

COUNTY OF MILLS
Annual Financial Report
Year Ended September 30, 2015

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FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

The Honorable County Judge
and Commissioners' Court
County of Mills
P.O. Box 483
Goldthwaite, TX 76844-0483

Report on the Financial Statements

We have audited the accompanying modified cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Mills, Texas, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Section I., Note C.; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash-basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Mills, Texas, as of September 30, 2015, and the respective changes in modified cash-basis financial position for the year then ended in accordance with the modified cash basis of accounting described in Section I., Note C.

Basis of Accounting

We draw attention to Section I., Note C. of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Other Information

The management's discussion and analysis, budgetary comparison information, and net pension liability and contributions information for the TCDRS retirement plan on pages 3 through 7, 34 through 36, and 37 through 38, respectively, are presented to supplement the basic financial statements. We have applied certain limited procedures to this information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Mills' basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2016, on our consideration of the County of Mills' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Mills' internal control over financial reporting and compliance.

Eckert & Company, LLP

February 8, 2016

Commissioners' Court
Mills County Courthouse
P.O. Box 34
Goldthwaite, Texas 76844

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the County of Mills' financial performance provides an overview of the County's financial activities for the year ended September 30, 2015, within the limitations of the County's modified cash basis of accounting. It should be read in conjunction with the County's basic financial statements and independent auditor's report.

Financial Highlights - Modified Cash Basis of Accounting

The County's assets exceeded its liabilities at the end of the current year by \$9,280,768 (net position). Of this amount, \$2,143,401 (unrestricted) is available to meet the County's ongoing obligations.

The County's total net position increased by \$458,072 or 5% from current year operations. The County's statement of activities shows total revenues of \$4,424,503 and total expenses of \$3,966,431.

The total fund balance of the General Fund is \$1,124,284, which is an increase of \$467,878 or 71% compared to the prior year.

Overview of the Financial Statements

The County's financial statements are presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the County's modified cash basis of accounting.

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements consist of government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

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

The statement of net position presents information on all of the County's assets and liabilities resulting from the use of the modified cash basis of accounting, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Overview of the Financial Statements - Continued

The statement of activities presents information showing how the County's net position changed during the current year while keeping in mind the limitations of the modified cash basis of accounting.

The governmental activities of the County include public transportation through roads and bridges, justice system, public safety, public health and welfare, culture and recreation, and debt service, as well as general administrative and support services.

The County has no component units.

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. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into two categories: governmental funds and fiduciary 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 current year.

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 County's near-term financing decisions. Both the governmental fund balance sheet - modified cash basis and the governmental fund statement of revenues, expenditures, and changes in fund balances - modified cash basis provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the governmental fund balance sheet - modified cash basis and in the governmental fund statement of revenues, expenditures, and changes in fund balances - modified cash basis for the General Fund, the Road and Bridge Fund, the Law Enforcement Fund, and the Law Enforcement Center Construction Fund, all of which are considered to be major funds. Data from other governmental funds are combined into a single, aggregated presentation.

The County adopts a budget for its General Fund, Debt Service Fund, and Special Revenue Funds.

Fiduciary Funds - Fiduciary funds are used to account for resources which are collected by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, or other County funds. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Government-Wide Financial Analysis

Net Position - A summary of the County's net position is presented below:

NET POSITION - MODIFIED CASH BASIS

	Governmental Activities	
	September 30,	
	2015	2014
Current and Other Assets	\$ 8,788,028	\$ 1,684,850
Capital Assets	8,866,388	8,325,211
Total Assets	\$ 17,654,416	\$ 10,010,061
Long-Term Liabilities Outstanding	\$ 8,352,889	\$ 1,135,000
Other Liabilities	20,759	52,365
Total Liabilities	\$ 8,373,648	\$ 1,187,365
Net Position		
Net Investment in Capital Assets	\$ 7,121,282	\$ 7,161,831
Restricted for Debt Service	16,085	8,133
Unrestricted	2,143,401	1,652,732
Total Net Position	\$ 9,280,768	\$ 8,822,696

