

**HILL COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**For the Fiscal Year Ended**

**September 30, 2010**

Hill County, Texas  
Annual Financial Report  
For the Fiscal Year Ended September 30, 2010

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FINANCIAL SECTION

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**INDEPENDENT AUDITOR'S REPORT**

To the Commissioner's Court  
Hill County, Texas

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hill County, Texas, as of and for the year ended September 30, 2010, which collectively comprise Hill County, Texas's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Hill County, Texas's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hill County, Texas, as of September 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the General Fund, the Road and Bridge Fund, and the Indigent Health Care 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, I have also issued my report dated March 30, 2011, on my consideration of Hill County, Texas's internal control over financial reporting and on my 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 my 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 should be considered in assessing the results of my audit.

The management's discussion and analysis, the non-major budgetary comparison information, and the schedule of funding progress for the Public Employees Retirement System on pages 3 through 10, 51 through 58, and 41, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hill County, Texas's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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 basic financial statements of Hill County, Texas. The combining and individual non-major fund financial statements and schedules of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,

A handwritten signature in cursive script that reads "Wayne R. Beyers".

WAYNE R. BEYER  
Certified Public Accountant  
Pleasanton, Texas  
March 30, 2011

## Management's Discussion and Analysis

### Financial Highlights

- The assets of Hill County, Texas exceeded its liabilities at the close of the most recent fiscal year by \$23,782,433 (net assets). Of this amount, \$8,335,524 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$240,203. This increase is attributable to an increase in property taxes of \$709,538.
- As of the close of the current fiscal year, Hill County, Texas's governmental funds reported combined ending fund balances of \$7,473,503 a decrease of \$1,683,195 in comparison with the prior year. Approximately 90% of this total amount, \$6,751,439, is available for spending at the government's discretion (unreserved fund balance).

At the end of the current fiscal year, the unreserved fund balance for the general fund was \$3,403,504, or 35 percent of total general fund expenditures, the unreserved fund balance for the road and bridge fund was \$2,038,807, or 35 percent of total road and bridge fund expenditures, and the unreserved fund balance for the indigent health care fund was \$282,891, or 35 percent of total indigent health care.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Hill County, Texas's basic financial statements. Hill County, Texas's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of Hill County, Texas's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of Hill County, Texas's assets and liabilities, with the difference between the two reported as net assets. Overtime, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Hill County, Texas is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish functions of Hill County, Texas that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of Hill County, Texas include general administration, public safety, public transportation, health and welfare, judicial, public facilities, legal, financial administration, conservation, and capital projects.

The government-wide financial statements include only Hill County, Texas itself (known as the primary government). The government-wide financial statements can be found on pages 11-12 of this report.

***Fund financial statements:*** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Hill County, Texas, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Hill County, Texas are governmental funds.

***Governmental funds:***

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Hill County, Texas maintains thirty-one (31) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the indigent health care fund, and the road and bridge funds, all of which are considered to be major funds. Data from the other twenty eight (28) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Budgets for all budgeted General, Debt Service and Special Revenue Funds are adopted on a budgetary basis which is in conformity with generally accepted accounting principles (GAAP). Budgets for the 2010 fiscal year were adopted for the General Fund, the Road and Bridge Funds, County Clerk Records, the Law Library Fund, the Jury Fund, the Records Preservation and Management Fund, the D.A. Forfeited Property Fund, the Indigent Health Care, Probation Education, Justice Court Technology Fund, and the Interest and Sinking Fund.

The basic governmental fund financial statements can be found on pages 13-21 of this report.

***Proprietary funds:***

Hill County, Texas maintains no type of proprietary fund.

***Notes to the financial statements:***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-40 of this report.



*Other information:*

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning Hill County, Texas's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 41 of this report.

The combining statements referred to earlier in connection with major road and bridge funds, agency funds, and non-major governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 42-50 of this report. The budget comparison schedules in connection with the non-major governmental funds can be found on pages 51-58 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Hill County, Texas, assets exceeded liabilities by \$23,782,433 at the close of the most recent fiscal year.

Sixty-two percent of Hill County, Texas's net assets reflect its investment in capital assets (e.g., land, buildings, machinery, infrastructure, and equipment); less any related debt used to acquire those assets that is still outstanding. Hill County, Texas uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Hill County, Texas's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**HILL COUNTY, TEXAS  
NET ASSETS**

	Governmental Activities		Total	
	2010	2009	2010	2009
Current and Other Assets	\$10,842,052	\$12,555,513	\$10,842,052	\$12,555,513
Capital Assets:	21,933,917	20,283,986	21,933,917	20,283,986
Total Assets	32,775,969	32,839,499	32,775,969	32,839,499
Long-Term Liabilities	7,780,129	7,759,304	7,780,129	7,759,304
Other Liabilities	1,213,407	1,537,965	1,213,407	1,537,965
Total Liabilities	8,993,536	9,297,269	8,993,536	9,297,269
Invested in Capital Assets, Net of Related Debt	14,724,845	13,012,678	14,724,845	13,012,678
Restricted	722,064	952,240	722,064	952,240
Unrestricted	8,335,524	9,577,312	8,335,524	9,577,312
Total Net Assets	<u>\$23,782,433</u>	<u>\$23,542,230</u>	<u>\$23,782,433</u>	<u>\$23,542,230</u>

An additional portion of Hill County, Texas's net assets (3 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$8,335,524) may be used to meet the governments on going obligations to citizens and creditors. At the end of the current fiscal year, Hill County, Texas reported a positive balance in the governmental activities. For the prior fiscal year, Hill County, Texas reported positive balances in net assets, both for the government as a whole, as well as for its separate governmental activities.

Governmental activities:

Governmental activities increased Hill County, Texas's net assets by \$240,203, thereby accounting for 100 percent of the total increase in the net assets of Hill County, Texas.

**HILL COUNTY, TEXAS  
CHANGE IN NET ASSETS**

	Governmental Activities		Total	
	2010	2009	2010	2009
<b>Revenues:</b>				
Program Revenues:				
Charges for Services	\$4,349,279	\$4,594,507	\$4,349,279	\$4,594,507
Operating Grants and Contributions	2,444,688	1,878,634	2,444,688	1,878,634
Capital Grants and Contributions	445,416	2,711,688	445,416	2,711,688
General Revenues:				
Maintenance and Operations Taxes	9,488,891	8,779,353	9,488,891	8,779,353
Sales Taxes	1,482,698	1,772,732	1,482,698	1,772,732
Other Taxes	103,433	102,462	103,433	102,462
Unrestricted Investment Earnings	211,104	430,823	211,104	430,823
Miscellaneous	472,475	227,847	472,475	227,847
<b>Total Revenue</b>	<b>18,997,984</b>	<b>20,498,046</b>	<b>18,997,984</b>	<b>20,498,046</b>

**Expenses:**

General Administration	1,822,935	2,072,407	1,822,935	2,072,407
Legal	382,089	376,672	382,089	376,672
Judicial	2,772,521	2,842,028	2,772,521	2,842,028
Financial Administration	736,347	751,953	736,347	751,953
Public Facilities	679,385	644,407	679,385	644,407
Public Safety	7,180,138	6,624,593	7,180,138	6,624,593
Public Transportation	3,636,553	4,396,904	3,636,553	4,396,904
Health and Welfare	1,028,786	790,575	1,028,786	790,575
Conservation - Agriculture	128,235	121,396	128,235	121,396
Interest and Fiscal Charges	390,792	368,411	390,792	368,411
<b>Total Expenses</b>	<b>18,757,781</b>	<b>18,989,346</b>	<b>18,757,781</b>	<b>18,989,346</b>

Increase in Net Assets Before Transfers and Special Items	240,203	1,508,700	240,203	1,508,700
Transfers	0	0	0	0
Increase in Net Assets	240,203	1,508,700	240,203	1,508,700
Net Assets at 09/30/2009	23,542,230	22,033,530	23,542,230	22,033,530
Net Assets at 09/30/2010	<u>\$23,782,433</u>	<u>\$23,542,230</u>	<u>\$23,782,433</u>	<u>\$23,542,230</u>

The increase in net assets over the previous year was \$240,203. Non-grant revenues increased by \$200,156 which was caused in great part by a \$709,538 increase in ad valorem taxes. The total expenses decreased by \$231,565 which was largely the result of a decrease in FEMA expenses and general administration coupled with a general increase in all the other expense functions including public safety which increased by \$555,545.

Expenses and Program Revenues - Governmental Activities

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Government Activities:				
General Administration	\$1,822,935	\$342,301	\$43,243	\$0
Legal	382,089	66,526	62,500	
Judicial	2,772,521	1,978,950	266,639	
Financial Administration	736,347	439,721		
Public Facilities	679,385			
Public Safety	7,180,138	722,170	1,025,584	
Public Transportation	3,636,553	799,611	1,033,004	445,416
Health and Welfare	1,028,786		14,718	
Conservation - Agriculture	128,235			
Interest and Fiscal Charges	390,792			
Total Government Activities	<u>\$18,757,781</u>	<u>\$4,349,279</u>	<u>\$2,444,688</u>	<u>\$445,416</u>

Revenues by Source - Governmental Activities

	REVENUES	%
Charges for Services	\$4,349,279	22.89%
Operating Grants and Contributions	2,444,688	12.87%
Capital Grants and Contributions	445,416	2.34%
Property Taxes, Levies for General Purposes	9,488,891	49.95%
Sales Taxes	1,482,698	7.80%
Other Taxes	103,433	0.54%
Unrestricted Investment Earnings	211,104	1.11%
Miscellaneous	472,475	2.49%
	<u>\$18,997,984</u>	<u>100.00%</u>

## Financial Analysis of the Government's Funds

As noted earlier, Hill County, Texas uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### Governmental funds:

The focus of Hill County, Texas's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Hill County, Texas's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, Hill County, Texas's governmental funds reported combined ending fund balances of \$7,473,503, a decrease of \$1,683,195 in comparison with the prior year. Approximately 90 percent of this total amount \$6,751,439 constitutes unreserved fund balance, which is available for spending at the government's discretion. The remaining restricted amounts are as follows: 1) \$150,538 is to be used for debt service, and 2) \$571,526 is to be used for construction.

The general fund is the chief operating fund of Hill County, Texas. At the end of the current fiscal year, unreserved fund balance of the general fund was \$3,403,504, while total fund balance reached \$3,403,504. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 35 percent of total general fund expenditures, while total fund balance represents 35 percent of that same amount.

The fund balance of Hill County, Texas's general fund decreased by \$494,018 during the current fiscal year. Key factors in this decrease are as follows:

- Sales Taxes decreased by \$232,026 and Intergovernmental decreased by \$291,423 while expenditures increased by only \$116,953.

At the end of the current fiscal year, unreserved fund balance of the road and bridge fund was \$2,038,807, while total fund balance reached \$2,038,807. As a measure of the road and bridge fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 35 percent of total road and bridge fund expenditures, while total fund balance represents 35 percent of that same amount.

The fund balance of Hill County, Texas's road and bridge fund decreased by \$667,439 during the current fiscal year. Key factors in this increase are as follows:

- Road expenditures increased by \$982,927 largely due to a greater amount of equipment purchases and infrastructure expenditures over the prior year.

At the end of the current fiscal year, unreserved fund balance of the indigent health care fund was \$282,891, while total fund balance reached \$282,891. As a measure of the indigent health care fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 35 percent of total indigent health care fund expenditures, while total fund balance represents 35 percent of that same amount.

