

HILL COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended
September 30, 2012

Hill County, Texas
Annual Financial Report
For the Fiscal Year Ended September 30, 2012

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FINANCIAL SECTION

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To the Commissioners' Court
Hill County, Texas

We 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, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Hill County, Texas' management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hill County, Texas as of September 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2013, on our consideration of Hill County, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the schedule of funding progress for the Public Employees Retirement System, and budgetary comparison information on pages 3 through 10, 42, and 52 through 64, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Respectfully submitted,

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

BEYER & COMPANY
Certified Public Accountants
Pleasanton, Texas
May 27, 2013

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 \$26,071,645 (net assets). Of this amount, \$4,642,629 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- . The government's total net assets decreased by \$541,126. The charges for services decreased by \$1,367,677 due mainly to a decrease in seized funds and forfeitures settled during the year.
- . As of the close of the current fiscal year, Hill County, Texas' governmental funds reported combined ending fund balances of \$6,954,247 a decrease of \$524,760 in comparison with the prior year. Approximately 40% of this total amount, \$2,804,894, 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 \$2,901,449, or 29 percent of total general fund expenditures, the fund balance for the road and bridge fund was \$2,389,844, or 64 percent of total road and bridge fund expenditures, and the fund balance for the indigent health care fund was \$164,624, or 22 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' basic financial statements. Hill County, Texas' 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' finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of Hill County, Texas' 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-two (32) 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-nine (29) 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 the 2012 fiscal year were adopted for the General Fund, the Road and Bridge Funds, Indigent Health Care, the Law Library, the Jury Fund, the Interest and Sinking Fund, County Clerk Records, District Clerk Records Management and Preservation, the Sheriff Investigative Fund, the D.A. Forfeited Property Fund, Probate Education, the Court Technology Fund, the County Clerk Archive Fund, the District Clerk Archive Fund, the Courthouse Security Fund, and the Election Machine Lease 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 22-41 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' progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 42 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 43-51 of this report. The budget comparison schedules in connection with the non-major governmental funds can be found on pages 52-64 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 \$26,071,645 at the close of the most recent fiscal year.

Sixty-five percent of Hill County, Texas' net assets (\$17,279,663) 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' 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 | |
|--|----------------------------|--------------|--------------|--------------|
| | 2012 | 2011 | 2012 | 2011 |
| Current and Other Assets | \$10,564,224 | \$10,949,994 | \$10,564,224 | \$10,949,994 |
| Capital Assets: | 24,109,679 | 24,486,040 | 24,109,679 | 24,486,040 |
| Total Assets | 34,673,903 | 35,436,034 | 34,673,903 | 35,436,034 |
| Long-Term Liabilities | 7,344,444 | 7,668,825 | 7,344,444 | 7,668,825 |
| Other Liabilities | 1,257,814 | 1,154,438 | 1,257,814 | 1,154,438 |
| Total Liabilities | 8,602,258 | 8,823,263 | 8,602,258 | 8,823,263 |
| Invested in Capital Assets, Net of Related Debt | 17,279,663 | 17,328,889 | 17,279,663 | 17,328,889 |
| Restricted | 4,149,353 | 4,662,219 | 4,149,353 | 4,662,219 |
| Unrestricted | 4,642,629 | 4,621,663 | 4,642,629 | 4,621,663 |
| Total Net Assets | \$26,071,645 | \$26,612,771 | \$26,071,645 | \$26,612,771 |

An additional portion of Hill County, Texas' net assets (16 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$4,642,629) 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 decreased Hill County, Texas' net assets by \$541,126, thereby accounting for 100 percent of the total decrease in the net assets of Hill County, Texas.

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

| | Governmental Activities | | Total | |
|--|----------------------------|---------------------|---------------------|---------------------|
| | 2012 | 2011 | 2012 | 2011 |
| Revenues: | | | | |
| Program Revenues: | | | | |
| Charges for Services | \$4,048,520 | \$5,416,197 | \$4,048,520 | \$5,416,197 |
| Operating Grants and Contributions | 1,455,592 | 1,466,080 | 1,455,592 | 1,466,080 |
| Capital Grants and Contributions | 403,677 | 3,139,046 | 403,677 | 3,139,046 |
| General Revenues: | | | | |
| Maintenance and Operations Taxes | 9,400,546 | 9,271,081 | 9,400,546 | 9,271,081 |
| Sales Taxes | 1,589,379 | 1,460,061 | 1,589,379 | 1,460,061 |
| Other Taxes | 90,488 | 107,906 | 90,488 | 107,906 |
| Unrestricted Investment Earnings | 111,406 | 159,162 | 111,406 | 159,162 |
| Miscellaneous | 449,176 | 474,843 | 449,176 | 474,843 |
| Total Revenue | 17,548,784 | 21,494,376 | 17,548,784 | 21,494,376 |
| Expenses: | | | | |
| General Administration | 2,253,048 | 1,996,623 | 2,253,048 | 1,996,623 |
| Legal | 380,516 | 371,978 | 380,516 | 371,978 |
| Judicial | 2,830,485 | 3,352,430 | 2,830,485 | 3,352,430 |
| Financial Administration | 721,726 | 721,383 | 721,726 | 721,383 |
| Public Facilities | 490,910 | 675,167 | 490,910 | 675,167 |
| Public Safety | 6,450,895 | 6,595,652 | 6,450,895 | 6,595,652 |
| Public Transportation | 3,695,556 | 3,461,988 | 3,695,556 | 3,461,988 |
| Health and Welfare | 940,492 | 1,164,990 | 940,492 | 1,164,990 |
| Conservation - Agriculture | 119,482 | 104,688 | 119,482 | 104,688 |
| Interest and Fiscal Charges | 206,800 | 219,139 | 206,800 | 219,139 |
| Total Expenses | 18,089,910 | 18,664,038 | 18,089,910 | 18,664,038 |
| Increase in Net Assets Before Transfers and Special Items | (541,126) | 2,830,338 | (541,126) | 2,830,338 |
| Transfers | 0 | 0 | 0 | 0 |
| Increase in Net Assets | (541,126) | 2,830,338 | (541,126) | 2,830,338 |
| Net Assets at 09/30/2011 - Restated | 26,612,771 | 23,782,433 | 26,612,771 | 23,782,433 |
| Net Assets at 09/30/2012 | \$26,071,645 | \$26,612,771 | \$26,071,645 | \$26,612,771 |

The charges for services decreased by \$1,367,677 due mainly to a decrease in seized funds and forfeitures settled during the year.

Expenses and Program Revenues - Governmental Activities

| Functions/Programs | Expenses | Program Revenues | | |
|------------------------------------|---------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary Government | | | | |
| Government Activities: | | | | |
| General Administration | \$2,253,048 | \$353,451 | \$73,111 | \$0 |
| Legal | 380,516 | 58,005 | 62,500 | |
| Judicial | 2,830,485 | 1,636,087 | 181,469 | |
| Financial Administration | 721,726 | 466,577 | | |
| Public Facilities | 490,910 | | | |
| Public Safety | 6,450,895 | 774,147 | 970,398 | |
| Public Transportation | 3,695,556 | 733,090 | 148,987 | 403,677 |
| Health and Welfare | 940,492 | 27,163 | 19,127 | |
| Conservation - Agriculture | 119,482 | | | |
| Interest and Fiscal Charges | 206,800 | | | |
| Total Government Activities | \$18,089,910 | \$4,048,520 | \$1,455,592 | \$403,677 |

Revenues by Source - Governmental Activities

| | <u>REVENUES</u> | <u>%</u> |
|---|---------------------|----------------|
| Charges for Services | \$4,048,520 | 23.07% |
| Operating Grants and Contributions | 1,455,592 | 8.29% |
| Capital Grants and Contributions | 403,677 | 2.30% |
| Property Taxes, Levies for General Purposes | 9,400,546 | 53.57% |
| Sales Taxes | 1,589,379 | 9.06% |
| Other Taxes | 90,488 | 0.52% |
| Unrestricted Investment Earnings | 111,406 | 0.63% |
| Miscellaneous | 449,176 | 2.56% |
| | <u>\$17,548,784</u> | <u>100.00%</u> |

The increase or decrease in expenses closely parallels a rise or fall in demand for services.

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' 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' 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' governmental funds reported combined ending fund balances of \$6,954,247, a decrease of \$524,760 in comparison with the prior year. Approximately 40 percent of this total amount \$2,804,894 constitutes unreserved fund balance, which is available for spending at the government's discretion. The remaining restricted and committed amounts of \$4,149,353 are to be used for the various functions of the County.

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 \$2,901,449, while total fund balance reached \$2,901,449. 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 29 percent of total general fund expenditures, while total fund balance represents 29 percent of that same amount.

The fund balance of Hill County, Texas' general fund decreased by \$27,858 during the current fiscal year. Key factors in this decrease are as follows:

. The decrease is immaterial.

At the end of the current fiscal year, restricted fund balance of the road and bridge fund was \$2,389,844, while total fund balance reached \$2,389,844. As a measure of the road and bridge fund's liquidity, it may be useful to compare restricted fund balance to total fund expenditures. Restricted fund balance represents 64 percent of total road and bridge fund expenditures, while total fund balance represents 64 percent of that same amount.

The fund balance of Hill County, Texas' road and bridge fund increased by \$69,715 during the current fiscal year. Key factors in this increase are as follows:

- The department budgeted for a large contingency item in 2012 in the amount of \$55,000 which did not materialize and payments to outside agencies were also less than budgeted.

At the end of the current fiscal year, restricted fund balance of the indigent health care fund was \$164,624, while total fund balance reached \$164,624. As a measure of the indigent health care fund's liquidity, it may be useful to compare both unrestricted fund balance and total fund balance to total fund expenditures. Restricted fund balance represents 22 percent of total indigent health care fund expenditures, while total fund balance represents 22 percent of that same amount.

The fund balance of Hill County, Texas' indigent health care fund increased by \$6,690 during the current fiscal year. Key factors in this increase are as follows:

- . The increase is immaterial.

Fund Budgetary Highlights

Differences between the original budget and the final amended budget for the general fund expenditures amounted to an increase of \$446,480. The largest components of the increase were attributable to increased grant expenditures of \$380,183 and an increase in transfers out of the remainder. Increase in the expenditure budget was financed by the budgeting of certification of revenues and expenditures for funds that were neither anticipated nor budgeted for in the original budget. Of the total \$446,480 certification of revenues, \$380,183 was attributable to grant reimbursement revenue. For the year, actual general fund revenue very closely approximated budgeted revenue, however transfers into the general fund were less than anticipated by \$309,731. Actual total expenditures were \$442,968 less than budgeted resulting in a surplus of \$28,064 for the year.

Differences between the original budget and the final amended budget for the road and bridge fund resulted in an increase of \$318,056. Sales of fixed assets, proceeds from capital leases and insurance reimbursements totaled \$318,056 in unexpected revenues that were neither anticipated nor budgeted at the beginning of the year. Once these funds were certified and budgeted they financed increases in road and bridge capital equipment expenditures of \$240,409, bridge infrastructure expenditures of \$52,700 and road maintenance expenditures. Overall, the actual expenditures were under budget by \$1,607,410.

There was no difference between the original budget and the final amended budget for the indigent health care fund. Overall, the actual expenditures were under budget by \$11,434.

Capital Asset and Debt Administration

Capital assets:

Hill County, Texas' investment in capital assets for its governmental activities as of September 30, 2012, amounts to \$24,109,679 (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 decrease in Hill County, Texas' investment in capital assets for the current fiscal year was \$376,361 or 2 percent.

The County had no major construction in the 2011-2012 year.

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

| | Governmental Activities | | Total | |
|---------------------------|----------------------------|---------------------|---------------------|---------------------|
| | 2012 | 2011 | 2012 | 2011 |
| Land | \$53,031 | \$53,031 | \$53,031 | \$53,031 |
| Building and Improvements | 14,962,001 | 15,177,092 | 14,962,001 | 15,177,092 |
| Machinery and Equipment | 3,222,156 | 3,356,616 | 3,222,156 | 3,356,616 |
| Infrastructure | 5,872,491 | 5,899,301 | 5,872,491 | 5,899,301 |
| Total | \$24,109,679 | \$24,486,040 | \$24,109,679 | \$24,486,040 |

Additional information on Hill County, Texas' capital assets can be found in note IV C on page 34 of this report.

Long-term debt:

At the end of the current fiscal year, Hill County, Texas had total bonded debt outstanding of \$6,305,000. All of which comprises debt backed by the full faith and credit of Hill County, Texas.

| | <u>Beginning</u> <u>Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending</u> <u>Balance</u> | <u>Due Within</u> <u>One Year</u> | <u>Due After</u> <u>One Year</u> |
|---------------------------------|------------------------------------|------------------|-------------------|---------------------------------|--------------------------------------|-------------------------------------|
| <u>Governmental Activities:</u> | | | | | | |
| Certificates of Obligation | \$6,715,000 | | \$410,000 | \$6,305,000 | \$425,000 | \$5,880,000 |
| Grand Total | <u>\$6,715,000</u> | <u>\$0</u> | <u>\$410,000</u> | <u>\$6,305,000</u> | <u>\$425,000</u> | <u>\$5,880,000</u> |

Hill County, Texas' total bonded debt decreased by \$410,000 (05 percent) during the current fiscal year. The key factor in this decrease was the payment of certificates of obligation bonds of \$410,000.