A portion of the County's net position resulting from modified cash basis transactions (\$7,121,282) reflects the County's investment in capital assets, less any related debt used to acquire those assets that is still outstanding. These assets are not available for future spending. Although the County'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. An additional portion of the County's net position (\$16,085) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$2,143,401) may be used to meet the County's ongoing obligations.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Government-Wide Financial Analysis - Continued

Governmental Activities - Governmental activities increased the County's net position resulting from modified cash basis transactions by \$458,072 and \$34,595 for the fiscal years ended September 30, 2015 and 2014, respectively. Key elements of these increases are as follows:

CHANGES IN NET POSITION - MODIFIED CASH BASIS

	Governmental Activities	
	Year Ended September 30,	
	2015	2014
Revenues		
Program Revenues		
Charges for Services	\$ 750,278	\$ 956,137
Operating Grants and Contributions	260,500	239,168
General Revenues		
Maintenance and Operations Taxes	3,086,446	2,395,333
Debt Service Taxes	177,174	163,485
Investment Earnings	15,919	13,656
Other Revenues	134,186	165,448
Total Revenues	\$ 4,424,503	\$ 3,933,227
Expenses		
General Government	\$ 1,060,556	\$ 1,021,836
Roads and Bridges	942,291	873,149
Justice System	424,042	397,738
Public Safety	1,371,922	1,538,305
Public Health and Welfare	22,449	48,045
Culture and Recreation	15,376	14,572
Debt Service	129,795	4,987
Total Expenses	\$ 3,966,431	\$ 3,898,632
Change in Net Position	\$ 458,072	\$ 34,595
Net Position - Beginning	8,822,696	8,788,101
Net Position - Ending	\$ 9,280,768	\$ 8,822,696

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Financial Analysis of the County's Funds

The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. The unassigned fund balance may serve as a useful measure of the County's net resources available for spending at the end of the current year within the limitations of the County's modified cash basis of accounting.

The County's governmental funds reported combined ending fund balances on the modified cash basis of accounting of \$8,767,269, an increase of \$7,106,404 or 428% in comparison with the prior year. These fund balances are reported in various governmental funds as follows:

General Fund \$1,124,284. All of this balance is unassigned.

Special Revenue Funds \$1,019,117. Of these balances \$12,500 is nonspendable prepaid expenditures and the remaining balances are committed to special programs.

Law Enforcement Construction Fund \$6,607,783. This balance is restricted for construction costs.

Debt Service Fund \$16,085. This balance is restricted for payment of long-term debt principal and interest.

General Fund Budget

The original budget for the General Fund was \$1,552,386, and the final amended budget was \$1,628,010, which represents a \$75,624 increase in appropriations. A significant variance between the original budget and the final amended budget was caused by a \$76,731 increase in Justice System.

The County has adopted a budget for the General Fund in the amount of \$1,495,087 for the fiscal year 2016, which is a decrease of \$132,923 from the fiscal year 2015.

Capital Assets and Debt - Modified Cash Basis

Capital Assets - Financial statement footnote III., C. discloses the County's capital asset activity for the year ended September 30, 2015.

Long-Term Debt - Financial statement footnote III., F. discloses the County's debt activity for the year ended September 30, 2015.

Requests for Information

The financial report is designed to provide a general overview of the County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Kirkland A. Fulk, County Judge, County of Mills, P.O. Box 483, Goldthwaite, TX 76844-0483.

