

HILL COUNTY, TEXAS  
ANNUAL FINANCIAL REPORT  
For the Fiscal Year Ended  
September 30, 2008

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Hill County, Texas  
Annual Financial Report  
For the Fiscal Year Ended September 30, 2008

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FINANCIAL SECTION

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**INDEPENDENT AUDITOR'S REPORT**

To the Commissioner's Court  
Hill County, Texas

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hill County, Texas, as of and for the year ended September 30, 2008, which collectively comprise Hill County, Texas's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Hill County, Texas's management. My responsibility is to express opinions on these financial statements based on my audit.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hill County, Texas, as of September 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the General Fund and the Road and Bridge Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated June 22, 2009, on my consideration of Hill County, Texas's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of my audit.

The management's discussion and analysis, the non-major budgetary comparison information, and the schedule of funding progress for the Public Employees Retirement System on pages 3 through 10, 50 through 56, and 40, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hill County, Texas's basic financial statements. The combining and individual non-major fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements of Hill County, Texas. The combining and individual non-major fund financial statements and schedules of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and schedules and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,



WAYNE R. BEYER  
Certified Public Accountant  
Pleasanton, Texas  
June 22 2009

## 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 \$22,033,530 (net assets). Of this amount, \$8,155,623 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- . The government's total net assets increased by \$2,409,149. This increase is attributable to a FEMA grant for road construction.
- . As of the close of the current fiscal year, Hill County, Texas's governmental funds reported combined ending fund balances of \$9,435,472 an increase of \$2,235,173 in comparison with the prior year. Approximately 72% of this total amount, \$6,792,185, is available for spending at the government's discretion (unreserved fund balance).
- . At the end of the current fiscal year, the unreserved fund balance for the general fund was \$3,889,873, or 43 percent of total general fund expenditures and the unreserved fund balance for the road and bridge fund was \$868,824, or 17 percent of total road and bridge fund expenditures.

### Overview of the Financial Statements

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

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

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

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

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

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

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

*Governmental funds:*

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

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

Hill County, Texas maintains twenty-seven (27) 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, and the road and bridge funds, all of which are considered to be major funds. Data from the other twenty five (25) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Budgets for all budgeted General, Debt Service and Special Revenue Funds are adopted on a budgetary basis which is in conformity with generally accepted accounting principles (GAAP). Budgets for the 2008 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, and the Interest and Sinking Fund.

The basic governmental fund financial statements can be found on pages 13-20 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 21-39 of this report.



*Other information:*

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning Hill County, Texas's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 40 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 41-49 of this report. The budget comparison schedules in connection with the non-major governmental funds can be found on pages 50-56 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 \$22,033,530 at the close of the most recent fiscal year.

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

**HILL COUNTY, TEXAS  
NET ASSETS**

	Governmental Activities		Total	
	2008	2007	2008	2007
Current and other Assets	\$12,452,788	\$10,149,603	\$12,452,788	\$10,149,603
Capital Assets:	18,703,681	18,850,795	18,703,681	18,850,795
Total Assets	31,156,469	29,000,398	31,156,469	29,000,398
Long-Term Liabilities	8,003,651	8,179,426	8,003,651	8,179,426
Other Liabilities	1,119,288	1,196,591	1,119,288	1,196,591
Total Liabilities	9,122,939	9,376,017	9,122,939	9,376,017
Invested in Capital Assets, Net of Related Debt	11,234,620	11,063,907	11,234,620	11,063,907
Restricted	2,643,287	821,523	2,643,287	821,523
Unrestricted	8,155,623	7,738,951	8,155,623	7,738,951
Total Net Assets	<u>\$22,033,530</u>	<u>\$19,624,381</u>	<u>\$22,033,530</u>	<u>\$19,624,381</u>

An additional portion of Hill County, Texas's net assets (11 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$8,155,623) may be used to meet the governments on going obligations to citizens and creditors. At the end of the current fiscal year, Hill County, Texas reported a positive balance in the governmental activities. For the prior fiscal year, Hill County, Texas reported positive balances in net assets, both for the government as a whole, as well as for its separate governmental activities.

Governmental activities:

Governmental activities increased Hill County, Texas's net assets by \$2,409,149, thereby accounting for 100 percent of the total increase in the net assets of Hill County, Texas.

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

	Governmental Activities		Total	
	2008	2007	2008	2007
Revenues:				
Program Revenues:				
Charges for Services	\$5,087,091	\$4,903,450	\$5,087,091	\$4,903,450
Operating Grants and Contributions	1,759,306	1,459,363	1,759,306	1,459,363
Capital Grants and Contributions	3,339,546	0	3,339,546	0
General Revenues:				
Maintenance and Operations Taxes	7,635,451	7,616,043	7,635,451	7,616,043
Sales Taxes	1,914,937	1,308,355	1,914,937	1,308,355
Other Taxes	50,101	36,022	50,101	36,022
Unrestricted Investment Earnings	572,204	448,882	572,204	448,882
Miscellaneous	332,606	235,256	332,606	235,256
Total Revenue	<u>20,691,242</u>	<u>16,007,371</u>	<u>20,691,242</u>	<u>16,007,371</u>
Expenses:				
General Administration	1,701,790	1,623,857	1,701,790	1,623,857
Legal	338,301	353,053	338,301	353,053
Judicial	2,672,676	2,452,013	2,672,676	2,452,013
Financial Administration	562,048	548,650	562,048	548,650
Public Facilities	655,930	634,963	655,930	634,963
Public Safety	6,362,153	5,873,693	6,362,153	5,873,693
Public Transportation	4,851,508	3,412,064	4,851,508	3,412,064
Health and Welfare	656,506	552,850	656,506	552,850
Conservation - Agriculture	97,970	101,676	97,970	101,676
Interest and Fiscal Charges	383,211	399,408	383,211	399,408
Total Expenses	<u>18,282,093</u>	<u>15,952,227</u>	<u>18,282,093</u>	<u>15,952,227</u>
Increase in net assets before transfers and special items	2,409,149	55,144	2,409,149	55,144
Transfers	0	0	0	0
Increase in Net Assets	2,409,149	55,144	2,409,149	55,144
Net Assets at 09/30/2007	<u>19,624,381</u>	<u>19,569,237</u>	<u>19,624,381</u>	<u>19,569,237</u>
Net Assets at 09/30/2008	<u>\$22,033,530</u>	<u>\$19,624,381</u>	<u>\$22,033,530</u>	<u>\$19,624,381</u>

The increase in net assets over the previous year was \$2,409,149. Revenues increased by \$4,683,871 which was greatly helped by a \$606,582 increase in sales taxes, a \$19,408 increase in ad valorem taxes, and a capital FEMA grant of \$3,339,546. The total expenses increased by \$2,329,866 which was the result of \$1,623,329 in FEMA expenses and an increase in public safety expenses of \$488,460.

## 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	\$1,701,790	\$598,213	\$201,676	\$0
Legal	338,301	79,792	62,500	
Judicial	2,672,676	2,313,371	197,688	
Financial Administration	562,048	417,929		
Public Facilities	655,930			
Public Safety	6,362,153	812,812	1,089,387	
Public Transportation	4,851,508	864,974	181,619	3,339,546
Health and Welfare	656,506		26,436	
Conservation - Agriculture	97,970			
Interest and Fiscal Charges	383,211			
Total government activities	<u>\$18,282,093</u>	<u>\$5,087,091</u>	<u>\$1,759,306</u>	<u>\$3,339,546</u>

### Revenues by source - Governmental Activities

	<u>REVENUES</u>	<u>%</u>
Charges for Services	\$5,087,091	24.59%
Operating Grants and Contributions	1,759,306	8.50%
Capital Grants and Contributions	3,339,546	16.14%
Property Taxes, Levies for General Purposes	7,635,451	36.90%
Sales Taxes	1,914,937	9.25%
Other Taxes	50,101	0.24%
Unrestricted Investment Earnings	572,204	2.77%
Miscellaneous	332,606	1.61%
	<u>\$20,691,242</u>	<u>100.00%</u>

## Financial Analysis of the Government's Funds

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

### Governmental funds:

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

As of the end of the current fiscal year, Hill County, Texas's governmental funds reported combined ending fund balances of \$9,435,472, an increase of \$2,235,173 in comparison with the prior year. Approximately 72 percent of this total amount \$6,792,185 constitutes unreserved fund balance, which is available for spending at the government's discretion. The remaining restricted amounts are as follows: 1) \$239,014 is to be used for debt service, and 2) \$2,404,273 is to be used for construction.

The general fund is the chief operating fund of Hill County, Texas. At the end of the current fiscal year, unreserved fund balance of the general fund was \$3,889,873, while total fund balance reached \$3,889,873. 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 43 percent of total general fund expenditures, while total fund balance represents 43 percent of that same amount.