Additional information on Hill County, Texas' long term debt can be found in note IV F on pages 36 thru 37 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Exploration in the Barnett Shale has slowed considerably during recent years.
- While the state is facing deep expenditure cuts, Hill County will focus on maintaining its current reserve for 2013 and 2014. State unfunded mandates are likely.
- Appraisal valuations have decreased over the past few years and will likely decrease again for 2013.
- In Nov, 2012 Hill County voted to convert the current road and bridge commissioner run system to a Unit road system under the auspices of a road engineer. The presentation of the current budget and future budgets will undergo changes to accommodate this new road system.

Estimated general fund revenue for fiscal year 2013 is \$10,445,182 (including incoming transfers of \$405,000). Estimated expenditures for the General Fund are \$10,428,152 (including transfers out of \$372,485).

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.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

HILL COUNTY, TEXAS
 STATEMENT OF NET ASSETS
 SEPTEMBER 30, 2012

| | Primary Government | |
|---|-------------------------|---------------------|
| | Governmental Activities | Total |
| ASSETS | | |
| Cash and Cash Equivalents | \$7,526,957 | \$7,526,957 |
| Receivables (net of allowance for uncollectibles) | 2,706,525 | 2,706,525 |
| Bond Issuance Costs | 131,576 | 131,576 |
| Inventory | 60,087 | 60,087 |
| Prepaid Items | 139,078 | 139,078 |
| Capital assets not being depreciated: | | |
| Land | 53,031 | 53,031 |
| Total Capital assets being depreciated, net | | |
| Building and Improvements | 14,962,001 | 14,962,001 |
| Machinery and Equipment | 3,222,156 | 3,222,156 |
| Infrastructure | 5,872,491 | 5,872,491 |
| Total Assets | \$34,673,902 | \$34,673,902 |
| LIABILITIES | | |
| Accounts Payable | \$911,003 | \$911,003 |
| Accrued Wages Payable | 288,812 | 288,812 |
| Accrued Interest Payable | 57,998 | 57,998 |
| Noncurrent Liabilities: | | |
| Due within one year | 769,609 | 769,609 |
| Due in more than one year | 6,574,835 | 6,574,835 |
| Total Liabilities | 8,602,257 | 8,602,257 |
| NET ASSETS | | |
| Invested in Capital Assets, Net of Related Debt | 17,279,663 | 17,279,663 |
| Restricted | | |
| Administration - County Clerk | 136,142 | 136,142 |
| Archives | 24,136 | 24,136 |
| Construction | 382,711 | 382,711 |
| Debt Service | 50,945 | 50,945 |
| Elections | 38,966 | 38,966 |
| Health and Welfare | 164,624 | 164,624 |
| Judicial | 664,341 | 664,341 |
| Legal | 14,669 | 14,669 |
| Public Safety | 282,975 | 282,975 |
| Public Transportation | 2,389,844 | 2,389,844 |
| Unrestricted | 4,642,629 | 4,642,629 |
| Total Net Assets | \$26,071,645 | \$26,071,645 |

The accompanying notes are an integral part of this statement.

HILL COUNTY, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2012

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) | Net (Expense) |
|---|---------------------|----------------------|------------------------------------|----------------------------------|---------------------|---------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Revenue and | Revenue and |
| | | | | | Changes in | Changes in |
| | | | | Net Assets | Net Assets | |
| | | | | Governmental | Total | |
| Primary Government | | | | | | |
| Government Activities: | | | | | | |
| General Administration | \$2,253,048 | \$353,451 | \$73,111 | \$0 | (\$1,826,486) | |
| Legal | 380,516 | 58,005 | 62,500 | | (260,011) | |
| Judicial | 2,830,485 | 1,636,087 | 181,469 | | (1,012,929) | |
| Financial Administration | 721,726 | 466,577 | | | (255,149) | |
| Public Facilities | 490,910 | | | | (490,910) | |
| Public Safety | 6,450,895 | 774,147 | 970,398 | | (4,706,350) | |
| Public Transportation | 3,695,556 | 733,090 | 148,987 | 403,677 | (2,409,802) | |
| Health and Welfare | 940,492 | 27,163 | 19,127 | | (894,202) | |
| Conservation - Agriculture | 119,482 | | | | (119,482) | |
| Interest and Fiscal Charges | 206,800 | | | | (206,800) | |
| Total Government Activities | <u>18,089,910</u> | <u>4,048,520</u> | <u>1,455,592</u> | <u>403,677</u> | <u>(12,182,121)</u> | |
| Total Primary Government | <u>\$18,089,910</u> | <u>\$4,048,520</u> | <u>\$1,455,592</u> | <u>\$403,677</u> | <u>(12,182,121)</u> | |
| General Revenues | | | | | | |
| Property Taxes, Levies for General Purposes | | | | | 9,400,546 | |
| Sales Taxes | | | | | 1,589,379 | |
| Other Taxes | | | | | 90,488 | |
| Unrestricted Investment Earnings | | | | | 111,406 | |
| Miscellaneous | | | | | 449,176 | |
| Total General Revenues and Transfers | | | | | <u>11,640,995</u> | |
| Change in Net Assets | | | | | <u>(541,126)</u> | |
| Net Assets - Beginning - Restated | | | | | <u>26,612,771</u> | |
| Net Assets - Ending | | | | | <u>\$26,071,645</u> | |

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS

HILL COUNTY, TEXAS
 BALANCE SHEET - GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2012

| | General Fund | Road and Bridge | Indigent Health Care | Other Governmental Funds | Total Governmental Funds |
|--|--------------------|-----------------------|----------------------------|--------------------------------|--------------------------------|
| ASSETS | | | | | |
| Cash and Cash Equivalents | \$3,197,126 | \$2,515,654 | \$143,387 | \$1,699,480 | \$7,555,647 |
| Receivables (net of allowance for uncollectibles) | 1,022,054 | 244,339 | 106,735 | 125,716 | 1,498,844 |
| Due from Others | 43,223 | | | | 43,223 |
| Due from Other Funds | 915 | | | 35,603 | 36,518 |
| Total Assets | \$4,263,318 | \$2,759,993 | \$250,122 | \$1,860,799 | \$9,134,232 |
| LIABILITIES AND FUND BALANCES: | | | | | |
| Liabilities | | | | | |
| Accounts Payable | \$523,346 | \$125,762 | \$25,572 | \$231,291 | \$905,971 |
| Accrued Wages Payable | 200,017 | 40,489 | 1,598 | 46,708 | 288,812 |
| Due to Others | 5,032 | | | | 5,032 |
| Due to Other Funds | 35,603 | | | 915 | 36,518 |
| Bank Overdraft | | | | 28,690 | 28,690 |
| Deferred Revenues | 597,871 | 203,898 | 58,328 | 54,865 | 914,962 |
| Total Liabilities | 1,361,869 | 370,149 | 85,498 | 362,469 | 2,179,985 |
| Fund Balances: | | | | | |
| Restricted | | | | | |
| Administration | | | | 160,278 | 160,278 |
| Construction | | | | 382,711 | 382,711 |
| Debt Service | | | | 50,945 | 50,945 |
| Elections | | | | 38,966 | 38,966 |
| Health and Welfare | | | 164,624 | | 164,624 |
| Judicial | | | | 435,465 | 435,465 |
| Legal | | | | 14,669 | 14,669 |
| Public Safety | | | | 511,851 | 511,851 |
| Public Transportation | | 2,389,844 | | | 2,389,844 |
| Unassigned | 2,901,449 | | | (96,555) | 2,804,894 |
| Total Fund Balance | 2,901,449 | 2,389,844 | 164,624 | 1,498,330 | 6,954,247 |
| Total Liabilities and Fund Balances | \$4,263,318 | \$2,759,993 | \$250,122 | \$1,860,799 | \$9,134,232 |

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, 2012

| | |
|---|----------------------------|
| Total Fund Balances - governmental funds balance sheet | \$6,954,247 |
| 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. | 24,109,679 |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. | 1,164,458 |
| Bond Issuance Costs are expenditures in the funds but are recorded as assets in the governmental activities. | 131,576 |
| Prepaid Items are expenditures in the funds but are recorded as assets in the governmental activities. | 139,078 |
| Inventory Costs are expenditures in the funds but are recorded as assets in the governmental activities. | 60,087 |
| Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles). | 914,962 |
| Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds. | (7,402,442) |
| Net assets of governmental activities - statement of net assets | <u><u>\$26,071,645</u></u> |

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, 2012

| | General Fund | Road and Bridge | Indigent Health Care | Other Governmental Funds | Total Governmental Funds |
|--|-----------------|-----------------------|----------------------------|--------------------------------|--------------------------------|
| REVENUES | | | | | |
| Taxes | | | | | |
| Property | \$6,120,432 | \$2,070,979 | \$586,374 | \$555,518 | \$9,333,303 |
| Sales | 1,303,292 | 158,937 | 127,150 | | 1,589,379 |
| Other | 90,488 | | | | 90,488 |
| Intergovernmental | 697,066 | 148,987 | | 1,013,216 | 1,859,269 |
| Licenses and Permits | | 733,090 | | | 733,090 |
| Charges for Services | 1,329,831 | | | 1,657,552 | 2,987,383 |
| Fines and Forfeitures | 68,486 | 205,459 | | 44,204 | 318,149 |
| Interest | 63,974 | 29,439 | | 17,993 | 111,406 |
| Miscellaneous | 189,432 | 27,059 | 40,893 | 108,196 | 365,580 |
| Total Revenues | 9,863,001 | 3,373,950 | 754,417 | 3,396,679 | 17,388,047 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General Administration | 2,104,621 | | | 98,712 | 2,203,333 |
| Legal | 361,474 | | | 17,826 | 379,300 |
| Judicial | 1,244,338 | | | 1,616,482 | 2,860,820 |
| Financial Administration | 722,964 | | | | 722,964 |
| Public Facilities | 384,335 | | | | 384,335 |
| Public Safety | 4,876,496 | | | 1,477,860 | 6,354,356 |
| Public Transportation | | 3,601,728 | | | 3,601,728 |
| Health and Welfare | 192,263 | | 747,727 | 4,828 | 944,818 |
| Conservation - Agriculture | 121,783 | | | | 121,783 |
| Debt Service | | | | | |
| Principal Retirement | 39,254 | 105,876 | | 410,000 | 555,130 |
| Interest and Fiscal Charges | 5,500 | 6,808 | | 197,792 | 210,100 |
| Total Expenditures | 10,053,028 | 3,714,412 | 747,727 | 3,823,500 | 18,338,667 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (190,027) | (340,462) | 6,690 | (426,821) | (950,620) |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Sale of Capital assets | 8,956 | 168,337 | | 2,891 | 180,184 |
| Other Financing Sources - Capital Lease | | 241,840 | | | 241,840 |
| Other Financing Sources - Miscellaneous Transfers | 3,836 | | | | 3,836 |
| Operating Transfers In | 459,283 | | | 748,449 | 1,207,732 |
| Operating Transfers Out | (309,906) | | | (897,826) | (1,207,732) |
| Total Other Financing Sources (Uses) | 162,169 | 410,177 | 0 | (146,486) | 425,860 |
| Net Changes in Fund Balances | (27,858) | 69,715 | 6,690 | (573,307) | (524,760) |
| Fund Balances - Beginning - Restated | 2,929,307 | 2,320,129 | 157,934 | 2,071,637 | 7,479,007 |
| Fund Balances - Ending | \$2,901,449 | \$2,389,844 | \$164,624 | \$1,498,330 | \$6,954,247 |

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, 2012

Net Changes in Fund Balances - total governmental funds (\$524,760)