Basic Financial Statements

COUNTY OF MILLS
Statement of Net Position - Modified Cash Basis
September 30, 2015

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and Temporary Investments	\$ 8,740,134
Due from Fiduciary Funds	35,394
Prepaid EMS Contract	12,500
Capital Assets (Net of Accumulated Depreciation):	
Land	185,119
Buildings and Improvements	7,573,554
Machinery and Equipment	506,135
Construction in Progress	<u>601,580</u>
Total Assets	<u>\$ 17,654,416</u>
<u>LIABILITIES</u>	
TCDRS Payable	\$ 20,689
Other Payables	70
Noncurrent Liabilities:	
Due Within One Year	220,000
Due in More Than One Year	<u>8,132,889</u>
Total Liabilities	<u>\$ 8,373,648</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	\$ 7,121,282
Restricted for Debt Service	16,085
Unrestricted	<u>2,143,401</u>
Total Net Position	<u><u>\$ 9,280,768</u></u>

The accompanying notes are an integral part of this financial statement.

COUNTY OF MILLS
Statement of Activities - Modified Cash Basis
Year Ended September 30, 2015

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
General Government	\$ 1,060,556	\$ 216,264	\$ 17,184	\$ (827,108)
Roads and Bridges	942,291	323,378	51,766	(567,147)
Justice System	424,042	83,917	42,874	(297,251)
Public Safety	1,371,922	122,315	148,676	(1,100,931)
Public Health and Welfare	22,449	4,404	0	(18,045)
Culture and Recreation	15,376	0	0	(15,376)
Debt Service	129,795	0	0	(129,795)
Total Governmental Activities	\$ 3,966,431	\$ 750,278	\$ 260,500	\$ (2,955,653)
		General Revenues:		
				\$ 3,086,446
				177,174
				15,919
				139,139
				(4,953)
			Total General Revenues	\$ 3,413,725
			Change in Net Position	\$ 458,072
			Net Position - Beginning	8,822,696
			Net Position - Ending	\$ 9,280,768

The accompanying notes are an integral part of this financial statement.

COUNTY OF MILLS
Balance Sheet - Modified Cash Basis
Governmental Funds
September 30, 2015

	<u>General</u>	<u>Road and Bridge</u>	<u>Law Enforcement</u>	<u>Law Enforcement Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and Temporary Investments	\$ 1,106,414	\$ 572,256	\$ 121,925	\$ 6,607,783	\$ 331,756	\$ 8,740,134
Due from Other Funds	24,322	6,483	0	0	4,589	35,394
Prepaid EMS Contract	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>12,500</u>	<u>12,500</u>
Total Assets	<u>\$ 1,130,736</u>	<u>\$ 578,739</u>	<u>\$ 121,925</u>	<u>\$ 6,607,783</u>	<u>\$ 348,845</u>	<u>\$ 8,788,028</u>
LIABILITIES						
TCDRS Payable	\$ 6,407	\$ 6,205	\$ 7,815	\$ 0	\$ 262	\$ 20,689
Other Payables	<u>45</u>	<u>0</u>	<u>25</u>	<u>0</u>	<u>0</u>	<u>70</u>
Total Liabilities	<u>\$ 6,452</u>	<u>\$ 6,205</u>	<u>\$ 7,840</u>	<u>\$ 0</u>	<u>\$ 262</u>	<u>\$ 20,759</u>
FUND BALANCES						
Nonspendable Fund Balance:						
Prepaid Items	\$ 0	\$ 0	\$ 0	\$ 0	\$ 12,500	\$ 12,500
Restricted Fund Balance:						
Debt Service Fund	0	0	0	0	16,085	\$ 16,085
Law Enforcement Construction Fund	0	0	0	6,607,783	0	6,607,783
Committed Fund Balance:						
Special Revenue Funds	0	572,534	114,085	0	319,998	1,006,617
Unassigned Fund Balance	<u>1,124,284</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,124,284</u>
Total Fund Balances	<u>\$ 1,124,284</u>	<u>\$ 572,534</u>	<u>\$ 114,085</u>	<u>\$ 6,607,783</u>	<u>\$ 348,583</u>	<u>\$ 8,767,269</u>
Total Liabilities and Fund Balances	<u>\$ 1,130,736</u>	<u>\$ 578,739</u>	<u>\$ 121,925</u>	<u>\$ 6,607,783</u>	<u>\$ 348,845</u>	<u>\$ 8,788,028</u>

The accompanying notes are an integral part of this financial statement.