The fund balance of Hill County, Texas's general fund decreased by \$82,235 during the current fiscal year and increased by \$561,982 during the prior year. Key factors in this decrease are as follows:

- Revenues increased by \$589,490 while expenditures increased by \$415,100. The net transfers in decreased by \$818,607. The main increase in revenues was sales taxes which increased by \$532,752.

At the end of the current fiscal year, unreserved fund balance of the road and bridge fund was \$868,824, while total fund balance reached \$2,585,041. As a measure of the road and bridge fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 17 percent of total road and bridge fund expenditures, while total fund balance represents 51 percent of that same amount.

The fund balance of Hill County, Texas's road and bridge fund increased by \$1,909,479 during the current fiscal year and decreased by \$530,707 during the prior year. Key factors in this increase are as follows:

- The County received a FEMA grant in the amount of \$3,339,546 and expended \$1,623,329 during the year.

### Fund Budgetary Highlights

Differences between the original budget and the final amended budget for the general fund were an increase of \$36,134. The increase is immaterial. The increase in the budget was financed by beginning reserves of the fund. In total, the general fund expenditures were under the budgeted expenditures by \$831,184.

Differences between the original budget and the final amended budget for the road and bridge fund were an increase of \$1,953,746. This increase was attributable to a FEMA grant in the amount of \$3,339,546 and the actual amount expended was \$1,623,329 during the year.

#### Capital Asset and Debt Administration

##### Capital assets:

Hill County, Texas's investment in capital assets for its governmental activities as of September 30, 2008, amounts to \$18,703,681 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, and infrastructure items such as roads, highways, and bridges. The total increase in Hill County, Texas's investment in capital assets for the current fiscal year was \$147,114 or .78 percent.

The County received a FEMA grant in the amount of \$3,339,546 and expended \$1,623,329 during the year for road construction.

#### HILL COUNTY, TEXAS CAPITAL ASSETS (net of depreciation)

	Governmental Activities		Total	
	2008	2007	2008	2007
Land	\$18,198	\$18,198	\$18,198	\$18,198
Construction in Progress	3,600	35,940	3,600	35,940
Building and Improvements	14,893,914	15,342,928	14,893,914	15,342,928
Machinery and Equipment	2,317,964	2,481,975	2,317,964	2,481,975
Infrastructure	1,470,005	971,754	1,470,005	971,754
<b>Total</b>	<b>\$18,703,681</b>	<b>\$18,850,795</b>	<b>\$18,703,681</b>	<b>\$18,850,795</b>

Additional information on Hill County, Texas's capital assets can be found in note IV C on page 32 of this report.

##### Long-term debt:

At the end of the current fiscal year, Hill County, Texas had total bonded debt outstanding of \$7,455,000. All of which comprises debt backed by the full faith and credit of Hill County, Texas.

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Due within <u>one year</u>
<u>Governmental activities:</u>					
Certificates of Obligation	\$7,710,000		\$255,000	\$7,455,000	\$265,000
<b>Grand Total</b>	<b>\$7,710,000</b>	<b>\$0</b>	<b>\$255,000</b>	<b>\$7,455,000</b>	<b>\$265,000</b>

Hill County, Texas's total bonded debt decreased by \$255,000 (03 percent) during the current fiscal year. The key factor in this decrease was the payment of certificates of obligation bonds for the year.

Additional information on Hill County, Texas's long term debt can be found in note IV F on pages 34 thru 36 of this report.

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

- . Continued population growth will have a positive economic impact on the next fiscal year.
- . Due to exploration in the Barnett Shale, we consider this may have a positive financial impact for future years.

Estimated revenue for fiscal year 2009 is \$10,002,839, including incoming transfer of \$845,000 for the General Fund and estimated expenditures are \$9,999,873.

Hill County was the recipient of \$3,339,546 from FEMA in October through December, 2007. The unexpended amount at September 30, 2008 is \$1,716,217. The remainder of these funds will be spent in the fiscal 2009 year.

### Requests for Information

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

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS



HILL COUNTY, TEXAS  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2008

	Primary Government	
	Governmental Activities	Total
<b>ASSETS</b>		
Cash and Cash Equivalents	\$9,719,628	\$9,719,628
Receivables (net of allowance for uncollectibles)	2,468,377	2,468,377
Inventory	78,148	78,148
Prepaid Items	186,635	186,635
Capital assets not being depreciated:		
Land	18,198	18,198
Construction in Progress	3,600	3,600
Total Capital assets being depreciated, net		
Building and Improvements	14,893,914	14,893,914
Machinery and Equipment	2,317,964	2,317,964
Infrastructure	1,470,005	1,470,005
<b>Total Assets</b>	<b>\$31,156,469</b>	<b>\$31,156,469</b>
<b>LIABILITIES</b>		
Accounts Payable	\$907,729	\$907,729
Bank Overdraft	9,694	9,694
Accrued Wages Payable	155,694	155,694
Accrued Interest Payable	46,171	46,171
Noncurrent Liabilities:		
Due within one year	385,980	385,980
Due in more than one year	7,617,671	7,617,671
<b>Total Liabilities</b>	<b>9,122,939</b>	<b>9,122,939</b>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	11,234,620	11,234,620
Restricted for:		
Construction	2,404,273	2,404,273
Debt Service	239,014	239,014
Unrestricted	8,155,623	8,155,623
<b>Total Net Assets</b>	<b>\$22,033,530</b>	<b>\$22,033,530</b>

The accompanying notes are an integral part of this statement.

HILL COUNTY, TEXAS  
STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense)	Net (Expense)
		Charges for Services	Grants and Contributions	Capital Grants and Contributions	Revenue and	Revenue and
					Changes in	Changes in
				Net Assets	Net Assets	
				Governmental	Total	
				Activities		
Primary government						
Government activities:						
General Administration	\$1,701,790	\$598,213	\$201,676	\$0	(\$901,901)	(\$901,901)
Legal	338,301	79,792	62,500		(196,009)	(196,009)
Judicial	2,672,676	2,313,371	197,688		(161,617)	(161,617)
Financial Administration	562,048	417,929			(144,119)	(144,119)
Public Facilities	655,930				(655,930)	(655,930)
Public Safety	6,362,153	812,812	1,089,387		(4,459,954)	(4,459,954)
Public Transportation	4,851,508	864,974	181,619	3,339,546	(465,369)	(465,369)
Health and Welfare	656,506		26,436		(630,070)	(630,070)
Conservation - Agriculture	97,970				(97,970)	(97,970)
Interest and Fiscal Charges	383,211				(383,211)	(383,211)
Total government activities	<u>18,282,093</u>	<u>5,087,091</u>	<u>1,759,306</u>	<u>3,339,546</u>	<u>(8,096,150)</u>	<u>(8,096,150)</u>
 Total Primary Government	 <u>\$18,282,093</u>	 <u>\$5,087,091</u>	 <u>\$1,759,306</u>	 <u>\$3,339,546</u>	 <u>(8,096,150)</u>	 <u>(8,096,150)</u>
 General Revenues						
Property Taxes, Levies for General Purposes					7,635,451	7,635,451
Sales Taxes					1,914,937	1,914,937
Other Taxes					50,101	50,101
Unrestricted Investment Earnings					572,204	572,204
Miscellaneous					332,606	332,606
Total General Revenues and Transfers					<u>10,505,299</u>	<u>10,505,299</u>
Change in Net assets					2,409,149	2,409,149
Net Assets - Beginning					<u>19,624,381</u>	<u>19,624,381</u>
Net Assets - Ending					<u>\$22,033,530</u>	<u>\$22,033,530</u>

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS

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HILL COUNTY, TEXAS  
 BALANCE SHEET - GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2008

	General Fund	Road and Bridge	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$3,697,956	\$2,764,985	\$3,256,687	\$9,719,628
Receivables (net of allowance for uncollectibles)	1,050,748	231,538	193,465	1,475,751
Due from Other Funds	17,564		73,486	91,050
<b>Total Assets</b>	<b>\$4,766,268</b>	<b>\$2,996,523</b>	<b>\$3,523,638</b>	<b>\$11,286,429</b>
<b>LIABILITIES AND FUND BALANCES:</b>				
<b>Liabilities</b>				
Accounts Payable	\$355,335	\$224,181	\$328,213	\$907,729
Bank Overdraft			9,694	9,694
Due to Other Funds	525		90,525	91,050
Accrued Wages Payable	101,309	24,492	29,893	155,694
Deferred Revenues	419,226	162,809	104,755	686,790
<b>Total Liabilities</b>	<b>876,395</b>	<b>411,482</b>	<b>563,080</b>	<b>1,850,957</b>
<b>Fund Balances:</b>				
<b>Restricted For:</b>				
Construction		1,716,217	688,056	2,404,273
Debt Service			239,014	239,014
<b>Unreserved, Reported in</b>				
General Fund	3,889,873			3,889,873
Special Revenue Funds		868,824	2,033,488	2,902,312
<b>Total Fund Balance</b>	<b>3,889,873</b>	<b>2,585,041</b>	<b>2,960,558</b>	<b>9,435,472</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$4,766,268</b>	<b>\$2,996,523</b>	<b>\$3,523,638</b>	<b>\$11,286,429</b>