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. | (376,361) |
| 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. | 9,898 |
| (Increase) decrease in Compensated Absences from beginning of period to end of period. | (2,754) |
| Certain property tax revenues are deferred in the funds. This is the change in these amounts this year. | 67,243 |
| Increase (decrease) in Bond Issuance Costs from beginning of period to end of period. | (11,962) |
| Increase (decrease) in Inventory from beginning of period to end of period. | (21,806) |
| Increase (decrease) in Prepaid Items from beginning of period to end of period. | (9,176) |
| (Increase) decrease in Accrued Interest Payable from beginning of period to end of period. | 1,417 |
| (Increase) decrease in Bond Refunding from beginning of period to end of period. | 13,846 |
| Repayment of loan principal is an expenditure in the funds but not an expense in the SOA. | 555,129 |
| Increase in loan principal are receipts in the funds but not revenue in the SOA. | <u>(241,840)</u> |
| Change in net assets of governmental activities - statement of activities | <u><u>(\$541,126)</u></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, 2012

| | Budgeted Amounts | | Actual | Variance with |
|---------------------------------|------------------|------------------|------------------|--|
| | Original | Final | | Final Budget - Positive (Negative) |
| REVENUES | | | | |
| Taxes | | | | |
| Property | \$6,140,971 | \$6,140,971 | \$6,120,432 | (\$20,539) |
| Sales | 1,205,728 | 1,205,728 | 1,303,292 | 97,564 |
| Other | 102,500 | 102,500 | 90,488 | (12,012) |
| Intergovernmental | 249,800 | 629,983 | 697,066 | 67,083 |
| Charges for Services | 1,276,150 | 1,276,150 | 1,329,831 | 53,681 |
| Fines and Forfeitures | 66,360 | 66,360 | 68,486 | 2,126 |
| Interest | 32,757 | 32,757 | 63,974 | 31,217 |
| Miscellaneous | 350,000 | 409,193 | 189,432 | (219,761) |
| Total Revenues | 9,424,266 | 9,863,642 | 9,863,001 | (641) |
| EXPENDITURES | | | | |
| Current: | | | | |
| General Administration | | | | |
| Computer | 611,638 | 611,638 | 521,097 | 90,541 |
| County Clerk | 295,106 | 295,107 | 272,655 | 22,452 |
| County Judge | 141,208 | 141,209 | 137,948 | 3,261 |
| Elections Administration | 173,600 | 173,599 | 147,119 | 26,480 |
| Non-Departmental | 833,032 | 1,149,215 | 959,587 | 189,628 |
| Tourism Director | 65,000 | 65,000 | 40,214 | 24,786 |
| Veterans Service | 27,288 | 27,289 | 26,001 | 1,288 |
| Legal | | | | |
| County Attorney | 357,928 | 357,927 | 348,655 | 9,272 |
| County Attorney Excess | 13,940 | 13,940 | 12,819 | 1,121 |
| Judicial | | | | |
| County Court at Law | 221,598 | 221,598 | 217,731 | 3,867 |
| District Attorney | 186,550 | 186,550 | 188,508 | (1,958) |
| District Clerk | 312,657 | 312,657 | 310,927 | 1,730 |
| District Judge | 112,008 | 112,008 | 106,699 | 5,309 |
| Justices of the Peace | 421,770 | 421,770 | 420,473 | 1,297 |
| Financial Administration | | | | |
| County Auditor | 172,370 | 172,370 | 162,438 | 9,932 |
| County Treasurer | 166,781 | 166,780 | 158,267 | 8,513 |
| Tax Assessor-Collector | 406,897 | 406,896 | 402,259 | 4,637 |
| Public Facilities | | | | |
| Courthouse | 382,675 | 382,675 | 384,335 | (1,660) |
| Public Safety | | | | |
| 911 Dispatch | 400,555 | 400,555 | 358,140 | 42,415 |
| Constables | 258,984 | 258,984 | 224,924 | 34,060 |
| Courthouse Security | 158,665 | 158,665 | 158,471 | 194 |
| Emergency Management | 59,369 | 59,369 | 72,960 | (13,591) |
| Jail | 2,423,913 | 2,460,364 | 2,484,626 | (24,262) |
| Sheriff | 1,548,152 | 1,564,999 | 1,577,375 | (12,376) |

(continued)

(continued)

| | | | | |
|---|--------------------|--------------------|--------------------|------------------|
| Health and Welfare | | | | |
| Public Assistance | 143,439 | 143,439 | 131,179 | 12,260 |
| Health and Safety | 62,865 | 62,865 | 61,084 | 1,781 |
| Conservation - Agriculture | | | | |
| Agriculture Extension Service | 121,676 | 121,676 | 121,783 | (107) |
| Debt Service | | | | |
| Principal Retirement | 39,254 | 39,254 | 39,254 | 0 |
| Interest Retirement | 5,500 | 5,500 | 5,500 | 0 |
| Total Expenditures | <u>10,124,418</u> | <u>10,493,898</u> | <u>10,053,028</u> | <u>440,870</u> |
| Excess (Deficiency) of Revenues Over (Under) | | | | |
| Expenditures | <u>(700,152)</u> | <u>(630,256)</u> | <u>(190,027)</u> | <u>440,229</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Sale of Capital assets | 40,000 | 47,104 | 8,956 | (38,148) |
| Other Financing Sources - Miscellaneous Transfers | 0 | 0 | 3,836 | 3,836 |
| Operating Transfers In | 772,850 | 772,850 | 459,283 | (313,567) |
| Operating Transfers Out | (235,000) | (312,000) | (309,906) | 2,094 |
| Total Other Financing Sources (Uses) | <u>577,850</u> | <u>507,954</u> | <u>162,169</u> | <u>(345,785)</u> |
| Net Changes in Fund Balances | <u>(122,302)</u> | <u>(122,302)</u> | <u>(27,858)</u> | <u>94,444</u> |
| Fund Balances - Beginning - Restated | 2,929,307 | 2,929,307 | 2,929,307 | 0 |
| Fund Balances - Ending | <u>\$2,807,005</u> | <u>\$2,807,005</u> | <u>\$2,901,449</u> | <u>\$94,444</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, 2012

| | Budgeted Amounts | | Actual | Variance with |
|--|--------------------|--------------------|--------------------|--|
| | Original | Final | | Final Budget - Positive (Negative) |
| REVENUES | | | | |
| Taxes | | | | |
| Property | \$2,073,965 | \$2,073,965 | \$2,070,979 | (\$2,986) |
| Sales | 147,040 | 147,040 | 158,937 | 11,897 |
| Intergovernmental | 137,251 | 137,251 | 148,987 | 11,736 |
| Licenses and Permits | 754,000 | 754,000 | 733,090 | (20,910) |
| Fines and Forfeitures | 199,080 | 199,080 | 205,459 | 6,379 |
| Interest | 10,355 | 10,355 | 29,439 | 19,084 |
| Miscellaneous | 0 | 0 | 27,059 | 27,059 |
| Total Revenues | <u>3,321,691</u> | <u>3,321,691</u> | <u>3,373,950</u> | <u>52,259</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Public Transportation | 4,891,082 | 5,209,138 | 3,601,728 | 1,607,410 |
| Debt Service | | | | |
| Principal Retirement | 105,876 | 105,876 | 105,876 | 0 |
| Interest Retirement | 6,808 | 6,808 | 6,808 | 0 |
| Total Expenditures | <u>5,003,766</u> | <u>5,321,822</u> | <u>3,714,412</u> | <u>1,607,410</u> |
| Excess (Deficiency) of Revenues Over (Under) | | | | |
| Expenditures | <u>(1,682,075)</u> | <u>(2,000,131)</u> | <u>(340,462)</u> | <u>1,659,669</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Sale of Capital assets | | 184,241 | 168,337 | (15,904) |
| Other Financing Sources - Capital Lease | | 133,815 | 241,840 | 108,025 |
| Total Other Financing Sources (Uses) | <u>0</u> | <u>318,056</u> | <u>410,177</u> | <u>92,121</u> |
| Net Changes in Fund Balances | <u>(1,682,075)</u> | <u>(1,682,075)</u> | <u>69,715</u> | <u>1,751,790</u> |
| Fund Balances - Beginning - Restated | <u>2,320,129</u> | <u>2,320,129</u> | <u>2,320,129</u> | <u>0</u> |
| Fund Balances - Ending | <u>\$638,054</u> | <u>\$638,054</u> | <u>\$2,389,844</u> | <u>\$1,751,790</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, 2012

| | Budgeted Amounts | | Actual | Variance with Final Budget - Positive (Negative) |
|--|------------------|------------------|------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | | | | |
| Property | \$605,449 | \$605,449 | \$586,374 | (\$19,075) |
| Sales | 117,632 | 117,632 | 127,150 | 9,518 |
| Miscellaneous | 5,000 | 5,000 | 40,893 | 35,893 |
| Total Revenues | <u>728,081</u> | <u>728,081</u> | <u>754,417</u> | <u>26,336</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Health and Welfare | 759,161 | 759,161 | 747,727 | 11,434 |
| Total Expenditures | <u>759,161</u> | <u>759,161</u> | <u>747,727</u> | <u>11,434</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(31,080)</u> | <u>(31,080)</u> | <u>6,690</u> | <u>14,902</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| 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 | (31,080) | (31,080) | 6,690 | 14,902 |
| Fund Balances - Beginning - Restated | 157,934 | 157,934 | 157,934 | |
| Fund Balances - Ending | <u>\$126,854</u> | <u>\$126,854</u> | <u>\$164,624</u> | <u>\$14,902</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, 2012

| | Agency Funds |
|---|---------------------------|
| ASSETS | |
| Cash and Cash Equivalents | \$2,173,245 |
| Receivables (net of allowance for uncollectibles) | <u>103</u> |
| Total Assets | <u><u>\$2,173,348</u></u> |
| | |
| LIABILITIES | |
| Accounts Payable | \$72,185 |
| Due to Others | <u>2,101,163</u> |
| Total Liabilities | <u><u>\$2,173,348</u></u> |

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

HILL COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

I. Summary of Significant Accounting Policies

A. Reporting entity

Hill County operates under a County Judge – Commissioners’ 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, 2012 and 10 percent of the delinquent outstanding property taxes at September 30, 2012.

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, 2012 are reflected in the accompanying financial statements.

4. Restricted Assets

There were no restricted assets at September 30, 2012.

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. The County had no major construction in the 2011-2012 year.

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 Balances – Governmental Funds

As of September 30, 2012, fund balances of the governmental funds are classified as follows:

Restricted — amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Unassigned — all other spendable amounts.

As of September 30, 2012, fund balances are composed of the following:

| | |
|-----------------------|---------------------------|
| Fund Balances: | |
| Restricted | |
| Administration | \$160,278 |
| Construction | 382,711 |
| Debt Service | 50,945 |
| Elections | 38,966 |
| Health and Welfare | 164,624 |
| Judicial | 435,465 |
| Legal | 14,669 |
| Public Safety | 511,851 |
| Public Transportation | 2,389,844 |
| Unassigned | 2,804,894 |
| Total Fund Balance | <u><u>\$6,954,247</u></u> |

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the County considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the County considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless Commissioners Court or the finance committee has provided otherwise in its commitment or assignment actions.

In fiscal year 2011, the Commissioners' Court adopted a minimum fund balance policy for the General Fund. The policy requires the unassigned fund balance at fiscal year end to be at least equal to 25 percent of the subsequent year's budgeted General Fund expenditures.

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 \$7,402,442 difference are as follows:

| | |
|--------------------------|--------------------|
| Capital Leases Payable | \$372,708 |
| Bonds Payable | 6,305,000 |
| Accrued Interest Payable | 57,998 |
| Compensated Absences | 514,428 |
| Loss on Bond Refunding | 152,308 |
| | <u>\$7,402,442</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 \$24,109,679 difference are as follows:

| | |
|--|---------------------|
| Capital Assets Not Being Depreciated | \$236,891 |
| Capital Assets Being Depreciated | 36,751,332 |
| Accumulated Depreciation | (12,878,544) |
| Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Assets of Governmental Activities | <u>\$24,109,679</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 \$914,962 difference are as follows:

| | |
|----------------------------------|------------------|
| Property Taxes Receivable | \$1,068,761 |
| Allowance for Doubtful Accounts | (106,876) |
| Amounts Collected Within 60 Days | <u>(46,923)</u> |
| Net | <u>\$914,962</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 \$1,164,458 difference are as follows:

| | |
|---------------------------------|--------------------|
| Fines Receivable | \$1,940,763 |
| Allowance for Doubtful Accounts | <u>(776,305)</u> |
| Net | <u>\$1,164,458</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 \$376,361 difference are as follows:

| | |
|--|---------------------------|
| Capital Outlay - Additions - Not Being Depreciated | \$183,860 |
| Capital Outlay - Additions - Being Depreciated | 1,313,203 |
| Capital Outlay - Deletions - Net | (100,424) |
| Depreciation Expense | (1,773,000) |
| Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Assets of Governmental Activities | <u><u>(\$376,361)</u></u> |

III. Stewardship, Compliance, and Accountability

A. Budgetary Information

The original budget is adopted by the Commissioners' Court and filed with the County Clerk. Amendments are made during the year on approval by the Commissioners' 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 Commissioners' Court invites various department heads to appear for a hearing concerning the departments' budget requests. Before determining the final budget, the Commissioners' 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 Commissioners' 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 Commissioners' 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 Commissioners' 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 2012 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, the Interest and Sinking Fund, the Investigative Fund, the Courthouse Security Fund, the Elections Machine Fund, the County Clerk Archive fund, and the District Clerk Archive fund.

B. Excess of Expenditures over Appropriations

For the year ended September 30, 2012, expenditures exceeded appropriations in the Jury Fund whereby expenditures of \$635,061 exceeded appropriations of \$630,554 by \$4,507.

C. Deficit fund equity

The county had no deficit fund balances as of September 30, 2012 except for the Jury fund which had a deficit of \$6,052, the Criminal Justice Assistance fund which had a deficit of \$88,875, the Crime Victim Assistance fund which had a deficit of \$1,498, and the Paw Pals Contribution fund which had a deficit of \$130. These deficits are expected to be liquidated by future resources of the funds.

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, 2012, 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, 2012, the government's bank balance of \$1,876,940 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 \$3,533,228 and the FDIC coverage is \$250,000. The government's bank balance of \$123,960 with Citizens National Bank was not exposed to custodial credit risk because it was fully insured.

