

CONTINUING DISCLOSURE REPORT
FOR THE
FISCAL YEAR ENDED SEPTEMBER 30, 2011

HILL COUNTY, TEXAS

GENERAL OBLIGATION DEBT



SPECIALIZED PUBLIC FINANCE INC.
FINANCIAL ADVISORY SERVICES

FINANCIAL STATEMENTS

The audited financial statements for the County for the fiscal year ended September 30, 2011 are being separately filed with the Nationally Recognized Municipal Securities Information Repository and any applicable State Information Depository, and are hereby incorporated by reference into this Annual Continuing Disclosure Report.

SIGNATURE OF ISSUER

The information set forth herein has been obtained from the County and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as a promise or guarantee. This Annual Continuing Disclosure Report may contain, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized. The information and expressions of opinion contained herein are subject to change without notice, and the delivery of this Annual Continuing Disclosure Report will not, under any circumstances, create any implication that there has been no change in the affairs of the County or other matters described.

HILL COUNTY, TEXAS

/s/

Susan Swilling
County Auditor, Hill County, Texas

Approved for Submission:

Date

CERTIFICATE OF SUBMISSION OF ANNUAL REPORT

Subject to the continuing disclosure requirements of SEC Rule 15c2-12, this Annual Continuing Disclosure Report for Hill County with respect to the issues listed on the report cover was submitted to the Nationally Recognized Municipal Securities Information Repository (“NRMSIR”) listed below as well as to any applicable State Information Depository (“SID”).

NRMSIR

Municipal Securities Rulemaking Board (“MSRB”)
via the Electronic Municipal Market Access (“EMMA”) System

Specialized Public Finance Inc.

Signed by:

/s/ Kristin Merz

**HILL COUNTY, TEXAS
GENERAL OBLIGATION DEBT REPORT**

TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

| | | |
|---|------------------|-----------------------|
| 2011/12 Market Valuation of Taxable Property Established by Hill County Appraisal District (excluding totally exempt property) | | \$2,938,265,807 |
| Less Exemptions/Reductions at 100% Market Value: | | |
| Over 65 or Disabled | \$ 38,629,405 | |
| Disabled Veterans | 14,594,686 | |
| Productivity Loss | 857,634,453 | |
| Prorated Exempt Property | 76,376 | |
| Homestead Cap Adjustment | 5,211,279 | |
| Pollution Control | 365,420 | |
| Property Redevelopment and Tax Abatement Act | <u>7,702,321</u> | <u>\$ 924,213,940</u> |
| 2011/12 Net Taxable Assessed Valuation | | \$ 2,014,051,867 |
| Debt Payable From Ad Valorem Taxes (as of 9/30/11): | | \$ 6,715,000 |
| General Obligation Interest and Sinking Fund (as of 9/30/11) | | \$ 100,428 |
| Ratio Net General Obligation Debt Payable from Ad Valorem Taxes to Net Taxable Assessed Valuation | | 0.33% |

2012 Estimated Population - 35,089
Per Capita Taxable Assessed Valuation - \$57,398
Per Capita Net Debt Payable from Ad Valorem Taxes - \$191

