	3,154	-	-
Totals at historical cost	<u>25,471</u>	<u>25,435</u>	<u>1,664</u>	<u>1,664</u>
Total accumulated depreciation	<u>(12,848)</u>	<u>(12,319)</u>	<u>(556)</u>	<u>(524)</u>
Net capital assets	<u><u>12,623</u></u>	<u><u>13,116</u></u>	<u><u>1,108</u></u>	<u><u>1,140</u></u>

Long-Term Debt

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

	Governmental Activities		Business-Type Activities	
	2010	2009	2010	2009
Notes payable	696	748	-	-
Vacation & comp. time payable	<u>85</u>	<u>81</u>	<u>-</u>	<u>-</u>
	<u><u>781</u></u>	<u><u>829</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The governing body of Red River County considered many things when setting the fiscal year 2011 budget. The tax base continues to remain fairly stable. The total revenue from property taxes will not vary significantly from the prior year.

An important and critical part of our revenue has been those funds accrued through prisoner housing. We lost all revenue from prisoner housing. As a result of that, we made some budget adjustments, such as, cutting one employee in the County Clerk's Office, mad four permanent jobs part-time, and shortened the work week to 33.5 hours. This has allowed us to close our offices on Fridays which should help on utility costs.

No significant increases to expenditures are budgeted for FY 2011. General fund expenditures have been held relatively constant since 2002. No new programs or initiatives are added for 2011. Also, no significant purchases of fixed assets are currently budgeted.

The County believes that the budget is reasonable, attainable and fiscally sound and allows for services to be provided to the citizens of the County in a sound manner.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of Red River County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the County's Auditor's Office.

BASIC FINANCIAL STATEMENTS

GOVERNMENT WIDE STATEMENTS

RED RIVER COUNTY, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010

EXHIBIT A-1

	Primary Government		
	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 1,546,585	\$ 126,017	\$ 1,672,602
Receivables (net of allowance for uncollectibles)	2,123,561	-	2,123,561
Prepaid Expenses	1,265	-	1,265
Capital Assets:			
Land	128,149	22,431	150,580
Infrastructure, net	7,010,850	-	7,010,850
Buildings, net	4,278,589	1,085,295	5,363,884
Machinery and Equipment, net	1,205,335	-	1,205,335
Total Assets	<u>16,294,334</u>	<u>1,233,743</u>	<u>17,528,077</u>
LIABILITIES			
Accounts Payable	249,126	-	249,126
Deferred Revenues	1,896,346	-	1,896,346
Noncurrent Liabilities			
Due Within One Year	696,455	-	696,455
Total Liabilities	<u>2,841,927</u>	<u>-</u>	<u>2,841,927</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	11,926,468	1,107,726	13,034,194
Restricted for Other Purposes	1,009,372	-	1,009,372
Unrestricted Net Assets	516,567	126,017	642,584
Total Net Assets	<u>\$ 13,452,407</u>	<u>\$ 1,233,743</u>	<u>\$ 14,686,150</u>

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

Red River County, Texas
STATEMENT OF ACTIVITIES
For the year ended September 30, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES						
General Government	377,012	182,909	28,203	(165,900)	-	(165,900)
Judicial	376,072	229,867	83,331	(62,874)	-	(62,874)
Legal	131,727	5,338	22,967	(103,422)	-	(103,422)
Financial	404,360	131,980	-	(272,380)	-	(272,380)
Public Facilities	178,884	-	-	(178,884)	-	(178,884)
Public Safety	1,730,677	39,647	331,220	(1,359,810)	-	(1,359,810)
Cultural and Recreational	102,196	-	-	(102,196)	-	(102,196)
Conservation	131,653	17,978	-	(113,675)	-	(113,675)
Intergovernmental	572,054	-	532,056	(39,998)	-	(39,998)
Miscellaneous	539,415	2,739	18,780	(517,896)	-	(517,896)
Health & Welfare	300,107	-	140,134	(159,973)	-	(159,973)
Roads & Streets	1,824,141	-	162,057	(1,662,084)	-	(1,662,084)
Bond Interest	24,399	-	-	(24,399)	-	(24,399)
Total Governmental Activities	6,692,697	610,458	1,318,748	(4,763,491)	-	(4,763,491)
BUSINESS-TYPE ACTIVITIES						
Public safety-county	39,790	13,536	-	-	(26,254)	(26,254)
Total Business-Type Activities	39,790	13,536	-	-	(26,254)	(26,254)
TOTAL PRIMARY GOVERNMENT	6,732,487	623,994	1,318,748	(4,763,491)	(26,254)	(4,789,745)
General Revenues						
Taxes						
Property taxes, levied for general puposes				2,974,347	-	2,974,347
Other Taxes				657,148	-	657,148
Miscellaneous Revenue				210,536	-	210,536
Investment Earnings				15,638	332	15,970
Total General Revenues				3,857,669	332	3,858,001
Other Sources (Uses)						
Gain on sale of assets				43,964	-	43,964
Transfers in (out)				-	-	-
Changes in Net Assets				(861,858)	(25,922)	(887,780)
Net Assets -- Beginning				14,314,475	1,259,665	15,574,140
Prior Period Adjustment				(210)	-	(210)
Net Assets -- Ending				13,452,407	1,233,743	14,686,150

The accompanying notes are an integral part of this statement.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

RED RIVER COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010

EXHIBIT C-1

	General Fund	Major Special Revenue Fund	Other Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 495,277	\$ 340,125	\$ 711,183	\$ 1,546,585
Receivables (Net)	1,965,393	128,025	30,143	2,123,561
Prepaid Expenses	1,265	-	-	1,265
Total Assets	\$ 2,461,935	\$ 468,150	\$ 741,326	\$ 3,671,411
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable and Accrued Expenses	\$ 141,535	\$ -	\$ 22,372	\$ 163,907
Deferred Revenues	1,974,846	128,026	49,706	2,152,578
Total Liabilities	2,116,381	128,026	72,078	2,316,485
Fund Balances:				
Unreserved and Undesignated:				
Reported in the General Fund	345,554	-	-	345,554
Reported in the Special Revenue Fund	-	340,124	669,248	1,009,372
Total Fund Balances	345,554	340,124	669,248	1,354,926
Total Liabilities and Fund Balances	\$ 2,461,935	\$ 468,150	\$ 741,326	\$ 3,671,411