The government's bank balance of \$6,739,251 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 \$7,911,591 and the FDIC coverage is \$250,000. The amount of \$11,459 in the Bank of America was covered by the FDIC.

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:

| | General | Road and Bridge | Indigent Health Care | Other Govern- mental | Total |
|---------------------------------------|--------------------|-----------------------|----------------------------|----------------------------|--------------------|
| <u>Receivables</u> | | | | | |
| Ad Valorem Taxes | \$698,439 | \$238,087 | \$68,140 | \$64,095 | \$1,068,761 |
| Sales Taxes | 225,475 | 27,497 | 21,998 | | 274,970 |
| Fines | 1,940,763 | | | | 1,940,763 |
| Other | 211,207 | 2,564 | 23,411 | 61,978 | 299,160 |
| Gross Receivables | 3,075,884 | 268,148 | 113,549 | 126,073 | 3,583,654 |
| Less: Allowance for Uncollectibles | 846,149 | 23,809 | 6,814 | 6,409 | 883,181 |
| Net Total Receivables | <u>\$2,229,735</u> | <u>\$244,339</u> | <u>\$106,735</u> | <u>\$119,664</u> | <u>\$2,700,473</u> |

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>\$ 914,962</u> |
| Total Deferred/Unearned Revenue for Governmental Funds | <u>\$ 914,962</u> |

C. Capital Assets

Capital asset activity for the year ended September 30, 2012 was as follows:

| Governmental Activities: | Beginning | | | Ending |
|--|-------------------|------------------|----------------|-------------------|
| Capital Assets Not Being Depreciated: | Balances | Increases | Decreases | Balances |
| Land | 53,031 | | | 53,031 |
| Construction in Progress | 0 | | | 0 |
| Total Capital Assets Not Being Depreciated: | 53,031 | 0 | 0 | 53,031 |
| | | | | |
| Capital Assets Being Depreciated: | | | | |
| Building and Improvements | 20,822,611 | 339,907 | 18,656 | 21,143,862 |
| Machinery and Equipment | 8,322,232 | 846,061 | 295,732 | 8,872,561 |
| Infrastructure | 6,607,674 | 311,095 | 0 | 6,918,769 |
| Total Capital Assets Being Depreciated: | 35,752,517 | 1,497,063 | 314,388 | 36,935,192 |
| | | | | |
| Less: Accumulated Depreciation for: | | | | |
| Building and Improvements | 5,645,519 | 536,912 | 570 | 6,181,861 |
| Machinery and Equipment | 4,965,616 | 898,183 | 213,394 | 5,650,405 |
| Infrastructure | 708,373 | 337,905 | 0 | 1,046,278 |
| Total Accumulated Depreciation | 11,319,508 | 1,773,000 | 213,964 | 12,878,544 |
| Total Capital Assets Depreciated, Net | 24,433,009 | (275,937) | 100,424 | 24,056,648 |
| Governmental Activities Capital Assets, Net | 24,486,040 | (275,937) | 100,424 | 24,109,679 |

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

| | |
|---|--------------------|
| Governmental Activities | |
| General Administration | \$57,915 |
| Judicial | 17,121 |
| Financial Administration | 2,126 |
| Public Facilities | 339,166 |
| Public Safety | 389,494 |
| Public Transportation | 967,178 |
| Total Depreciation Expense - Governmental Activities | \$1,773,000 |

Construction commitments

The County had no major construction projects in the 2011-2012 year.

D. Interfund Receivables, Payables, and Transfers

There were no advances at September 30, 2012.

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

| TRANSFER OUT | TRANSFER IN | | TOTAL |
|------------------------------|--------------|------------------------------|-------------|
| | GENERAL FUND | NON-MAJOR GOVERNMENTAL FUNDS | |
| GENERAL FUND | | \$309,906 | \$309,906 |
| NON-MAJOR GOVERNMENTAL FUNDS | 459,283 | 438,543 | 897,826 |
| TOTALS | \$459,283 | \$748,449 | \$1,207,732 |

Note: All transfers are non-recurring.

| DUE TO | DUE FROM | | TOTAL |
|------------------------------|--------------|------------------------------|----------|
| | GENERAL FUND | NON-MAJOR GOVERNMENTAL FUNDS | |
| GENERAL FUND | | \$915 | \$915 |
| NON-MAJOR GOVERNMENTAL FUNDS | 35,603 | | 35,603 |
| TOTALS | \$35,603 | \$915 | \$36,518 |

E. Leases

Operating Leases

The government leases equipment under non-cancelable operating leases. Total costs for such leases were \$109,856 for the year ended September 30, 2012. The future minimum lease payments for these leases are as follows:

| Year Ending Sept. 30, | <u>Amount</u> |
|-----------------------|-------------------|
| 2013 | \$ 94,981 |
| 2014 | 27,453 |
| 2015 | 10,466 |
| 2016 | <u>1,711</u> |
| Total | <u>\$ 134,611</u> |

F. Long-Term Debt

Capital Leases

The government has entered into a lease agreement as lessee for financing of five Chevy Tahoes for the General Fund, two Mack trucks for Precinct No. 1, one John Deere Loader and John Deere Tractor/Mower for Precinct No. 2. 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 five Chevy Tahoes are serviced from the General Fund. The debt service for the John Deere loader and John Deere Tractor/Mower is from Precinct No. 2. The Debt Service for two Mack Trucks is from Precinct No. 1.

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

| | MACK TRUCK | FIVE CHEVY TAHOES | JOHN DEERE LOADER | JD BOOM & MOWER | MACK TRUCK | TOTAL |
|--------------------------------|-----------------|-------------------------|-------------------------|-----------------------|------------------|------------------|
| Asset: Cost | \$94,173 | \$156,245 | \$138,000 | \$137,386 | \$108,025 | \$633,829 |
| Less: Accumulated Depreciation | 18,835 | 62,498 | 37,786 | 3,542 | 5,401 | 128,062 |
| Total | <u>\$75,338</u> | <u>\$93,747</u> | <u>\$100,214</u> | <u>\$133,844</u> | <u>\$102,624</u> | <u>\$505,767</u> |

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2012, were as follows:

| YEAR | MACK TRUCK | FIVE CHEVY TAHOES | JD 544K LOADER | JD BOOM & MOWER | MACK TRUCK | Total |
|---|-----------------|-------------------------|----------------------|-----------------------|------------------|------------------|
| 2013 | \$18,117 | \$44,753 | \$47,965 | \$92,001 | \$29,356 | \$232,192 |
| 2014 | 32,550 | 44,753 | 0 | | 29,356 | 106,659 |
| 2015 | | | | | 29,356 | 29,356 |
| 2016 | | | | | 29,356 | 29,356 |
| TOTAL MINIMUM LEASE PAYMENTS | <u>50,667</u> | <u>89,506</u> | <u>47,965</u> | <u>92,001</u> | <u>117,424</u> | <u>397,563</u> |
| LESS: AMOUNT REPRESENTING INTEREST | 3,350 | 5,659 | 1,993 | 4,454 | 9,399 | 24,855 |
| PRESENT VALUE OF NET MINIMUM LEASE PAYMENTS | <u>\$47,317</u> | <u>\$83,847</u> | <u>\$45,972</u> | <u>\$87,547</u> | <u>\$108,025</u> | <u>\$372,708</u> |

Certificates of Obligation:

The government issues Refunding bonds, Series 2011, which provided funds for the reconstruction 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 2011 was \$6,740,000. The refunding bonds were issued in the 2011 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 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 - Refunding Bonds | 2.00-3.50 | 6,535,000 |

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

| Year Ending September 30, | Governmental Activities | |
|------------------------------|-------------------------|--------------------|
| | Principal | Interest |
| 2013 | \$425,000 | \$185,219 |
| 2014 | 430,000 | 176,719 |
| 2015 | 440,000 | 168,119 |
| 2016 | 455,000 | 159,318 |
| 2017 | 465,000 | 147,943 |
| 2018 to 2022 | 2,585,000 | 528,082 |
| 2023 to 2025 | 1,505,000 | 96,950 |
| TOTALS | <u>\$6,305,000</u> | <u>\$1,462,350</u> |

Changes in long-term liabilities:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Due Within One Year</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> | <u>Due After One Year</u> |
|---------------------------------|------------------------------|------------------|--------------------------------|---------------------------|--------------------------------|-------------------------------|
| <u>Governmental Activities:</u> | | | | | | |
| Certificates of Obligation | \$6,715,000 | | \$410,000 | \$6,305,000 | \$425,000 | \$5,880,000 |
| Plus: Loss on refunding | \$166,153 | | 13,845 | 152,308 | | 152,308 |
| Total Bonds Payable | <u>6,881,153</u> | <u>0</u> | <u>423,845</u> | <u>6,457,308</u> | <u>425,000</u> | <u>6,032,308</u> |
| Capital Leases Payable | 275,998 | 241,839 | 145,129 | 372,708 | 216,002 | 156,706 |
| Compensated Absences | 511,674 | 514,428 | 511,674 | 514,428 | 128,607 | 385,821 |
| Grand Total | <u>\$7,668,825</u> | <u>\$756,267</u> | <u>\$1,080,648</u> | <u>\$7,344,444</u> | <u>\$769,609</u> | <u>\$6,574,835</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 2012-13 year is \$128,607. The government-wide statement of activities includes \$769,609 as "noncurrent liabilities, due within one year". The interest incurred on the above debt for the current year was \$206,800 in the government-wide statement and \$210,100 in the funds. There was no interest capitalized.

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. There were no instances where settlements exceeded insurance coverage in any of the three previous years.

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 September 30, 2011 | Year Ended September 30, 2012 |
|---|----------------------------------|----------------------------------|
| Unpaid claims, beginning of fiscal year | \$0 | \$0 |
| Incurred claims (including IBNRs) | 0 | 0 |
| Claim payments | 0 | 0 |
| Unpaid claims, end of fiscal year | \$0 | \$0 |

B. Related Party Transaction:

Justice of the Peace Precinct No. 4 owns a paint and body shop that does business with the County. The total amount paid to the shop in fiscal year 2012 was \$9,365. There were no amounts payable to the shop by the County or payable by the County to the shop at September 30, 2012.

Justice of the Peace Precinct No. 2 owns Poteet Motors that does business with the County. The total amount paid to the business in fiscal year 2012 was \$3,667. There were no amounts payable to the business by the County or payable by the County to the business at September 30, 2012.

- 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.

Re: *Brenda Kaddatz; EEOC Charge* - Brenda G. Kaddatz filed a Charge of Discrimination with the Equal Employment Opportunity Commission on 3/26/2012 against the Hill County Sheriff's Office alleging sexual discrimination. The EEOC dismissed the claim and issued a right to sue letter. Plaintiff failed to file suit by 4/1/2013; therefore, the case was dismissed.

Kimberly and Blaine Eaddy v. Hill County, Texas - Kim and Blaine Eaddy filed suit against Hill County as a result of an automobile accident which occurred on 6/23/2011 with Lambert Daniel Dudik, a Hill County employee. The Eaddy's claimed that the negligence of Dudik proximately caused the accident. The Parties reached an agreement at mediation on 12/18/2012; and an Order of Dismissal was issued on 1/22/2013.

Larry Howard v. James McLanahan, et al - Plaintiff Larry Howard filed suit on 5/22/2012 against James McClanahan, Russell Perty, Jeffery T. Lyon, Hill County Sheriff's Office, et al, The State of Texas, F.B. McGregor, Dan V. Dent, Nicole Crain, Lee Harris, Mark Pratt, R. David Holmes, and Lyle V. Gripp alleging false arrest, negligence, bodily injury from his arrest for aggravated assault. Defendants James McClanahan, Russell Perry, Jeffrey Lyon, A. Lee Harris, Mark Pratt, R. David Homes, Dan V. Dent and Nicole Crain, who are represented by Allison, Bass & Associates, were dismissed from the case on 3/7/2013. The case is ongoing against the remaining Defendants. Allison, Bass & Associates is required to prepare a judgment; and is considering filing a Motion to Sever.

James McDaniel v. Lyon, et al - Plaintiff James McDaniel, a federal inmate, filed suit on 8/5/2010 alleging he was arrested on 1/18/2010, on a warrant from Hill County for aggravated assault with a deadly weapon/motor vehicle. Plaintiff seeks "compensatory - punitive - nominal damages for malicious prosecution, injunctive relief from unconstitutionally deprived liberty [and] attorney fees." The case is currently on appeal. Plaintiff's brief is due 6/4/2013.

Vercher and Patrick v. Hill County, Texas, et al - Plaintiffs filed suit on 1/31/2012 for unpaid wages and retaliation. The case was settled by agreement of the Parties and dismissed on 1/24/2013. Settlement checks were issued on 2/1/2013.

Roberto Moreno & Jaime Moreno v. Hill County, Texas, Hill County Sheriff's Office & Dept. of Public Safety - Plaintiffs filed suit on 3/27/2013 for Unlawful Detention and False Imprisonment. The case is pending. Defendants must file an answer by 5/27/2013.