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, 2008

Total Fund Balances - governmental funds balance sheet \$9,435,472

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. 18,703,681  
Other long-term assets are not available to pay for current period  
expenditures and, therefore, are deferred in the funds. 1,257,409  
Property taxes receivable unavailable to pay for current period  
expenditures are deferred in the funds (net of allowance for uncollectibles). 686,790  
Long-term liabilities, including compensated absences, are not due and payable in the  
current period and therefore are not reported in the funds. (8,049,822)

Net assets of governmental activities - statement of net assets \$22,033,530

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, 2008

	General Fund	Road and Bridge	Other Governmental Funds	Total Governmental Funds
<i>REVENUES</i>				
Taxes				
Property	\$4,662,529	\$1,777,040	\$1,154,055	\$7,593,624
Sales	1,531,950	229,792	153,195	1,914,937
Other	50,101			50,101
Intergovernmental	423,423	3,521,165	1,154,264	5,098,852
Licenses and Permits		815,200		815,200
Charges for Services	1,558,528	49,774	2,029,895	3,638,197
Fines and Forfeitures	68,313	273,254	239,496	581,063
Interest	317,545	134,319	120,340	572,204
Miscellaneous	152,830	116,876	43,558	313,264
Total Revenues	<u>8,765,219</u>	<u>6,917,420</u>	<u>4,894,803</u>	<u>20,577,442</u>
<i>EXPENDITURES</i>				
Current:				
General Administration	1,682,388		92,550	1,774,938
Legal	297,044		39,827	336,871
Judicial	1,215,708		1,434,978	2,650,686
Financial Administration	556,947			556,947
Public Facilities	374,290			374,290
Public Safety	4,424,930		1,650,339	6,075,269
Public Transportation	179,965	5,024,659		5,204,624
Health and Welfare	122,794		532,872	655,666
Conservation - Agriculture	97,393			97,393
Debt Service				
Principal Retirement		62,827	255,000	317,827
Interest and Fiscal Charges		1,995	382,823	384,818
Total Expenditures	<u>8,951,459</u>	<u>5,089,481</u>	<u>4,388,389</u>	<u>18,429,329</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(186,240)</u>	<u>1,827,939</u>	<u>506,414</u>	<u>2,148,113</u>
<i>OTHER FINANCING SOURCES (USES):</i>				
Sale of Capital assets	5,520	81,540		87,060
Operating Transfers In	207,040		282,792	489,832
Operating Transfers Out	(108,555)		(381,277)	(489,832)
Total Other Financing Sources (Uses)	<u>104,005</u>	<u>81,540</u>	<u>(98,485)</u>	<u>87,060</u>
Net Changes in Fund Balances	(82,235)	1,909,479	407,929	2,235,173
Fund Balances - Beginning	3,972,108	675,562	2,552,629	7,200,299
Fund Balances - Ending	<u>\$3,889,873</u>	<u>\$2,585,041</u>	<u>\$2,960,558</u>	<u>\$9,435,472</u>

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, 2008

Net Changes in Fund Balances - total governmental funds	\$2,235,173
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.	(147,114)
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.	52,631
(Increase) decrease in Compensated Absences from beginning of period to end of period.	(142,052)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	41,827
Increase (decrease) in Inventory from beginning of period to end of period.	19,625
Increase (decrease) in Prepaid Items from beginning of period to end of period.	29,625
(Increase) decrease in Accrued Interest Payable from beginning of period to end of period.	1,607
Repayment of loan principal is an expenditure in the funds but not an expense in the SOA.	317,827
Change in net assets of governmental activities - statement of activities	<u><u>\$2,409,149</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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<i>REVENUES</i>				
Taxes				
Property	\$4,824,657	\$4,824,657	\$4,662,529	(\$162,128)
Sales	1,207,849	1,207,849	1,531,950	324,101
Other	25,426	25,426	50,101	24,675
Intergovernmental	247,886	265,811	423,423	157,612
Charges for Services	1,579,512	1,579,512	1,558,528	(20,984)
Fines and Forfeitures	68,444	68,444	68,313	(131)
Interest	273,959	273,959	317,545	43,586
Miscellaneous	1,500	24,437	148,361	123,924
Total Revenues	8,229,233	8,270,095	8,760,750	490,655
<i>EXPENDITURES</i>				
Current:				
General Administration				
Computer	505,697	505,697	341,761	163,936
County Clerk	260,608	260,608	251,001	9,607
County Judge	118,291	118,291	112,849	5,442
Elections Administration	136,111	136,111	130,585	5,526
Employee Hospitalization	225,000	225,000	177,966	47,034
Non-Departmental	1,027,776	888,456	652,074	236,382
Veterans Service	16,783	16,783	16,152	631
Legal				
County Attorney	298,987	323,986	297,044	26,942
Judicial				
County Court at Law	195,854	195,854	189,358	6,496
District Attorney	149,076	149,076	146,265	2,811
District Clerk	301,167	301,167	290,443	10,724
District Judge	87,355	87,356	85,090	2,266
Employee Hospitalization	250,000	250,000	194,913	55,087
Justices of the Peace	317,199	325,789	309,639	16,150
Financial Administration				
County Auditor	126,200	126,202	111,211	14,991
County Treasurer	135,957	135,958	133,635	2,323
Tax Assessor-Collector	308,827	318,827	312,101	6,726
Public Facilities				
Courthouse	304,949	375,948	374,290	1,658
Public Safety				
911 Dispatch	328,403	328,404	303,090	25,314
Constables	181,760	181,760	171,824	9,936
Courthouse Security	151,742	151,742	151,310	432
Employee Hospitalization	467,734	401,234	371,195	30,039
Jail	2,084,695	2,084,696	2,018,117	66,579
Sheriff	1,430,185	1,445,892	1,409,394	36,498

(continued)



(continued)

Public Transportation				
Employee Hospitalization	200,000	200,000	179,965	20,035
Health and Welfare				
Employee Hospitalization	25,000	25,000	12,356	12,644
Public Assistance	0	111,654	110,438	1,216
Conservation - Agriculture				
Agriculture Extension Service	111,153	111,152	97,393	13,759
Total Expenditures	<u>9,746,509</u>	<u>9,782,643</u>	<u>8,951,459</u>	<u>831,184</u>
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	<u>(1,517,276)</u>	<u>(1,512,548)</u>	<u>(190,709)</u>	<u>1,321,839</u>
OTHER FINANCING SOURCES (USES):				
Sale of Capital assets	0	5,270	5,520	250
Operating Transfers In	1,015,000	1,015,000	211,509	(803,491)
Operating Transfers Out	<u>(108,555)</u>	<u>(108,555)</u>	<u>(108,555)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>906,445</u>	<u>911,715</u>	<u>108,474</u>	<u>(803,241)</u>
Net Changes in Fund Balances	<u>(610,831)</u>	<u>(600,833)</u>	<u>(82,235)</u>	<u>518,598</u>
Fund Balances - Beginning	3,972,108	3,972,108	3,972,108	0
Fund Balances - Ending	<u>\$3,361,277</u>	<u>\$3,371,275</u>	<u>\$3,889,873</u>	<u>\$518,598</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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes				
Property	\$1,806,277	\$1,806,277	\$1,777,040	(\$29,237)
Sales	181,178	181,178	229,792	48,614
Other	4,505	4,505		(4,505)
Intergovernmental	111,049	1,898,645	3,521,165	1,622,520
Licenses and Permits	789,051	789,051	815,200	26,149
Charges for Services	55,000	55,000	49,774	(5,226)
Fines and Forfeitures	273,772	273,772	273,254	(518)
Interest	62,958	62,958	134,319	71,361
Miscellaneous	0	0	116,876	116,876
Total Revenues	<u>3,283,790</u>	<u>5,071,386</u>	<u>6,917,420</u>	<u>1,846,034</u>
<b>EXPENDITURES</b>				
Current				
Public Transportation	3,244,818	5,198,564	5,024,659	173,905
Debt Service				
Principal Retirement	73,555	73,555	62,827	10,728
Interest Retirement	5,138	5,138	1,995	3,143
Total Expenditures	<u>3,323,511</u>	<u>5,277,257</u>	<u>5,089,481</u>	<u>187,776</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(39,721)</u>	<u>(205,871)</u>	<u>1,827,939</u>	<u>2,033,810</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of Capital assets	0	156,212	81,540	(74,672)
Operating Transfers In	55,249	55,249	0	(55,249)
Operating Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	<u>55,249</u>	<u>211,461</u>	<u>81,540</u>	<u>(129,921)</u>
Net Changes in Fund Balances	<u>15,528</u>	<u>5,590</u>	<u>1,909,479</u>	<u>1,903,889</u>
Fund Balances - Beginning	<u>675,562</u>	<u>675,562</u>	<u>675,562</u>	<u>0</u>
Fund Balances - Ending	<u>\$691,090</u>	<u>\$681,152</u>	<u>\$2,585,041</u>	<u>\$1,903,889</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, 2008

	Agency Funds
<b>ASSETS</b>	
Cash and Cash Equivalents	\$2,389,393
Receivables (net of allowance for uncollectibles)	0
Total Assets	<u>\$2,389,393</u>
<b>LIABILITIES</b>	
Accounts Payable	\$0
Due to Others	2,389,393
Total Liabilities	<u>\$2,389,393</u>

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

HILL COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2008

I. Summary of Significant Accounting Policies

A. Reporting entity

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

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

The government reports the following major governmental funds:

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

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

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.