COUNTY OF MILLS
 Reconciliation of the Governmental Funds Balance Sheet to the
 Statement of Net Position - Modified Cash Basis
 September 30, 2015

Total Fund Balances - Governmental Funds	\$ 8,767,269
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. The net effect of including the beginning balances for capital assets (net of depreciation) is to increase net position.	8,325,211
Debt (including related issuance costs and deferred gain on refunding) that is not due and payable in the current period is not reported as a liability in the governmental fund statements. The net effect of including the beginning balances of debt is to decrease net position.	(1,163,380)
Current year capital outlays are expenditures in the fund financial statements but are shown as increases in capital assets in the government-wide financial statements. The net effect of including capital outlays is to increase net position.	982,498
Current year debt principal payments are expenditures in the fund financial statements but are shown as reductions of debt in the government-wide financial statements. The net effect of including debt principal payments is to increase net position.	170,445
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(356,519)
Debt proceeds are shown as other financing sources in the fund financial statements, but they should be shown as bonds payable in the government-wide financial statements. In addition, bond premium should be capitalized and amortized. The net effect of reclassifying the bond proceeds and related bond premium and recording current year amortization is to decrease net position.	(7,367,889)
The gross amount received from the disposal of capital assets used in governmental activities is reported in the governmental funds as miscellaneous revenue. In the government-wide financial statements disposal proceeds are reduced by the remaining depreciable bases of the assets, and trade-in allowances are recognized as proceeds. The net effect of the adjustments is to decrease net position.	(84,802)
Various reclassifications are necessary to record the amortization of deferred gain on refunding. The net effect of recording current year amortization is to increase net position.	<u>7,935</u>
Net Position of Governmental Activities	<u><u>\$ 9,280,768</u></u>

The accompanying notes are an integral part of this financial statement.

COUNTY OF MILLS
 Statement of Revenues, Expenditures, and Changes in Fund Balances - Modified Cash Basis
 Governmental Funds
 Year Ended September 30, 2015

	General	Road and Bridge	Law Enforcement	Law Enforcement Construction Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 1,549,121	\$ 503,370	\$ 1,033,955	\$ 0	\$ 177,174	\$ 3,263,620
Fees	99,665	323,378	0	0	178,158	601,201
Fines	149,076	0	0	0	0	149,076
Intergovernmental	52,184	35,309	148,676	0	24,332	260,501
Interest	9,149	4,271	1,638	98	763	15,919
Miscellaneous	56,168	13,642	14,757	0	118,421	202,988
Total Revenues	\$ 1,915,363	\$ 879,970	\$ 1,199,026	\$ 98	\$ 498,848	\$ 4,493,305
EXPENDITURES						
Current:						
General Government	\$ 945,076	\$ 0	\$ 0	\$ 0	\$ 14,587	\$ 959,663
Roads and Bridges	0	983,720	0	0	16,457	1,000,177
Justice System	304,374	0	0	0	119,668	424,042
Public Safety	14,295	0	1,173,684	642,315	197,384	2,027,678
Public Health and Welfare	7,740	0	0	0	13,863	21,603
Culture and Recreation	0	0	0	0	13,452	13,452
Debt Service:						
Principal	0	0	0	0	170,445	170,445
Interest	0	0	0	0	22,392	22,392
Bond Issuance Costs	0	0	0	117,070	0	117,070
Total Expenditures	\$ 1,271,485	\$ 983,720	\$ 1,173,684	\$ 759,385	\$ 568,248	\$ 4,756,522
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 643,878	\$ (103,750)	\$ 25,342	\$ (759,287)	\$ (69,400)	\$ (263,217)

OTHER FINANCING SOURCES (USES)