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 618 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 6.95% for the 2011 and 7.19% for the 2012 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 2011 and 2012 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 | 12/31/2009 | 12/31/2010 | 12/31/2011 |
| Actuarial cost method | entry age | entry age | entry age |
| Amortization method | level percentage of payroll, closed | level percentage of payroll, closed | level percentage of payroll, closed |
| Amortization period | 20.0 | 20.0 | 20.0 |
| Asset valuation method | SAF: 10-yr smoothed value ESF: Fund value | SAF: 10-yr smoothed value ESF: Fund value | SAF: 10-yr smoothed value ESF: Fund value |
| Actuarial Assumptions | | | |
| Investment return | 8.00% | 8.00% | 8.00% |
| Projected salary increases | 5.4% | 5.4% | 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 |
|-------------------|---------------------------|-------------------------------|------------------------|
| Ending 09-30-2010 | 547,077 | 100% | \$ -0- |
| 09-30-2011 | 516,382 | 100% | \$ -0- |
| 09-30-2012 | 514,737 | 100% | \$ -0- |

ANALYSIS OF FUNDING PROGRESS

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Annual Covered Payroll (c) | UAAL as a Percentage of Payroll ((b-a)/c) |
|--------------------------|-------------------------------|---------------------------------------|---------------------------|--------------------|----------------------------|---|
| Dec. 31, 2011 | \$10,494,912 | \$12,765,197 | \$2,270,285 | 82.22% | \$6,983,352 | 32.51% |

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.

F. The City has determined that certain transactions were recorded incorrectly in a prior year.

Governmental Activities: In the Government-Wide statements and in the funds; the accrued wages were understated by \$258,148. This is due to an oversight by the County. This restatement had a corresponding effect on the change in net assets.

| | Net Assets as Previously Reported | Accrued Wages Addition | Net Assets As Restated |
|--------------------------------------|---|------------------------------|---------------------------|
| Governmental Activities: | | | |
| Net Assets | \$26,870,919 | (258,148) | \$26,612,771 |
| Total Governmental Activities | \$26,870,919 | (\$258,148) | \$26,612,771 |

| | Fund Balance, as Previously Reported | Accrued Wages Addition | Fund Balance As Restated |
|---------------------------------|--|------------------------------|-----------------------------|
| Governmental Funds: | | | |
| Fund Balance | \$7,737,155 | (258,148) | \$7,479,007 |
| Total Governmental Funds | \$7,737,155 | (\$258,148) | \$7,479,007 |

HILL COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2012

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) |
|--|--|--|------------------------------------|--------------------------|-------------------------------------|--|
| 2009 | \$ 9,477,936 | \$ 11,500,936 | \$2,023,735 | 82.40% | \$7,234,734 | 27.97% |
| 2010 | 9,981,592 | 2,076,613 | 2,095,021 | 82.65 | 7,441,865 | 28.15 |
| 2011 | 10,494,912 | 12,765,197 | 2,270,285 | 82.22 | 6,983,352 | 32.51 |

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

HILL COUNTY, TEXAS
 COMBINING BALANCE SHEET - ROAD AND BRIDGE FUND
 SEPTEMBER 30, 2012

| | 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 |
|---|-------------------------|-----------------------|-----------------------|-----------------------|-----------------------|--------------------|--------------------|--------------------|--------------------|-----------------------|
| ASSETS | | | | | | | | | | |
| Cash and Cash Equivalents | \$173,325 | \$86,740 | \$489,141 | \$741,173 | \$437,774 | \$19,043 | \$91,384 | \$243,853 | \$233,221 | \$2,515,654 |
| Receivables (net of allowance for uncollectibles) | 2,750 | 25,465 | 25,310 | 28,902 | 24,291 | 33,648 | 33,442 | 38,190 | 32,341 | 244,339 |
| Due from Others | | | | | | | | | | 0 |
| Total Assets | \$176,075 | \$112,205 | \$514,451 | \$770,075 | \$462,065 | \$52,691 | \$124,826 | \$282,043 | \$265,562 | \$2,759,993 |

LIABILITIES AND FUND BALANCES:

| | | | | | | | | | | |
|--------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| Liabilities: | | | | | | | | | | |
| Accounts Payable | \$20,355 | \$9,372 | \$42,157 | \$19,415 | \$19,046 | \$8,721 | \$4,897 | \$1,795 | \$4 | \$125,762 |
| Accrued Wages Payable | 1,096 | 10,837 | 7,380 | 11,851 | 9,325 | | | | | 40,489 |
| Deferred Revenues | | 17,827 | 17,718 | 20,233 | 17,134 | 32,026 | 31,830 | 36,348 | 30,782 | 203,898 |
| Total Liabilities | 21,451 | 38,036 | 67,255 | 51,499 | 45,505 | 40,747 | 36,727 | 38,143 | 30,786 | 370,149 |

Fund Balances:

| | | | | | | | | | | |
|---------------------------|------------------|------------------|------------------|------------------|------------------|-----------------|------------------|------------------|------------------|--------------------|
| Restricted | 154,624 | 74,169 | 447,196 | 718,576 | 416,560 | 11,944 | 88,099 | 243,900 | 234,776 | 2,389,844 |
| Public Transportation | 154,624 | 74,169 | 447,196 | 718,576 | 416,560 | 11,944 | 88,099 | 243,900 | 234,776 | 2,389,844 |
| Total Fund Balance | \$176,075 | \$112,205 | \$514,451 | \$770,075 | \$462,065 | \$52,691 | \$124,826 | \$282,043 | \$265,562 | \$2,759,993 |

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, 2012

| | 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 | | |
|---|-------------------------|-----------|-----------------------|-----------|-----------------------|-----------|-----------------------|-----------|-----------------------|-------------|--------------------|-------|--------------------|-------|--------------------|-------|--------------------|-------|-----------------------|--|--|
| | No. 1 | No. 2 | No. 1 | No. 2 | No. 1 | No. 2 | No. 1 | No. 2 | No. 1 | No. 2 | No. 1 | No. 2 | No. 1 | No. 2 | No. 1 | No. 2 | No. 1 | No. 2 | | | |
| REVENUES | | | | | | | | | | | | | | | | | | | | | |
| Taxes | | | | | | | | | | | | | | | | | | | | | |
| Property | \$0 | \$183,700 | \$182,574 | \$208,494 | \$176,564 | \$322,654 | \$320,674 | \$366,202 | \$310,117 | \$2,070,979 | | | | | | | | | | | |
| Sales | | 38,860 | 38,622 | 44,105 | 37,350 | | | | | 158,937 | | | | | | | | | | | |
| Other | | | | | | | | | | 0 | | | | | | | | | | | |
| Intergovernmental | | 36,427 | 36,204 | 41,344 | 35,012 | | | | | 148,987 | | | | | | | | | | | |
| Licenses and Permits | | 179,240 | 178,141 | 203,433 | 172,276 | | | | | 733,090 | | | | | | | | | | | |
| Charges for Services | | | | | | | | | | 0 | | | | | | | | | | | |
| Fines and Forfeitures | 205,459 | | | | | | | | | 205,459 | | | | | | | | | | | |
| Interest | | 1,747 | 6,916 | 14,069 | 6,707 | | | | | 29,439 | | | | | | | | | | | |
| Contributions and Donations | | | | | | | | | | 0 | | | | | | | | | | | |
| Miscellaneous | | | 7,986 | 3,703 | 15,370 | | | | | 27,059 | | | | | | | | | | | |
| Total Revenues | 205,459 | 439,974 | 450,443 | 515,148 | 443,279 | 322,654 | 320,674 | 366,202 | 310,117 | 3,373,950 | | | | | | | | | | | |
| EXPENDITURES | | | | | | | | | | | | | | | | | | | | | |
| Current: | | | | | | | | | | | | | | | | | | | | | |
| Public Transportation | | | | | | | | | | | | | | | | | | | | | |
| Road and Bridge | 131,695 | 606,006 | 721,721 | 440,883 | 491,872 | 340,799 | 298,960 | 307,246 | 262,546 | 3,601,728 | | | | | | | | | | | |
| Debt Service | | | | | | | | | | | | | | | | | | | | | |
| Principal Retirement | | 15,545 | 90,331 | | | | | | | 105,876 | | | | | | | | | | | |
| Interest and Fiscal Charges | | 2,572 | 4,236 | | | | | | | 6,808 | | | | | | | | | | | |
| Total Expenditures | 131,695 | 624,123 | 816,288 | 440,883 | 491,872 | 340,799 | 298,960 | 307,246 | 262,546 | 3,714,412 | | | | | | | | | | | |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 73,764 | (184,149) | (365,845) | 74,265 | (48,593) | (18,145) | 21,714 | 58,956 | 47,571 | (340,462) | | | | | | | | | | | |
| OTHER FINANCING SOURCES (USES): | | | | | | | | | | | | | | | | | | | | | |
| Sale of Capital assets | | 5,494 | 84,944 | | | | | | | 168,337 | | | | | | | | | | | |
| Other Financing Sources - Capital Lease | | 108,025 | 133,815 | | | | | | | 241,840 | | | | | | | | | | | |
| Total Other Financing Sources (Uses) | 0 | 113,519 | 218,759 | 0 | 77,899 | 0 | 0 | 0 | 0 | 410,177 | | | | | | | | | | | |
| Net Changes in Fund Balances | 73,764 | (70,630) | (147,086) | 74,265 | 29,306 | (18,145) | 21,714 | 58,956 | 47,571 | 69,715 | | | | | | | | | | | |
| Fund Balances - Beginning - Restated | 80,860 | 144,799 | 594,282 | 644,311 | 387,254 | 30,089 | 66,385 | 184,944 | 187,205 | 2,320,129 | | | | | | | | | | | |
| Fund Balances - Ending | \$154,624 | \$74,169 | \$447,196 | \$718,576 | \$416,560 | \$11,944 | \$88,099 | \$243,900 | \$234,776 | \$2,389,844 | | | | | | | | | | | |

The accompanying notes are an integral part of this statement.

HILL COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2012

| | SPECIAL REVENUE | | | | | | | | | | | | | | |
|---|------------------|-----------------|-----------------|--------------------|------------------------|------------------------|--------------------|------------------|------------|-------------------------|--------------------------------|------------------|-----------------------------|---------------------------|-------------------------------------|
| | ADULT PROBATION | LAW LIBRARY | JURY | PAWS CONTRIBUTIONS | ELECTION MACHINE LEASE | ELECTION CONTRACT FUND | JUVENILE PROBATION | CRIMINAL JUSTICE | D.A.R.E. | CRIME VICTIM ASSISTANCE | CRIME VICTIMS ASSISTANCE 1,2&3 | COUNTY CLERK | DISTRICT CLERK ARCHIVE FUND | ELECTION CHAPTER 19 FUNDS | RECORDS PRESERVATION AND MANAGEMENT |
| ASSETS | | | | | | | | | | | | | | | |
| Cash and Cash Equivalents | \$267,496 | \$88,865 | \$18,688 | \$1,406 | \$34,731 | | \$270,429 | \$34,383 | \$0 | \$0 | \$62 | \$118,596 | \$2,746 | \$201 | \$21,390 |
| Receivables (net of allowance for uncollectibles) | | | 6,736 | | | 27,442 | 27,031 | | 6,086 | | | 735 | | | |
| Due from Other Funds | | | 5,052 | | | | 500 | | | | | 669 | | | |
| TOTAL ASSETS | \$267,496 | \$88,865 | \$30,476 | \$1,406 | \$34,731 | \$27,442 | \$297,960 | \$34,383 | \$0 | \$6,086 | \$62 | \$120,000 | \$2,746 | \$201 | \$21,390 |
| LIABILITIES AND FUND BALANCES | | | | | | | | | | | | | | | |
| Liabilities | | | | | | | | | | | | | | | |
| Accounts Payable | \$8,586 | \$4,301 | 30,178 | \$1,536 | | \$224 | \$56,800 | \$123,258 | | \$400 | \$62 | \$2,112 | | \$180 | \$0 |
| Bank Overdraft | | | | | | 23,004 | | | | 5,686 | | | | | |
| Due to Other Funds | 593 | | 184 | | | | | | | | | | | | |
| Accrued Wages Payable | 25,183 | | 6,166 | | | | 12,284 | | | 1,498 | | | | | |
| Deferred Revenues | | | | | | | | | | | | | | | |
| Total Liabilities | 34,362 | 4,301 | 36,528 | 1,536 | 0 | 23,228 | 69,084 | 123,258 | 0 | 7,584 | 62 | 2,112 | 0 | 180 | 0 |
| Fund Balances: | | | | | | | | | | | | | | | |
| Restricted | | | | | | | | | | | | | | | |
| Administration | | | | | | | | | | | | | | | |
| Construction | | | | | | | | | | | | | | | |
| Debt Service | | | | | | | | | | | | | | | |
| Elections | | | | | | | | | | | | | | | |
| Judicial | | | | | | | | | | | | | | | |
| Legal | | 84,564 | | | | 4,214 | | | | | | | | 21 | |
| Public Safety | 233,134 | | | | | | 228,876 | | 0 | | | | | | |
| Committed | | | | | | | | | | | | | | | |
| Unassigned | | | (6,052) | (130) | | | (88,875) | | | (1,498) | | | | | |
| Total Fund Balances | 233,134 | 84,564 | (6,052) | (130) | 34,731 | 4,214 | 228,876 | (88,875) | 0 | (1,498) | 0 | 117,888 | 2,746 | 21 | 21,390 |
| TOTAL LIABILITIES AND FUND BALANCES | \$267,496 | \$88,865 | \$30,476 | \$1,406 | \$34,731 | \$27,442 | \$297,960 | \$34,383 | \$0 | \$6,086 | \$62 | \$120,000 | \$2,746 | \$201 | \$21,390 |