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

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

Total Fund Balances - Governmental Funds	\$	1,354,926
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 \$25,435,110 and the accumulated depreciation was \$12,318,952. 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.		12,368,503
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2010 capital outlays and debt principal payments is to increase (decrease) net assets.		729,701
The 2010 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(748,462)
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.		(252,261)
Net Assets of Governmental Activities	\$	13,452,407

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

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

	General Fund	Major Special Revenue Fund	Other Funds	Total Governmental Funds
REVENUES:				
Taxes	\$ 2,278,514	\$ 609,812	\$ 223,366	\$ 3,111,692
Licenses and Permits	-	493,290	-	493,290
Intergovernmental Revenue and Grants	344,721	162,057	833,526	1,340,304
Charges for Services	285,834	-	31,469	317,303
Fines	154,421	-	144,680	299,101
Other Revenue	132,028	29,218	47,796	209,042
Total Revenues	3,195,518	1,294,377	1,280,837	5,770,732
EXPENDITURES:				
Current:				
General Government	267,070	-	33,381	300,451
Judicial	290,810	-	-	290,810
Legal	91,477	-	40,250	131,727
Financial	380,105	-	-	380,105
Public Facilities	163,135	-	15,749	178,884
Public Safety	1,474,330	-	184,400	1,658,730
Cultural & Recreational	102,196	-	-	102,196
Conservation	131,653	-	-	131,653
Intergovernmental	29,487	-	542,567	572,054
Miscellaneous	539,415	-	-	539,415
Health & Welfare	-	-	300,107	300,107
Roads & Streets	-	1,294,041	4,500	1,298,541
Debt Service:				
Debt Principal	7,525	459,423	7,526	474,474
Debt Interest	392	23,616	391	24,399
Capital Outlay:				
Capital Outlay	59,488	548,200	27,320	635,008
Total Expenditures	3,537,083	2,325,280	1,156,191	7,018,554
Excess (Deficiency) of Revenues Over (Under) Expenditures	(341,565)	(1,030,903)	124,646	(1,247,822)
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	395	392,526	-	392,921
Proceeds from Loans	-	423,274	-	423,274
Transfers In	-	-	16,596	16,596
Transfers Out (Use)	(16,596)	-	-	(16,596)
Total Other Financing Sources (Uses)	(16,201)	815,800	16,596	816,195
Net Change in Fund Balances	(357,766)	(215,103)	141,242	(431,627)
Fund Balance - October 1 (Beginning)	703,530	555,227	528,006	1,786,763
Prior Period Adjustment	(210)	-	-	(210)
Fund Balance - September 30 (Ending)	\$ 345,554	\$ 340,124	\$ 669,248	\$ 1,354,926

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

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

Total Net Change in Fund Balances - Governmental Funds	\$	(431,627)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2010 capital outlays and debt principal payments is to increase (decrease) net assets.		729,701
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.		(748,462)
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.		(411,470)
Change in Net Assets of Governmental Activities	\$	(861,858)

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

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

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 2,295,900	\$ 2,295,900	\$ 2,278,514	\$ (17,386)
Intergovernmental Revenue and Grants	58,588	58,588	344,721	286,133
Charges for Services	248,400	249,900	285,834	35,934
Fines	149,000	147,500	154,421	6,921
Other Revenue	154,375	154,375	132,028	(22,347)
Total Revenues	2,906,263	2,906,263	3,195,518	289,255
EXPENDITURES:				
Current:				
General Government	284,571	283,571	267,070	16,501
Judicial	372,518	372,518	290,810	81,708
Legal	103,982	103,982	91,477	12,505
Financial	387,321	387,321	380,105	7,216
Public Facilities	162,008	163,841	163,135	706
Public Safety	1,493,769	1,493,769	1,474,330	19,439
Cultural & Recreational	106,489	106,489	102,196	4,293
Conservation	150,321	150,321	131,653	18,668
Intergovernmental	32,920	32,920	29,487	3,433
Miscellaneous	675,420	866,858	539,415	327,443
Debt Service:				
Debt Principal	7,525	7,525	7,525	-
Debt Interest	393	393	392	1
Capital Outlay:				
Capital Outlay	45,982	45,149	59,488	(14,339)
Total Expenditures	3,823,219	4,014,657	3,537,083	477,574
Excess (Deficiency) of Revenues Over (Under) Expenditures	(916,956)	(1,108,394)	(341,565)	766,829
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	-	-	395	395
Transfers In	-	588,480	-	(588,480)
Transfers Out (Use)	(16,596)	(16,596)	(16,596)	-
Total Other Financing Sources (Uses)	(16,596)	571,884	(16,201)	(588,085)
Net Change	(933,552)	(536,510)	(357,766)	178,744
Fund Balance - October 1 (Beginning)	703,530	703,530	703,530	-
Prior Period Adjustment	-	-	(210)	(210)
Fund Balance - September 30 (Ending)	\$ (230,022)	\$ 167,020	\$ 345,554	\$ 178,534

The accompanying notes are an integral part of this statement.

PROPRIETARY FUND FINANCIAL STATEMENTS

RED RIVER COUNTY, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2010

	Business Type Activities
<hr/>	
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 126,017
Total Current Assets	<u>126,017</u>
Noncurrent Assets:	
Capital Assets:	
Land	22,431
Buildings	1,641,823
Accumulated Depreciation - Buildings	<u>(556,528)</u>
Total Noncurrent Assets	<u>1,107,726</u>
Total Assets	<u>1,233,743</u>
NET ASSETS	
Investments in Capital Assets, Net of Debt	1,107,726
Unrestricted Net Assets	<u>126,017</u>
Total Net Assets	<u>\$ 1,233,743</u>

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

RED RIVER COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

EXHIBIT D-2

	Business Type Activities
<hr/>	
OPERATING REVENUES:	
Charges for Services	\$ 6,264
Other Revenue	7,272
Total Operating Revenues	13,536
OPERATING EXPENSES:	
Public Safety	6,979
Depreciation	32,811
Total Operating Expenses	39,790
Operating Income (Loss)	(26,254)
NON-OPERATING REVENUES (EXPENSES):	
Interest income	332
Total Non-operating Revenue (Expenses)	332
Change in Net Assets	(25,922)
Total Net Assets - October 1 (Beginning)	1,259,665
Total Net Assets - September 30 (Ending)	\$ 1,233,743