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

| Category | Taxable Appraised Value for Fiscal Year Ended September 30, | | | | | |
|---|---|------------|-------------------------|------------|-------------------------|------------|
| | 2012 | | 2011 | | 2010 | |
| | Amount | % of Total | Amount | % of Total | Amount | % of Total |
| Real, Residential, Single-Family | \$ 718,945,189 | 24.47% | \$ 703,844,537 | 23.90% | \$ 699,962,820 | 23.41% |
| Real, Residential, Multi-Family | 23,149,200 | 0.79% | 23,439,110 | 0.80% | 22,687,850 | 0.76% |
| Real, Vacant Lots/Tracts | 96,352,224 | 3.28% | 102,388,265 | 3.48% | 105,008,885 | 3.51% |
| Real, Acreage (Land Only) | 975,445,059 | 33.20% | 973,312,320 | 33.05% | 962,095,945 | 32.18% |
| Real, Farm and Ranch Improvements | 308,715,207 | 10.51% | 312,854,800 | 10.62% | 305,921,817 | 10.23% |
| Real, Commercial and Industrial | 242,149,592 | 8.24% | 244,846,050 | 8.32% | 242,403,800 | 8.11% |
| Real and Intangible Personal, Utilities | 342,452,036 | 11.65% | 355,543,460 | 12.07% | 390,659,480 | 13.07% |
| Tangible Personal, Business | 192,276,800 | 6.54% | 194,357,190 | 6.60% | 229,124,610 | 7.66% |
| Tangible Personal, Other | 28,687,110 | 0.98% | 27,451,890 | 0.93% | 26,734,380 | 0.89% |
| Real Property, Inventory | 8,559,890 | 0.29% | 5,191,580 | 0.18% | 3,130,640 | 0.10% |
| Special Inventory | 1,533,500 | 0.05% | 1,377,200 | 0.05% | 1,651,590 | 0.06% |
| Total Appraised Value Before Exemptions | \$ 2,938,265,807 | 100.00% | \$ 2,944,606,402 | 100.00% | \$ 2,989,381,817 | 100.00% |
| Less: Total Exemptions/Reductions | 924,213,940 | | 919,127,410 | | 911,928,448 | |
| Taxable Assessed Value | <u>\$ 2,014,051,867</u> | | <u>\$ 2,025,478,992</u> | | <u>\$ 2,077,453,369</u> | |

| Category | Taxable Appraised Value Fiscal Year Ended September 30, | | | |
|---|---|------------|-------------------------|------------|
| | 2009 | | 2008 | |
| | Amount | % of Total | Amount | % of Total |
| Real, Residential, Single-Family | \$ 697,311,693 | 24.71% | \$ 658,935,296 | 26.27% |
| Real, Residential, Multi-Family | 22,360,510 | 0.79% | 19,055,260 | 0.76% |
| Real, Vacant Lots/Tracts | 105,814,782 | 3.75% | 97,680,350 | 3.89% |
| Real, Acreage (Land Only) | 959,625,497 | 34.01% | 890,247,823 | 35.49% |
| Real, Farm and Ranch Improvements | 301,879,083 | 10.70% | 287,181,509 | 11.45% |
| Real, Commercial and Industrial | 235,616,250 | 8.35% | 217,011,318 | 8.65% |
| Real and Intangible Personal, Utilities | 283,822,691 | 10.06% | 148,176,155 | 5.91% |
| Tangible Personal, Business | 184,141,440 | 6.53% | 158,470,640 | 6.32% |
| Tangible Personal, Other | 26,253,900 | 0.93% | 25,583,220 | 1.02% |
| Real Property, Inventory | 3,021,730 | 0.11% | 2,857,470 | 0.11% |
| Special Inventory | 1,825,220 | 0.06% | 3,531,980 | 0.14% |
| Total Appraised Value Before Exemptions | \$ 2,821,672,796 | 100.00% | \$ 2,508,731,021 | 100.00% |
| Less: Total Exemptions/Reductions | 909,966,621 | | 848,088,560 | |
| Taxable Assessed Value | <u>\$ 1,911,706,175</u> | | <u>\$ 1,660,642,461</u> | |