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, 2008 and 10 percent of the delinquent outstanding property taxes at September 30, 2008.

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

Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed in the fund financial statements. 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, 2008 are reflected in the accompanying financial statements.

4. Restricted Assets

There were no restricted assets at September 30, 2008.

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, highways, and bridges are not included.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The County received a FEMA grant in the amount of \$3,339,546 and expended \$1,623,329 during the year for road construction.

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

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

6. Compensated Absences

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

7. Long-Term Obligations

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

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



8. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

II. Reconciliation of Government-Wide and Fund Financial Statements

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

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$8,049,822 difference are as follows:

Capital leases payable	\$14,061
Bonds payable	7,455,000
Accrued interest payable	46,171
Compensated absences	534,590
	<u>\$8,049,822</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 \$18,703,681 difference are as follows:

Capital outlay	\$26,816,583
Depreciation expense	(8,112,902)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$18,703,681</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 \$686,790 difference are as follows:

Property taxes Receivable	\$808,306
Allowance for Doubtful Accounts	(80,831)
Amounts collected within 60 days	<u>(40,685)</u>
Net	<u>\$686,790</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 \$1,257,409 difference are as follows:

Fines Receivable	\$1,654,376
Inventory	\$78,148
Prepaid Items	186,635
Allowance for Doubtful Accounts	<u>(661,750)</u>
Net	<u>\$1,257,409</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 \$147,114 difference are as follows:

Capital outlay - additions	\$1,079,850
Capital outlay - dispositions - net	(67,719)
Depreciation expense	(1,159,245)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u><u>(\$147,114)</u></u>

### III. Stewardship, Compliance, and Accountability

#### A. Budgetary Information

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

The final amended budget is used in this report.

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

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

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

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

Budgets for all budgeted General, Debt Service and Special Revenue Funds are adopted on a budgetary basis which is in conformity with generally accepted accounting principles (GAAP). Budgets for the 2008 fiscal year were adopted for the General Fund, the Road and Bridge Funds, Records Preservation and Management Fund, the Law Library Fund, the Jury Fund, the Indigent Health Fund, the D.A. Forfeited Property Fund, the County Clerk Records Fund, and the Interest and Sinking Fund.

B. Excess of Expenditures over Appropriations

For the year ended September 30, 2008, expenditures exceeded appropriations in the Indigent Health Care Fund whereby expenditures of \$529,078 exceeded appropriations of \$527,091 by \$1,987.

C. Deficit fund equity

The county had no deficit fund balances as of September 30, 2008.

#### 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, 2008, 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, 2008, the government's bank balance of \$11,776,699 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 \$17,531,470 and the FDIC coverage is \$100,000. The government's bank balance of \$371,520 with Citizens National Bank was exposed to custodial credit risk because it was not fully insured and/or collateralized with securities held by the pledging financial institution's trust department or agent, in the government's name; the total amount of the pledged securities was \$-0- and the FDIC coverage is \$100,000.

The government's bank balance of \$61,508 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 \$252,353 and the FDIC coverage is \$100,000. The amount of \$42,838 in the Bank of America was covered by the FDIC.

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

BANK	BANK BALANCE	FDIC INSURANCE	COLLATERAL *	AMOUNT AT RISK
WELLS FARGE BANK	\$11,776,699	\$100,000	\$17,531,470	\$0
CITIZENS NATIONAL BANK	371,520	100,000	0	271,520
CITIZENS STATE BANK	61,508	100,000	252,353	0
BANK OF AMERICA	42,838	100,000	0	0
TOTAL	<u>\$12,252,565</u>	<u>\$400,000</u>	<u>\$17,783,823</u>	<u>\$271,520</u>

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

#### B. Receivables

Receivables as of year end for the government's individual major funds and non-major, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Road and Bridge	Other Govern- mental	Total
<u>Receivables</u>				
Ad Valorem Taxes	\$493,563	\$191,413	\$123,330	\$808,306
Sales Taxes	305,102	45,766	30,509	381,377
Fines	1,654,376			1,654,376
Other	301,440	13,500	51,959	366,899
Gross receivables	<u>2,754,481</u>	<u>250,679</u>	<u>205,798</u>	<u>3,210,958</u>
Less: Allowance for uncollectibles	711,107	19,141	12,333	742,581
Net total receivables	<u>\$2,043,374</u>	<u>\$231,538</u>	<u>\$193,465</u>	<u>\$2,468,377</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>\$ 686,790</u>
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 686,790</u>

C. Capital Assets

Capital asset activity for the year ended September 30, 2008 was as follows:

Governmental Activities:	Beginning			Ending
Capital assets not being depreciated:	Balances	Increases	Decreases	Balances
Land	\$18,198			\$18,198
Construction in Progress	35,940		32,340	3,600
Total capital assets not being depreciated:	<u>54,138</u>	<u>0</u>	<u>32,340</u>	<u>21,798</u>
Capital assets being depreciated:				
Building and Improvements	18,965,152	27,958		18,993,110
Machinery and Equipment	5,895,486	477,777	237,458	6,135,805
Infrastructure	1,091,755	574,115		1,665,870
Total capital assets being depreciated:	<u>25,952,393</u>	<u>1,079,850</u>	<u>237,458</u>	<u>26,794,785</u>
Less: Accumulated Depreciation for:				
Building and Improvements	3,622,224	476,972	0	4,099,196
Machinery and Equipment	3,413,511	606,409	202,079	3,817,841
Infrastructure	120,001	75,864	0	195,865
Total Accumulated Depreciation	<u>7,155,736</u>	<u>1,159,245</u>	<u>202,079</u>	<u>8,112,902</u>
Total Capital Assets Depreciated, Net	<u>18,796,657</u>	<u>(79,395)</u>	<u>35,379</u>	<u>18,681,883</u>
Governmental Activities capital assets, Net	<u>\$18,850,795</u>	<u>(\$79,395)</u>	<u>\$67,719</u>	<u>\$18,703,681</u>

Governmental activities	
General Administration	\$32,450
Judicial	11,660
Financial Administration	1,384
Public Facilities	306,324
Public Safety	326,509
Public Transportation	480,919
Total depreciation expense - governmental activities	<u>\$1,159,246</u>

Construction commitments

The County received a FEMA grant in the amount of \$3,339,546 and expended \$1,623,329 during the year for road construction.

D. Interfund Receivables, Payables, and Transfers

There were no advances at September 30, 2008.

The Due to/from other funds consisted of the following:

DUE TO	DUE FROM		TOTAL
	GENERAL FUND	NON-MAJOR GOVERNMENTAL FUNDS	
GENERAL FUND		\$17,564	\$17,564
NON-MAJOR GOVERNMENTAL FUNDS	525	72,961	73,486
TOTALS	\$525	\$90,525	\$91,050

The transfers consisted of the following:

TRANSFER OUT	TRANSFER IN		TOTAL
	GENERAL FUND	NON-MAJOR GOVERNMENTAL FUNDS	
GENERAL FUND		\$108,555	\$108,555
NON-MAJOR GOVERNMENTAL FUNDS	207,040	174,237	381,277
TOTALS	\$207,040	\$282,792	\$489,832

E. Leases

Operating Leases

The government leases equipment under non-cancelable operating leases. Total costs for such leases were \$120,798 for the year ended September 30, 2008. The future minimum lease payments for these leases are as follows:

Year Ending Sept. 30,	<u>Amount</u>
2009	\$ 89,094
2010	75,935
2011	64,361
2012	<u>50,650</u>
Total	<u>\$280,040</u>



F. Long-Term Debt

Capital Leases

The government has entered into a lease agreement as lessee for financing of two Motor Graders. This lease agreement qualifies as capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The debt service for the two Motor Graders is serviced from Precinct No. 3.