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

RED RIVER COUNTY, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Business Type Activities
<hr/>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 13,536
Cash Payments to Employees for Services	(5,948)
Cash Payments for Benefits	(1,031)
Net Cash Provided by Operating Activities	6,557
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Increase(decrease) in Short-term Loans	-
<u>Cash Flows from Capital & Related Financing Activities:</u>	
Acquisition of Capital Assets	-
<u>Cash Flows from Investing Activities:</u>	
Interest Income	332
Net Increase in Cash and Cash Equivalents	6,889
Cash and Cash Equivalents at Beginning of the Year:	119,128
Cash and Cash Equivalents at the End of the Year:	\$ 126,017
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities:</u>	
Operating Income (Loss):	\$ (26,254)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	32,811
Net Cash Provided by Operating Activities	\$ 6,557

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

FIDUCIARY FUND FINANCIAL STATEMENT

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

	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 269,043
Total Assets	<u>\$ 269,043</u>
LIABILITIES	
Due to Other Governments	\$ 269,043
Total Liabilities	<u>\$ 269,043</u>

The accompanying notes are an integral part of this statement.

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Red River 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.

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 Red River 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 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 and between governmental funds and proprietary funds appear as due to/due froms on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Assets and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Assets. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the government-wide Statement of Net Assets as internal balances and on the Statement of Activities as interfund transfers. 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 three fund categories - governmental, proprietary, 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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

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, as do the proprietary fund and fiduciary fund financial statements. 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 some times require the County to refund all or part of the unused amount.

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize 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. The County applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. 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.

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 Funds** --One special revenue fund is considered a major fund. This fund is the main road and bridge. 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.

Proprietary Funds:

1. **Enterprise Funds** -- The County's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in an enterprise fund. The County's non-major Enterprise Fund is the jail housing 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 trust funds.

E. OTHER ACCOUNTING POLICIES

1. For purposes of the statement of cash flows for proprietary funds, the County considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. In the governmental-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.
3. 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	50
Building Improvements	50
Vehicles	5
Office Equipment	5-7
Machinery	7-10
Roads	50

4. Some cash and investments are restricted for future debt payments.
5. 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.
6. 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.
7. Investments are recorded at fair market value.
8. Private sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

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	128,149	-	128,149	
Buildings & improvements	5,461,499	(1,096,845)	4,364,654	
Machinery & equipment	3,152,962	(1,874,307)	1,278,655	
Roads	16,692,500	(9,347,800)	7,344,700	
Change in Net Assets	<u>25,435,110</u>	<u>(12,318,952)</u>	<u>13,116,158</u>	<u>13,116,158</u>
<u>Long-term Liabilities at the Beginning of the year</u>			<u>Payable at the Beginning of the Year</u>	
Notes payable			747,655	
Change in Net Assets				<u>747,655</u>
 Net Adjustment to Net Assets				 <u><u>12,368,503</u></u>

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

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

	<u>Amount</u>	<u>Adjustments to Changes in Net Assets</u>	<u>Adjustments to Net Assets</u>
<u>Current year Capital Outlay</u>			
Building & improvement	16,450	16,450	16,450
Machinery & equipment	<u>587,734</u>	<u>587,734</u>	<u>587,734</u>
Total Capital Outlay	<u>604,184</u>	<u>604,184</u>	<u>604,184</u>
Book value of assets sold	<u>348,957</u>	<u>(348,957)</u>	<u>(348,957)</u>
 <u>Debt Principal Payments</u>			
Note principal	<u>474,474</u>	<u>474,474</u>	<u>474,474</u>
Total Principal Payments	<u>474,474</u>	<u>474,474</u>	<u>474,474</u>
Total Adjustment to Net Assets		<u><u>729,701</u></u>	<u><u>729,701</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	106,954	(106,954)	-
Uncollected taxes (assumed collectible) from Current Year Levy	115,367	115,367	115,367
Uncollected Taxes (assumed collectible) from Prior Year Levy	140,865	-	140,865
Effect of prior year tax entry	7,730	7,730	-
<u>Reclassify Proceeds of Bonds, Loans & Capital Leases</u>			
Loan proceeds	423,274	(423,274)	(423,274)
<u>Valuation and comp. Time payable</u>			
End of year liability	85,219	-	(85,219)
Change in liability from prior year	<u>4,339</u>	<u>(4,339)</u>	<u>-</u>
Total		<u><u>(411,470)</u></u>	<u><u>(252,261)</u></u>

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 commissioners 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 commissioners 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 state maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the County to have independent auditors perform test procedures related to investment practices as provided by the Act. The county is in substantial compliance with the requirements of the Act and with local policies.

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

Policies Governing Deposits and Investments

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

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

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

At September 30, 2010, the carrying amount of the County's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,838,543 and the bank balance was \$1,899,480. The county's cash deposits at September 30, 2010 and during the year ended September 30, 2010 were entirely covered by FDIC insurance or by pledged collateral held by the County's agent bank in the County's name.

A. DEPOSITS AND INVESTMENTS (continued)

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

- a. Depository: State Bank of Dekalb
 - b. The market value of securities pledged as of September 30, 2010 was \$3,010,534.
 - c. Total amount of FDIC coverage at September 30, 2010 was \$500,000.
- 2. Custodial Credit Risk--Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments of 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 fair 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 4 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 no investments in external investment pools.

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.

The County levied property taxes for the 2009 tax roll totaling approximately \$3 million. Such tax is based on an assessed valuation of approximately \$411 million with an applicable tax rate of \$0.74453 per \$100 valuation.