Transfers In (Out)	\$ (176,000)	\$ 0	\$ 0	\$ (2,551)	\$ 178,551	\$ 0
Other Sources - Bond Proceeds	0	0	0	6,850,000	0	6,850,000
Other Sources - Premium or Discount on Issuance of Bonds	<u>0</u>	<u>0</u>	<u>0</u>	<u>519,621</u>	<u>0</u>	<u>519,621</u>
Total Other Financing Sources (Uses)	<u>\$ (176,000)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 7,367,070</u>	<u>\$ 178,551</u>	<u>\$ 7,369,621</u>
Net Change in Fund Balances	\$ 467,878	\$ (103,750)	\$ 25,342	\$ 6,607,783	\$ 109,151	\$ 7,106,404
Fund Balances - Beginning	<u>656,406</u>	<u>676,284</u>	<u>88,743</u>	<u>0</u>	<u>239,432</u>	<u>1,660,865</u>
Fund Balances - Ending	<u>\$ 1,124,284</u>	<u>\$ 572,534</u>	<u>\$ 114,085</u>	<u>\$ 6,607,783</u>	<u>\$ 348,583</u>	<u>\$ 8,767,269</u>

The accompanying notes are an integral part of this financial statement.

COUNTY OF MILLS
 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and
 Changes in Fund Balances to the Statement of Activities - Modified Cash Basis
 Year Ended September 30, 2015

Total Net Change in Fund Balances - Governmental Funds	\$ 7,106,404
Current year capital outlays are expenditures in the fund financial statements but are shown as increases in capital assets in the government-wide financial statements. The net effect of removing capital outlays is to increase net position.	982,498
Current year debt principal payments are expenditures in the fund financial statements but are shown as reductions of debt in the government-wide financial statements. The net effect of removing debt principal payments is to increase net position.	170,445
Debt proceeds are shown as other financing sources in the fund financial statements, but they should be shown as bonds payable in the government-wide financial statements. In addition, bond premium should be capitalized and amortized. The net effect of reclassifying the bond proceeds and related bond premium and recording current year amortization is to decrease net position.	(7,367,889)
The gross amount received from the disposal of capital assets used in governmental activities is reported in the governmental funds as miscellaneous revenue. In the government-wide financial statements disposal proceeds are reduced by the remaining depreciable bases of the assets, and trade-in allowances are recognized as proceeds. The net effect of the adjustments is to decrease net position.	(84,802)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(356,519)
Various reclassifications are necessary to record the amortization of deferred gain on refunding. The net effect of recording current year amortization is to increase net position.	<u>7,935</u>
Change in Net Position of Governmental Activities	<u><u>\$ 458,072</u></u>

The accompanying notes are an integral part of this financial statement.

COUNTY OF MILLS
Statement of Fiduciary Net Position - Modified Cash Basis
Fiduciary Funds
September 30, 2015

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and Temporary Investments	<u>\$ 164,947</u>
 <u>LIABILITIES</u>	
Due to Other Funds	\$ 35,394
Due to Other Governments	100,358
Due to Others	<u>29,195</u>
 Total Liabilities	<u>\$ 164,947</u>

The accompanying notes are an integral part of this financial statement.

COUNTY OF MILLS
Notes to the Financial Statements
September 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Mills, Texas, prepares its basic financial statements on the modified cash basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America.

A. Reporting Entity

The County of Mills, Texas, was organized by an Act of the Texas Legislature in 1887. The County is governed by the Commissioners' Court, a five-member group consisting of an elected County Judge and four County Commissioners elected from individual precincts. Services provided by the County include public transportation through roads and bridges, justice system, public safety, public health and welfare, culture and recreation, and debt service, as well as general administrative and support services. There are no component units included within the reporting entity.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) 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 include programs supported primarily by taxes, grants, and other intergovernmental revenues.