The fund balance of Hill County, Texas's indigent health care fund decreased by \$61,666 during the current fiscal year. Key factors in this decrease are as follows:

- The health care expenditures increased by \$154,497. More indigent clients were enrolled in the County program resulting in greater expense.

**Fund Budgetary Highlights**

Differences between the original budget and the final amended budget for the general fund were an increase of \$996,083. The increase in the budget was due to the certifications of revenues and expenditures due to funds that were neither unanticipated nor budgeted for in the original budget. The increase was mostly due to grant proceeds which financed an increase in expenditures. In total, the general fund expenditures were under the budgeted expenditures by \$682,921.

Differences between the original budget and the final amended budget for the road and bridge fund were an increase of \$1,008,100. The increase in the budget was due to the certifications of revenues and expenditures due to funds that were neither unanticipated nor budgeted for in the original budget. Over 95% of the certification of revenue pertained to three Texas Department of Transportation bridges that were completed during the fiscal year. The fair value of the bridges was recorded as a donation with a corresponding expenditure to the road and bridge funds. In total, the road and bridge fund expenditures were under the budgeted expenditures by \$1,494,000.

Differences between the original budget and the final amended budget for the indigent health care fund were an increase of \$29,971. Due to greater indigent health expenditures than expected, the total indigent health fund expenditures exceeded the budgeted Expenditures by \$159,318.

**Capital Asset and Debt Administration**

**Capital assets:**

Hill County, Texas's investment in capital assets for its governmental activities as of September 30, 2010, amounts to \$21,933,917 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, and infrastructure items such as roads, highways, and bridges. The total increase in Hill County, Texas's investment in capital assets for the current fiscal year was \$1,649,931 or 8 percent.

The County expended FEMA grant costs during the year for road construction.

**HILL COUNTY, TEXAS  
CAPITAL ASSETS (Net of Depreciation)**

	Governmental Activities		Total	
	2010	2009	2010	2009
Land	\$18,198	\$18,198	\$18,198	\$18,198
Construction in Progress	0	3,600	0	3,600
Building and Improvements	15,408,631	15,862,560	15,408,631	15,862,560
Machinery and Equipment	3,463,476	2,721,285	3,463,476	2,721,285
Infrastructure	3,043,612	1,678,343	3,043,612	1,678,343
<b>Total</b>	<b>\$21,933,917</b>	<b>\$20,283,986</b>	<b>\$21,933,917</b>	<b>\$20,283,986</b>

Additional information on Hill County, Texas's capital assets can be found in note IV C on page 33 of this report.

Long-term debt:

At the end of the current fiscal year, Hill County, Texas had total bonded debt outstanding of \$7,090,000. All of which comprises debt backed by the full faith and credit of Hill County, Texas.

	Beginning Balance	Additions	Reductions	Refunding Bonds	Bonds Refunded	Ending Balance	Due Within One Year	Due After One Year
<u>Governmental Activities:</u>								
Certificates of Obligation	\$7,190,000	\$0	\$280,000	\$6,740,000	\$6,560,000	\$7,090,000	\$375,000	\$6,715,000
Grand Total	<u>\$7,190,000</u>	<u>\$0</u>	<u>\$280,000</u>	<u>\$6,740,000</u>	<u>\$6,560,000</u>	<u>\$7,090,000</u>	<u>\$375,000</u>	<u>\$6,715,000</u>

Hill County, Texas's total bonded debt decreased by \$100,000 (01 percent) during the current fiscal year. The key factor in this decrease was the payment of certificates of obligation bonds of \$280,000 and a loss of \$180,000 on bond refunding for the year.

While the bond refunding created a loss for the current year, the total deferred savings from the transaction is \$1,037,163 to the citizens of Hill County.

Additional information on Hill County, Texas's long term debt can be found in note IV F on pages 35 thru 37 of this report.

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

- Exploration in the Barnett Shale has slowed considerably during 2011.
- While the state is facing deep expenditure cuts, Hill County will focus on maintaining its current reserve for 2011 and 2012. State unfunded mandates are likely.

Estimated revenue for fiscal year 2011 is \$10,519,799, including incoming transfer of \$1,381,422 for the General Fund and estimated expenditures are \$10,670,709.

#### Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the funds it receives. If questions are encountered regarding this report; contact the Hill County Auditor's Office, P. O. Box 783, Hillsboro, TX 76645; Phone: 254-582-4060, Fax: 254-582-4033, or Email: [auditor@co.hill.tx.us](mailto:auditor@co.hill.tx.us).

**BASIC FINANCIAL STATEMENTS**

GOVERNMENT-WIDE FINANCIAL STATEMENTS



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

	<u>Primary Government</u>	
	<u>Governmental</u>	<u>Total</u>
	<u>Activities</u>	
<b>ASSETS</b>		
Cash and Cash Equivalents	\$8,083,952	\$8,083,952
Receivables (net of allowance for uncollectibles)	2,384,163	2,384,163
Bond Issuance Costs	155,500	155,500
Inventory	53,688	53,688
Prepaid Items	164,749	164,749
Capital assets not being depreciated:		
Land	18,198	18,198
Total Capital assets being depreciated, net		
Building and Improvements	15,408,631	15,408,631
Machinery and Equipment	3,463,476	3,463,476
Infrastructure	3,043,612	3,043,612
Total Assets	<u>\$32,775,969</u>	<u>\$32,775,969</u>
<b>LIABILITIES</b>		
Accounts Payable	\$862,224	\$862,224
Accrued Wages Payable	276,835	276,835
Accrued Interest Payable	74,348	74,348
Noncurrent Liabilities:		
Due within one year	573,974	573,974
Due in more than one year	7,206,155	7,206,155
Total Liabilities	<u>8,993,536</u>	<u>8,993,536</u>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	14,724,845	14,724,845
Restricted for:		
Construction	571,526	571,526
Debt Service	150,538	150,538
Unrestricted	8,335,524	8,335,524
Total Net Assets	<u>\$23,782,433</u>	<u>\$23,782,433</u>

The accompanying notes are an integral part of this statement.

HILL COUNTY, TEXAS  
STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2010

Functions/Programs	Program Revenues			Total	Net (Expense) Revenue and Changes in Net Assets
	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities		
Primary Government					
Government Activities:					
General Administration	\$1,822,935	\$342,301	\$43,243	\$0	(\$1,437,391)
Legal	382,089	66,526	62,500		(253,063)
Judicial	2,772,521	1,978,950	265,639		(527,932)
Financial Administration	736,347	439,721			(296,626)
Public Facilities	679,385				(679,385)
Public Safety	7,180,138	722,170	1,025,584		(5,432,384)
Public Transportation	3,636,553	799,611	1,033,004	445,416	(1,358,522)
Health and Welfare	1,028,786		14,718		(1,014,068)
Conservation - Agriculture	128,235				(128,235)
Interest and Fiscal Charges	390,792				(390,792)
Total Government Activities	18,757,781	4,349,279	2,444,688	445,416	(11,518,398)
Total Primary Government	\$18,757,781	\$4,349,279	\$2,444,688	\$445,416	(11,518,398)
General Revenues					9,488,891
Property Taxes, Levies for General Purposes					1,482,698
Sales Taxes					103,433
Other Taxes					211,104
Unrestricted Investment Earnings					472,475
Miscellaneous					11,758,601
Total General Revenues and Transfers					240,203
Change in Net Assets					23,542,230
Net Assets - Beginning					\$23,782,433
Net Assets - Ending					\$23,782,433

The accompanying notes are an integral part of this statement.

**FUND FINANCIAL STATEMENTS**

HILL COUNTY, TEXAS  
 BALANCE SHEET - GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2010

**ASSETS**  
 Cash and Cash Equivalents  
 Receivables (net of allowance  
 for uncollectibles)  
 Due from Other Funds  
 Total Assets

General Fund	Road and Bridge	Indigent Health Care	Other Governmental Funds	Total Governmental Funds
\$3,574,141	\$2,135,862	\$325,784	\$2,048,165	\$8,083,952
895,228	242,275	78,803	95,712	1,312,018
			7,081	7,081
<u>\$4,469,369</u>	<u>\$2,378,137</u>	<u>\$404,587</u>	<u>\$2,150,958</u>	<u>\$9,403,051</u>

**LIABILITIES AND FUND BALANCES:**

**Liabilities**  
 Accounts Payable  
 Due to Other Funds  
 Accrued Wages Payable  
 Deferred Revenues  
 Total Liabilities

\$363,776	\$113,774	\$69,789	\$314,885	\$862,224
6			7,075	7,081
197,360	36,874	1,435	41,166	276,835
504,723	188,682	50,472	39,531	783,408
<u>1,065,865</u>	<u>339,330</u>	<u>121,696</u>	<u>402,657</u>	<u>1,929,548</u>

**Fund Balances:**  
 Reserved for:  
 Construction  
 Debt Service  
 Unreserved, Reported in  
 General Fund  
 Special Revenue Funds  
 Total Fund Balance

3,403,504				3,403,504
	2,038,807	282,891	1,026,237	3,347,935
3,403,504	2,038,807	282,891	1,748,301	7,473,503
<u>\$4,469,369</u>	<u>\$2,378,137</u>	<u>\$404,587</u>	<u>\$2,150,958</u>	<u>\$9,403,051</u>

The accompanying notes are an integral part of this statement.

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

Total Fund Balances - governmental funds balance sheet

\$7,473,503

Amounts reported for governmental activities in the statement of net assets  
(\*SNA\*) are different because:

Capital assets used in governmental activities are not reported in the funds.

21,933,917

Other long-term assets are not available to pay for current period  
expenditures and, therefore, are deferred in the funds.

1,072,145

Bond Issuance Costs are expenditures in the funds but are recorded as assets  
in the governmental activities.

155,500

Prepaid items are expenditures in the funds but are recorded as assets  
in the governmental activities.

164,749

Inventory Costs are expenditures in the funds but are recorded as assets  
in the governmental activities.

53,688

Property taxes receivable unavailable to pay for current period  
expenditures are deferred in the funds (net of allowance for uncollectibles).

783,408

Long-term liabilities, including compensated absences, are not due and payable in the  
current period and therefore are not reported in the funds.

(7,854,477)

Net assets of governmental activities - statement of net assets

\$23,782,433

The accompanying notes are an integral part of this statement.