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 Nonmajor Governmental Funds from:

General Fund	16,596
Total Transferred to Nonmajor Governmental Funds	<u>16,596</u>

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at September 30, 2010, were as follows:

	<u>Property Taxes</u>	<u>Fees of Office</u>	<u>Due from Other Governments</u>	<u>Other</u>	<u>Total Receivables</u>
Governmental Activities:					
General Fund	595,706	2,442,179	-	2,693	3,040,578
Major Special Revenue Funds	160,032	-	-	-	160,032
Nonmajor Governmental Funds	-	-	30,143	-	30,143
Total - Governmental Activities	<u>755,738</u>	<u>2,442,179</u>	<u>30,143</u>	<u>2,693</u>	<u>3,230,753</u>
Amounts not scheduled for collection during the subsequent year	<u>151,148</u>	<u>956,044</u>	<u>-</u>	<u>-</u>	<u>1,107,192</u>
 Business Type Activities:					
Major Enterprise Fund	-	-	-	-	-
Total - Business Type Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amounts not scheduled for collection during the subsequent year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Payables at September 30, 2010, were as follows:

	<u>Accounts</u>	<u>Salaries and Benefits</u>	<u>Due to Other Governments</u>	<u>Other</u>	<u>Total Payables</u>
Governmental Activities:					
General Fund	111,013	-	30,522	-	141,535
Major Special Revenue Funds	-	-	-	-	-
Nonmajor Gov. Funds	22,372	-	-	-	22,372
Total - Gov. Activities	<u>133,385</u>	<u>-</u>	<u>30,522</u>	<u>-</u>	<u>163,907</u>
Amounts not scheduled for payment during the subsequent year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Business Type Activities:					
Major Enterprise Fund	-	-	-	-	-
Total - Business Type Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amounts not scheduled for payment during the subsequent year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

F. CAPITAL ASSET ACTIVITY

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

	Primary Government			
	<u>Beginning</u>			<u>Ending</u>
	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>
Governmental Activities:				
County:				
Land	128,149	-	-	128,149
Buildings and Improvements	5,461,499	16,450	-	5,477,949
Machinery and Equipment	3,152,962	587,734	(567,829)	3,172,867
Roads	16,692,500	-	-	16,692,500
Totals at Historic Cost	<u>25,435,110</u>	<u>604,184</u>	<u>(567,829)</u>	<u>25,471,465</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(1,096,845)	(102,515)	-	(1,199,360)
Machinery and Equipment	(1,874,307)	(312,097)	218,872	(1,967,532)
Roads	(9,347,800)	(333,850)	-	(9,681,650)
Total Accumulated Depreciation	<u>(12,318,952)</u>	<u>(748,462)</u>	<u>218,872</u>	<u>(12,848,542)</u>
Governmental Activities Capital Assets, Net	<u>13,116,158</u>	<u>(144,278)</u>	<u>(348,957)</u>	<u>12,622,923</u>
	<u>Beginning</u>			<u>Ending</u>
	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>
Business-Type Activities:				
Land	22,431	-	-	22,431
Buildings and Improvements	1,641,823	-	-	1,641,823
Totals at Historic Cost	<u>1,664,254</u>	<u>-</u>	<u>-</u>	<u>1,664,254</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(523,717)	(32,811)	-	(556,528)
Total Accumulated Depreciation	<u>(523,717)</u>	<u>(32,811)</u>	<u>-</u>	<u>(556,528)</u>
Business-Type Activities Capital Assets, Net	<u>1,140,537</u>	<u>(32,811)</u>	<u>-</u>	<u>1,107,726</u>
Primary Government Capital Assets, net	<u>14,256,695</u>	<u>(177,089)</u>	<u>(348,957)</u>	<u>13,730,649</u>

Depreciation expense was charged as follows:

Governmental Activities:		Business-Type Activities:	
General Government	72,222	Public Safety	6,348
Public safety	41,123	Judicial	26,463
Highways, streets and bridges	525,600		
Financial	24,255		
Judicial	85,262		
	<u>748,462</u>		<u>32,811</u>

G. CHANGES IN LONG-TERM DEBT

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

	Original Amount	Interest Rate	Payable at 10/1/09	Additions (Reductions)	Payable at 9/30/2010	Due within One Year
Note Payable--R&B #1 facilities	59,378	1.60%	9,348	(6,326)	3,022	3,022
Note Payable--caterpillar motorgrader R&B #1	162,314	3.50%	22,898	(22,898)	-	-
Note Payable--(2) 2008 Crown Vics	45,031	3.50%	29,309	(15,051)	14,258	14,258
Note Payable--caterpillar motorgrader R&B #2	200,025	3.50%	189,603	(9,073)	180,530	180,530
Note Payable--2009 Mack truck R&B #1	91,000	3.50%	86,500	(86,500)	-	-
Note Payable--2009 Mack truck R&B #2	91,000	3.50%	86,500	(86,500)	-	-
Note Payable--2009 Mack truck R&B #4	91,000	3.50%	86,500	(86,500)	-	-
Note Payable--caterpillar motorgrader R&B #2	160,000	3.50%	156,100	(83,145)	72,955	72,955
Note Payable--caterpillar motorgrader R&B #4	88,251	3.50%	80,897	(29,415)	51,482	51,482
Note Payable--caterpillar backhoe R&B #1	36,274	3.00%	-	36,274 (10,071)	26,203	26,203
Note Payable--120H motorgrader R&B #1	102,000	3.00%	-	102,000 (25,495)	76,505	76,505
Note Payable--2010 Mack truck R&B #1	95,000	3.00%	-	95,000 (4,500)	90,500	90,500
Note Payable--2010 Mack truck R&B #2	95,000	3.00%	-	95,000 (4,500)	90,500	90,500
Note Payable--2010 Mack truck R&B #4	95,000	3.00%	-	95,000 (4,500)	90,500	90,500
			<u>747,655</u>	<u>(51,200)</u>	<u>696,455</u>	<u>696,455</u>