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 for services - payments from parties that purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment of the County and (2) grants and contributions - payments from organizations outside the County that are restricted to meeting the operational or capital requirements of a particular function or segment of the County. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

All interfund transactions between governmental funds are eliminated in the government-wide financial statements. Interfund activities between governmental funds and fiduciary funds remain as interfund receivables and payables on the government-wide statement of net position.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other funds.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe how transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied.

Measurement Focus

The government-wide financial statements are presented using the economic resources measurement focus within the limitations of the modified cash basis of accounting, as are the fiduciary fund financial statements.

The fund financial statements are reported using the current financial resources measurement focus as applied to the modified cash basis of accounting.

COUNTY OF MILLS
Notes to the Financial Statements - Continued
September 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus and Basis of Accounting - Continued

Governmental funds utilize a current financial resources measurement focus. Current financial assets and liabilities are generally the only items included on their balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. Fund balance is used to measure available spendable financial resources at the end of the period.

Basis of Accounting

The government-wide financial statements and the fund financial statements are presented using the modified cash basis of accounting. This basis of accounting recognizes assets, liabilities, net position, fund equity, revenues, expenditures, and expenses when they result from cash transactions with a provision for depreciation in the government-wide financial statements. The modified cash basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America.

The use of the modified cash basis of accounting results in certain assets and their related revenues (such as accounts receivable and revenues for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable, expenses for goods or services received but not yet paid, and accrued expenses and liabilities) not being recorded in these financial statements.

The government reports the following major governmental funds:

General Fund - This Fund is the general operating fund of the County. It is used to account for all revenues except those required to be accounted for in other funds.

Road and Bridge Fund - This Fund is a special revenue fund and is used to account for revenues for the road and bridge precincts.

Law Enforcement Fund - This Fund is a special revenue fund and is used to account for revenues for the County's law enforcement activities.

Law Enforcement Center Construction Fund - This Fund is a construction fund and is used to account for construction of the County's Law Enforcement Center.

Additionally, the government reports the following fund type:

Fiduciary Funds - These Funds are used to account for resources which are collected by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, or other County funds.

D. Interfund Receivables and Payables

Activity between individual funds may result in amounts owed between funds which are classified as Due To and From Other Funds. Other than amounts due to or from fiduciary funds these balances are eliminated in the statement of net position.

E. Prepayments

Prepayments for an emergency medical services contract are described in Note IV., E. to the financial statements.

COUNTY OF MILLS
Notes to the Financial Statements - Continued
September 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

F. Capital Assets

In the government-wide financial statements, capital assets arising from modified cash basis transactions are reported in the statement of net position. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed.

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.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	15-40
Machinery and Equipment	5-10

In the fund financial statements, capital assets arising from modified cash basis transactions acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

G. Long-Term Debt

Long-term debt arising from modified cash basis transactions to be repaid from governmental resources is reported as liabilities in the government-wide financial statements.

Long-term debt arising from modified cash basis transactions of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources, and payments of principal and interest are reported as expenditures.

H. Compensated Absences

County employees are entitled to vacation and sick leave based on their length of employment. Vacation does not accumulate or vest. Employees may accumulate up to 320 hours of sick leave. Employees are not paid for unused sick leave upon separation from service. Employees are paid only for the current year's unused vacation, not to exceed 80 hours, and provided proper notice was given, they are not under disciplinary action or suspension, and they have been a fulltime employee a minimum of 12 months.

I. Net Position on the Statement of Net Position

Net position on the statement of net position includes the following:

Net Investment in Capital Assets- This component of net position represents the difference between capital assets net of accumulated depreciation and the outstanding balance of debt, excluding any unspent debt proceeds, that is directly attributable to the acquisition, construction, or improvement of those assets.

Restricted for Debt Service - This component of net position represents the difference between assets and liabilities of the Debt Service Fund that consists of assets with constraints placed on their use by creditors.