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

Asset:	TWO MOTOR	
	GRADERS	TOTAL
Cost	\$210,720	\$210,720
Less: Accumulated Depreciation	110,378	110,378
Total	<u>\$100,342</u>	<u>\$100,342</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2008, were as follows:

YEAR	Governmental	
	Activities	Total
2009	\$17,742	\$17,742
TOTAL MINIMUM LEASE PAYMENTS	<u>17,742</u>	<u>17,742</u>
LESS: AMOUNT REPRESENTING INTEREST	3,681	3,681
PRESENT VALUE OF NET MINIMUM LEASE PAYMENTS	<u>\$14,061</u>	<u>\$14,061</u>

Certificates of Obligation:

The government issues Certificates of Obligation bonds, Series 1997 and 2001, which provided funds for the re-construction of the courthouse and helped fund the acquisition, construction and improvements to the jail facilities and renovating and improving the courthouse and annex, respectively. The original amount of the Certificates of Obligation bonds Series 1997 was \$2,000,000 and the original amount of the Certificates of Obligation bonds Series 2001 was \$6,990,000. The Certificates of Obligation bonds are serviced by the Debt Service Fund.

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

<u>Purpose</u>	<u>Rates</u>	<u>Amount</u>
Governmental activities - Certificates of Obligation Bonds	4.30-5.875	\$ 1,260,000
Governmental activities - Certificates of Obligation Bonds	4.50-5.00	6,195,000

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

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2009	\$265,000	\$369,365
2010	280,000	355,886
2011	295,000	341,645
2012	310,000	326,583
2013	325,000	312,053
2014 to 2018	1,870,000	1,305,871
2019 to 2023	2,380,000	798,745
2024 to 2026	1,730,000	175,750
TOTALS	<u>\$7,455,000</u>	<u>\$3,985,898</u>

Changes in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
<u>Governmental activities:</u>					
Certificates of Obligation	\$7,710,000	\$0	\$255,000	\$7,455,000	\$265,000
Total Bonds Payable	<u>7,710,000</u>	<u>0</u>	<u>255,000</u>	<u>7,455,000</u>	<u>265,000</u>
Warrants Payable	18,554		18,554	0	0
Capital Leases Payable	58,334		44,273	14,061	14,061
Compensated Absences	392,538	220,560	78,508	534,590	106,919
Grand Total	<u>\$8,179,426</u>	<u>\$220,560</u>	<u>\$396,335</u>	<u>\$8,003,651</u>	<u>\$385,980</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 2008-09 year is \$106,919.

The government-wide statement of activities includes \$385,980 as "noncurrent liabilities, due within one year".

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

G. Restricted Net Assets

The restricted assets at September 30, 2008 were 1) \$239,014 to be used for debt service, and 2) \$2,404,273 to be used for construction.

V. Other Information

A. Risk Management

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

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

	Year Ended September 30, 2008	Year Ended September 30, 2007
Unpaid claims, beginning of fiscal year	\$0	\$0
Incurred claims (including IBNRs)	0	0
Claim payments	0	0
Unpaid claims, end of fiscal year	<u>\$0</u>	<u>\$0</u>

B. Related Party Transaction:

The Justice of the Peace No. 2 leases her building to the County for her office space. The total amount paid to the judge in fiscal year 2008 was \$2,400. There were no amounts payable to the Judge by the County or payable by the County to the Judge at September 30, 2008.

The Justice of the Peace No. 4 sub-leases his building to the County for his office space and for partial payment of utilities and telephone. The total amount paid to the Judge in fiscal year 2008 was \$4,559. There were no amounts payable to the Judge by the County or payable by the County to the Judge at September 30, 2008.

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

D. Contingent Liabilities

Amounts received or receivable from grant 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 that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

The government is a defendant in the following lawsuit.

*Eddie Lehmann v. Hill County et al*; Civil Action No. W09CA086 in the United States District Court for the Western District of Texas, Waco Division.

Mr. Lehman has filed suit under the First Amendment claim that he was fired for his first amendment protected freedom of political association. He was fired shortly after Commissioner Wright took office. The County has answered the lawsuit and is currently awaiting the scheduling order from the court. Thereafter, the County will begin written discovery and will expect a trial setting approximately one year from the date of the audit report. In addition, the County may need to defend the case through a possible appeal. Mr. Lehman has also filed an EEOC age discrimination case. The County has already filed a response and the EEOC is conducting its investigation. The EEOC is required to issue a right to sue letter to Mr. Lehman and expect Mr. Lehman to add his age discrimination claims to the pending lawsuit.

## 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 574 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 6.31% for the 2007 and 6.60% for the 2008 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 2007 and 2008 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	12/31/2005	12/31/2006	12/31/2007
Actuarial cost method	entry age	entry age	entry age
Amortization method	level percentage of payroll, open	level percentage of payroll, open	level percentage of payroll, closed
Amortization period	20.0	15.0	15.0
Asset valuation method	Long-term appreciation with adjustment	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	5.5%	5.3%	5.3%
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 <u>Ending</u>	Annual Pension Cost (APC)	Percentage Of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
09-30-2006	386,043	100%	\$ -0-
09-30-2007	397,731	100%	\$ -0-
09-30-2008	460,248	100%	\$ -0-

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)
2005	7,564,552	8,733,921	1,169,369	86.61	5,358,236	21.82
2006	8,066,944	8,874,213	807,269	90.90	5,897,233	13.69
2007	8,979,514	10,188,748	1,209,234	88.13	6,291,685	12.22

REQUIRED SUPPLEMENTARY INFORMATION

HILL COUNTY, TEXAS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SEPTEMBER 30, 2008

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)
2005	7,564,552	8,733,921	1,169,369	86.61	5,358,236	21.82
2006	8,066,944	8,874,213	807,269	90.90	5,897,233	13.69
2007	8,979,514	10,188,748	1,209,234	88.13	6,291,685	12.22



COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

HILL COUNTY, TEXAS  
 COMBINING BALANCE SHEET - ROAD AND BRIDGE FUND  
 SEPTEMBER 30, 2008

	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	Lateral Road No. 4 Refund	Total Road and Bridge
<b>ASSETS</b>											
Cash and Cash Equivalents	\$81,306	\$361,538	\$781,600	\$615,750	\$629,801	\$44,072	\$55,712	\$48,861	\$146,345	\$0	\$2,764,985
Receivables (net of allowance for uncollectibles)		40,981	27,312	31,190	26,413	25,829	25,671	29,316	24,826		231,538
<b>Total Assets</b>	<b>\$81,306</b>	<b>\$402,519</b>	<b>\$808,912</b>	<b>\$646,940</b>	<b>\$656,214</b>	<b>\$69,901</b>	<b>\$81,383</b>	<b>\$78,177</b>	<b>\$171,171</b>	<b>\$0</b>	<b>\$2,996,523</b>
<b>LIABILITIES AND FUND BALANCES:</b>											
<b>Liabilities:</b>											
Accounts Payable	\$8,269	\$26,556	\$56,106	\$80,734	\$52,516						\$224,181
Accrued Wages Payable	5,288	5,287	3,676	4,966	5,275						24,492
Deferred Revenues		15,375	15,281	17,450	14,777	24,431	24,282	27,730	23,483		162,809
<b>Total Liabilities</b>	<b>13,557</b>	<b>47,218</b>	<b>75,063</b>	<b>103,150</b>	<b>72,568</b>	<b>24,431</b>	<b>24,282</b>	<b>27,730</b>	<b>23,483</b>	<b>0</b>	<b>411,482</b>
<b>Fund Balances:</b>											
<b>Restricted For:</b>											
Construction	32,881	381,849	493,059	501,931	306,497						1,716,217
<b>Unreserved, Reported in</b>											
Other Governmental Funds	34,868	(26,548)	240,790	41,859	277,149	45,470	57,101	50,447	147,688		868,824
<b>Total Fund Balance</b>	<b>67,749</b>	<b>355,301</b>	<b>733,849</b>	<b>543,790</b>	<b>583,646</b>	<b>45,470</b>	<b>57,101</b>	<b>50,447</b>	<b>147,688</b>	<b>0</b>	<b>2,585,041</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$81,306</b>	<b>\$402,519</b>	<b>\$808,912</b>	<b>\$646,940</b>	<b>\$656,214</b>	<b>\$69,901</b>	<b>\$81,383</b>	<b>\$78,177</b>	<b>\$171,171</b>	<b>\$0</b>	<b>\$2,996,523</b>

The accompanying notes are an integral part of this statement.