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

(A) Note payable, Main Road & Bridge, due in monthly payments of \$535.79, including interest at 1.60%	3,022	(H) Note payable, State Bank of DeKalb, due in monthly principal payments of \$750 plus interest at 3.00% and one payment for the remaining remaining balance on March 19, 2011.	90,500
(B) Note payable, State Bank of DeKalb, due in monthly principal payments of \$1,320 including interest at 3.50% and one payment for the remaining remaining balance on August 19, 2011.	14,258	(I) Note payable, State Bank of DeKalb, due in monthly principal payments of \$750 plus interest at 3.00% and one payment for the remaining remaining balance on March 19, 2011.	90,500
(C) Note payable, State Bank of DeKalb, due in monthly principal payments of \$1,300 including interest at 3.50% and one payment for the remaining balance on July 19, 2011.	180,530	(J) Note payable, State Bank of DeKalb, due in monthly principal payments of \$750 plus interest at 3.00% and one payment for the remaining remaining balance on March 19, 2011.	90,500
(D) Note payable, State Bank of DeKalb, due in monthly principal payments of \$1,300 plus interest, and one payment for the remaining balance on June 19, 2011.	72,955		
(E) Note payable, State Bank of DeKalb, due in monthly principal payments of \$2,451 including interest at 3.00% and one payment for the remaining remaining balance on June 19, 2011.	51,482		
(F) Note payable, State Bank of DeKalb, due in monthly principal payments of \$1,008 plus interest, at 3.00% and one payment of the remaining balance on November 19, 2010.	26,203		
(G) Note payable, State Bank of DeKalb, due in monthly principal payments of \$2,833 plus interest, at 3.00% and one payment of the remaining balance on December 19, 2010.	76,505		
			<u>696,455</u>

G. CHANGES IN LONG-TERM DEBT cont'd

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

Years Ending 9/30	Principal	Interest	Total
2011	696,455	12,311	708,766
2012	-	-	-
2013	-	-	-
2014	-	-	-
2015	-	-	-
	<u>696,455</u>	<u>12,311</u>	<u>708,766</u>

H. RETIREMENT PLAN

A. Plan Description. The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan the state-wide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the state-wide agent multiple-employer public employee retirement system consisting of 602 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 5 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 5 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump-sum, are not entitled to any amounts contributed by the employer.

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

B. Funding Policy. The employer has elected the annually determined contribution rate (Variable-Rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The employer contributed using the actuarially determined rate of 7.43% for the months of the accounting year in 2009, and 8.36% for the months of the accounting year in 2010.

The contribution rate payable by the employee members for calendar year 2009 is the rate of 7% as adopted by the governing body of the employer.

H. RETIREMENT PLAN cont'd

C. Annual Pension Cost. For the employer's accounting year ended September 30, 2010 the annual pension cost for the TCDRS plan for its employees was \$164,378, and the actual contributions were \$143,401.

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, 2006, December 31, 2007, the basis for determining contribution rates for calendar years 2008 and 2009. The December 31, 2008 actuarial valuation is the most recent valuation.

Actuarial Valuation Information

Actuarial valuation date	12/31/07	12/31/08	12/31/09
Actuarial cost method	entry age	entry age	Entry age
Amortization method	level percentage of payroll, open	level percentage of payroll, open	level percentage of Payroll, open
Amortization period	30 yrs	20 yrs	20 yrs
Asset valuation method	long-term appreciation with adjustment	long-term appreciation with adjustment	SAF: 10-yr smoothed value ESF: fund value
Actuarial Assumptions:			
Investment return (1)	8%	8%	8%
Projected salary increases (1)	5.3%	5.3%	5.4%
Inflation	3.5%	3.5%	3.5%
Cost-of-living adjustments	0.0%	0.0%	0.0%

(1) Includes inflation at the stated rate

Trend Information
for the Retirement Plan for the Employees of Red River County

Accounting Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/08	148,877	100%	-0-
9/30/09	148,570	100%	-0-
9/30/10	164,378	100%	-0-

Schedule of Funding Progress for the Retirement Plan
for the Employees of the Red River County

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (1) (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/07	4,574,230	4,505,608	(68,622)	101.52%	1,881,025	(3.65%)
12/31/08	4,340,433	4,697,248	356,815	92.40%	2,018,958	17.67%
12/31/09	4,488,867	4,815,511	326,644	93.22%	2,190,943	14.91%

I. HEALTH INSURANCE

The County is covered under a health insurance plan with the Texas Association of County's Health Benefits Program. The County paid \$508 per employee per month and the employee pays \$50 per month for a total premium of \$558.42 per month.

J. 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.

K. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2009, the County purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

L. VACATION AND COMP. TIME PAYABLE

Changes in vacation and comp. time payable is as follows:

<u>9/30/09</u>	<u>9/30/10</u>
80,880	85,219

M. COMMITMENTS AND CONTINGENCIES

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

N. LITIGATION

The County has no pending litigation at September 30, 2010.

O. PRIOR PERIOD ADJUSTMENT

A prior period adjustment of \$210 is posted to the beginning net assets and to fund balance in the general fund to correct for a prior year disbursement.

COMBINING SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

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

	Permanent Improvement	Law Library	Drug Fund	Courthouse Security
ASSETS				
Cash and Cash Equivalents	\$ 25	\$ 22,412	\$ 88,148	\$ 11,479
Receivables (Net)	-	-	-	-
Total Assets	<u>\$ 25</u>	<u>\$ 22,412</u>	<u>\$ 88,148</u>	<u>\$ 11,479</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable and Accrued Expenses	\$ -	\$ -	\$ -	\$ -
Deferred Revenues	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Unreserved and Undesignated:				
Reported in the Special Revenue Fund	<u>25</u>	<u>22,412</u>	<u>88,148</u>	<u>11,479</u>
Total Fund Balances	<u>25</u>	<u>22,412</u>	<u>88,148</u>	<u>11,479</u>
Total Liabilities and Fund Balances	<u>\$ 25</u>	<u>\$ 22,412</u>	<u>\$ 88,148</u>	<u>\$ 11,479</u>

Indigent Health Care	Book Preservation	Record Management Fund	Right of Way	Juvenile Probation	Juvenile Probation Comm. Corr.	Diversiory Placement	Title IV-E
\$ 28,932	\$ 43,913	\$ 22,554	\$ 62,540	\$ 32,461	\$ 4,845	\$ 6,005	\$ 42,958
9,121	-	-	-	-	-	-	-
<u>\$ 38,053</u>	<u>\$ 43,913</u>	<u>\$ 22,554</u>	<u>\$ 62,540</u>	<u>\$ 32,461</u>	<u>\$ 4,845</u>	<u>\$ 6,005</u>	<u>\$ 42,958</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,350	\$ -	\$ -	\$ -
-	-	-	-	4,342	4,845	6,005	34,514
-	-	-	-	5,692	4,845	6,005	34,514
38,053	43,913	22,554	62,540	26,769	-	-	8,444
<u>38,053</u>	<u>43,913</u>	<u>22,554</u>	<u>62,540</u>	<u>26,769</u>	<u>-</u>	<u>-</u>	<u>8,444</u>
<u>\$ 38,053</u>	<u>\$ 43,913</u>	<u>\$ 22,554</u>	<u>\$ 62,540</u>	<u>\$ 32,461</u>	<u>\$ 4,845</u>	<u>\$ 6,005</u>	<u>\$ 42,958</u>