Unrestricted - This is the difference between assets and liabilities that is not reported as Net Investment in Capital Assets or Restricted for Debt Service.

COUNTY OF MILLS
Notes to the Financial Statements - Continued
September 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

J. Fund Balances

In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable - Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for specific purposes because usage restraints have been imposed by external sources such as creditors (through a debt covenant), grantors, contributors, or laws or regulations of other governments.

Committed - Amounts that can be used only for specific purposes determined by a formal action of the Commissioners' Court, the County's highest level of decision-making authority. Commitments may be modified or rescinded only through formal action by the Commissioners' Court.

Unassigned - Amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the General Fund.

The details of the fund balances are included in the governmental funds balance sheet.

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

K. Property Tax Revenues

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all property located in the County in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

Property taxes are recognized as revenues when they are collected.

Taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy.

L. Interfund Transfers

Permanent relocations of resources between funds of the reporting entity are classified as interfund transfers. For purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

COUNTY OF MILLS
Notes to the Financial Statements - Continued
September 30, 2015

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budget

The County prepares and adopts a budget for governmental funds prior to the beginning of each fiscal year. The County holds public meetings for the purpose of obtaining comments from citizens prior to adopting the budget. Once a budget is approved, it can be amended only by approval of a majority of the members of the Commissioners' Court. The budget was amended during the year.

Budgets for the General Fund and Special Revenue Funds are adopted on a modified cash basis and cover a one-year period. The Law Enforcement Center Construction Fund adopts a project length budget which does not correspond to the County's fiscal year. Appropriations lapse at year end.

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

A. 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, and (9) 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, and (10) common trust funds. The Act also requires the County to have independent auditors perform test procedures related to investment practices as provided by the Act. The County is in substantial compliance with the requirements of the Act and with local policies.

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

Custodial Credit Risk - Deposits and Investments: In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits and investments in certificates of deposit may not be returned to it. The County's policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments, other than the following: The State of Texas requires that a financial institution secure deposits and investments made by state and local governments by pledging securities in excess of the highest cash balance of the government. The County is not exposed to custodial credit risk for its deposits and investments in certificates of deposit since they are covered by depository insurance and pledged securities held by a third party in the County's name.

Concentration of Credit Risk: The investment policy of the County contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent five percent or more of the total entity investments represent a concentration risk. At September 30, 2015, all of the County's investments are in certificates of deposit with its depository bank. The County is not exposed to this risk as described in the preceding paragraph.

COUNTY OF MILLS
Notes to the Financial Statements - Continued
September 30, 2015

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

A. Deposits and Investments - Continued

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At September 30, 2015, the County was not significantly exposed to credit risk.

Interest Rate Risk: The County's investment policy limits its investment portfolio to maturities of two years or less as a means of limiting its exposure to fair value losses arising from fluctuating interest rates.

Foreign Currency Risk: Not applicable

The carrying amount of the County's cash and temporary investments at September 30, 2015, approximates fair value and consisted of the following:

Cash in Bank	\$ 1,008,057
Certificates of Deposit	<u>7,897,024</u>
Total Cash and Temporary Investments	<u><u>\$ 8,905,081</u></u>

B. Interfund Receivables, Payables, and Transfers

1. The following is a summary of amounts due from and due to other funds:

	<u>Due From</u>	<u>Due To</u>	<u>Purpose</u>
General Fund			
Fiduciary Funds	<u>\$ 24,322</u>	<u>\$ 0</u>	Unremitted Fees
Road and Bridge Fund			
Fiduciary Funds	<u>\$ 6,483</u>	<u>\$ 0</u>	Unremitted Fees
Nonmajor Governmental Funds			
Fiduciary Funds	<u>\$ 4,589</u>	<u>\$ 0</u>	Unremitted Fees
Fiduciary Funds			
General Fund	\$ 0	\$ 24,322	Unremitted Fees
Road and Bridge Fund	0	6,483	Unremitted Fees
Nonmajor Governmental Funds	0	4,589	Unremitted Fees
	<u>\$ 0</u>	<u>\$ 35,394</u>	
Totals	<u><u>\$ 35,394</u></u>	<u><u>\$ 35,394</u></u>	

All amounts due are expected to be repaid within one year.