HILL COUNTY, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES - ROAD AND BRIDGE FUNDS  
 YEAR ENDED SEPTEMBER 30, 2008

	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	Lateral Road No. 4 Refund	Total Road and Bridge
<i>REVENUES</i>											
Taxes											
Property		\$170,842	\$169,800	\$193,902	\$164,211	\$263,642	\$262,023	\$299,224	\$253,396		\$1,777,040
Sales		56,184	55,840	63,767	54,001						229,792
Other											0
Intergovernmental	91,127	1,044,972	822,173	833,543	729,350						3,521,165
Licenses and Permits		199,316	198,094	226,218	191,572						815,200
Charges for Services	49,774										49,774
Fines and Forfeitures	273,254										273,254
Interest		24,300	40,941	24,833	44,245						134,319
Miscellaneous				177	116,699						116,876
Total Revenues	414,155	1,495,614	1,286,848	1,342,440	1,300,078	263,642	262,023	299,224	253,396	0	6,917,420
<i>EXPENDITURES</i>											
Current:											
Public Transportation											
Road and Bridge	348,226	1,075,705	776,473	800,384	1,019,879	264,120	262,230	224,768	252,814	60	5,024,659
Debt Service											
Principal Retirement		18,555						44,272			62,827
Interest and Fiscal Charges		138						1,857			1,995
Total Expenditures	348,226	1,094,398	776,473	800,384	1,019,879	264,120	262,230	270,897	252,814	60	5,089,481
Excess (Deficiency) of Revenues Over (Under) Expenditures	65,929	401,216	510,375	542,056	280,199	(478)	(207)	28,327	582	(60)	1,827,939
<i>OTHER FINANCING SOURCES (USES):</i>											
Sale of Capital assets			45,165		36,375						81,540
Operating Transfers In											0
Operating Transfers Out											0
Total Other Financing Sources (Uses)	0	0	45,165	0	36,375	0	0	0	0	0	81,540
Net Changes in Fund Balances	65,929	401,216	555,540	542,056	316,574	(478)	(207)	28,327	582	(60)	1,909,479
Fund Balances - Beginning	1,820	(45,915)	178,309	1,734	267,072	45,948	57,308	22,120	147,106	60	675,562
Fund Balances - Ending	\$67,749	\$355,301	\$733,849	\$543,790	\$583,646	\$45,470	\$57,101	\$50,447	\$147,688	\$0	\$2,585,041

The accompanying notes are an integral part of this statement.

HILL COUNTY, TEXAS  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2008

	SPECIAL REVENUE													
	INDIGENT						CRIME		ELECTION	RECORDS				
	HEALTH	ADULT	LAW	JURY	JUVENILE	CRIMINAL	VICTIMS	ASSISTANCE	COUNTY	CHAPTER	PRESERVATION	COURTHOUSE	PROBATE	HOT
CARE	PROBATION	LIBRARY		PROBATION	JUSTICE	D.A.R.E.	1,2,& 3	CLERK	19	AND	SECURITY	RECORDS	CHECK	
									FUNDS	MANAGEMENT		MANAGEMENT	RESTITUTION	
<b>ASSETS</b>														
Cash and Cash Equivalents	\$327,410	\$412,282	\$109,242	\$154,271	\$335,035	\$312,599	\$532		\$69,283	\$0	\$61,231	\$17,327	\$14,037	\$21,796
Receivables (net of allowance for uncollectibles)	74,930	3,978		5,256	30,746	151		8,735		2,544				
Due from Other Funds														
<b>TOTAL ASSETS</b>	<b>\$402,340</b>	<b>\$416,260</b>	<b>\$109,242</b>	<b>\$159,527</b>	<b>\$365,781</b>	<b>\$312,750</b>	<b>\$532</b>	<b>\$8,735</b>	<b>\$69,283</b>	<b>\$2,544</b>	<b>\$61,231</b>	<b>\$17,327</b>	<b>\$14,037</b>	<b>\$21,796</b>
<b>LIABILITIES AND FUND BALANCES</b>														
<b>Liabilities</b>														
Accounts Payable	\$61,233	\$8,107	\$1,836	\$39,809	\$26,563	\$180,789		\$713	\$8,597					
Bank Overdraft								7,159		2,535				
Due to Other Funds		3,262		13,430	3	257								87
Accrued Wages Payable	1,388	17,787		2,603	5,752			659	514		821			
Deferred Revenues	41,922													
<b>Total Liabilities</b>	<b>104,543</b>	<b>29,156</b>	<b>1,836</b>	<b>55,842</b>	<b>32,318</b>	<b>181,046</b>	<b>0</b>	<b>8,531</b>	<b>9,111</b>	<b>2,535</b>	<b>821</b>	<b>0</b>	<b>0</b>	<b>87</b>
<b>Fund Balances</b>														
Restricted For:														
Construction														
Debt service														
Unreserved - Undesignated	297,797	387,104	107,406	103,685	333,463	131,704	532	204	60,172	9	60,410	17,327	14,037	21,709
<b>Total Fund Balances</b>	<b>297,797</b>	<b>387,104</b>	<b>107,406</b>	<b>103,685</b>	<b>333,463</b>	<b>131,704</b>	<b>532</b>	<b>204</b>	<b>60,172</b>	<b>9</b>	<b>60,410</b>	<b>17,327</b>	<b>14,037</b>	<b>21,709</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$402,340</b>	<b>\$416,260</b>	<b>\$109,242</b>	<b>\$159,527</b>	<b>\$365,781</b>	<b>\$312,750</b>	<b>\$532</b>	<b>\$8,735</b>	<b>\$69,283</b>	<b>\$2,544</b>	<b>\$61,231</b>	<b>\$17,327</b>	<b>\$14,037</b>	<b>\$21,796</b>

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

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	CAPITAL	JAIL/ ARMORY CONSTR- UCTION	COURT- HOUSE PROJECT	NON-MAJOR GOVERN- MENTAL FUNDS
								SERVICE FUND	PROJECTS FUNDS			
\$134,282	\$153,678	\$141,485	\$6	\$13,717	\$2,805	\$12	\$52,331	\$235,270	\$147,916	\$540,140	\$3,256,687	
			502			46		66,577			193,465	
							73,486				73,486	
<u>\$134,282</u>	<u>\$153,678</u>	<u>\$141,485</u>	<u>\$508</u>	<u>\$13,717</u>	<u>\$2,805</u>	<u>\$58</u>	<u>\$125,817</u>	<u>\$301,847</u>	<u>\$147,916</u>	<u>\$540,140</u>	<u>\$3,523,638</u>	
			\$508			\$58					\$328,213	
											9,694	
73,486											90,525	
	369										29,893	
								62,833			104,755	
<u>73,486</u>	<u>369</u>	<u>0</u>	<u>508</u>	<u>0</u>	<u>0</u>	<u>58</u>	<u>0</u>	<u>62,833</u>	<u>0</u>	<u>0</u>	<u>563,080</u>	
									147,916	540,140	688,056	
								239,014			239,014	
60,796	153,309	141,485	0	13,717	2,805		125,817				2,033,488	
<u>60,796</u>	<u>153,309</u>	<u>141,485</u>	<u>0</u>	<u>13,717</u>	<u>2,805</u>	<u>0</u>	<u>125,817</u>	<u>239,014</u>	<u>147,916</u>	<u>540,140</u>	<u>2,960,558</u>	
<u>\$134,282</u>	<u>\$153,678</u>	<u>\$141,485</u>	<u>\$508</u>	<u>\$13,717</u>	<u>\$2,805</u>	<u>\$58</u>	<u>\$125,817</u>	<u>\$301,847</u>	<u>\$147,916</u>	<u>\$540,140</u>	<u>\$3,523,638</u>	

HILL COUNTY, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

	SPECIAL REVENUE													
	INDIGENT						CRIME		ELECTION	RECORDS				
	HEALTH CARE	ADULT PROBATION	LAW LIBRARY	JURY	JUVENILE PROBATION	CRIMINAL JUSTICE	D.A.R.E.	ASSISTANCE 1,2,&3	COUNTY CLERK	CHAPTER 19 FUNDS	PRESERVATION AND MANAGEMENT	COURTHOUSE SECURITY	PROBATE RECORDS MANAGEMENT	HOT CHECK RESTITUTION
<b>REVENUES</b>														
Taxes														
Property	\$460,850													
Sales	153,195													
Intergovernmental		543,696		41,687	515,905			34,197		9,867				
Charges for Services		532,485	27,405	445,909	52,795	763,399			65,975		31,343	45,187	895	29,237
Fines and Forfeitures														
Interest		17,438	5,018	2,363	14,676				3,533	9	3,249	1,297	647	82
Miscellaneous	26,993	1,100		2,852	6,699									
Total Revenues	641,038	1,094,719	32,423	492,811	590,075	763,399	0	34,197	69,508	9,876	34,592	46,484	1,542	29,319
<b>EXPENDITURES</b>														
Current:														
General Administration									82,683	9,867				
Legal														31,499
Judicial			22,532	492,464		720,825		44,951			37,636			
Public Safety		994,576			648,906									
Health and Welfare	529,078													
Debt Service														
Principal Retirement														
Interest and Fiscal Charges														
Total Expenditures	529,078	994,576	22,532	492,464	648,906	720,825	0	44,951	82,683	9,867	37,636	0	0	31,499
Excess (Deficiency) of Revenues Over (Under)														
Expenditures	111,960	100,143	9,891	347	(58,831)	42,574	0	(10,754)	(13,175)	9	(3,044)	46,484	1,542	(2,180)
<b>OTHER FINANCING SOURCES (USES):</b>														
Operating Transfers In		40,713		50,000	48,800			9,755						
Operating Transfers Out	(100,000)	(40,713)				(52,292)						(40,000)		(301)
Total Other Financing Sources (Uses)	(100,000)	0	0	50,000	48,800	(52,292)	0	9,755	0	0	0	(40,000)	0	(301)
Net Changes in Fund Balances	11,960	100,143	9,891	50,347	(10,031)	(9,718)	0	(999)	(13,175)	9	(3,044)	6,484	1,542	(2,481)
Fund Balances - Beginning	285,837	286,961	97,515	53,338	343,494	141,422	532	1,203	73,347	0	63,454	10,843	12,495	24,190
Fund Balances - Ending	\$297,797	\$387,104	\$107,406	\$103,685	\$333,463	\$131,704	\$532	\$204	\$60,172	\$9	\$60,410	\$17,327	\$14,037	\$21,709