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

	Bail Bonds	Hot Check Fee	Co. Attny Drug Forf.	Co. Attny Welfare Fund
ASSETS				
Cash and Cash Equivalents	\$ 12,585	\$ 24,287	\$ 107,368	\$ 17
Receivables (Net)	-	-	-	-
Total Assets	<u>\$ 12,585</u>	<u>\$ 24,287</u>	<u>\$ 107,368</u>	<u>\$ 17</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable and Accrued Expenses	\$ -	\$ -	\$ -	\$ -
Deferred Revenues	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Unreserved and Undesignated:				
Reported in the Special Revenue Fund	<u>12,585</u>	<u>24,287</u>	<u>107,368</u>	<u>17</u>
Total Fund Balances	<u>12,585</u>	<u>24,287</u>	<u>107,368</u>	<u>17</u>
Total Liabilities and Fund Balances	<u>\$ 12,585</u>	<u>\$ 24,287</u>	<u>\$ 107,368</u>	<u>\$ 17</u>

Sheriff Office Comm. Serv.	Cops In Schools Grant	Economic Development	Revolving Loan	STEP # 726176	Water # 728331	2008 Housing #1000852	STEP #728136
\$ 478	\$ -	\$ 1,978	\$ 98,105	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	21,022	-	-
<u>\$ 478</u>	<u>\$ -</u>	<u>\$ 1,978</u>	<u>\$ 98,105</u>	<u>\$ -</u>	<u>\$ 21,022</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,022	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	21,022	-	-
478	-	1,978	98,105	-	-	-	-
478	-	1,978	98,105	-	-	-	-
<u>\$ 478</u>	<u>\$ -</u>	<u>\$ 1,978</u>	<u>\$ 98,105</u>	<u>\$ -</u>	<u>\$ 21,022</u>	<u>\$ -</u>	<u>\$ -</u>

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

	VSRP Fees	CCAF Fees	Total Nonmajor Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 10,575	\$ 89,518	\$ 711,183
Receivables (Net)	-	-	30,143
Total Assets	<u>\$ 10,575</u>	<u>\$ 89,518</u>	<u>\$ 741,326</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable and Accrued Expenses	\$ -	\$ -	\$ 22,372
Deferred Revenues	-	-	49,706
Total Liabilities	<u>-</u>	<u>-</u>	<u>72,078</u>
Fund Balances:			
Unreserved and Undesignated:			
Reported in the Special Revenue Fund	10,575	89,518	669,248
Total Fund Balances	<u>10,575</u>	<u>89,518</u>	<u>669,248</u>
Total Liabilities and Fund Balances	<u>\$ 10,575</u>	<u>\$ 89,518</u>	<u>\$ 741,326</u>

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

	Permanent Improvement	Law Library	Drug Fund	Courthouse Security
REVENUES:				
Taxes:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental Revenue and Grants	-	-	-	-
Charges for Services	-	7,440	-	-
Fines	-	-	31,260	10,690
Other Revenue	-	61	37,626	38
Total Revenues	<u>-</u>	<u>7,501</u>	<u>68,886</u>	<u>10,728</u>
EXPENDITURES:				
Current:				
General Government	-	-	-	-
Legal	-	4,791	-	-
Public Facilities	-	-	-	15,749
Public Safety	-	-	13,289	-
Intergovernmental	-	-	-	-
Health & Welfare	-	-	-	-
Roads & Streets	-	-	-	-
Debt Service:				
Debt Principal	-	-	7,526	-
Debt Interest	-	-	391	-
Capital Outlay:				
Capital Outlay	-	-	27,320	-
Total Expenditures	<u>-</u>	<u>4,791</u>	<u>48,526</u>	<u>15,749</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>2,710</u>	<u>20,360</u>	<u>(5,021)</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	2,710	20,360	(5,021)
Fund Balance - October 1 (Beginning)	<u>25</u>	<u>19,702</u>	<u>67,788</u>	<u>16,500</u>
Fund Balance - September 30 (Ending)	<u>\$ 25</u>	<u>\$ 22,412</u>	<u>\$ 88,148</u>	<u>\$ 11,479</u>

Indigent Health Care	Book Preservation	Record Management Fund	Right of Way	Juvenile Probation	Juvenile Probation Comm. Corr.	Diversionary Placement	Title IV-E
\$ 223,366	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
140,134	-	-	-	72,332	36,996	26,351	1,709
-	12,966	5,011	-	-	-	-	-
-	-	-	-	-	-	-	-
20	141	201	563	164	-	-	-
<u>363,520</u>	<u>13,107</u>	<u>5,212</u>	<u>563</u>	<u>72,496</u>	<u>36,996</u>	<u>26,351</u>	<u>1,709</u>
-	26,801	6,580	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	82,107	36,996	26,351	1,709
300,107	-	-	-	-	-	-	-
-	-	-	4,500	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>300,107</u>	<u>26,801</u>	<u>6,580</u>	<u>4,500</u>	<u>82,107</u>	<u>36,996</u>	<u>26,351</u>	<u>1,709</u>
<u>63,413</u>	<u>(13,694)</u>	<u>(1,368)</u>	<u>(3,937)</u>	<u>(9,611)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	16,596	-	-	-
-	-	-	-	16,596	-	-	-
63,413	(13,694)	(1,368)	(3,937)	6,985	-	-	-
<u>(25,360)</u>	<u>57,607</u>	<u>23,922</u>	<u>66,477</u>	<u>19,784</u>	<u>-</u>	<u>-</u>	<u>8,444</u>
<u>\$ 38,053</u>	<u>\$ 43,913</u>	<u>\$ 22,554</u>	<u>\$ 62,540</u>	<u>\$ 26,769</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,444</u>