(continued)

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

HILL COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2012
 (continued)

| | COURTHOUSE SECURITY | PROBATE RECORDS MANAGEMENT | HOT CHECK RESTITUTION | SHERIFF DEPARTMENT | D.A. FORFEITED PROPERTY | J.P. COURT COSTS | COURT TECH-NOLOGY | CHILD WELFARE BOARD | YOUTH COLL. 1,2,&3 | C.A. HOT CHECK FUND | HILL COUNTY FOR M.A.D.D. ACCOUNT | D.A. SEIZURE ACCOUNT | DEBT SERVICE FUND | CAPITAL PROJECTS FUND | NON-MAJOR GOVERN-MENTAL FUNDS |
|---|---------------------|----------------------------|-----------------------|--------------------|-------------------------|------------------|-------------------|---------------------|--------------------|---------------------|----------------------------------|----------------------|-------------------|-----------------------|-------------------------------|
| | | | | | | | | | | | | | | | |
| ASSETS | | | | | | | | | | | | | | | |
| Cash and Cash Equivalents | \$47,925 | \$18,254 | \$23,712 | \$24,050 | \$209,697 | \$24,140 | \$28,119 | \$1,456 | \$0 | \$14,669 | \$632 | \$16,998 | \$48,124 | \$382,711 | \$1,699,480 |
| Receivables (net of allowance for uncollectibles) | | | | | | | | | | | | | | | 125,716 |
| Due from Other Funds | | | 2,369 | 26,138 | | | | | | | 875 | | 57,686 | | 35,603 |
| TOTAL ASSETS | \$47,925 | \$18,254 | \$26,081 | \$50,188 | \$209,697 | \$24,140 | \$28,119 | \$1,456 | \$0 | \$14,669 | \$632 | \$17,873 | \$105,810 | \$382,711 | \$1,860,799 |

LIABILITIES AND FUND BALANCES

| | | | | | | | | | | | | | | | |
|--------------------------|----------|----------|------------|------------|--------------|----------|----------|--------------|----------|----------|------------|----------|---------------|----------|----------------|
| Liabilities | | | | | | | | | | | | | | | |
| Accounts Payable | | | | \$347 | \$1,219 | | | \$1,456 | | | \$632 | | | | \$231,291 |
| Bank Overdraft | | | | | | | | | | | | | | | 28,690 |
| Due to Other Funds | | | 138 | | | | | | | | | | | | 915 |
| Accrued Wages Payable | | | | | 1,577 | | | | | | | | | | 46,708 |
| Deferred Revenues | | | | | | | | | | | | | 54,865 | | 54,865 |
| Total Liabilities | 0 | 0 | 138 | 347 | 2,796 | 0 | 0 | 1,456 | 0 | 0 | 632 | 0 | 54,865 | 0 | 362,469 |

Fund Balances:

| | | | | | | | | | | | | | | | |
|--|-----------------|-----------------|-----------------|-----------------|------------------|-----------------|-----------------|----------------|------------|-----------------|--------------|-----------------|------------------|------------------|--------------------|
| Restricted | | | | | | | | | | | | | | | |
| Administration - County Clerk | | 18,254 | | | | | | | | | | | | 382,711 | 160,278 |
| Construction | | | | | | | | | | | | | 50,945 | | 382,711 |
| Debt Service | | | | | | | | | | | | | 50,945 | | 50,945 |
| Elections | | | | | | | | | | | | | | | 38,966 |
| Judicial | 47,925 | | 25,943 | | 206,901 | 24,140 | 28,119 | | 0 | 14,669 | | 17,873 | | | 435,465 |
| Legal | | | | | | | | | | | | | | | 14,669 |
| Public Safety | | | | 49,841 | | | | | | | | | | | 511,851 |
| Committed | | | | | | | | | | | | | | | |
| Unassigned | | | | | | | | | | | | | | | (96,555) |
| Total Fund Balances | 47,925 | 18,254 | 25,943 | 49,841 | 206,901 | 24,140 | 28,119 | 0 | 0 | 14,669 | 0 | 17,873 | 50,945 | 382,711 | 1,498,330 |
| TOTAL LIABILITIES AND FUND BALANCES | \$47,925 | \$18,254 | \$26,081 | \$50,188 | \$209,697 | \$24,140 | \$28,119 | \$1,456 | \$0 | \$14,669 | \$632 | \$17,873 | \$105,810 | \$382,711 | \$1,860,799 |

HILL COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

| | SPECIAL REVENUE | | | | | | | | | | | | | | |
|---|-----------------|-------------|-----------|---------------------|------------------------|------------------------|--------------------|------------------|----------|-------------------------|--------------------------|-------------------|------------------------|---------------------------|-------------------------------------|
| | ADULT PROBATION | LAW LIBRARY | JURY | PALS CONTRL-BUTTONS | ELECTION MACHINE LEASE | ELECTION CONTRACT FUND | JUVENILE PROBATION | CRIMINAL JUSTICE | D.A.R.E. | CRIME VICTIM ASSISTANCE | CRIME VICTIMS ASSISTANCE | COUNTY CLERK FUND | DISTRICT CLERK ARCHIVE | ELECTION CHAPTER 19 FUNDS | RECORDS PRESERVATION AND MANAGEMENT |
| REVENUES | | | | | | | | | | | | | | | |
| Taxes | | | | | | | | | | | | | | | |
| Property | | | | | | | | | | | | | | | |
| Intergovernmental | 400,430 | | 50,454 | | | | 516,926 | | | | | | 3,371 | | |
| Charges for Services | 482,943 | 24,500 | 378,212 | | | | 54,859 | 533,768 | | 42,035 | | 78,778 | | | 23,666 |
| Fines and Forfeitures | | | | | | | | | | | | | | 2 | |
| Interest | 286 | 1,074 | 41 | | 171 | | 357 | | | | | 713 | | | 164 |
| Miscellaneous | 309 | | 1,470 | 2,340 | 7,015 | 27,442 | 5,914 | | | | | | | | |
| Total Revenues | 883,968 | 25,574 | 430,177 | 2,340 | 7,186 | 27,442 | 578,056 | 533,768 | 0 | 42,035 | 0 | 79,491 | 3,371 | 2 | 23,830 |
| EXPENDITURES | | | | | | | | | | | | | | | |
| Current: | | | | | | | | | | | | | | | |
| General Administration | | | | | 1,932 | 25,414 | | | | | | 71,366 | | | |
| Legal | | | | | | | | | | | | | | | |
| Judicial | | | | | | | | | | | | | 2,000 | | 18,000 |
| Public Safety | 749,690 | 56,010 | 635,061 | | | | 642,380 | 529,543 | 500 | 42,039 | | | | | |
| Health and Welfare | | | | | | | | | | | | | | | |
| Debt Service | | | | 2,470 | | | | | | | | | | | |
| Principal Retirement | | | | | | | | | | | | | | | |
| Interest and Fiscal Charges | | | | | | | | | | | | | | | |
| Total Expenditures | 749,690 | 56,010 | 635,061 | 2,470 | 1,932 | 25,414 | 642,380 | 529,543 | 500 | 42,039 | 0 | 71,366 | 2,000 | 0 | 18,000 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 134,278 | (30,436) | (204,884) | (130) | 5,254 | 2,028 | (64,324) | 4,225 | (500) | (4) | 0 | 8,125 | 1,371 | 2 | 5,830 |
| OTHER FINANCING SOURCES (USES): | | | | | | | | | | | | | | | |
| Sale of Capital assets | | | | | | | | | | | | | | | |
| Operating Transfers In | 56,322 | | 255,906 | | | | 54,000 | (249,999) | (32) | | | | | | |
| Operating Transfers Out | (56,322) | | | | | | | (249,999) | (32) | | | | | | |
| Total Other Financing Sources (Uses) | 0 | 0 | 255,906 | 0 | 0 | 0 | 54,000 | (249,999) | (32) | 0 | 0 | 0 | 0 | 0 | 0 |
| Net Changes in Fund Balances | 134,278 | (30,436) | (204,884) | (130) | 5,254 | 2,028 | (10,324) | (245,774) | (532) | (4) | 0 | 8,125 | 1,371 | 2 | 5,830 |
| Fund Balances - Beginning - Restated | 98,856 | 115,000 | (57,074) | 0 | 29,477 | 2,186 | 239,200 | 156,899 | 532 | (1,494) | 0 | 109,763 | 1,375 | 19 | 15,560 |
| Fund Balances - Ending | \$233,134 | \$84,564 | (\$6,052) | (\$130) | \$34,731 | \$4,214 | \$228,876 | (\$88,875) | \$0 | (\$1,498) | \$0 | \$117,888 | \$2,746 | \$21 | \$21,390 |

(continued)

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

HILL COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2012
 (continued)

| | COURTHOUSE SECURITY | 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 | CAPITAL PROJECTS FUND | NON-MAJOR GOVERNMENTAL FUNDS |
|---|---------------------|----------------------------|-----------------------|--------------------|-------------------------|------------------|---------------------|---------------------|---------------------|--------------------------|----------------------|-------------------|-----------------------|------------------------------|
| | | | | | | | | | | | | | | |
| REVENUES | | | | | | | | | | | | | | |
| Taxes | | | | | | | | | | | | | | |
| Property | | | | | | | | | | | | | | |
| Intergovernmental | | | | | | | | | | | | | | |
| Charges for Services | 30,164 | 1,055 | 18,859 | | | 6,326 | 24,422 | | | | | \$555,518 | | \$555,518 |
| Fines and Forfeitures | | | | | | | | | | | | | | 1,013,216 |
| Interest | 171 | 110 | 37 | 196 | 1,257 | 125 | 118 | | 1,942 | | 42,262 | | | 1,657,552 |
| Miscellaneous | | | | 53,894 | 6,466 | | | | | | 130 | | 10,250 | 44,204 |
| Total Revenues | 30,335 | 1,165 | 18,896 | 54,090 | 7,723 | 6,451 | 24,540 | 2,358 | 0 | 1,942 | 42,392 | 558,309 | 10,250 | 17,993 |
| EXPENDITURES | | | | | | | | | | | | | | 108,196 |
| Current: | | | | | | | | | | | | | | 3,396,679 |
| General Administration | | | | | | | | | | | | | | |
| Legal | | | 17,826 | | | | | | | | | | | 98,712 |
| Judicial | | | | | 375,868 | | | | | | | | | 17,826 |
| Public Safety | | | | | | | | | | 988 | | | | 1,616,482 |
| Health and Welfare | | | | 40,802 | | | | 1,461 | | | | | | 1,477,860 |
| Debt Service | | | | | | | 2,358 | | | | | | | 4,828 |
| Principal Retirement | | | | | | | | | | | | | | |
| Interest and Fiscal Charges | | | | | | | | | | | | | | |
| Total Expenditures | 0 | 0 | 17,826 | 40,802 | 375,868 | 0 | 0 | 2,358 | 1,461 | 988 | 0 | 607,792 | 0 | 410,000 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 30,335 | 1,165 | 1,070 | 13,288 | (368,145) | 6,451 | 24,540 | 0 | (1,461) | 1,942 | 0 | (49,483) | 10,250 | (426,821) |
| OTHER FINANCING SOURCES (USES): | | | | | | | | | | | | | | |
| Sale of Capital assets | | | | | | | | | | | | | | 2,891 |
| Operating Transfers In | | | | | | | | | | | | | | 748,449 |
| Operating Transfers Out | | | (138) | | | | | | | | | | | (897,826) |
| Total Other Financing Sources (Uses) | 0 | 0 | (138) | 2,891 | 382,221 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (209,114) | (146,486) |
| Net Changes in Fund Balances | 30,335 | 1,165 | 932 | 16,179 | 14,076 | 6,451 | 24,540 | 0 | (1,461) | 1,942 | 0 | (49,483) | (198,864) | (573,307) |
| Fund Balances - Beginning - Restated | 17,590 | 17,089 | 25,011 | 33,662 | 192,825 | 17,689 | 3,579 | 0 | 1,461 | 12,727 | 0 | 357,702 | 100,428 | 2,071,637 |
| Fund Balances - Ending | \$47,925 | \$18,254 | \$25,943 | \$49,841 | \$206,901 | \$24,140 | \$28,119 | \$0 | \$0 | \$14,669 | \$0 | \$17,873 | \$50,945 | \$1,498,330 |