HILL COUNTY, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
YEAR ENDED SEPTEMBER 30, 2010

REVENUES	General Fund	Road and Bridge	Indigent Health Care	Other Governmental Funds	Total Governmental Funds
Taxes					
Property	\$6,029,651	\$2,248,043	\$594,976	\$539,298	\$9,411,968
Sales	1,186,159	177,923	118,616		1,482,698
Other	103,433				103,433
Intergovernmental	458,810	332,324		1,142,248	1,933,382
Licenses and Permits		750,776			750,776
Charges for Services	1,177,751	48,835		1,889,359	3,115,945
Fines and Forfeitures	48,452	274,564		102,749	425,765
Interest	131,028	41,416		38,660	211,104
Contributions and Donations		956,722			956,722
Miscellaneous	56,266	38,063	35,939	176,831	307,099
Total Revenues	9,191,550	4,868,666	749,531	3,889,145	18,698,892

EXPENDITURES

Current:

General Administration	1,741,540			109,201	1,850,741
Legal	354,057			27,406	381,463
Judicial	1,285,091			1,468,468	2,753,559
Financial Administration	728,078				728,078
Public Facilities	380,578				380,578
Public Safety	4,839,131			2,086,985	6,926,116
Public Transportation		5,720,958			5,720,958
Health and Welfare	212,875		811,197	3,159	1,027,231
Conservation - Agriculture	126,837				126,837
Debt Service					
Principal Retirement		55,631		280,000	335,631
Interest and Fiscal Charges		6,831		354,099	360,930
Total Expenditures	9,668,187	5,783,420	811,197	4,329,318	20,592,122

Excess (Deficiency) of Revenues Over (Under)

Expenditures	(476,637)	(914,754)	(61,666)	(440,173)	(1,893,230)
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OTHER FINANCING SOURCES (USES):

Sale of Capital assets	6,735	203,300			210,035
Operating Transfers In	693,001	44,015		259,119	996,135
Operating Transfers Out	(717,117)			(279,018)	(996,135)
Total Other Financing Sources (Uses)	(17,381)	247,315	0	(19,899)	210,035
Net Changes in Fund Balances	(494,018)	(667,439)	(61,666)	(460,072)	(1,683,195)
Fund Balances - Beginning	3,897,522	2,706,246	344,557	2,208,373	9,156,698
Fund Balances - Ending	\$3,403,504	\$2,038,807	\$282,891	\$1,748,301	\$7,473,503

The accompanying notes are an integral part of this statement.

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

Net Changes in Fund Balances - total governmental funds (\$1,693,195)

Amounts reported for governmental activities in the statement of net assets  
 ("SNA") are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	1,649,931
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. This is the change in these amounts this year.	56,793
(Increase) decrease in Compensated Absences from beginning of period to end of period.	(83,061)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	76,923
Increase (decrease) in Bond Issuance Costs from beginning of period to end of period.	155,500
Increase (decrease) in Inventory from beginning of period to end of period.	61
Increase (decrease) in Prepaid Items from beginning of period to end of period.	34,877
(Increase) decrease in Accrued Interest Payable from beginning of period to end of period.	(29,862)
(Increase) decrease in Bond Refunding from beginning of period to end of period.	(180,000)
Repayment of loan principal is an expenditure in the funds but not an expense in the SOA.	335,631
Increase in loan principal are receipts in the funds but not revenue in the SOA.	(93,395)
Change in net assets of governmental activities - statement of activities	<u>\$240,203</u>

The accompanying notes are an integral part of this statement.

HILL COUNTY, TEXAS  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Taxes				
Property	\$6,063,228	\$6,063,228	\$6,029,651	(\$33,577)
Sales	1,248,000	1,248,000	1,186,159	(61,841)
Other	97,656	97,656	103,433	5,777
Intergovernmental	324,308	418,906	458,810	39,904
Charges for Services	1,228,658	1,228,658	1,177,751	(50,907)
Fines and Forfeitures	71,250	71,250	48,452	(22,798)
Interest	103,778	103,777	131,028	27,251
Miscellaneous	1,500	38,808	56,266	17,458
Total Revenues	9,138,378	9,270,283	9,191,550	(78,733)
<b>EXPENDITURES</b>				
Current:				
General Administration				
Computer	541,814	541,814	482,502	59,312
County Clerk	308,010	308,010	263,320	44,690
County Judge	139,043	139,043	130,806	8,237
Elections Administration	175,183	175,183	169,724	5,459
Non-Departmental	911,450	993,683	613,831	379,852
Tourism Director	60,000	60,000	56,996	3,004
Veterans Service	25,472	25,472	24,361	1,111
Legal				
County Attorney	347,265	347,265	341,486	5,779
County Attorney Excess	25,000	25,000	12,571	12,429
Judicial				
County Court at Law	218,943	218,943	210,949	7,994
District Attorney	182,139	182,139	178,988	3,151
District Clerk	367,265	367,266	361,571	5,695
District Judge	111,068	111,068	104,462	6,606
Justices of the Peace	447,286	447,286	429,121	18,165
Financial Administration				
County Auditor	172,686	172,686	150,811	21,875
County Treasurer	170,454	170,454	168,645	1,809
Tax Assessor-Collector	425,172	425,172	408,622	16,550
Public Facilities				
Courthouse	374,904	374,904	380,578	(5,674)
Public Safety				
911 Dispatch	383,943	391,851	378,250	13,601
Constables	244,182	244,182	220,325	23,857
Courthouse Security	168,444	168,444	154,535	13,909
Emergency Management	60,504	60,504	58,771	1,733
Jail	2,472,562	2,486,761	2,469,675	17,086
Sheriff	1,572,333	1,577,874	1,557,575	20,299

(continued)



(continued)					
Health and Welfare					
Public Assistance	128,300	138,300	143,039		(4,739)
Health and Safety	70,501	70,501	69,836		665
Conservation - Agriculture					
Agriculture Extension Service	127,303	127,303	126,837		466
Total Expenditures	<u>10,231,216</u>	<u>10,351,108</u>	<u>9,668,187</u>		<u>682,921</u>
Excess (Deficiency) of Revenues Over (Under)					
Expenditures	(1,092,838)	(1,080,825)	(476,637)		604,188
OTHER FINANCING SOURCES (USES):					
Sale of Capital assets			6,735		6,735
Operating Transfers In	1,381,422	1,381,422	693,001		(688,421)
Operating Transfers Out	(922,591)	(934,606)	(717,117)		217,489
Total Other Financing Sources (Uses)	<u>458,831</u>	<u>446,816</u>	<u>(17,381)</u>		<u>(464,197)</u>
Net Changes in Fund Balances	(634,007)	(634,009)	(494,018)		139,991
Fund Balances - Beginning	3,897,522	3,897,522	3,897,522		0
Fund Balances - Ending	<u>\$3,263,515</u>	<u>\$3,263,513</u>	<u>\$3,403,504</u>		<u>\$139,991</u>

The notes to the financial statements are an integral part of this statement.

HILL COUNTY, TEXAS  
ROAD AND BRIDGE FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes				
Property	\$2,251,971	\$2,251,971	\$2,248,043	(\$3,928)
Sales	187,200	187,200	177,923	(9,277)
Intergovernmental	248,129	271,538	332,324	60,786
Licenses and Permits	760,902	760,902	750,776	(10,126)
Charges for Services	60,000	60,000	48,835	(11,165)
Fines and Forfeitures	403,750	403,750	274,564	(129,186)
Interest	31,159	31,159	41,416	10,257
Contributions and Donations		962,509	956,722	(5,787)
Miscellaneous		10,165	38,063	27,898
Total Revenues	<u>3,943,111</u>	<u>4,939,194</u>	<u>4,868,666</u>	<u>(70,528)</u>
<b>EXPENDITURES</b>				
Current				
Public Transportation	6,197,414	7,206,514	5,720,958	1,484,556
Debt Service	60,000	60,000	55,631	4,369
Principal Retirement	11,906	11,906	6,831	5,075
Interest Retirement				
Total Expenditures	<u>6,269,320</u>	<u>7,277,420</u>	<u>5,783,420</u>	<u>1,494,000</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,326,209)</u>	<u>(2,338,226)</u>	<u>(914,754)</u>	<u>1,423,472</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of Capital assets	32,000	44,015	203,300	203,300
Operating Transfers In		44,015	44,015	0
Total Other Financing Sources (Uses)	<u>32,000</u>	<u>44,015</u>	<u>247,315</u>	<u>203,300</u>
Net Changes In Fund Balances	<u>(2,294,209)</u>	<u>(2,294,211)</u>	<u>(667,439)</u>	<u>1,626,772</u>
Fund Balances - Beginning	<u>2,706,246</u>	<u>2,706,246</u>	<u>2,706,246</u>	<u>0</u>
Fund Balances - Ending	<u>\$412,037</u>	<u>\$412,035</u>	<u>\$2,038,807</u>	<u>\$1,626,772</u>

The notes to the financial statements are an integral part of this statement.

HILL COUNTY, TEXAS  
INDIGENT HEALTH CARE FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Taxes				
Property	\$615,366	\$615,366	\$594,976	(\$20,390)
Sales	124,800	124,800	118,616	(6,184)
Interest				0
Miscellaneous		29,971	35,939	5,968
Total Revenues	<u>740,166</u>	<u>770,137</u>	<u>749,531</u>	<u>(20,606)</u>
<b>EXPENDITURES</b>				
Current:				
Health and Welfare	621,908	651,879	811,197	(159,318)
Total Expenditures	<u>621,908</u>	<u>651,879</u>	<u>811,197</u>	<u>(159,318)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>118,258</u>	<u>118,258</u>	<u>(61,666)</u>	<u>(179,924)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating Transfers In		75,000		(75,000)
Operating Transfers Out	(100,000)	(100,000)		100,000
Total Other Financing Sources (Uses)	<u>(100,000)</u>	<u>(25,000)</u>	<u>0</u>	<u>25,000</u>
Net Changes in Fund Balances	<u>18,258</u>	<u>93,258</u>	<u>(61,666)</u>	<u>(154,924)</u>
Fund Balances - Beginning	<u>344,557</u>	<u>344,557</u>	<u>344,557</u>	
Fund Balances - Ending	<u>\$362,815</u>	<u>\$437,815</u>	<u>\$282,891</u>	<u>(\$154,924)</u>

The notes to the financial statements are an integral part of this statement.

HILL COUNTY, TEXAS  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Agency Funds
<b>ASSETS</b>	
Cash and Cash Equivalents	\$2,428,355
Receivables (net of allowance for uncollectibles)	0
Total Assets	<u>\$2,428,355</u>
<b>LIABILITIES</b>	
Accounts Payable	\$0
Due to Others	<u>2,428,355</u>
Total Liabilities	<u>\$2,428,355</u>

The notes to the financial statements are an integral part of this statement.

HILL COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010

I. Summary of Significant Accounting Policies

A. Reporting entity

Hill County operates under a County Judge – Commissioner’s Court type of government and provides the following services throughout the County: public safety (dispatch, jail, and law enforcement), public transportation (roads), health, conservation (agriculture), public facilities, judicial and legal, election functions, and general and financial administrative services.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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 are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The road and bridge fund accounts for the activities of the government's road and bridge operations.

The indigent health care fund accounts for the monies used to provide medical assistance to the poor citizens of Hill County.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

*Fiduciary funds:* Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The County uses an agency fund to account for assets held for, and due to, employee benefits, payroll withholdings, deposits, and other. This fund is custodial in nature and does not involve measurement of results of operations. Accordingly, it presents only a statement of fiduciary net assets and does not present a statement of changes in fiduciary net assets. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. Fiduciary funds are presented on an economic resources measurement focus and the accrual basis of accounting, similar to the government-wide financial statements.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Government and the District to invest in obligations of the U.S. Treasury. Investments for the Government are reported at fair value.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

D. Assets, Liabilities, and Net Assets or Equity (continued)

2. Receivables and Payables (continued)

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All property tax receivables are shown net of an allowance for uncollectibles. The property tax receivable allowance is equal to a total of 1 percent of the current outstanding property taxes at September 30, 2010 and 10 percent of the delinquent outstanding property taxes at September 30, 2010.