Note: Valuations shown are certified taxable assessed values reported by the Hill County Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

| Fiscal Year Ended 9/30 | Estimated County Population ⁽¹⁾ | Taxable Assessed Valuation ⁽²⁾ | Per Capita Taxable Assessed Valuation | General Obligation (G.O.) Tax Debt | Ratio G.O. Tax Debt to Taxable Assessed Valuation | Per Capita G.O. Tax Debt |
|------------------------|--|---|---------------------------------------|------------------------------------|---|--------------------------|
| 2008 | 35,806 | \$ 1,660,642,461 | \$ 46,379 | \$ 7,710,000 | 0.46% | \$ 215 |
| 2009 | 35,840 | 1,911,706,175 | 53,340 | 7,455,000 | 0.39% | 208 |
| 2010 | 35,089 | 2,077,453,369 | 59,205 | 7,090,000 | 0.34% | 202 |
| 2011 | 35,089 | 2,025,478,992 | 57,724 | 6,715,000 | 0.33% | 191 |
| 2012 | 35,089 | 2,014,051,867 | 57,398 | 6,305,000 ⁽³⁾ | 0.31% | 180 |

(1) Source: U.S. Census Bureau.

(2) As reported by the Hill County Appraisal District on the City's annual State Property Tax Board Reports; subject to change during the ensuing year.

(3) Projected

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

| Fiscal Year Ended 9/30 | Tax Rate | General Fund | Interest and Sinking Fund | F/M Road | Adjusted Tax Levy | % Current Collections | % Total Collections |
|------------------------|-----------|--------------|---------------------------|-----------|-------------------|--------------------------|---------------------|
| 2008 | \$ 0.3917 | \$ 0.3498 | \$ 0.0419 | \$ 0.0651 | \$ 7,328,847 | 98.63% | 98.64% |
| 2009 | 0.3917 | 0.3594 | 0.0324 | 0.0651 | 7,501,088 | 97.52% | 97.53% |
| 2010 | 0.3917 | 0.3657 | 0.0260 | 0.0651 | 9,313,710 | 96.04% | 99.63% |
| 2011 | 0.3917 | 0.3643 | 0.0274 | 0.0651 | 9,181,573 | 95.63% | 99.45% |
| 2012 | 0.4012 | 0.3732 | 0.0281 | 0.0666 | 7,987,760 | In Process of Collection | |

TABLE 5 - TEN LARGEST TAXPAYERS

| <u>Name of Taxpayer</u> | <u>Nature of Property</u> | <u>2011/2012 Taxable Assessed Valuation</u> | <u>% of Total Taxable Assessed Valuation</u> |
|------------------------------------|---------------------------|---|--|
| Energy Transfer Fuel LP | Manufacturer | \$ 87,571,600 | 4.35% |
| EOG Resources Inc. | Manufacturer | 41,285,660 | 2.05% |
| Quicksilver Resources Inc | Manufacturer | 30,230,291 | 1.50% |
| Oncor Electric Delivery Co LLC | Utility | 21,083,720 | 1.05% |
| Craig Realty Group-Hillsboro LLC | Real Estate | 14,529,670 | 0.72% |
| Double Diamond Inc | Real Estate | 14,403,300 | 0.72% |
| Union Pacific Railroad | Railroad | 11,729,830 | 0.58% |
| Hilco Electric Coop Inc | Electric | 9,394,430 | 0.47% |
| Cowtown Pipeline LP | Pipeline | 8,945,550 | 0.44% |
| Walmart Real Estate Business Trust | Real Estate | 8,782,350 | 0.44% |
| | | <u>\$ 247,956,401</u> | <u>12.31%</u> |

TABLE 6 - TAX ADEQUACY

| | |
|--|------------|
| 2012 Net Tax Supported Debt Principal and Interest Requirements | \$ 607,469 |
| \$0.0308 Tax Rate at 98% Collection Produces | \$ 607,921 |
| Average Net Tax Supported Debt Annual Principal and Interest Requirements, 2012 - 2025 | \$ 598,201 |
| \$0.0304 Tax Rate at 98% Collection Produces | \$ 600,026 |
| Maximum Net Tax Supported Debt Principal and Interest Requirements, 2023 | \$ 627,675 |
| \$0.0319 Tax Rate at 98% Collection Produces | \$ 629,633 |