HILL COUNTY, TEXAS
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

| | Agency Funds | | | Total |
|---|---------------------------|---------------------------------|-------------------------------|--------------------|
| | Treasurer J.P. Cash | District Clerk - Criminal | County Officer Accounts | |
| ASSETS | | | | |
| Cash and Cash Equivalents | \$149,962 | \$0 | \$2,023,283 | \$2,173,245 |
| Receivables (net of allowance for uncollectibles) | 103 | 0 | 0 | 103 |
| Total Assets | \$150,065 | \$0 | \$2,023,283 | \$2,173,348 |
| LIABILITIES | | | | |
| Accounts Payable | \$72,185 | | | \$72,185 |
| Due to Others | 77,880 | 0 | 2,023,283 | 2,101,163 |
| Total Liabilities | \$150,065 | \$0 | \$2,023,283 | \$2,173,348 |

HILL COUNTY, TEXAS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

| | BALANCE | | | BALANCE |
|---|----------------|------------------|------------------|------------------|
| | 10/1/2011 | ADDITIONS | DEDUCTIONS | 9/30/2012 |
| <u>TREASURER - J.P. CASH</u> | | | | |
| ASSETS | | | | |
| Cash and Cash Equivalents | \$7,102 | \$889,090 | \$746,230 | \$149,962 |
| Receivables (net of allowance for uncollectibles) | | 103 | | 103 |
| Total Assets | <u>\$7,102</u> | <u>\$889,193</u> | <u>\$746,230</u> | <u>\$150,065</u> |

| | | | | |
|---------------------|----------------|------------------|------------------|------------------|
| LIABILITIES: | | | | |
| Accounts Payable | | \$72,185 | | 72,185 |
| Due to Others | 7,102 | 817,008 | 746,230 | 77,880 |
| Total Liabilities | <u>\$7,102</u> | <u>\$889,193</u> | <u>\$746,230</u> | <u>\$150,065</u> |

| | BALANCE | | | BALANCE |
|---|------------|------------------|------------------|------------|
| | 10/1/2011 | ADDITIONS | DEDUCTIONS | 9/30/2012 |
| <u>DISTRICT CLERK - CRIMINAL</u> | | | | |
| ASSETS | | | | |
| Cash and Cash Equivalents | \$0 | \$729,012 | \$729,012 | \$0 |
| Receivables (net of allowance for uncollectibles) | | | | 0 |
| Total Assets | <u>\$0</u> | <u>\$729,012</u> | <u>\$729,012</u> | <u>\$0</u> |

| | | | | |
|---------------------|------------|------------------|------------------|------------|
| LIABILITIES: | | | | |
| Accounts Payable | | | | |
| Due to Others | \$0 | \$729,012 | \$729,012 | \$0 |
| Total Liabilities | <u>\$0</u> | <u>\$729,012</u> | <u>\$729,012</u> | <u>\$0</u> |

| <u>COUNTY OFFICER ACCOUNTS</u> | BALANCE 10/1/2011 | ADDITIONS | DEDUCTIONS | BALANCE 9/30/2012 |
|---|----------------------|------------------|------------|----------------------|
| ASSETS | | | | |
| Cash and Cash Equivalents | \$1,884,269 | \$139,014 | | \$2,023,283 |
| Receivables (net of allowance for uncollectibles) | | | | 0 |
| Total Assets | <u>\$1,884,269</u> | <u>\$139,014</u> | <u>\$0</u> | <u>\$2,023,283</u> |

| | | | | |
|---------------------|--------------------|------------------|------------|--------------------|
| LIABILITIES: | | | | |
| Accounts Payable | | | | |
| Due to Others | \$1,884,269 | \$139,014 | \$0 | \$2,023,283 |
| Total Liabilities | <u>\$1,884,269</u> | <u>\$139,014</u> | <u>\$0</u> | <u>\$2,023,283</u> |

| <u>TOTAL</u> | BALANCE 10/1/2011 | ADDITIONS | DEDUCTIONS | BALANCE 9/30/2012 |
|---|----------------------|--------------------|--------------------|----------------------|
| ASSETS | | | | |
| Cash and Cash Equivalents | \$1,891,371 | \$1,757,116 | \$1,475,242 | \$2,173,245 |
| Receivables (net of allowance for uncollectibles) | 0 | 103 | 0 | 103 |
| Total Assets | <u>\$1,891,371</u> | <u>\$1,757,219</u> | <u>\$1,475,242</u> | <u>\$2,173,348</u> |

| | | | | |
|---------------------|--------------------|--------------------|--------------------|--------------------|
| LIABILITIES: | | | | |
| Accounts Payable | \$0 | \$72,185 | \$0 | \$72,185 |
| Due to Others | 1,891,371 | 1,685,034 | 1,475,242 | 2,101,163 |
| Total Liabilities | <u>\$1,891,371</u> | <u>\$1,757,219</u> | <u>\$1,475,242</u> | <u>\$2,173,348</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, 2012

| | Budgeted Amounts | | Actual | Variance with Final Budget - |
|--|------------------|----------|----------|---------------------------------|
| | Original | Final | | Positive (Negative) |
| REVENUES | | | | |
| Charges for Services | \$23,000 | \$23,000 | \$24,500 | \$1,500 |
| Interest | \$555 | \$555 | 1,074 | 519 |
| Total Revenues | 23,555 | 23,555 | 25,574 | 2,019 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Judicial | 58,000 | 58,000 | 56,010 | 1,990 |
| Total Expenditures | 58,000 | 58,000 | 56,010 | 1,990 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (34,445) | (34,445) | (30,436) | 4,009 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Operating Transfers In | | | | 0 |
| Operating Transfers Out | | | | 0 |
| Total Other Financing Sources (Uses) | 0 | 0 | 0 | 0 |
| Net Changes in Fund Balances | (34,445) | (34,445) | (30,436) | 4,009 |
| Fund Balances - Beginning | 115,000 | 115,000 | 115,000 | |
| Fund Balances - Ending | \$80,555 | \$80,555 | \$84,564 | \$4,009 |

HILL COUNTY, TEXAS
 JURY FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

| | Budgeted Amounts | | Actual | Variance with Final Budget - Positive (Negative) |
|--|------------------|------------|-----------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental | \$31,400 | \$31,400 | \$50,454 | \$19,054 |
| Charges for Services | 448,975 | 448,975 | 378,212 | (70,763) |
| Interest | 32 | 32 | 41 | 9 |
| Miscellaneous | 0 | 0 | 1,470 | 1,470 |
| Total Revenues | 480,407 | 480,407 | 430,177 | (50,230) |
| EXPENDITURES | | | | |
| Current: | | | | |
| Judicial | 630,552 | 630,554 | 635,061 | (4,507) |
| Total Expenditures | 630,552 | 630,554 | 635,061 | (4,507) |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (150,145) | (150,147) | (204,884) | (54,737) |
| OTHER FINANCING SOURCES (USES): | | | | |
| Operating Transfers In | 150,000 | 150,000 | 255,906 | 105,906 |
| Operating Transfers Out | | | | 0 |
| Total Other Financing Sources (Uses) | 150,000 | 150,000 | 255,906 | 105,906 |
| Net Changes in Fund Balances | (145) | (147) | 51,022 | 51,169 |
| Fund Balances - Beginning | (57,074) | (57,074) | (57,074) | |
| Fund Balances - Ending | (\$57,219) | (\$57,221) | (\$6,052) | \$51,169 |

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, 2012

| | Budgeted Amounts | | Actual | Variance with Final Budget - Positive (Negative) |
|--|------------------|-----------------|-----------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Charges for Services | \$25,000 | \$25,000 | \$23,666 | (\$1,334) |
| Interest | 25 | 25 | 164 | 139 |
| Total Revenues | <u>25,025</u> | <u>25,025</u> | <u>23,830</u> | <u>(1,195)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Judicial | 18,000 | 18,000 | 18,000 | 0 |
| Total Expenditures | <u>18,000</u> | <u>18,000</u> | <u>18,000</u> | <u>0</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>7,025</u> | <u>7,025</u> | <u>5,830</u> | <u>(1,195)</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| 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 | 7,025 | 7,025 | 5,830 | (1,195) |
| Fund Balances - Beginning | 15,560 | 15,560 | 15,560 | |
| Fund Balances - Ending | <u>\$22,585</u> | <u>\$22,585</u> | <u>\$21,390</u> | <u>(\$1,195)</u> |

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, 2012

| | Budgeted Amounts | | Actual | Variance with |
|--|------------------|-----------|-----------|--|
| | Original | Final | | Final Budget - Positive (Negative) |
| REVENUES | | | | |
| Interest | \$300 | \$300 | \$1,257 | \$957 |
| Miscellaneous | 0 | 0 | 6,466 | 6,466 |
| Total Revenues | 300 | 300 | 7,723 | 7,423 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Judicial | 90,093 | 415,438 | 375,868 | 39,570 |
| Total Expenditures | 90,093 | 415,438 | 375,868 | 39,570 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (89,793) | (415,138) | (368,145) | 46,993 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Operating Transfers In | 0 | 325,345 | 382,221 | 56,876 |
| Operating Transfers Out | | | | 0 |
| Total Other Financing Sources (Uses) | 0 | 325,345 | 382,221 | 56,876 |
| Net Changes in Fund Balances | (89,793) | (89,793) | 14,076 | 103,869 |
| Fund Balances - Beginning | 192,825 | 192,825 | 192,825 | |
| Fund Balances - Ending | \$103,032 | \$103,032 | \$206,901 | \$103,869 |

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, 2012

| | Budgeted Amounts | | Actual | Variance with |
|--|------------------|-----------------|-----------------|--|
| | Original | Final | | Final Budget - Positive (Negative) |
| REVENUES | | | | |
| Taxes | | | | |
| Property | \$557,179 | \$557,179 | \$555,518 | (\$1,661) |
| Interest | \$1,708 | \$1,708 | 2,791 | 1,083 |
| Total Revenues | <u>558,887</u> | <u>558,887</u> | <u>558,309</u> | <u>(578)</u> |
| EXPENDITURES | | | | |
| Debt Service | | | | |
| Principal Retirement | 410,000 | 410,000 | 410,000 | 0 |
| Interest and Fiscal Charges | 197,792 | 197,792 | 197,792 | 0 |
| Total Expenditures | <u>607,792</u> | <u>607,792</u> | <u>607,792</u> | <u>0</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(48,905)</u> | <u>(48,905)</u> | <u>(49,483)</u> | <u>(578)</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| 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 | (48,905) | (48,905) | (49,483) | (578) |
| Fund Balances - Beginning | 100,428 | 100,428 | 100,428 | |
| Fund Balances - Ending | <u>\$51,523</u> | <u>\$51,523</u> | <u>\$50,945</u> | <u>(\$578)</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, 2012

| | Budgeted Amounts | | Actual | Variance with Final Budget - Positive (Negative) |
|--|------------------|-----------------|-----------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Charges for Services | \$34,500 | \$34,500 | \$39,150 | \$4,650 |
| Interest | 60 | 60 | 405 | 345 |
| Total Revenues | <u>34,560</u> | <u>34,560</u> | <u>39,555</u> | <u>4,995</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General Administration | 25,308 | 25,308 | 23,132 | 2,176 |
| Total Expenditures | <u>25,308</u> | <u>25,308</u> | <u>23,132</u> | <u>2,176</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>9,252</u> | <u>9,252</u> | <u>16,423</u> | <u>7,171</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| 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 | 9,252 | 9,252 | 16,423 | 7,171 |
| Fund Balances - Beginning | 59,590 | 59,590 | 59,590 | |
| Fund Balances - Ending | <u>\$68,842</u> | <u>\$68,842</u> | <u>\$76,013</u> | <u>\$7,171</u> |

HILL COUNTY, TEXAS
 PROBATE EDUCATION
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

| | Budgeted Amounts | | Actual | Variance with Final Budget - Positive (Negative) |
|--|------------------|---------|---------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Charges for Services | \$350 | \$350 | \$352 | \$2 |
| Interest | 12 | 12 | 48 | 36 |
| Total Revenues | 362 | 362 | 400 | 38 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General Administration | | | | 0 |
| Total Expenditures | 0 | 0 | 0 | 0 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 362 | 362 | 400 | 38 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Operating Transfers In | | | | 0 |
| Operating Transfers Out | | | | 0 |
| Total Other Financing Sources (Uses) | 0 | 0 | 0 | 0 |
| Net Changes in Fund Balances | 362 | 362 | 400 | 38 |
| Fund Balances - Beginning | 1,000 | 1,000 | 1,000 | |
| Fund Balances - Ending | \$1,362 | \$1,362 | \$1,400 | \$38 |

HILL COUNTY, TEXAS
 JUSTICE COURT TECHNOLOGY
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

| | Budgeted Amounts | | Actual | Variance with Final Budget - Positive (Negative) |
|--|------------------|-----------------|-----------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Charges for Services | \$36,966 | \$36,966 | \$24,422 | (\$12,544) |
| Interest | 3,607 | 3,607 | 118 | (3,489) |
| Total Revenues | <u>40,573</u> | <u>40,573</u> | <u>24,540</u> | <u>(16,033)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Judicial | 22,850 | 22,850 | 0 | 22,850 |
| Total Expenditures | <u>22,850</u> | <u>22,850</u> | <u>0</u> | <u>22,850</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>17,723</u> | <u>17,723</u> | <u>24,540</u> | <u>6,817</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| 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 | 17,723 | 17,723 | 24,540 | 6,817 |
| Fund Balances - Beginning | 3,579 | 3,579 | 3,579 | |
| Fund Balances - Ending | <u>\$21,302</u> | <u>\$21,302</u> | <u>\$28,119</u> | <u>\$6,817</u> |