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

	Bail Bonds	Hot Check Fee	Co. Attny Drug Forf.	Co. Attny Welfare Fund
REVENUES:				
Taxes:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental Revenue and Grants	-	-	-	-
Charges for Services	-	6,052	-	-
Fines	-	-	2,682	-
Other Revenue	1,034	67	7,574	-
Total Revenues	<u>1,034</u>	<u>6,119</u>	<u>10,256</u>	<u>-</u>
EXPENDITURES:				
Current:				
General Government	-	-	-	-
Legal	-	3,301	32,158	-
Public Facilities	-	-	-	-
Public Safety	-	-	-	-
Intergovernmental	-	-	-	-
Health & Welfare	-	-	-	-
Roads & Streets	-	-	-	-
Debt Service:				
Debt Principal	-	-	-	-
Debt Interest	-	-	-	-
Capital Outlay:				
Capital Outlay	-	-	-	-
Total Expenditures	<u>-</u>	<u>3,301</u>	<u>32,158</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,034</u>	<u>2,818</u>	<u>(21,902)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>1,034</u>	<u>2,818</u>	<u>(21,902)</u>	<u>-</u>
Fund Balance - October 1 (Beginning)	<u>11,551</u>	<u>21,469</u>	<u>129,270</u>	<u>17</u>
Fund Balance - September 30 (Ending)	<u>\$ 12,585</u>	<u>\$ 24,287</u>	<u>\$ 107,368</u>	<u>\$ 17</u>

Sheriff Office Comm. Serv.	Cops In Schools Grant	Economic Development	Revolving Loan	STEP # 726176	Water # 728331	2008 Housing #1000852	STEP #728136
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	23,948	-	-	14,900	232,900	211,725	72,531
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1	-	-	261	-	-	-	-
<u>1</u>	<u>23,948</u>	<u>-</u>	<u>261</u>	<u>14,900</u>	<u>232,900</u>	<u>211,725</u>	<u>72,531</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	23,948	-	-	-	-	-	-
-	-	-	10,511	14,900	232,900	211,725	72,531
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	23,948	-	10,511	14,900	232,900	211,725	72,531
1	-	-	(10,250)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1	-	-	(10,250)	-	-	-	-
477	-	1,978	108,355	-	-	-	-
<u>\$ 478</u>	<u>\$ -</u>	<u>\$ 1,978</u>	<u>\$ 98,105</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

	VSRP Fees	CCAF Fees	Total Nonmajor Governmental Funds
REVENUES:			
Taxes:			
Property Taxes	\$ -	\$ -	\$ 223,366
Intergovernmental Revenue and Grants	-	-	833,526
Charges for Services	-	-	31,469
Fines	10,570	89,478	144,680
Other Revenue	5	40	47,796
Total Revenues	<u>10,575</u>	<u>89,518</u>	<u>1,280,837</u>
EXPENDITURES:			
Current:			
General Government	-	-	33,381
Legal	-	-	40,250
Public Facilities	-	-	15,749
Public Safety	-	-	184,400
Intergovernmental	-	-	542,567
Health & Welfare	-	-	300,107
Roads & Streets	-	-	4,500
Debt Service:			
Debt Principal	-	-	7,526
Debt Interest	-	-	391
Capital Outlay:			
Capital Outlay	-	-	27,320
Total Expenditures	<u>-</u>	<u>-</u>	<u>1,156,191</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>10,575</u>	<u>89,518</u>	<u>124,646</u>
OTHER FINANCING SOURCES (USES):			
Transfers In	-	-	16,596
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>16,596</u>
Net Change in Fund Balance	10,575	89,518	141,242
Fund Balance - October 1 (Beginning)	<u>-</u>	<u>-</u>	<u>528,006</u>
Fund Balance - September 30 (Ending)	<u>\$ 10,575</u>	<u>\$ 89,518</u>	<u>\$ 669,248</u>

FIDUCIARY FUNDS

Red River County, Texas
COMBINING STATEMENT OF NET ASSETS
FIDUCIARY FUND
As of September 30, 2010

	State Trust	Arrest Fees	Law Enforcement	Total
ASSETS				
Cash and cash equivalents	177,230	81,556	10,257	269,043
Total Assets	<u>177,230</u>	<u>81,556</u>	<u>10,257</u>	<u>269,043</u>
LIABILITIES				
Due to other governments	<u>177,230</u>	<u>81,556</u>	<u>10,257</u>	<u>269,043</u>

FEDERAL AWARDS SECTION



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

Bob J. Arnold, C.P.A.
Lanny G. Walker, C.P.A.
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Andrew T. Arnold, C.P. A.
Melissa J. Godfrey, C.P.A.

MEMBER
American Institute Of
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Texas State Society Of
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Judge and
County Commissioners
Red River County, Texas
Clarksville, Texas

We have audited the financial statements of the governmental activities, the business-type activities and each major fund, and the aggregate remaining fund information of the County of Red River, Texas as of and for the year ended September 30, 2010, which collectively comprise the County’s basic financial statements and have issued our report thereon dated December 1, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A 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.

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.

December 1, 2010



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

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

Honorable Judge and
County Commissioners
Red River County, Texas
Clarksville, Texas

Compliance

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

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

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

Internal Control Over Compliance

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

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

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

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

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

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

December 1, 2010

Red River County, Texas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED September 30, 2010

I. Summary of the Auditor's Results:

- a. The type of report issued on the financial statements of Red River County was unqualified.
- 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. None
- 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. None
- f. A statement as to whether the audit disclosed any audit findings which the auditor is required to report under Section 510(a). NONE
- g. An identification of major programs: U.S. Department of HUD 14.228, CDBG
- 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. Yes

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

NONE

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

NONE

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

09-1 County Attorney receipts were timely deposited.

09-2 Vacation and sick accruals have been accounted for better in the current year.