TABLE 8 – GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

| Year Ending 9/30 | Outstanding Debt Service Requirements | | | % of Principal Retired |
|------------------------|---------------------------------------|--------------------|---------------------|------------------------------|
| | Principal | Interest | Total | |
| 2012 | 410,000 | 197,469 | 607,469 | |
| 2013 | 425,000 | 185,219 | 610,219 | |
| 2014 | 430,000 | 176,719 | 606,719 | 18.84% |
| 2015 | 440,000 | 168,119 | 608,119 | |
| 2016 | 455,000 | 159,319 | 614,319 | |
| 2017 | 465,000 | 147,944 | 612,944 | |
| 2018 | 480,000 | 136,319 | 616,319 | |
| 2019 | 500,000 | 121,919 | 621,919 | 53.69% |
| 2020 | 515,000 | 106,919 | 621,919 | |
| 2021 | 535,000 | 90,825 | 625,825 | |
| 2022 | 555,000 | 72,100 | 627,100 | |
| 2023 | 575,000 | 52,675 | 627,675 | |
| 2024 | 595,000 | 32,550 | 627,550 | |
| 2025 | 335,000 | 11,725 | 346,725 | 100.00% |
| | <u>\$6,715,000</u> | <u>\$1,659,819</u> | <u>\$ 8,374,819</u> | |

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

| | | |
|--|----------------|-------------------------|
| Net Tax Supported Debt Service Requirements, Fiscal Year Ending 9/30/2012. | | \$ 607,469 |
| Interest and Sinking Fund, 9/30/2011 | \$ 100,428 | |
| 2011 Interest and Sinking Fund Tax Levy @ 98% Collection | <u>554,630</u> | <u>655,058</u> |
| Estimated Balance, 9/30/2012 | | <u><u>\$ 47,589</u></u> |

TABLE 10 – AUTHORIZED BUT UNISSUED UNLIMITED TAX BONDS

The County had no authorized but unissued unlimited tax bonds as of 9/30/2011.

TABLE 11 - OTHER OBLIGATIONS

Operating Leases:

The County leases equipment under non-cancelable operating leases. Total costs for such leases were \$88,512 for the year ended 9/30/2011.

| FY Year | Amount |
|---------|-------------------|
| 2012 | \$ 81,376 |
| 2013 | 65,650 |
| 2014 | 19,812 |
| 2015 | <u>10,159</u> |
| Total | <u>\$ 176,997</u> |

Capital Leases:

The County has entered into a lease agreement as lessee for financing of five Chevy Tahoes , one Mack Truck, and one John Deere Loader.

| FY Year | Total |
|----------------------------------|-------------------|
| 2012 | \$ 110,835 |
| 2013 | 109,325 |
| 2014 | <u>77,303</u> |
| Minimum Lease Payments | <u>\$ 297,463</u> |
| Less: Interest | <u>21,465</u> |
| PV of Net Minimum Lease Payments | <u>\$ 275,998</u> |