HILL COUNTY, TEXAS
 INVESTIGATIVE FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

| | Budgeted Amounts | | Actual | Variance with |
|--|------------------|----------|----------|--|
| | Original | Final | | Final Budget - Positive (Negative) |
| REVENUES | | | | |
| Miscellaneous | | \$24,054 | \$24,055 | \$1 |
| Interest | 15 | 15 | 11 | (4) |
| Total Revenues | 15 | 24,069 | 24,066 | (3) |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public Safety | 1,172 | 27,187 | 26,812 | 375 |
| Total Expenditures | 1,172 | 27,187 | 26,812 | 375 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (1,157) | (3,118) | (2,746) | 372 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Sale of Capital assets | | 1,961 | 1,961 | 0 |
| Operating Transfers Out | | | | 0 |
| Total Other Financing Sources (Uses) | 0 | 1,961 | 1,961 | 0 |
| Net Changes in Fund Balances | (1,157) | (1,157) | (785) | 372 |
| Fund Balances - Beginning | 2,784 | 2,784 | 2,784 | |
| Fund Balances - Ending | \$1,627 | \$1,627 | \$1,999 | \$372 |

HILL COUNTY, TEXAS
 COURTHOUSE SECURITY
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

| | Budgeted Amounts | | Actual | Variance with Final Budget - Positive (Negative) |
|--|------------------|-----------------|-----------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Charges for Services | \$28,450 | \$28,450 | \$30,164 | \$1,714 |
| Interest | 150 | 150 | 170 | 20 |
| Total Revenues | <u>28,600</u> | <u>28,600</u> | <u>30,334</u> | <u>1,734</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public Safety | | | | 0 |
| Total Expenditures | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>28,600</u> | <u>28,600</u> | <u>30,334</u> | <u>1,734</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| 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 | 28,600 | 28,600 | 30,334 | 1,734 |
| Fund Balances - Beginning | 17,590 | 17,590 | 17,590 | |
| Fund Balances - Ending | <u>\$46,190</u> | <u>\$46,190</u> | <u>\$47,924</u> | <u>\$1,734</u> |

HILL COUNTY, TEXAS
 ELECTION MACHINE LEASE
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

| | Budgeted Amounts | | Actual | Variance with Final Budget - |
|--|------------------|-----------------|-----------------|---------------------------------|
| | Original | Final | | Positive (Negative) |
| REVENUES | | | | |
| Miscellaneous | \$2,200 | \$2,200 | \$7,015 | \$4,815 |
| Interest | 150 | 150 | 171 | 21 |
| Total Revenues | <u>2,350</u> | <u>2,350</u> | <u>7,186</u> | <u>4,836</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General Administration | 10,000 | 10,000 | 1,932 | 8,068 |
| Total Expenditures | <u>10,000</u> | <u>10,000</u> | <u>1,932</u> | <u>8,068</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(7,650)</u> | <u>(7,650)</u> | <u>5,254</u> | <u>12,904</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| 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 | (7,650) | (7,650) | 5,254 | 12,904 |
| Fund Balances - Beginning | 29,477 | 29,477 | 29,477 | |
| Fund Balances - Ending | <u>\$21,827</u> | <u>\$21,827</u> | <u>\$34,731</u> | <u>\$12,904</u> |

HILL COUNTY, TEXAS
COUNTY CLERK ARCHIVE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2012

| | Budgeted Amounts | | Actual | Variance with |
|---|------------------|-----------------|-----------------|--|
| | Original | Final | | Final Budget - Positive (Negative) |
| REVENUES | | | | |
| Charges for Services | \$34,500 | \$34,500 | \$39,276 | \$4,776 |
| Interest | 375 | 375 | 260 | (115) |
| Total Revenues | <u>34,875</u> | <u>34,875</u> | <u>39,536</u> | <u>4,661</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General Administration | 50,000 | 50,000 | 48,234 | 1,766 |
| Total Expenditures | <u>50,000</u> | <u>50,000</u> | <u>48,234</u> | <u>1,766</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(15,125)</u> | <u>(15,125)</u> | <u>(8,698)</u> | <u>6,427</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| 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 | (15,125) | (15,125) | (8,698) | 6,427 |
| Fund Balances - Beginning | 49,173 | 49,173 | 49,173 | |
| Fund Balances - Ending | <u>\$34,048</u> | <u>\$34,048</u> | <u>\$40,475</u> | <u>\$6,427</u> |

HILL COUNTY, TEXAS
DISTRICT CLERK ARCHIVE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2012

| | Budgeted Amounts | | Actual | Variance with Final Budget - Positive (Negative) |
|--|------------------|---------|---------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental | \$3,150 | \$3,150 | \$3,371 | \$221 |
| Total Revenues | 3,150 | 3,150 | 3,371 | 221 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Judicial | 2,000 | 2,000 | 2,000 | 0 |
| Total Expenditures | 2,000 | 2,000 | 2,000 | 0 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 1,150 | 1,150 | 1,371 | 221 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Operating Transfers In | | | | 0 |
| Operating Transfers Out | | | | 0 |
| Total Other Financing Sources (Uses) | 0 | 0 | 0 | 0 |
| Net Changes in Fund Balances | 1,150 | 1,150 | 1,371 | 221 |
| Fund Balances - Beginning | 1,375 | 1,375 | 1,375 | |
| Fund Balances - Ending | \$2,525 | \$2,525 | \$2,746 | \$221 |

HILL COUNTY, TEXAS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

| SOURCE AND TITLE OF GRANT | FEDERAL CFDA NUMBER | GRANTOR'S/ PASS-THROUGH GRANTOR'S NUMBER | AWARD AMOUNT | PROGRAM EXPENDI- TURES |
|--|---------------------------|---|-----------------|------------------------------|
| FEDERAL ASSISTANCE | | | | |
| <u>NON-STIMULUS PROGRAMS</u> | | | | |
| U.S. Department of Health and Human Services | | | | |
| Passed Through | | | | |
| Office of the Attorney General | | | | |
| Child Support Enforcement-Title IV-D (NM) | 93.563 | NONE | NONE | 41,516 |
| Fiscal Year 2012 | | | | |
| Total U.S. Department of Health and Human Services | | | | <u>41,516</u> |
| U.S. General Services Administration (GSA) | | | | |
| Passed Through | | | | |
| Texas Facilities Commission/Federal Surplus Program | | | | |
| Donation of Federal Surplus Personal Property (NM) | 39.003 | | | |
| Fiscal Year 2012 | | | None | <u>30,258</u> |
| Total U.S. General Services Administration (GSA) | | | | <u>30,258</u> |
| U.S. Department of Housing and Urban Development | | | | |
| Texas Department of Agriculture | | | | |
| Community Development Block Grants/ States Program (NM) | | | | |
| Tropical Storm Hermine Damages | 14.228 | 712077 | 350,000 | 26,981 |
| Total U.S. Department of Housing and Urban Development | | | | <u>26,981</u> |
| Election Assistance Commission | | | | |
| Passed Through | | | | |
| Texas Secretary of State | | | | |
| HELP America Vote Act | 90.401 | | | 2,120 |
| | | | | <u>2,120</u> |

U.S. Department of Justice

Direct

| | | | | |
|---|--------|---------------------|--|----------------|
| Equitable Sharing Program - Justice Funds (NM) | 16.922 | | | 8,872 |
| Equitable Sharing Program - Treasury Funds (NM) | 16.922 | | | <u>990</u> |
| | | | | 9,862 |
| State Criminal Alien Assistance Program (NM) | 16.606 | | | 11,007 |
| Juvenile Justice and Delinquency Prevention Allocation to States (NM) | 16.540 | 1414414 | | 3,149 |
| Passed Through | | | | |
| Office of the Governor - | | | | |
| Texas Criminal Justice Division | | | | |
| Juvenile Accountability Block Grants (NM) | 16.523 | 17468-06 / 17468-07 | | 66,248 |
| Edward Byrne Memorial Justice Assistance Grant Program (NM) | 16.738 | 2442001 | | <u>48,096</u> |
| Total U.S. Department of Justice | | | | <u>138,362</u> |

U.S. Department of Homeland Security

Passed Through

| | | | | |
|---|--------|--------------|-----------|----------------|
| Texas Department of Public Safety | | | | |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) (M) | 97.036 | | | |
| Road Disaster | | FEMA-DR-1709 | 3,339,546 | 47,805 |
| Fire Disaster | | FEMA-DR-1709 | | <u>123,859</u> |
| | | | | 171,664 |
| State Homeland Security Program (SHSP) (M) | 97.073 | NONE | NONE | 134,797 |
| Law Enforcement Terrorism Prevention Program (LEAP) (M) | 97.073 | NONE | NONE | <u>62,165</u> |
| | | | | 196,962 |
| Total U.S. Department of Homeland Security | | | | <u>368,626</u> |

TOTAL NON-STIMULUS PROGRAMS

607,863

Total Federal Assistance

\$607,863

CFDA=CATALOGUE OF FEDERAL DOMESTIC ASSISTANCE NUMBER

M=MAJOR PROGRAM

NM=NONMAJOR PROGRAM

See Accompanying Notes to Schedule of Federal Financial Assistance

HILL COUNTY, TEXAS
 BUDGET COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

Federal Grantor: U.S. Department of Housing and Urban Development
 Pass Through Grantor: Office of Rural Community Affairs
 CFDA Number: 14.228
 Project Number: 712077
 Contract Period: 06/13/2012 to 06/13/2014

| | FEDERAL | | LOCAL MATCH | | VARIANCE |
|-------------------------------------|------------|--------------|-------------|--------------|-----------|
| | PRIOR YEAR | CURRENT YEAR | PRIOR YEAR | CURRENT YEAR | |
| REVENUE | | | | | |
| Federal | \$350,000 | \$26,981 | | | \$323,019 |
| Local | | | | | 0 |
| TOTAL REVENUE: | 350,000 | 26,981 | 0 | 0 | 323,019 |
| EXPENSES | | | | | |
| Federal | | | | | |
| Street Improvement | 320,021 | 0 | | | 320,021 |
| General Administration | 29,979 | 26,981 | | | 2,998 |
| TOTAL EXPENSES | 350,000 | 26,981 | 0 | 0 | 323,019 |
| Excess Revenue over Expenditures | \$0 | \$0 | \$0 | \$0 | \$0 |

BEYER & Co.
CERTIFIED PUBLIC ACCOUNTANTS

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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 Commissioners' Court
Hill County, Texas

We 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, 2012, which collectively comprise Hill County, Texas' basic financial statements and have issued our report thereon dated May 27, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We identified the following deficiencies in internal control over financial reporting that we consider to be material weaknesses.

2012-1 Bank Reconciliations

Criteria: Internal controls should be in place that provides reasonable assurance that the County has an individual on staff that is able to reconcile all bank statements on a monthly basis.

Effect: Because the County does not have an individual on staff that is able to reconcile the bank statements the County's governing body cannot adequately evaluate the County's financial position and results of operations on an ongoing basis.

Cause of Condition: This condition exists because the County Treasurer does not have an individual on staff that is able to reconcile the bank statements.

Recommendation: We recommend that the County Treasurer work with the County Auditor to establish procedures that will lead to more timely reconciliation of the major bank statements.

Response: The County Auditor will establish procedures and work closely with the Treasurer to identify unresolved issues on a monthly basis, thus enabling a more timely preparation of bank statement reconciliations

Compliance and Other Matters

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

We noted certain other matters that we reported to the management of Hill County, Texas in a separate letter dated May 27, 2013.

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

Respectfully submitted,



BEYER & COMPANY
Certified Public Accountants
Pleasanton, Texas
May 27, 2013

BEYER & CO.
CERTIFIED PUBLIC ACCOUNTANTS

Wayne R. Beyer, C.P.A.

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

To the Commissioners' Court
Hill County, Texas

Compliance

We have audited Hill County, Texas' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Hill County, Texas' major federal programs for the year ended September 30, 2012. Hill County, Texas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Hill County, Texas' management. Our responsibility is to express an opinion on Hill County, Texas' compliance based on our audit.

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

In our opinion, Hill County, Texas, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012.

Internal Control over Compliance

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 our audit, we considered Hill County, Texas' internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Hill County, Texas' internal control over compliance.

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

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

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

Respectfully submitted,



BEYER & COMPANY
Certified Public Accountants
Pleasanton, Texas

May 27, 2013

HILL COUNTY, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

General

The accompanying Schedule of Expenditure of Federal Awards presents the activity of all the Hill County, Texas' federal grants for the year ended September 30, 2012. 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 no non-cash grants for the year ended September 30, 2012.

HILL COUNTY, TEXAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

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, 2012

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 one 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, State Homeland Security Program (SHSP) – CFDA 97.073, and Law Enforcement Terrorism Prevention Program (LEAP) – CFDA 97.073.
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. There was one material weakness disclosed during the audit on page 69 as finding 2012-1.

Findings relating to the Financial Statements

None

Findings and Questioned Costs for Federal Awards

None