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

N/A

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

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<u>Passed Through Texas Department of Housing and Community Affairs</u>			
Home Program	14.239	1000852	211,725
Home Program	14.239	1001035	-
Total Passed Through TDHCA			<u>211,725</u>
<u>Passed Through Texas Department of Rural Affairs</u>			
CDBG-Water Facilities	14.228	726176	14,900
CDBG-Water Facilities	14.228	728331	232,900
Disaster Relief	14.228	728587	159,492
CDBG-Water Facilities	14.228	728136	72,531
CDBG-Street Improvements	14.228	710157	-
Total Passed Through TDRA			<u>479,823</u>
TOTAL DEPARTMENT OF HUD			<u>691,548</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
<u>Passed Through Texas Department of Public Safety</u>			
Homeland Security	97.044	SHSP LEAP	<u>191,438</u>
TOTAL DEPARTMENT OF HOMELAND SECURITY			<u>191,438</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>882,986</u></u>

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

Federal Grantor: U.S. Department of HUD
 Pass through Grantor: TDRA
 CFDA# 14.228, Project #726176, Contract Period 1/7/07-10/6/09

	<u>Federal</u>			<u>Total</u>
	<u>Budget</u>	<u>Prior Year</u>	<u>Current Year</u>	
REVENUE				
Federal	<u>166,980</u>	<u>82,007</u>	<u>14,900</u>	<u>96,907</u>
EXPENSES				
Water facilities	108,530	35,507	5,450	40,957
Engineering	33,450	27,500	5,950	33,450
Administration	<u>25,000</u>	<u>19,000</u>	<u>3,500</u>	<u>22,500</u>
TOTAL EXPENSES	<u>166,980</u>	<u>82,007</u>	<u>14,900</u>	<u>96,907</u>
EXCESS REVENUE OVER EXPENSES	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

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

Federal Grantor: U.S. Department of HUD
 Pass through Grantor: TDRA
 CFDA# 14.228, Project #728331, Contract Period 6/22/08-12/21/10

	<u>Federal</u>			<u>Total</u>
	<u>Budget</u>	<u>Prior Year</u>	<u>Current Year</u>	
REVENUE				
Federal	<u>250,000</u>	<u>17,100</u>	<u>232,900</u>	<u>250,000</u>
EXPENSES				
Water facilities	187,500	-	187,500	187,500
Engineering	39,979	9,600	30,379	39,979
Administration	<u>22,521</u>	<u>7,500</u>	<u>15,021</u>	<u>22,521</u>
TOTAL EXPENSES	<u>250,000</u>	<u>17,100</u>	<u>232,900</u>	<u>250,000</u>
EXCESS REVENUE OVER EXPENSES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

Federal Grantor: U.S. Department of HUD
 Pass through Grantor: TDHCA
 CFDA# 14.239, Project #1000852, Contract Period: 11/30/07-11/30/09

	<u>Federal</u>			<u>Total</u>
	<u>Budget</u>	<u>Prior Year</u>	<u>Current Year</u>	
REVENUE				
Federal	<u>374,400</u>	<u>162,675</u>	<u>211,725</u>	<u>374,400</u>
EXPENSES				
Community Development	360,000	161,475	198,525	360,000
Administration	<u>14,400</u>	<u>1,200</u>	<u>13,200</u>	<u>14,400</u>
TOTAL EXPENSES	<u>374,400</u>	<u>162,675</u>	<u>211,725</u>	<u>374,400</u>
EXCESS REVENUE OVER EXPENSES	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>

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

Federal Grantor: U.S. Department of HUD
 Pass through Grantor: Texas Community Development
 CFDA# 14.228, Project #728587, Contract Period: 3/5/09-3/4/11

	<u>Budget</u>	<u>Federal Prior Year</u>	<u>Federal Current Year</u>	<u>Total</u>
REVENUE				
Federal	<u>196,185</u>	<u>10,015</u>	<u>159,492</u>	<u>169,507</u>
EXPENSES				
Street improvements	169,125	10,015	135,492	145,507
Administration	<u>27,060</u>	<u>-</u>	<u>24,000</u>	<u>24,000</u>
TOTAL EXPENSES	<u>196,185</u>	<u>10,015</u>	<u>159,492</u>	<u>169,507</u>
EXCESS REVENUE OVER EXPENSES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

Federal Grantor: U.S. Department of HUD
 Pass through Grantor: TDRA
 CFDA# 14.228, Project #728136, Contract Period: 2/28/09-2/27/11

	<u>Budget</u>	<u>Prior Year</u>	<u>Federal</u> <u>Current Year</u>	<u>Total</u>
REVENUE				
Federal	<u>127,656</u>	<u>5,500</u>	<u>72,531</u>	<u>78,031</u>
EXPENSES				
Water facilities	61,756	-	39,431	39,431
Engineering	39,000	-	25,000	25,000
Administration	<u>26,900</u>	<u>5,500</u>	<u>8,100</u>	<u>13,600</u>
TOTAL EXPENSES	<u>127,656</u>	<u>5,500</u>	<u>72,531</u>	<u>78,031</u>
EXCESS REVENUE OVER EXPENSES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

Federal Grantor: U.S. Department of HUD
 Pass through Grantor: TDHCA
 CFDA# 14.239, Project #1001035, Contract Period: 3/11/09-1/11/11

	<u>Budget</u>	<u>Federal Current Year</u>	<u>Total</u>
REVENUE			
Federal	<u>374,400</u>	<u>-</u>	<u>-</u>
EXPENSES			
Community development	367,200	-	-
Administration	<u>7,200</u>	<u>-</u>	<u>-</u>
TOTAL EXPENSES	<u>374,400</u>	<u>-</u>	<u>-</u>
EXCESS REVENUE OVER EXPENSES	<u>-</u>	<u>-</u>	<u>-</u>

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

Federal Grantor: U.S. Department of HUD
 Pass through Grantor: TDRA
 CFDA# 14.228, Project #710157, Contract Period: 9/10/10-9/9/12

	<u>Budget</u>	<u>Federal Current Year</u>	<u>Total</u>
REVENUE			
Federal	<u>350,000</u>	<u>-</u>	<u>-</u>
EXPENSES			
Water facilities	320,000	-	-
Administration	<u>30,000</u>	<u>-</u>	<u>-</u>
TOTAL EXPENSES	<u>350,000</u>	<u>-</u>	<u>-</u>
EXCESS REVENUE OVER EXPENSES	<u>-</u>	<u>-</u>	<u>-</u>

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

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

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

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

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

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