Property is appraised and a lien on such property becomes enforceable as of January 1, subject to certain procedures for rendition, appraisal, appraisal review and judicial review. Traditionally, property taxes are levied October 1, of the year in which assessed or as soon thereafter as practicable. Taxes are due and payable when levied since that is when the County bills the taxpayers. The County begins to collect the taxes as soon as the taxpayers are billed.

3. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method in the government-wide financial statements.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The prepaid items at September 30, 2010 are reflected in the accompanying financial statements.

4. Restricted Assets

There were no restricted assets at September 30, 2010.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government 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. Infrastructure items such as roads and highways are not included. Bridges are capitalized. Road expenditures are usually expensed.

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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The County expended FEMA grant costs during the year for road construction.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	20 - 50
Building Improvements	20 - 50
System Infrastructure	35 - 50
Vehicles	5 - 20
Office Equipment	5 - 20
Computer Equipment	5 - 20

6. **Compensated Absences**

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in government-wide financial statements.

7. **Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs and loss on refunding, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs and loss on refunding are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund Equity

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.

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.

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$7,854,477 difference are as follows:

Capital Leases Payable	\$119,072
Bonds Payable	7,090,000
Accrued Interest Payable	74,348
Compensated Absences	571,057
	<u>\$7,854,477</u>

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets (continued).

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds" report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this \$21,933,917 difference are as follows:

Capital Assets Not Being Depreciated	\$18,198
Capital Assets Being Depreciated	31,835,439
Accumulated Depreciation	(9,919,720)
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Assets of Governmental Activities	<u>\$21,933,917</u>

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles)." The details of this \$783,408 difference are as follows:

Property Taxes Receivable	\$966,638
Allowance for Doubtful Accounts	(96,662)
Amounts Collected Within 60 Days	<u>(86,568)</u>
Net	<u>\$783,408</u>

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds." The details of this \$1,072,145 difference are as follows:

Fines Receivable	\$1,786,909
Allowance for Doubtful Accounts	<u>(714,764)</u>
Net	<u>\$1,072,145</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$1,649,931 difference are as follows:

Capital Outlay - Additions - Not Being Depreciated	\$0
Capital Outlay - Additions - Being Depreciated	3,185,091
Capital Outlay - Deletions - Net	(48,259)
Depreciation Expense	(1,486,901)
Net Adjustment to	
Increase Net Changes	
in Fund Balances - Total	
Governmental Funds to	
Arrive at Changes in	
Net Assets of	
Governmental Activities	<u>\$1,649,931</u>

### III. Stewardship, Compliance, and Accountability

#### A. Budgetary Information

The original budget is adopted by the Commissioner's Court and filed with the County Clerk. Amendments are made during the year on approval by the Commissioner's Court.

The final amended budget is used in this report.

The budget should not be exceeded in any expenditure category under State law. Unused appropriations lapse at the end of each year.

The County Judge is, by statute, the Budget Officer of the County. He usually requests and relies on the assistance of the County Auditor to prepare the annual budget. The County Judge prepares the budget by July 31 of each year pursuant to statute.

The Commissioner's Court invites various department heads to appear for a hearing concerning the departments' budget requests. Before determining the final budget, the Commissioner's Court may increase or decrease the amounts requested by the various departments. Amounts finally budgeted may not exceed the County Auditor's estimate of revenues and available cash. The final budget can be legally amended by the Commissioner's Court to whatever extent the Court desires as long as the amended figures do not exceed the County Auditor's estimate of revenues and available cash.

When the Budget has been adopted by the Commissioner's Court, the County Auditor is responsible for monitoring the expenditures of the various departments of the County to prevent expenditures from exceeding budgeted appropriations and for keeping the members of the Commissioner's Court advised of the condition of the various funds and accounts. The level of control for each legally adopted annual operating budget is the fund.

Budgets for all budgeted General, Debt Service and Special Revenue Funds are adopted on a budgetary basis which is in conformity with generally accepted accounting principles (GAAP). Budgets for the 2010 fiscal year were adopted for the General Fund, the Road and Bridge Funds, Records Preservation and Management Fund, the Law Library Fund, the Jury Fund, the Indigent Health Fund, the D.A. Forfeited Property Fund, the Probate Education Fund, the Justice Court Technology Fund, the County Clerk Records Fund, and the Interest and Sinking Fund.

**B. Excess of Expenditures over Appropriations**

For the year ended September 30, 2010, expenditures exceeded appropriations in the Indigent Health Care Fund whereby expenditures of \$811,197 exceeded appropriations of \$651,879 by \$159,318.

**C. Deficit fund equity**

The county had no deficit fund balances as of September 30, 2010.

#### IV. Detailed Notes on All Funds

##### A. Deposits and Investments

###### Legal and Contractual Provisions Governing Deposits and Investments:

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

###### Policies Governing Deposits and Investments:

The County has an investment policy and a deposit policy.

As of September 30, 2010, the government had the following investments: None

*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 government has a deposit policy for custodial credit risk. As of September 30, 2010, the government's bank balance of \$3,254,339 with Wells Fargo National Bank was not exposed to custodial credit risk because it was fully insured and/or collateralized with securities held by the pledging financial institution's trust department or agent, in the government's name; the total amount of the pledged securities was \$3,446,381 and the FDIC coverage is \$250,000. The government's bank balance of \$291,512 with Citizens National Bank was exposed to custodial credit risk because it was not fully insured and/or collateralized with securities held by the pledging financial institution's trust department or agent, in the government's name; the total amount of the pledged securities was \$-0- and the FDIC coverage is \$250,000.



The government's bank balance of \$7,252,581 with Citizens State Bank was not exposed to custodial credit risk because it was fully insured and/or collateralized with securities held by the pledging financial institution's trust department or agent, in the government's name; the total amount of the pledged securities was \$9,562,581 and the FDIC coverage is \$250,000. The amount of \$11,051 in the Bank of America was covered by the FDIC.

A schedule of the collateral/FDIC coverage is as follows:

BANK	BANK BALANCE	FDIC INSURANCE	COLLATERAL *	AMOUNT AT RISK
WELLS FARGO BANK	\$3,254,339	\$250,000	\$3,446,381	\$0
CITIZENS NATIONAL BANK	291,512	250,000	0	41,512
CITIZENS STATE BANK	7,252,581	250,000	9,562,475	0
BANK OF AMERICA	11,051	250,000	0	0
<b>TOTAL</b>	<b>\$10,809,483</b>	<b>\$1,000,000</b>	<b>\$13,008,856</b>	<b>\$41,512</b>

\* COLLATERAL HELD BY THE BANK IN THE COUNTY'S NAME

B. Receivables

Receivables as of the year end for the governmental activities in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Receivables	General	Road and Bridge	Indigent Health Care	Other Govern-mental	Total
	Ad Valorem Taxes	\$622,973	\$232,575	\$62,297	\$48,793
Sales Taxes	205,127	30,769	20,513		256,409
Fines	1,786,909				1,786,909
Other	129,424	2,188	2,223	51,798	185,633
Gross Receivables	2,744,433	265,532	85,033	100,591	3,195,589
Less: Allowance for Uncollectibles	777,060	23,257	6,230	4,879	811,426
<b>Net Total Receivables</b>	<b>\$1,967,373</b>	<b>\$242,275</b>	<b>\$78,803</b>	<b>\$95,712</b>	<b>\$2,384,163</b>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

Delinquent Property Taxes Receivable (General Fund)-Net	<u>Unavailable</u>
	<u>\$ 783,408</u>
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 783,408</u>

C. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$18,198			\$18,198
Construction in Progress	3,600		3,600	0
Total Capital Assets Not Being Depreciated:	21,798	0	3,600	18,198
Capital Assets Being Depreciated:				
Building and Improvements	20,466,799	61,890		20,528,689
Machinery and Equipment	6,883,476	1,609,268	664,676	7,828,068
Infrastructure	1,964,749	1,513,933		3,478,682
Total Capital Assets Being Depreciated:	29,315,024	3,185,091	664,676	31,835,439
Less: Accumulated Depreciation for:				
Building and Improvements	4,604,239	515,819		5,120,058
Machinery and Equipment	4,162,191	822,418	620,017	4,364,592
Infrastructure	286,406	148,664		435,070
Total Accumulated Depreciation	9,052,836	1,486,901	620,017	9,919,720
Total Capital Assets Depreciated, Net	20,262,188	1,698,190	44,659	21,915,719
Governmental Activities Capital Assets, Net	<u>\$20,283,986</u>	<u>\$1,698,190</u>	<u>\$48,259</u>	<u>\$21,933,917</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities	\$84,767
General Administration	20,814
Judicial	3,280
Financial Administration	298,212
Public Facilities	358,876
Public Safety	720,952
Public Transportation	
Total Depreciation Expense - Governmental Activities	<u>\$1,486,901</u>

Construction commitments

The County expended FEMA grant costs during the year for road construction.



D. Interfund Receivables, Payables, and Transfers

There were no advances at September 30, 2010.

The Due to/from other funds consist of several immaterial amounts and are expected to be repaid within one year. The Due to/from other funds consisted of the following:

	DUE FROM	
	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL
DUE TO		
NON-MAJOR GOVERNMENTAL FUNDS	\$7,081	\$7,081
TOTALS	\$7,081	\$7,081

The transfers consist mainly of transfers between the general fund and the nonmajor funds. The transfers consisted of the following:

	TRANSFER IN			TOTAL
	GENERAL FUND	ROAD AND BRIDGE	NON-MAJOR GOVERNMENTAL FUNDS	
TRANSFER OUT				
GENERAL FUND	\$483,098	\$12,015	\$259,119	\$754,232
NON-MAJOR GOVERNMENTAL FUNDS	209,903	32,000		241,903
TOTALS	\$693,001	\$44,015	\$259,119	\$996,135

Note: All transfers are non-recurring.

E. Leases

Operating Leases

The government leases equipment under non-cancelable operating leases. Total costs for such leases were \$87,194 for the year ended September 30, 2010. The future minimum lease payments for these leases are as follows:

Year Ending Sept. 30,	Amount
2011	\$ 81,751
2012	66,257
2013	48,749
2014	7,167
Total	<u>\$203,924</u>

F. Long-Term Debt

Capital Leases

The government has entered into a lease agreement as lessee for financing of two Motor Graders for precinct no. 3, one motor grader for precinct no. 1, and one Mack truck for precinct no. 1. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date. The debt service for the two Motor Graders is serviced from Precinct No. 3. The debt service for the one Motor Grader is serviced from Precinct No. 1. The debt service for the Mack Truck is serviced from Precinct No. 1.

The assets acquired through capital leases are capitalized into capital assets as follows:

	2010		TOTAL
	ONE MOTOR GRADER	MACK TRUCK	
Asset: Cost	\$151,143	\$94,173	\$245,316
Less: Accumulated Depreciation	41,384	17,000	58,384
Total	<u>\$109,759</u>	<u>\$77,173</u>	<u>\$186,932</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2010, were as follows:

YEAR	Governmental Activities		Total
	Governmental Activities	Governmental Activities	
2011	\$42,835	\$18,117	\$60,952
2012		18,117	18,117
2013		16,607	16,607
2014		32,550	32,550
TOTAL MINIMUM LEASE PAYMENTS	<u>42,835</u>	<u>85,391</u>	<u>128,226</u>
LESS: AMOUNT REPRESENTING INTEREST	1,471	7,683	9,154
PRESENT VALUE OF NET MINIMUM LEASE PAYMENTS	<u>\$41,364</u>	<u>\$77,708</u>	<u>\$119,072</u>

Certificates of Obligation:

The government issues Certificates of Obligation bonds, Series 1997 and Refunding bonds, Series 2010, which provided funds for the re-construction of the courthouse and helped fund the acquisition, construction and improvements to the jail facilities and renovating and improving the courthouse and annex, respectively. The original amount of the Refunding bonds Series 2010 was \$6,740,000. The refunding bonds were issued in the 2010 year. The amount refunded was \$6,560,000 resulting in a refunding loss of \$180,000. The expected savings from the refunding is a deferred savings of \$1,037,163 and a present value savings of \$628,719 which is the result of an overall lesser interest expense. The Certificates of Obligation bonds and the Refunding bonds are serviced by the Debt Service Fund.