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

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	CAPITAL		NON-MAJOR GOVERN- MENTAL FUNDS
								SERVICE FUND	PROJECTS FUNDS	JAIL/ ARMORY CONSTR- UCTION	
								\$693,205			\$1,154,055
\$8,912											153,195
		35,265									1,154,264
					3,588		235,908				2,029,895
3,308	6,112	6,435					6,014	17,249	7,075	25,835	239,496
	2,386		2,794			728				6	120,340
12,220	8,498	41,700	2,794	0	3,588	728	241,922	710,454	7,075	25,841	43,558
											92,550
											39,827
	116,570				8,328						1,434,978
5,849						1,008					1,650,339
			3,794								532,872
								255,000			255,000
								382,823			382,823
5,849	116,570	0	3,794	0	8,328	1,008	0	637,823	0	0	4,388,389
6,371	(108,072)	41,700	(1,000)	0	(4,740)	(280)	241,922	72,631	7,075	25,841	506,414
	133,524										282,792
		(14,447)					(133,524)				(381,277)
0	133,524	(14,447)	0	0	0	0	(133,524)	0	0	0	(98,485)
6,371	25,452	27,253	(1,000)	0	(4,740)	(280)	108,398	72,631	7,075	25,841	407,929
54,425	127,857	114,232	1,000	13,717	7,545	280	17,419	166,383	140,841	514,299	2,552,629
\$60,796	\$153,309	\$141,485	\$0	\$13,717	\$2,805	\$0	\$125,817	\$239,014	\$147,916	\$540,140	\$2,960,558

HILL COUNTY, TEXAS  
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Agency Funds		
	Trust	County Officer	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$96,665	\$2,292,728	\$2,389,393
Receivables (net of allowance for uncollectibles)	0	0	0
<b>Total Assets</b>	<b>\$96,665</b>	<b>\$2,292,728</b>	<b>\$2,389,393</b>
<b>LIABILITIES</b>			
Accounts Payable			\$0
Due to Others	96,665	2,292,728	2,389,393
<b>Total Liabilities</b>	<b>\$96,665</b>	<b>\$2,292,728</b>	<b>\$2,389,393</b>



HILL COUNTY, TEXAS  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 ALL AGENCY FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

<u>TREASURER - J.P. CASH</u>	BALANCE 10/1/2007	ADDITIONS	DEDUCTIONS	BALANCE 9/30/2008
<b>ASSETS</b>				
Cash and Cash Equivalents	\$168,197	\$1,110,532	\$1,182,064	\$96,665
Receivables (net of allowance for uncollectibles)				0
Total Assets	<u>\$168,197</u>	<u>\$1,110,532</u>	<u>\$1,182,064</u>	<u>\$96,665</u>
<b>LIABILITIES:</b>				
Accounts Payable				
Due to Others	\$168,197	\$1,110,532	\$1,182,064	\$96,665
Total Liabilities	<u>\$168,197</u>	<u>\$1,110,532</u>	<u>\$1,182,064</u>	<u>\$96,665</u>

<u>COUNTY OFFICER ACCOUNTS</u>	BALANCE 10/1/2007	ADDITIONS	DEDUCTIONS	BALANCE 9/30/2008
<b>ASSETS</b>				
Cash and Cash Equivalents	\$2,377,973		\$85,245	\$2,292,728
Receivables (net of allowance for uncollectibles)				0
Total Assets	<u>\$2,377,973</u>	<u>\$0</u>	<u>\$85,245</u>	<u>\$2,292,728</u>

<b>LIABILITIES:</b>				
Accounts Payable				
Due to Others	\$2,377,973	\$0	\$85,245	\$2,292,728
Total Liabilities	<u>\$2,377,973</u>	<u>\$0</u>	<u>\$85,245</u>	<u>\$2,292,728</u>

<u>TOTAL</u>	BALANCE 10/1/2007	ADDITIONS	DEDUCTIONS	BALANCE 9/30/2008
<b>ASSETS</b>				
Cash and Cash Equivalents	\$2,546,170	\$1,110,532	\$1,267,309	\$2,389,393
Receivables (net of allowance for uncollectibles)	0	0	0	0
Total Assets	<u>\$2,546,170</u>	<u>\$1,110,532</u>	<u>\$1,267,309</u>	<u>\$2,389,393</u>

<b>LIABILITIES:</b>				
Accounts Payable	\$0	\$0	\$0	\$0
Due to Others	2,546,170	1,110,532	1,267,309	2,389,393
Total Liabilities	<u>\$2,546,170</u>	<u>\$1,110,532</u>	<u>\$1,267,309</u>	<u>\$2,389,393</u>

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

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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, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes				
Property	\$477,166	\$477,166	\$460,850	(\$16,316)
Sales	120,785	120,785	153,195	32,410
Interest	0	0	0	0
Miscellaneous	0	0	26,993	26,993
Total Revenues	<u>597,951</u>	<u>597,951</u>	<u>641,038</u>	<u>43,087</u>
<b>EXPENDITURES</b>				
Current:				
Health and Welfare	527,091	527,091	529,078	(1,987)
Total Expenditures	<u>527,091</u>	<u>527,091</u>	<u>529,078</u>	<u>(1,987)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>70,860</u>	<u>70,860</u>	<u>111,960</u>	<u>41,100</u>
OTHER FINANCING SOURCES (USES):				
Operating Transfers In				0
Operating Transfers Out	(100,000)	(100,000)	(100,000)	0
Total Other Financing Sources (Uses)	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>0</u>
Net Changes in Fund Balances	(29,140)	(29,140)	11,960	41,100
Fund Balances - Beginning	285,837	285,837	285,837	
Fund Balances - Ending	<u>\$256,697</u>	<u>\$256,697</u>	<u>\$297,797</u>	<u>\$41,100</u>

HILL COUNTY, TEXAS

LAW LIBRARY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
<b>REVENUES</b>				
Charges for Services	\$23,200	\$23,200	\$27,405	\$4,205
Interest	\$2,760	\$2,760	5,018	2,258
Total Revenues	25,960	25,960	32,423	6,463
<b>EXPENDITURES</b>				
Current:				
Judicial	23,500	23,500	22,532	968
Total Expenditures	23,500	23,500	22,532	968
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,460	2,460	9,891	7,431
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	2,460	2,460	9,891	7,431
Fund Balances - Beginning	97,515	97,515	97,515	
Fund Balances - Ending	\$99,975	\$99,975	\$107,406	\$7,431

HILL COUNTY, TEXAS

JURY FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final		Positive (Negative)
<b>REVENUES</b>				
Intergovernmental	\$54,500	\$54,500	\$41,687	(\$12,813)
Charges for Services	\$492,278	\$492,278	445,909	(46,369)
Interest	\$1,810	\$1,810	2,363	553
Miscellaneous	0	0	2,852	2,852
Total Revenues	548,588	548,588	492,811	(55,777)
<b>EXPENDITURES</b>				
Current:				
Judicial	593,246	618,655	492,464	126,191
Total Expenditures	593,246	618,655	492,464	126,191
Excess (Deficiency) of Revenues Over (Under) Expenditures	(44,658)	(70,067)	347	70,414
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating Transfers In	50,000	50,000	50,000	0
Operating Transfers Out				0
Total Other Financing Sources (Uses)	50,000	50,000	50,000	0
Net Changes in Fund Balances	5,342	(20,067)	50,347	70,414
Fund Balances - Beginning	53,338	53,338	53,338	
Fund Balances - Ending	\$58,680	\$33,271	\$103,685	\$70,414

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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final		Positive (Negative)
<b>REVENUES</b>				
Charges for Services	\$0	\$0	\$31,343	\$31,343
Interest	0	0	3,249	3,249
Total Revenues	0	0	34,592	34,592
<b>EXPENDITURES</b>				
Current:				
Judicial	49,716	49,717	37,636	12,081
Total Expenditures	49,716	49,717	37,636	12,081
Excess (Deficiency) of Revenues Over (Under) Expenditures	(49,716)	(49,717)	(3,044)	46,673
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating Transfers In				0
Operating Transfers Out				0
Total Other Financing Sources (Uses)	0	0	0	0
Net Changes in Fund Balances	(49,716)	(49,717)	(3,044)	46,673
Fund Balances - Beginning	63,454	63,454	63,454	
Fund Balances - Ending	\$13,738	\$13,737	\$60,410	\$46,673