TABLE 12 - CHANGES IN NET ASSETS

| | Fiscal Year Ending September 30, | | | | |
|--|----------------------------------|---------------|---------------|---------------|---------------|
| | 2011 | 2010 | 2009 | 2008 | 2007 |
| <u>Revenues</u> | | | | | |
| Program Revenues: | | | | | |
| Charges for Services | \$ 5,416,197 | \$ 4,349,279 | \$ 4,594,507 | \$ 5,087,091 | \$ 4,903,450 |
| Operating Grants and Contributions | 1,466,080 | 2,444,688 | 1,878,634 | 1,759,306 | 1,459,363 |
| Capital Grants and Contributions | 3,139,046 | 445,416 | 2,711,688 | 3,339,546 | - |
| General Revenues: | | | | | |
| Maintenance and Operations Taxes | 9,271,081 | 9,488,891 | 8,779,353 | 7,635,451 | 7,616,043 |
| Sales Taxes | 1,460,061 | 1,482,696 | 1,772,732 | 1,914,937 | 1,308,355 |
| Other Taxes | 107,906 | 103,433 | 102,462 | 50,101 | 36,022 |
| Unrestricted Investment Earnings | 159,162 | 211,104 | 430,823 | 572,204 | 448,882 |
| Miscellaneous | 474,843 | 472,475 | 227,847 | 332,606 | 235,256 |
| Total Revenues: | \$ 21,494,376 | \$ 18,997,982 | \$ 20,498,046 | \$ 20,691,242 | \$ 16,007,371 |
| <u>Expenses</u> | | | | | |
| Governmental Activities: | | | | | |
| General Administration | \$ 1,996,623 | \$ 1,822,935 | \$ 2,072,407 | \$ 1,701,790 | \$ 1,623,857 |
| Legal | 371,978 | 382,089 | 376,672 | 338,301 | 353,053 |
| Judicial | 3,352,430 | 2,772,521 | 2,842,028 | 2,672,676 | 2,452,013 |
| Financial Administration | 721,383 | 736,347 | 751,953 | 562,048 | 548,650 |
| Public Facilities | 675,167 | 679,385 | 644,407 | 655,930 | 634,963 |
| Public Safety | 6,337,504 | 7,180,138 | 6,624,593 | 6,362,153 | 5,873,693 |
| Public Transportation | 3,461,988 | 3,636,553 | 4,396,904 | 4,851,508 | 3,412,064 |
| Health and Welfare | 1,164,990 | 1,028,786 | 790,575 | 656,506 | 552,850 |
| Conservation - Agriculture | 104,688 | 128,235 | 121,396 | 97,970 | 101,676 |
| Interest and Fiscal Charges | 219,139 | 390,792 | 368,411 | 383,211 | 399,408 |
| Total Expenses: | \$ 18,405,890 | \$ 18,757,781 | \$ 18,989,346 | \$ 18,282,093 | \$ 15,952,227 |
| Increase (Decrease) in Net Assets Before Transfers | \$ 3,088,486 | \$ 240,201 | \$ 1,508,700 | \$ 2,409,149 | \$ 55,144 |
| Transfers | - | - | - | - | - |
| Increase (Decrease) in Net Assets | \$ 3,088,486 | \$ 240,201 | \$ 1,508,700 | \$ 2,409,149 | \$ 55,144 |
| Net Assets-Beginning Balance | \$ 23,782,431 | \$ 23,542,230 | \$ 22,033,530 | \$ 19,624,381 | \$ 19,569,237 |
| Net Assets-Ending Balance | \$ 26,870,917 | \$ 23,782,431 | \$ 23,542,230 | \$ 22,033,530 | \$ 19,624,381 |