Certificates of Obligation bonds are direct obligations and pledge the full faith and credit of the government. Certificates of Obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Rates</u>	<u>Amount</u>
Governmental activities - Certificates of Obligation Bonds	4.50-5.00	\$ 350,000
Governmental activities - Refunding Bonds	2.00-3.50	6,740,000

Annual debt service requirements to maturity for the Certificates of Obligation Bonds are as follows:

<u>Year Ending</u>	<u>Governmental Activities</u>	
<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>
2011	\$375,000	\$230,538
2012	410,000	197,469
2013	425,000	185,219
2014	430,000	176,719
2015	440,000	168,119
2016 to 2020	2,415,000	672,418
2021 to 2025	2,595,000	259,875
<b>TOTALS</b>	<b>\$7,090,000</b>	<b>\$1,890,357</b>

Changes in long-term liabilities:

	<u>Beginning</u>	<u>Additions</u>	<u>Reductions</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u>	<u>Due Within One Year</u>	<u>Due After One Year</u>
	<u>Balance</u>					<u>Balance</u>		
<u>Governmental Activities:</u>								
Certificates of Obligation	\$7,190,000	\$0	\$280,000	\$6,740,000	\$6,560,000	\$7,090,000	\$375,000	\$6,715,000
<u>Total Bonds Payable</u>	<u>7,190,000</u>	<u>0</u>	<u>280,000</u>	<u>6,740,000</u>	<u>6,560,000</u>	<u>7,090,000</u>	<u>375,000</u>	<u>6,715,000</u>
Capital Leases Payable	81,308	93,395	55,631			119,072	56,210	62,862
Compensated Absences	487,996	571,057	487,996			571,057	142,764	428,293
<u>Grand Total</u>	<u>\$7,759,304</u>	<u>\$664,452</u>	<u>\$823,627</u>	<u>\$6,740,000</u>	<u>\$6,560,000</u>	<u>\$7,780,129</u>	<u>\$573,974</u>	<u>\$7,206,155</u>

F. Long-Term Debt (continued)

The general fund, the probation funds, and the road and bridge funds are used mainly to service the compensated absences. The estimated amount due in the 2010-11 year is \$142,764.

The government-wide statement of activities includes \$573,974 as "noncurrent liabilities, due within one year".

The interest incurred on the above debt for the current year was not capitalized but rather was expensed.

G. Restricted Net Assets

The restricted assets at September 30, 2010 were 1) \$150,538 to be used for debt service, and 2) \$571,526 to be used for construction.

V. Other Information

A. Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate.

	Year Ended	Year Ended
	September 30, 2010	September 30, 2009
Unpaid claims, beginning of fiscal year	\$0	\$0
Incurred claims (including IBNRs)	0	0
Claim payments	0	0
Unpaid claims, end of fiscal year	<u>\$0</u>	<u>\$0</u>

B. Related Party Transaction:

The County auditor's sister performed work for the County Treasurer's office. The total amount paid to the sister in fiscal year 2010 was \$1,451. There were no amounts payable to the Sister by the County or payable by the County to the Sister at September 30, 2010.

C. Subsequent Events: There were no subsequent events requiring disclosure.

D. Contingent Liabilities

The County recognizes as revenue grant monies received as reimbursement for costs incurred in certain Federal and State programs it administers. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

The government is a defendant in the following lawsuit.

*Eddie Lehmann v. Hill County et al*; Civil Action No. W09CCA086 in the United States District Court for the Western District of Texas, Waco Division.

Former maintenance Foreman, Eddie Lehman, filed suit against Commissioner Wright and Hill County claiming his First and Fourteenth Amendment rights were violated and that he was discriminated against in violation of the Age Discrimination in Employment Act when he was fired from his employment on the day that Commissioner Wright took office as the new Commissioner. The court granted the County's Motion for Summary Judgment and dismissed all of Plaintiff's claims in this matter. Mr. Lehmann's deadline to file an appeal has passed and we closed our file on this matter on August 23, 2010.

This is a pending malicious prosecution suit. Plaintiff is an inmate and is currently housed at the Jack Harwell Detention Center in Waco, Texas. Plaintiff alleges that he was arrested in January 18,2010, on a warrant from Hill County for aggravated assault with a deadly weapon/motor vehicle. Plaintiff filed suit against Sheriff Jeffery T. Lyon, Larry Armstrong, Judge John K. Milburn, Assistant District Attorney Nicole Crain, and Charlotte Barr, former Hill County District Clerk. We filed a Motion to Dismiss for Failure to State a Claim based on qualified immunity, judicial immunity and prosecutorial immunity for the Defendants. Following a ruling from the Court, the parties will begin conducting discovery in this matter, if necessary.

The County does not expect that the outcome of any of the above matters will substantially impair the financial activities of the County.

E. Retirement Plan

Plan Description

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

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service but must leave their accumulated 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 their 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.

Funding Policy

The employer has elected the annually determined contribution rate (ADCR) 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 governing body elected to pay a rate of 6.53% for the 2009 and 6.90% for the 2010 year that did not exceed the actuarially determined rate as allowed by the provisions of the TCDRS Act. The contribution rate payable by the employee members for calendar years 2009 and 2010 is the rate of 6% as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.



### Actuarial Valuation Information

Actuarial valuation date	12/31/2007	12/31/2008	12/31/2009
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, closed
Amortization period	20.0	15.0	15.0
Asset valuation method	SAF: 10-yr smoothed SAF: 10-yr smoothed SAF: 10-yr smoothed value ESF: Fund value ESF: Fund value ESF: Fund value		
Actuarial Assumptions			
Investment return	8.00%	8.00%	8.00%
Projected salary increases	5.3%	5.3%	5.4%
Inflation	3.5%	3.5%	3.5%
Cost-of-living adjustments	0.00%	0.00%	0.00%

### Annual Pension Cost

Trend Information for the Retirement Plan for the Employees of Hill County, Texas

Accounting Year	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
<u>Ending</u> 09-30-2008	460,248	100%	\$ -0-
09-30-2009	480,603	100%	\$ -0-
09-30-2010	547,077	100%	\$ -0-

### ANALYSIS OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio (a/b)	Annual Covered Payroll	UAAL as a Percentage of Payroll ((b-a)/c)
Dec. 31,	(a)	(b)	(b-a)	(b-a)	(c)	((b-a)/c)
2009	9,477,201	11,500,936	2,023,735	82.40	7,234,734	27.97%

The schedule of funding progress presented as required supplementary information (RSI) immediately following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL for benefits.

**REQUIRED SUPPLEMENTARY INFORMATION**



HILL COUNTY, TEXAS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SEPTEMBER 30, 2010

TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM  
 ANALYSIS OF FUNDING PROGRESS

Actuarial Valuation Date Dec. 31,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Payroll ((b-a)/c)
2007	8,979,514	10,188,748	1,209,234	88.13	6,291,685	19.22
2008	8,981,414	10,987,304	2,005,890	81.74	7,388,673	27.15
2009	9,477,936	11,500,936	2,023,735	82.40	7,234,734	27.97

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

HILL COUNTY, TEXAS  
 COMBINING BALANCE SHEET - ROAD AND BRIDGE FUND  
 SEPTEMBER 30, 2010

	Road and Bridge General	Road and Bridge No. 1	Road and Bridge No. 2	Road and Bridge No. 3	Road and Bridge No. 4	Lateral Road No. 1	Lateral Road No. 2	Lateral Road No. 3	Lateral Road No. 4	Total Road and Bridge
<b>ASSETS</b>										
Cash and Cash Equivalents	\$223,617	\$127,759	\$477,612	\$634,321	\$436,640	\$2,945	\$9,067	\$141,935	\$81,966	\$2,135,862
Receivables (net of allowance for uncollectibles)	2,188	28,086	27,913	31,876	26,995	30,615	30,428	34,748	29,426	242,275
<b>Total Assets</b>	<b>\$225,805</b>	<b>\$155,845</b>	<b>\$505,525</b>	<b>\$666,197</b>	<b>\$463,635</b>	<b>\$33,560</b>	<b>\$39,495</b>	<b>\$176,683</b>	<b>\$111,392</b>	<b>\$2,378,137</b>
<b>LIABILITIES AND FUND BALANCES:</b>										
<b>Liabilities:</b>										
Accounts Payable	\$21,063	\$13,502	\$15,919	\$32,076	\$17,790	\$54			\$13,370	\$113,774
Accrued Wages Payable	7,451	5,358	6,491	8,289	9,285					36,874
Deferred Revenues		18,511	18,397	21,009	17,792	27,621	27,453	31,350	26,549	188,682
<b>Total Liabilities</b>	<b>28,514</b>	<b>37,371</b>	<b>40,807</b>	<b>61,374</b>	<b>44,867</b>	<b>27,675</b>	<b>27,453</b>	<b>31,350</b>	<b>39,919</b>	<b>339,330</b>
<b>Fund Balances:</b>										
Unreserved, Reported in Other Governmental Funds	197,291	118,474	464,718	604,823	418,768	5,885	12,042	145,333	71,473	2,038,807
<b>Total Fund Balance</b>	<b>197,291</b>	<b>118,474</b>	<b>464,718</b>	<b>604,823</b>	<b>418,768</b>	<b>5,885</b>	<b>12,042</b>	<b>145,333</b>	<b>71,473</b>	<b>2,038,807</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$225,805</b>	<b>\$155,845</b>	<b>\$505,525</b>	<b>\$666,197</b>	<b>\$463,635</b>	<b>\$33,560</b>	<b>\$39,495</b>	<b>\$176,683</b>	<b>\$111,392</b>	<b>\$2,378,137</b>

The accompanying notes are an integral part of this statement.