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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final		Positive (Negative)
<b>REVENUES</b>				
Interest	\$0	\$0	\$6,112	\$6,112
Miscellaneous	0	0	2,386	2,386
Total Revenues	0	0	8,498	8,498
<b>EXPENDITURES</b>				
Current:				
Judicial	0	127,559	116,570	10,989
Total Expenditures	0	127,559	116,570	10,989
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(127,559)	(108,072)	19,487
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating Transfers In	0	103,559	133,524	29,965
Operating Transfers Out				0
Total Other Financing Sources (Uses)	0	103,559	133,524	29,965
Net Changes in Fund Balances	0	(24,000)	25,452	49,452
Fund Balances - Beginning	127,857	127,857	127,857	
Fund Balances - Ending	\$127,857	\$103,857	\$153,309	\$49,452



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, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes				
Property	\$613,178	\$613,178	\$693,205	\$80,027
Interest	\$10,654	\$10,654	17,249	6,595
Total Revenues	623,832	623,832	710,454	86,622
<b>EXPENDITURES</b>				
Debt Service				
Principal Retirement	255,000	255,000	255,000	0
Interest and Fiscal Charges	382,875	382,875	382,823	52
Total Expenditures	637,875	637,875	637,823	52
Excess (Deficiency) of Revenues Over (Under) Expenditures	(14,043)	(14,043)	72,631	86,674
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	(14,043)	(14,043)	72,631	86,674
Fund Balances - Beginning	166,383	166,383	166,383	
Fund Balances - Ending	\$152,340	\$152,340	\$239,014	\$86,674

HILL COUNTY, TEXAS  
COUNTY CLERK RECORDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final		(Negative)
<b>REVENUES</b>				
Charges for Services	\$0	\$0	\$65,437	\$65,437
Interest	0	0	3,426	3,426
Total Revenues	0	0	68,863	68,863
<b>EXPENDITURES</b>				
Current:				
General Administration	95,416	95,416	81,013	14,403
Total Expenditures	95,416	95,416	81,013	14,403
Excess (Deficiency) of Revenues Over (Under) Expenditures	(95,416)	(95,416)	(12,150)	83,266
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	(95,416)	(95,416)	(12,150)	83,266
Fund Balances - Beginning	70,922	70,922	70,922	
Fund Balances - Ending	(\$24,494)	(\$24,494)	\$58,772	\$83,266

SINGLE AUDIT SECTION

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HILL COUNTY, TEXAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

SOURCE AND TITLE OF GRANT	FEDERAL CFDA NUMBER	GRANTOR'S/ PASS-THROUGH GRANTOR'S NUMBER	AWARD AMOUNT	PROGRAM EXPENDI- TURES
<b>FEDERAL ASSISTANCE</b>				
<b>U.S. Department of Health and Human Services</b>				
Passed Through				
Texas Department of Health				
Foster Care - Title IV-E (NM)	93.658	NONE	NONE	\$69,618
Passed Through				
Office of the Attorney General				
Child Support Enforcement-Title IV-D (NM)	93.563	NONE	NONE	45,070
Fiscal Year 2008				
Total U.S. Department of Health and Human Services				<u>114,688</u>
<b>Election Assistance Commission</b>				
Passed Through				
Texas Secretary of State				
Help America Vote Act of 2002 (HAVA) (NM)	90.401	NONE	NONE	9,877
Fiscal Year 2008				
Total Election Assistance Commission				<u>9,877</u>
<b>U.S. Department of Agriculture</b>				
Passed Through				
Natural Resources Conservation Service				
Emergency Watershed Protection Program (NM)	10.923	69-7442-9-859	974,325	0
Total U.S. Department of Agriculture				<u>0</u>
<b>U.S. Department of Housing and Urban Development</b>				
Office of Rural Community Affairs				
Community Development Block Grants/ States Program (NM)				
Streets/Flood and Drainage Facilities	14.228	728037	350,000	8,500
Flood and Drainage Facilities		728027	350,000	0
Total U.S. Department of Housing and Urban Development				<u>8,500</u>
<b>U.S. Department of Justice</b>				
Direct				
State Criminal Alien Assistance Program (NM)	16.606	NONE		15,640
Passed Through				
Office of the Governor -				
Texas Criminal Justice Division				
Crime Victim Assistance (NM)	16.575	NONE		34,197
Juvenile Justice and Delinquency Prevention-Allocation to States (NM)	16.540	NONE		4,213
Juvenile Accountability Block Grants (NM)	16.523	NONE		76,314
Total U.S. Department of Justice				<u>130,364</u>
<b>U.S. Department of Homeland Security</b>				
Passed Through				
Texas Department of Public Safety -				
Division of Emergency Management				
Disaster Assistance (M)	97.036			
Fiscal Year 2008				
Road Disaster		FEMA-DR-1709	3,339,546	1,623,329
Hurricane Ike		FEMA-DR-1791	114,556	114,556
Hurricane Gustov		FEMA-DR-3290	1,377	1,377
Total U.S. Department of Homeland Security				<u>1,739,262</u>
Total Federal Assistance				<u>\$2,002,691</u>

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, 2008

Federal Grantor: U.S. Department of Housing and Urban Development  
 Pass Through Grantor: Office of Rural Community Affairs  
 CFDA Number: 14.228  
 Project Number: 728037  
 Contract Period: 03/13/2008 to 03/12/2010

	BUDGET	FEDERAL		LOCAL MATCH		VARIANCE
		PRIOR YEAR	CURRENT YEAR	PRIOR YEAR	CURRENT YEAR	
REVENUE						
Federal	\$350,000	\$0	\$8,500			\$341,500
Local	970,078		954,247			15,831
TOTAL REVENUE:	1,320,078	0	962,747	0	0	357,331
EXPENSES						
Federal						
Streets	318,082					318,082
Flood and Drainage Facilities	5,277					5,277
General Administration	26,641		8,500			18,141
State						
Streets	954,247		954,247			0
Flood and Drainage Facilities	15,831					15,831
General Administration	0					0
TOTAL EXPENSES	1,320,078	0	962,747	0	0	357,331
Excess Revenue over Expenditures	\$0	\$0	\$0	\$0	\$0	\$0

HILL COUNTY, TEXAS  
 BUDGET COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

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

	BUDGET	FEDERAL		LOCAL MATCH		VARIANCE
		PRIOR YEAR	CURRENT YEAR	PRIOR YEAR	CURRENT YEAR	
REVENUE						
Federal	\$350,000					\$350,000
Local	974,325					974,325
TOTAL REVENUE:	1,324,325	0	0	0	0	1,324,325
EXPENSES						
Federal						
Flood and Drainage Facilities	324,775					324,775
General Administration	25,225					25,225
State						
Flood and Drainage Facilities	974,325					974,325
General Administration	0					0
TOTAL EXPENSES	1,324,325	0	0	0	0	1,324,325
Excess Revenue over Expenditures	\$0	\$0	\$0	\$0	\$0	\$0

WAYNE R. BEYER  
CERTIFIED PUBLIC ACCOUNTANT

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

To the Commissioner's Court  
Hill County, Texas

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hill County, Texas as of and for the year ended September 30, 2008, which collectively comprise Hill County, Texas's basic financial statements and have issued my report thereon dated June 22, 2009. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Hill County, Texas's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Hill County, Texas's financial statements that is more than inconsequential will not be prevented or detected by Hill County, Texas's internal control.

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

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. I did not identify and deficiencies in the internal control over financial reporting that I consider to be material weaknesses, as defined above. However, I noted certain matters that I reported to the management of Hill County, Texas in a separate letter dated June 22, 2009.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hill County, Texas's financial statements are free of material misstatements, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amount. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, I noted certain matters that I reported to the management of Hill County, Texas in a separate letter dated June 22, 2009.

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

Very truly yours,



Wayne R. Beyer  
Certified Public Accountant  
June 22, 2009



WAYNE R. BEYER  
CERTIFIED PUBLIC ACCOUNTANT

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

To the Commissioner's Court  
Hill County, Texas

**Compliance**

I have audited the compliance of Hill County, Texas with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2008. Hill County, Texas's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of finds and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Hill County, Texas's management. My responsibility is to express an opinion on Hill County, Texas's compliance based on my audit.

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

In my opinion, Hill County, Texas complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the ended September 30, 2008.

## Internal Control over Compliance

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

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

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

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

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

Sincerely,



Wayne R. Beyer  
Certified Public Accountant  
June 22, 2009

HILL COUNTY, TEXAS  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

General

The accompanying Schedule of Expenditure of Federal Awards presents the activity of all the Hill County, Texas's federal grants for the year ended September 30, 2008. 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

The Hill County received no non-cash grants for the year ended September 30, 2008.

HILL COUNTY, TEXAS  
SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

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, 2008

SUMMARY OF AUDITOR'S RESULTS

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

Findings relating to the Financial Statements

None

Findings and Questioned Costs for Federal Awards

None