TABLE 12A– GENERAL FUND REVENUES AND EXPENDITURE HISTORY

| | Fiscal Year Ended September 30, | | | | |
|--|---------------------------------|--------------|--------------|--------------|--------------|
| | 2011 | 2010 | 2009 | 2008 | 2007 |
| <u>Revenues:</u> | | | | | |
| Taxes | | | | | |
| Property | \$ 6,022,273 | \$ 6,029,651 | \$ 5,536,571 | \$ 4,662,529 | \$ 4,560,372 |
| Sales | 1,197,250 | 1,186,159 | 1,418,185 | 1,531,950 | 1,236,631 |
| Other | 107,906 | 103,433 | 102,462 | 50,101 | 25,208 |
| Intergovernmental | 492,272 | 458,810 | 750,233 | 423,423 | 412,654 |
| Charges for Services | 1,217,686 | 1,177,751 | 1,298,102 | 1,558,528 | 1,591,523 |
| Fines and Forfeitures | 74,765 | 48,452 | 64,886 | 68,313 | 33,140 |
| Interest | 97,684 | 131,028 | 246,422 | 317,545 | 309,059 |
| Miscellaneous | 33,833 | 56,266 | 80,304 | 152,830 | 7,142 |
| Total Revenues | \$ 9,243,669 | \$ 9,191,550 | \$ 9,497,165 | \$ 8,765,219 | \$ 8,175,729 |
| <u>Expenditures:</u> | | | | | |
| Current | | | | | |
| General Administration | \$ 1,681,825 | \$ 1,741,540 | \$ 1,897,248 | \$ 1,682,388 | \$ 1,755,105 |
| Legal | 355,230 | 354,057 | 351,919 | 297,044 | 299,255 |
| Judicial | 1,220,343 | 1,285,091 | 1,238,461 | 1,215,708 | 1,161,438 |
| Financial Administration | 717,318 | 728,078 | 768,338 | 556,947 | 536,152 |
| Public Facilities | 387,257 | 380,578 | 379,076 | 374,290 | 330,529 |
| Public Safety | 4,883,876 | 4,839,131 | 4,661,197 | 4,424,930 | 4,061,627 |
| Public Transportation | - | - | - | 179,965 | 170,578 |
| Health and Welfare | 244,720 | 212,875 | 127,594 | 122,794 | 125,427 |
| Conservation - Agriculture | 103,785 | 126,837 | 127,401 | 97,393 | 96,248 |
| Current Expenditures | 44,754 | - | - | - | - |
| Total Expenditures | \$ 9,639,108 | \$ 9,668,187 | \$ 9,551,234 | \$ 8,951,459 | \$ 8,536,359 |
| Excess (Deficiency) of Revenues Over Expenditures | \$ (395,439) | \$ (476,637) | \$ (54,069) | \$ (186,240) | \$ (360,630) |
| <u>Other Financing Sources (Uses):</u> | | | | | |
| Sale of Capital Assets | \$ 2,033 | \$ 6,735 | \$ 1,010 | \$ 5,520 | \$ 13,135 |
| Capital Lease | 167,200 | - | - | - | - |
| Operating Transfers In | 179,840 | 693,001 | 195,530 | 207,040 | 1,173,533 |
| Operating Transfers Out | (252,000) | (717,117) | (134,822) | (108,555) | (264,056) |
| Total Other Sources (Uses) | \$ 97,073 | \$ (17,381) | \$ 61,718 | \$ 104,005 | \$ 922,612 |
| Net changes in Fund Balance | \$ (298,366) | \$ (494,018) | \$ 7,649 | \$ (82,235) | \$ 561,982 |
| Beginning Fund Balance | \$ 3,403,504 | \$ 3,897,522 | \$ 3,889,873 | \$ 3,972,108 | \$ 3,410,126 |
| Ending Fund Balance | \$ 3,105,138 | \$ 3,403,504 | \$ 3,897,522 | \$ 3,889,873 | \$ 3,972,108 |

TABLE 13-COUNTY SALES TAX HISTORY

| Fiscal Year Ended 9/30 | .5% Sales Tax Collected | % of Ad Valorem Tax Levy | Equivalent of Ad Valorem Tax Rate | Per Capita |
|---------------------------------|----------------------------|--------------------------------|--|---------------|
| 2007 | \$ 1,545,790 | 21.09% | \$ 0.09 | \$ 43.17 |
| 2008 | 1,914,938 | 25.53% | 0.10 | 53.43 |
| 2009 | 1,772,731 | 20.64% | 0.09 | 49.46 |
| 2010 | 1,482,698 | 16.15% | 0.07 | 42.26 |
| 2011 | 1,460,061 | 18.28% | 0.07 | 41.61 |

TABLE 14 - CURRENT INVESTMENTS

As of September 30, 2011, the County's investable funds were invested in the following categories:

| Description | % of Portfolio | Market Value |
|--------------------------------|-------------------|-----------------|
| Collateralized Demand Deposits | 100.00% | \$ 8,059,379 |
| Total | 100.00% | \$ 8,059,379 |