HILL COUNTY, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES - ROAD AND BRIDGE FUNDS  
 YEAR ENDED SEPTEMBER 30, 2010

	Road and Bridge General	Road and Bridge No. 1	Road and Bridge No. 2	Road and Bridge No. 3	Road and Bridge No. 4	Lateral Road No. 1	Lateral Road No. 2	Lateral Road No. 3	Lateral Road No. 4	Total Road and Bridge
<b>REVENUES</b>										
Taxes										
Property		\$223,091	\$221,722	\$253,201	\$214,422	\$326,556	\$324,552	\$370,631	\$313,868	\$2,248,043
Sales		43,502	43,235	49,374	41,812					177,923
Other										0
Intergovernmental	120,297	56,517	51,420	56,002	48,088					332,324
Licenses and Permits		183,565	182,439	208,340	176,432					750,776
Charges for Services	48,835									48,835
Fines and Forfeitures	274,564									274,564
Interest		3,849	10,771	15,086	11,710					41,416
Contributions and Donations			393,259	563,463						956,722
Miscellaneous		565	6,089	8,259	23,150					38,063
Total Revenues	443,696	511,089	908,935	1,153,725	515,614	326,556	324,552	370,631	313,868	4,868,666
<b>EXPENDITURES</b>										
Current:										
Public Transportation										
Road and Bridge	350,958	687,058	1,185,182	1,314,589	751,551	348,052	374,695	365,187	343,686	5,720,958
Debt Service										
Principal Retirement	55,631									55,631
Interest and Fiscal Charges	6,831									6,831
Total Expenditures	413,420	687,058	1,185,182	1,314,589	751,551	348,052	374,695	365,187	343,686	5,783,420
Excess (Deficiency) of Revenues Over (Under) Expenditures	30,276	(175,969)	(276,247)	(160,864)	(235,937)	(21,496)	(50,143)	5,444	(29,818)	(914,754)
<b>OTHER FINANCING SOURCES (USES):</b>										
Sale of Capital assets	884	2,264	95,714	43,400	61,038					203,300
Operating Transfers In		19,839	7,776	8,880	7,520					44,015
Total Other Financing Sources (Uses)	884	22,103	103,490	52,280	68,558	0	0	0	0	247,315
Net Changes in Fund Balances	31,160	(153,866)	(172,757)	(108,584)	(167,379)	(21,496)	(50,143)	5,444	(29,818)	(667,439)
Fund Balances - Beginning	166,131	272,340	637,475	713,407	586,147	27,381	62,185	139,889	101,291	2,706,246
Fund Balances - Ending	\$197,291	\$118,474	\$464,718	\$604,823	\$418,768	\$5,885	\$12,042	\$145,333	\$71,473	\$2,038,807

The accompanying notes are an integral part of this statement.

HILL COUNTY, TEXAS  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2010

	ADULT PROBATION	LAW LIBRARY	JURY	PAWS			JUVENILE PROBATION	CRIMINAL JUSTICE	D.A.R.E.	CRIME VICTIMS ASSISTANCE 1,2,& 3	COUNTY CLERK	SPECIAL REVENUE			
				CONTRI- BUTIONS	ELECTION MACHINE LEASE	ELECTION CONTRACT FUND						DISTRICT CLERK ARCHIVE FUND	ELECTION CHAPTER 19 FUNDS	RECORDS PRESERVATION AND MANAGEMENT	COURTHOUSE SECURITY
<b>ASSETS</b>															
Cash and Cash Equivalents	\$76,156	\$117,225	\$95,095	\$318	\$27,051	\$2,906	\$259,898	\$295,453	\$483	\$1,344	\$107,673	\$2,640	\$198	\$1,430	\$20,378
Receivables (net of allowance for uncollectibles)			5,180				44,127		49						
Due from Other Funds			6				90								
<b>TOTAL ASSETS</b>	<b>\$76,156</b>	<b>\$117,225</b>	<b>\$100,281</b>	<b>\$318</b>	<b>\$27,051</b>	<b>\$2,906</b>	<b>\$304,115</b>	<b>\$295,453</b>	<b>\$532</b>	<b>\$1,344</b>	<b>\$107,673</b>	<b>\$2,640</b>	<b>\$198</b>	<b>\$1,430</b>	<b>\$20,378</b>
<b>LIABILITIES AND FUND BALANCES</b>															
<b>Liabilities</b>															
Accounts Payable	\$13,590	\$1,692	52,674	\$318			\$87,330	\$146,762		\$133			\$180	\$849	
Due to Other Funds							90								
Accrued Wages Payable	23,244		5,046				10,891			1,211					
Deferred Revenues															
<b>Total Liabilities</b>	<b>36,834</b>	<b>1,692</b>	<b>57,720</b>	<b>318</b>	<b>0</b>	<b>0</b>	<b>98,311</b>	<b>146,762</b>	<b>0</b>	<b>1,344</b>	<b>0</b>	<b>0</b>	<b>180</b>	<b>849</b>	<b>0</b>
<b>Fund Balances</b>															
Restricted For:															
Construction															
Debt service															
Unreserved - Undesignated	39,322	115,533	42,561		27,051	2,906	205,804	148,691	532		107,673	2,640	18	581	20,378
<b>Total Fund Balances</b>	<b>39,322</b>	<b>115,533</b>	<b>42,561</b>	<b>0</b>	<b>27,051</b>	<b>2,906</b>	<b>205,804</b>	<b>148,691</b>	<b>532</b>	<b>0</b>	<b>107,673</b>	<b>2,640</b>	<b>18</b>	<b>581</b>	<b>20,378</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$76,156</b>	<b>\$117,225</b>	<b>\$100,281</b>	<b>\$318</b>	<b>\$27,051</b>	<b>\$2,906</b>	<b>\$304,115</b>	<b>\$295,453</b>	<b>\$532</b>	<b>\$1,344</b>	<b>\$107,673</b>	<b>\$2,640</b>	<b>\$198</b>	<b>\$1,430</b>	<b>\$20,378</b>

The notes to the financial statements are an integral part of this statement.

										DEBT SERVICE FUND	CAPITAL PROJECTS FUNDS		
PROBATE RECORDS MANAGEMENT	HOT CHECK RESTITUTION	SHERIFF DEPARTMENT	D.A. FORFEITED PROPERTY	J.P. COURT COSTS	CHILD WELFARE BOARD	YOUTH COLL 1,2,&3	C.A. HOT CHECK FUND	HILL COUNTY FOR M.A.D.D.	D.A. SEIZURE ACCOUNT	DEBT SERVICE FUND	JAIL/ ARMORY CONSTR- UCTION	COURT- HOUSE PROJECT	NON-MAJOR GOVERN- MENTAL FUNDS
\$15,830	\$22,583	\$65,569	\$97,729	\$20,420	\$508	\$1,461	\$9,891	\$387	\$90,300	\$143,713	\$0	\$571,526	\$2,048,165
			6,985							46,356			95,712
\$15,830	\$22,583	\$65,569	\$104,714	\$20,420	\$508	\$1,461	\$9,891	\$387	\$90,300	\$190,069	\$0	\$571,526	\$2,150,958
	\$5	\$1,489	\$8,968		\$508			\$387		6,985			\$314,885
			774							39,531			7,075
0	5	1,489	9,742	0	508	0	0	387	6,985	39,531	0	0	41,166
													39,531
15,830	22,578	64,080	94,972	20,420		1,461	9,891		83,315	150,538	0	571,526	571,526
15,830	22,578	64,080	94,972	20,420	0	1,461	9,891	0	83,315	150,538	0	571,526	150,538
\$15,830	\$22,583	\$65,569	\$104,714	\$20,420	\$508	\$1,461	\$9,891	\$387	\$90,300	\$190,069	\$0	\$571,526	\$2,150,958

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

	SPECIAL REVENUE															
	ADULT PROBATION	LAW LIBRARY	JURY	PAWS			JUVENILE PROBATION	CRIMINAL JUSTICE	D.A.R.E.	CRIME		COUNTY CLERK	DISTRICT	ELECTION	RECORDS	COURTHOUSE SECURITY
				CONTRI- BUTIONS	MACHINE LEASE	ELECTION CONTRACT FUND				VICTIMS ASSISTANCE 1,2,&3	CLERK ARCHIVE FUND		CHAPTER 19 FUNDS	PRESERVATION AND MANAGEMENT		
<b>REVENUES</b>																
Taxes																
Property																
Intergovernmental	406,964		105,888				583,386			34,370		2,640	837			
Charges for Services	499,460	24,885	522,065				41,487	605,049			82,248				24,586	33,454
Fines and Forfeitures																
Interest	9,464	2,218	127		40		726				1,049		9		65	605
Miscellaneous	6,165		262	1,738	8,460	35,919	1,131									
<b>Total Revenues</b>	<b>922,053</b>	<b>27,103</b>	<b>628,342</b>	<b>1,738</b>	<b>8,500</b>	<b>35,919</b>	<b>626,730</b>	<b>605,049</b>	<b>0</b>	<b>34,370</b>	<b>83,297</b>	<b>2,640</b>	<b>846</b>	<b>24,651</b>	<b>34,059</b>	
<b>EXPENDITURES</b>																
Current:																
General Administration					2,059	33,013					73,292		837			
Legal																
Judicial		25,158	713,154					561,975		47,866					58,882	
Public Safety	1,083,418						752,941									
Health and Welfare				1,744												
Debt Service																
Principal Retirement																
Interest and Fiscal Charges																
<b>Total Expenditures</b>	<b>1,083,418</b>	<b>25,158</b>	<b>713,154</b>	<b>1,744</b>	<b>2,059</b>	<b>33,013</b>	<b>752,941</b>	<b>561,975</b>	<b>0</b>	<b>47,866</b>	<b>73,292</b>	<b>0</b>	<b>837</b>	<b>58,882</b>	<b>0</b>	
Excess (Deficiency) of Revenues Over (Under)																
Expenditures	(161,365)	1,945	(84,812)	(6)	6,441	2,906	(126,211)	43,074	0	(13,496)	10,005	2,640	9	(34,231)	34,059	
<b>OTHER FINANCING SOURCES (USES):</b>																
Sale of Capital assets																
Operating Transfers In			72,946		13,810		54,000			11,821	69,427					
Operating Transfers Out								(37,760)								(35,000)
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>72,946</b>	<b>0</b>	<b>13,810</b>	<b>0</b>	<b>54,000</b>	<b>(37,760)</b>	<b>0</b>	<b>11,821</b>	<b>69,427</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(35,000)</b>	
<b>Net Changes in Fund Balances</b>	<b>(161,365)</b>	<b>1,945</b>	<b>(11,866)</b>	<b>(6)</b>	<b>20,251</b>	<b>2,906</b>	<b>(72,211)</b>	<b>5,314</b>	<b>0</b>	<b>(1,675)</b>	<b>79,432</b>	<b>2,640</b>	<b>9</b>	<b>(34,231)</b>	<b>(941)</b>	
Fund Balances - Beginning	200,687	113,588	54,427	6	6,800	0	278,015	143,377	532	1,675	28,241	0	9	34,812	21,319	
Fund Balances - Ending	\$39,322	\$115,533	\$42,561	\$0	\$27,051	\$2,906	\$205,804	\$148,691	\$532	\$0	\$107,673	\$2,640	\$18	\$581	\$20,378	

The notes to the financial statements are an integral part of this statement.

										DEBT SERVICE FUND	CAPITAL PROJECTS FUNDS		NON-MAJOR GOVERNMENTAL FUNDS
PROBATE RECORDS MANAGEMENT	HOT CHECK RESTITUTION	SHERIFF DEPARTMENT	D.A. FORFEITED PROPERTY	J.P. COURT COSTS	CHILD WELFARE BOARD	YOUTH COLL. 1,2,& 3	C.A. HOT CHECK FUND	HILL COUNTY FOR M.A.D.D.	O.A. SEIZURE ACCOUNT	DEBT SERVICE FUND	JAIL/ ARMORY CONSTR- UCTION	COURT- HOUSE PROJECT	NON-MAJOR GOVERNMENTAL FUNDS
										\$539,298			\$539,298
655	24,014	\$8,163		31,456									1,142,248
							3,735		99,014				1,889,359
43	56	476	298	3,165					151	6,831	2,109	11,228	102,749
		119,457	625		1,921			1,153					38,660
698	24,070	128,096	923	34,621	1,921	0	3,735	1,153	99,165	546,129	2,109	11,228	176,831
													3,889,145
													109,201
	27,406												27,406
		94,163	61,433					963			155,500		1,468,468
					1,415								2,086,985
										280,000			3,159
										354,099			280,000
0	27,406	94,163	61,433	0	1,415	0	0	963	0	634,099	155,500	0	354,099
													4,329,318
698	(3,336)	33,933	(60,510)	34,621	506	0	3,735	190	99,165	(87,970)	(153,391)	11,228	(440,173)
													0
			37,115										259,119
				(169,100)					(37,115)		(43)		(279,018)
0	0	0	37,115	(169,100)	0	0	0	0	(37,115)	0	(43)	0	(19,899)
698	(3,336)	33,933	(23,395)	(134,479)	506	0	3,735	190	62,050	(87,970)	(153,434)	11,228	(460,072)
15,132	25,914	30,147	118,367	154,899	(506)	1,461	6,156	(190)	21,265	238,508	153,434	560,298	2,208,373
\$15,830	\$22,578	\$64,080	\$94,972	\$20,420	\$0	\$1,461	\$9,891	\$0	\$83,315	\$150,538	\$0	\$571,526	\$1,748,301



HILL COUNTY, TEXAS  
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Agency Funds			
	Treasurer J.P. Cash	District Clerk - Criminal	County Officer Accounts	Total
<b>ASSETS</b>				
Cash and Cash Equivalents	\$85,195	\$0	\$2,343,160	\$2,428,355
Receivables (net of allowance for uncollectibles)	0	0	0	0
Total Assets	<u>\$85,195</u>	<u>\$0</u>	<u>\$2,343,160</u>	<u>\$2,428,355</u>
<b>LIABILITIES</b>				
Accounts Payable	85,195	0	2,343,160	2,428,355
Due to Others	\$85,195	\$0	\$2,343,160	\$2,428,355
Total Liabilities				\$0

HILL COUNTY, TEXAS  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 ALL AGENCY FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

		TREASURER - J.P. CASH		
	BALANCE 10/1/2009	ADDITIONS	DEDUCTIONS	BALANCE 9/30/2010
<b>ASSETS</b>				
Cash and Cash Equivalents	\$100,026	\$913,146	\$927,977	\$85,195
Receivables (net of allowance for uncollectibles)				0
Total Assets	\$100,026	\$913,146	\$927,977	\$85,195

		DISTRICT CLERK - CRIMINAL		
	BALANCE 10/1/2009	ADDITIONS	DEDUCTIONS	BALANCE 9/30/2010
<b>LIABILITIES:</b>				
Accounts Payable	\$100,026	\$913,146	\$927,977	\$85,195
Due to Others	\$100,026	\$913,146	\$927,977	\$85,195
Total Liabilities				

		DISTRICT CLERK - CRIMINAL		
	BALANCE 10/1/2009	ADDITIONS	DEDUCTIONS	BALANCE 9/30/2010
<b>ASSETS</b>				
Cash and Cash Equivalents	\$0	\$894,372	\$894,372	\$0
Receivables (net of allowance for uncollectibles)				0
Total Assets	\$0	\$894,372	\$894,372	\$0

		DISTRICT CLERK - CRIMINAL		
	BALANCE 10/1/2009	ADDITIONS	DEDUCTIONS	BALANCE 9/30/2010
<b>LIABILITIES:</b>				
Accounts Payable	\$0	\$894,372	\$894,372	\$0
Due to Others	\$0	\$894,372	\$894,372	\$0
Total Liabilities	\$0	\$894,372	\$894,372	\$0

**COUNTY OFFICER ACCOUNTS**

	BALANCE 10/1/2009	ADDITIONS	DEDUCTIONS	BALANCE 9/30/2010
<b>ASSETS</b>				
Cash and Cash Equivalents	\$2,343,160			\$2,343,160
Receivables (net of allowance for uncollectibles)				0
Total Assets	<u>\$2,343,160</u>	<u>\$0</u>	<u>\$0</u>	<u>\$2,343,160</u>

**LIABILITIES:**  
 Accounts Payable  
 Due to Others  
 Total Liabilities

	\$2,343,160	\$0	\$0	\$2,343,160
	<u>\$2,343,160</u>	<u>\$0</u>	<u>\$0</u>	<u>\$2,343,160</u>

TOTAL

**ASSETS**  
 Cash and Cash Equivalents  
 Receivables (net of allowance for uncollectibles)  
 Total Assets

	BALANCE 10/1/2009	ADDITIONS	DEDUCTIONS	BALANCE 9/30/2010
	\$2,443,186	\$1,807,518	\$1,822,349	\$2,428,355
	0	0	0	0
	<u>\$2,443,186</u>	<u>\$1,807,518</u>	<u>\$1,822,349</u>	<u>\$2,428,355</u>

**LIABILITIES:**  
 Accounts Payable  
 Due to Others  
 Total Liabilities

	\$0	\$0	\$0	\$0
	\$2,443,186	\$1,807,518	\$1,822,349	\$2,428,355
	<u>\$2,443,186</u>	<u>\$1,807,518</u>	<u>\$1,822,349</u>	<u>\$2,428,355</u>

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
- BUDGET AND ACTUAL**

HILL COUNTY, TEXAS  
LAW LIBRARY  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Charges for Services	\$26,080	\$26,080	\$24,885	(\$1,195)
Interest	\$1,327	\$1,327	2,218	891
Total Revenues	27,407	27,407	27,103	(304)
<b>EXPENDITURES</b>				
Current:				
Judicial	26,500	26,500	25,158	1,342
Total Expenditures	26,500	26,500	25,158	1,342
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	907	907	1,945	1,038
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating Transfers In				0
Operating Transfers Out				0
Total Other Financing Sources (Uses)	0	0	0	0
Net Changes in Fund Balances				
	907	907	1,945	1,038
Fund Balances - Beginning				
	113,588	113,588	113,588	
Fund Balances - Ending				
	\$114,495	\$114,495	\$115,533	\$1,038

HILL COUNTY, TEXAS  
 JURY FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Intergovernmental	\$37,560	\$37,560	\$105,888	\$68,328
Charges for Services	467,920	467,920	522,065	54,145
Interest	665	665	127	(538)
Miscellaneous	0	0	262	262
Total Revenues	<u>506,145</u>	<u>506,145</u>	<u>628,342</u>	<u>122,197</u>
<b>EXPENDITURES</b>				
Current:				
Judicial	907,301	907,301	713,154	194,147
Total Expenditures	<u>907,301</u>	<u>907,301</u>	<u>713,154</u>	<u>194,147</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(401,156)	(401,156)	(84,812)	316,344
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating Transfers In	290,000	215,000	72,946	(142,054)
Operating Transfers Out				0
Total Other Financing Sources (Uses)	<u>290,000</u>	<u>215,000</u>	<u>72,946</u>	<u>(142,054)</u>
Net Changes in Fund Balances	(111,156)	(186,156)	(11,866)	174,290
Fund Balances - Beginning	54,427	54,427	54,427	
Fund Balances - Ending	<u>(\$56,729)</u>	<u>(\$131,729)</u>	<u>\$42,561</u>	<u>\$174,290</u>

HILL COUNTY, TEXAS  
RECORDS PRESERVATION AND MANAGEMENT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Budgeted Amounts			Actual	Variance with Final Budget - Positive (Negative)
	Original	Final			
<b>REVENUES</b>					
Charges for Services	\$30,200	\$30,200	\$24,586		(\$5,614)
Interest	798	798	65		(733)
Total Revenues	30,998	30,998	24,651		(6,347)
<b>EXPENDITURES</b>					
Current:					
Judicial	59,128	59,129	58,882		247
Total Expenditures	59,128	59,129	58,882		247
Excess (Deficiency) of Revenues Over (Under) Expenditures	(28,130)	(28,131)	(34,231)		(6,100)
<b>OTHER FINANCING SOURCES (USES):</b>					
Operating Transfers In					0
Operating Transfers Out					0
Total Other Financing Sources (Uses)	0	0	0		0
Net Changes in Fund Balances	(28,130)	(28,131)	(34,231)		(6,100)
Fund Balances - Beginning	34,812	34,812	34,812		
Fund Balances - Ending	\$6,682	\$6,681	\$581		(\$6,100)

HILL COUNTY, TEXAS  
D.A. FORFEITED PROPERTY  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Interest	\$1,714	\$1,714	\$298	(\$1,416)
Miscellaneous	0	0	625	625
Total Revenues	1,714	1,714	923	(791)
<b>EXPENDITURES</b>				
Current:				
Judicial	38,713	66,207	61,433	4,774
Total Expenditures	38,713	66,207	61,433	4,774
Excess (Deficiency) of Revenues Over (Under) Expenditures	(36,999)	(64,493)	(60,510)	3,983
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating Transfers In	0	27,494	37,115	9,621
Operating Transfers Out				0
Total Other Financing Sources (Uses)	0	27,494	37,115	9,621
Net Changes in Fund Balances	(36,999)	(36,999)	(23,395)	13,604
Fund Balances - Beginning	118,367	118,367	118,367	
Fund Balances - Ending	\$81,368	\$81,368	\$94,972	\$13,604



HILL COUNTY, TEXAS  
 INTEREST AND SINKING FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Taxes				
Property	\$469,751	\$469,751	\$539,298	\$69,547
Interest	\$4,531	\$4,531	6,830	2,299
Total Revenues	<u>474,282</u>	<u>474,282</u>	<u>546,128</u>	<u>71,846</u>
<b>EXPENDITURES</b>				
Debt Service				
Principal Retirement	280,000	280,000	280,000	0
Interest and Fiscal Charges	356,485	356,485	354,099	2,386
Total Expenditures	<u>636,485</u>	<u>636,485</u>	<u>634,099</u>	<u>2,386</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(162,203)</u>	<u>(162,203)</u>	<u>(87,971)</u>	<u>74,232</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating Transfers In				0
Operating Transfers Out				0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Changes in Fund Balances	<u>(162,203)</u>	<u>(162,203)</u>	<u>(87,971)</u>	<u>74,232</u>
Fund Balances - Beginning	<u>238,508</u>	<u>238,508</u>	<u>238,508</u>	
Fund Balances - Ending	<u>\$76,305</u>	<u>\$76,305</u>	<u>\$150,537</u>	<u>\$74,232</u>

HILL COUNTY, TEXAS  
COUNTY CLERK RECORDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Charges for Services	\$47,556	\$47,556	\$41,305	(\$6,251)
Interest	958	958	238	(720)
Total Revenues	<u>48,514</u>	<u>48,514</u>	<u>41,543</u>	<u>(6,971)</u>
<b>EXPENDITURES</b>				
Current:				
General Administration	44,758	44,758	24,322	20,436
Total Expenditures	<u>44,758</u>	<u>44,758</u>	<u>24,322</u>	<u>20,436</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,756	3,756	17,221	13,465
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating Transfers In				0
Operating Transfers Out				0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Changes in Fund Balances	3,756	3,756	17,221	13,465
Fund Balances - Beginning	28,037	28,037	28,037	
Fund Balances - Ending	<u>\$31,793</u>	<u>\$31,793</u>	<u>\$45,258</u>	<u>\$13,465</u>

HILL COUNTY, TEXAS  
 PROBATE EDUCATION  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Budgeted Amounts			Actual	Variance with Final Budget - Positive (Negative)
	Original	Final			
<b>REVENUES</b>					
Charges for Services	\$380	\$380	\$387	\$7	
Interest	34	34	58	24	
Total Revenues	414	414	445	31	
<b>EXPENDITURES</b>					
Current:					
General Administration	950	950	0	950	
Total Expenditures	950	950	0	950	
Excess (Deficiency) of Revenues Over (Under) Expenditures					
	(536)	(536)	445	981	
<b>OTHER FINANCING SOURCES (USES):</b>					
Operating Transfers In				0	
Operating Transfers Out	0	0	0	0	
Total Other Financing Sources (Uses)				0	
Net Changes in Fund Balances					
	(536)	(536)	445	981	
Fund Balances - Beginning					
	204	204	204		
Fund Balances - Ending					
	<u>(\$332)</u>	<u>(\$332)</u>	<u>\$649</u>	<u>\$981</u>	

HILL COUNTY, TEXAS  
 JUSTICE COURT TECHNOLOGY  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Charges for Services	\$26,326	\$26,326	\$23,894	(\$2,432)
Interest	8,574	8,574	2,568	(6,006)
Total Revenues	<u>34,900</u>	<u>34,900</u>	<u>26,462</u>	<u>(8,438)</u>
<b>EXPENDITURES</b>				
Current:				
Judicial				
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>34,900</u>	<u>34,900</u>	<u>26,462</u>	<u>(8,438)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating Transfers In				
Operating Transfers Out	(137,100)	(137,100)	(137,100)	0
Total Other Financing Sources (Uses)	<u>(137,100)</u>	<u>(137,100)</u>	<u>(137,100)</u>	<u>0</u>
Net Changes in Fund Balances	(102,200)	(102,200)	(110,638)	(8,438)
Fund Balances - Beginning	120,099	120,099	120,099	
Fund Balances - Ending	<u>\$17,899</u>	<u>\$17,899</u>	<u>\$9,461</u>	<u>(\$8,438)</u>

SINGLE AUDIT SECTION

HILL COUNTY, TEXAS  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

SOURCE AND TITLE OF GRANT	FEDERAL CFDA NUMBER	GRANTORS/ PASS-THROUGH NUMBER	AWARD AMOUNT	PROGRAM EXPENDI- TURES
<b>FEDERAL ASSISTANCE</b>				
<b>U.S. Department of Health and Human Services</b>				
Passed Through				
Texas Department of Health				
Foster Care - Title IV-E (NM)	93 658	NONE	NONE	\$5,192
Passed Through				
Office of the Attorney General				
Child Support Enforcement-Title IV-D (NM)	93 563	NONE	NONE	33,614
Fiscal Year 2010				
Total U.S. Department of Health and Human Services				<u>38,806</u>
<b>U.S. Department of Agriculture</b>				
Passed Through				
Natural Resources Conservation Service				
Emergency Watershed Protection Program (M)	10 923	69-7442-9-862	NONE	0
Fiscal Year 2010		AG-7442-C-09-0004	974,325	0
Fiscal Year 2010				0
Total U.S. Department of Agriculture				<u>0</u>
<b>U.S. Department of Housing and Urban Development</b>				
Office of Rural Community Affairs				
Community Development Block Grants/ States Program (M)	14 228	728037	350,000	80,895
Streets/Flood and Drainage Facilities		728027	350,000	6,025
Flood and Drainage Facilities				86,920
Total U.S. Department of Housing and Urban Development				<u>173,840</u>
<b>Election Assistance Commission</b>				
Passed Through				
Texas Secretary of State				
HELP America Vote Act	90 401			1,626
<b>U.S. Department of Justice</b>				
Direct				
State Criminal Alien Assistance Program (NM)	16 606	2009-AP-BX-0427		15,469
State Criminal Alien Assistance Program (NM)	16 606	2010-AP-BX-0310		10,853
Passed Through				26,322
Office of the Governor -				
Texas Criminal Justice Division				
Crime Victim Assistance (NM)	16 575	18239-04		34,369
APQ Technology Grant	16 803	22021-01		50,216
Juvenile Justice and Delinquency Prevention-Allocation to States (NM)	16 540	NONE		3,298
Juvenile Accountability Block Grants (NM)	16 523	17468-06 / 17468-07		64,523
Total U.S. Department of Justice				<u>178,828</u>
<b>U.S. Department of Homeland Security</b>				
Passed Through				
Texas Department of Public Safety -				
Division of Emergency Management				
Disaster Assistance (M)	97 036			
Fiscal Year 2010				
Road Disaster		FEMA-DR-1709	3,339,546	445,416
Hurricane Ike		FEMA-DR-1791	114,556	0
Hurricane Gustav		FEMA-DR-3290	1,377	0
				445,416
State Homeland Security Program (SHSP) (NM)	97 073	NONE	NONE	35,521
Law Enforcement Terrorism Prevention Program (LETPP) (NM)	97 074	NONE	NONE	0
Total U.S. Department of Homeland Security				<u>480,937</u>
Total Federal Assistance				<u>\$787,117</u>
<b>CFDA=CATALOGUE OF FEDERAL DOMESTIC ASSISTANCE NUMBER</b>				
<b>M=MAJOR PROGRAM</b>				
<b>NM=NONMAJOR PROGRAM</b>				

See Accompanying Notes to Schedule of Federal Financial Assistance

HILL COUNTY, TEXAS  
 BUDGET COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

Federal Grantor: U.S. Department of Housing and Urban Development  
 Pass Through Grantor: Office of Rural Community Affairs  
 CFDA Number: 14,228  
 Project Number: 728037  
 Contract Period: 03/13/2008 to 03/12/2010

	FEDERAL		LOCAL MATCH		VARIANCE
	PRIOR YEAR	CURRENT YEAR	PRIOR YEAR	CURRENT YEAR	
REVENUE					
Federal	\$350,000	\$269,105	\$80,895		\$0
Local	970,078			954,247	15,831
TOTAL REVENUE:	1,320,078	269,105	80,895	954,247	15,831

	FEDERAL		LOCAL MATCH		VARIANCE
	PRIOR YEAR	CURRENT YEAR	PRIOR YEAR	CURRENT YEAR	
EXPENSES					
Federal					
Streets	318,082	248,905	69,177		0
Flood and Drainage Facilities	5,277		5,277		0
General Administration	26,641	20,200	6,441		0
State					
Streets		954,247			0
Flood and Drainage Facilities		15,831			15,831
General Administration		0			0

TOTAL EXPENSES	1,320,078	269,105	80,895	954,247	0	15,831
Excess Revenue						
over Expenditures	\$0	\$0	\$0	\$0	\$0	\$0

HILL COUNTY, TEXAS  
 BUDGET COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

Federal Grantor: U.S. Department of Housing and Urban Development  
 Pass Through Grantor: Office of Rural Community Affairs  
 CFDA Number: 14.228  
 Project Number: 728027  
 Contract Period: 03/13/2008 to 03/12/2010

	FEDERAL		LOCAL MATCH		VARIANCE
	PRIOR YEAR	CURRENT YEAR	PRIOR YEAR	CURRENT YEAR	
REVENUE					
Federal	\$350,000	\$247,725	\$6,025		\$96,250
Local	974,325		685,575		288,750
TOTAL REVENUE:	1,324,325	247,725	6,025	685,575	0
					385,000

	FEDERAL		LOCAL MATCH		VARIANCE
	PRIOR YEAR	CURRENT YEAR	PRIOR YEAR	CURRENT YEAR	
EXPENSES					
Federal					
Flood and Drainage Facilities	324,775	228,525			96,250
General Administration	25,225	19,200	6,025		0
State					
Flood and Drainage Facilities	974,325		685,575		288,750
General Administration	0				0
TOTAL EXPENSES	1,324,325	247,725	6,025	685,575	0
Excess Revenue					385,000
over Expenditures	\$0	\$0	\$0	\$0	\$0



WAYNE R. BEYER  
CERTIFIED PUBLIC ACCOUNTANT

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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

To the Commissioner's Court  
Hill County, Texas

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hill County, Texas as of and for the year ended September 30, 2010, which collectively comprise Hill County, Texas's basic financial statements and have issued my report thereon dated March 30, 2011. I conducted my 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 my audit, I considered Hill County, Texas's internal control over financial reporting as a basis for designing my audit procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hill County, Texas's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Hill County, Texas's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Hill County, Texas's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Hill County, Texas's financial statements that is more than inconsequential will not be prevented or detected by Hill County, Texas's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Hill County, Texas's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hill County, Texas's financial statements are free of material misstatements, I 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 amount. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, I noted certain matters that I reported to the management of Hill County, Texas in a separate letter dated March 30, 2011.

This report is intended solely for the information and use of management, the 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.

Very truly yours,

A handwritten signature in black ink that reads "Wayne R. Beyer". The signature is written in a cursive style with a large initial "W" and "B".

Wayne R. Beyer  
Certified Public Accountant  
March 30, 2011

WAYNE R. BEYER  
CERTIFIED PUBLIC ACCOUNTANT

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

To the Commissioner's Court  
Hill County, Texas

**Compliance**

I have audited the compliance of Hill County, 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. Hill County, Texas's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of finds 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 Hill County, Texas's management. My responsibility is to express an opinion on Hill County, Texas's compliance based on my audit.

I conducted my 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 I 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 Hill County, Texas's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Hill County, Texas's compliance with those requirements.

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

## Internal Control over Compliance

The management of Hill County, Texas 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 my audit, I considered Hill County, Texas'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 my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion of the effectiveness of internal control over compliance. Accordingly, I do not express an opinion of the effectiveness of Hill County, Texas's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

My 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. I did not identify any deficiencies in the internal control over compliance that I 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.

Sincerely,

A handwritten signature in black ink that reads "Wayne R Beyer". The signature is written in a cursive style with a large, looped "W" and "B".

Wayne R. Beyer  
Certified Public Accountant  
March 30, 2011

HILL COUNTY, TEXAS  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

General

The accompanying Schedule of Expenditure of Federal Awards presents the activity of all the Hill County, Texas's federal grants for the year ended September 30, 2010. This report is intended for the information of the Hill County, Texas, state and federal awarding agencies, and is not intended to be used and should not be used by anyone other than these specified parties.

Basis of Accounting

The Schedule of Expenditure of Federal Awards is presented using the modified accrual basis of accounting.

Non Cash Grants

Hill County, Texas received a non-cash grant from the USDA for \$685,575 for the year ended September 30, 2010.

HILL COUNTY, TEXAS  
SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

Federal

There were no prior audit findings for Federal Awards.

HILL COUNTY, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Hill County, Texas.
2. There were no significant deficiencies disclosed during the audit. There was no material weakness disclosed during the audit.
3. There were no instances of noncompliance material to the financial statements of Hill County, Texas, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. There were no significant deficiencies over major federal award programs disclosed during the audit. There was no material weakness over major federal award programs disclosed during the audit.
5. The auditor's report on compliance for the major federal award programs for Hill County, Texas expresses an unqualified opinion on all major federal programs.
6. There were no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs: Disaster Grants - Public Assistance (Presidentially Declared Disasters) – CFDA 97.036.
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. Hill County did not qualify as a low-risk auditee.
10. Material Weaknesses
  - a. None

Findings relating to the Financial Statements

None

Findings and Questioned Costs for Federal Awards

None