COUNTY OF MILLS
Notes to the Financial Statements - Continued
September 30, 2015

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

B. Interfund Receivables, Payables, and Transfers - Continued

2. Interfund transfers consist of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Nonmajor Governmental Funds	\$ 176,000	To Cover Fund Deficit
LEC Construction Fund	Nonmajor Governmental Funds	<u>2,551</u>	To Cover Fund Deficit
Total		<u>\$ 178,551</u>	

C. Capital Assets

Capital asset activity for the year ended September 30, 2015, was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets				
Land	\$ 85,085	\$ 100,034	\$ 0	\$ 185,119
Buildings and Improvements	9,694,698	0	6,790	9,687,908
Machinery and Equipment	2,273,702	280,884	309,005	2,245,581
Construction in Progress	<u>0</u>	<u>601,580</u>	<u>0</u>	<u>601,580</u>
Total Capital Assets	<u>\$ 12,053,485</u>	<u>\$ 982,498</u>	<u>\$ 315,795</u>	<u>\$ 12,720,188</u>
Less Accumulated Depreciation				
Buildings and Improvements	\$ (1,881,420)	\$ (235,763)	\$ (2,829)	\$ (2,114,354)
Machinery and Equipment	<u>(1,846,854)</u>	<u>(120,756)</u>	<u>(228,164)</u>	<u>(1,739,446)</u>
Total Accumulated Depreciation	<u>\$ (3,728,274)</u>	<u>\$ (356,519)</u>	<u>\$ (230,993)</u>	<u>\$ (3,853,800)</u>
Governmental Activities Capital Assets, Net	<u>\$ 8,325,211</u>	<u>\$ 625,979</u>	<u>\$ 84,802</u>	<u>\$ 8,866,388</u>

Depreciation expense was charged to governmental activities functions as follows:

General Government	\$ 160,893
Roads and Bridges	129,336
Public Safety	63,520
Public Health and Welfare	846
Culture and Recreation	<u>1,924</u>
Total	<u>\$ 356,519</u>

COUNTY OF MILLS
Notes to the Financial Statements - Continued
September 30, 2015

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

D. Capital Lease

The County entered into a lease agreement to finance the acquisition of radio system equipment for the Sheriff's Office. This lease agreement qualifies as a capital lease for accounting purposes and is payable from the Law Enforcement Fund. The effective interest rate is 4.12%.

Future minimum lease payments are as follows:

Year Ending September 30,	Capital Lease		Total
	Principal	Interest	
2016	\$ 39,488	\$ 5,084	\$ 44,572
2017	41,114	3,458	44,572
2018	42,808	1,764	44,572
Totals	<u>\$ 123,410</u>	<u>\$ 10,306</u>	<u>\$ 133,716</u>

The following is a summary of the changes in capital leases for the year ended September 30, 2015:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital Lease	<u>\$ 161,335</u>	<u>\$ 0</u>	<u>\$ 37,925</u>	<u>\$ 123,410</u>

E. Short-Term Debt

A loan of \$66,645 was renewed on September 4, 2014, for the purchase of an ambulance remount and chassis. This loan, payable from the Emergency Medical Services Fund, bore interest at 2.25% and was liquidated on August 4, 2015.

The following is a summary of changes in short-term debt for the year ended September 30, 2015:

	Beginning Balance	Additions	Reductions	Ending Balance
Loan - Ambulance Remount and Chassis	<u>\$ 20,445</u>	<u>\$ 0</u>	<u>\$ 20,445</u>	<u>\$ 0</u>

COUNTY OF MILLS
Notes to the Financial Statements - Continued
September 30, 2015

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

F. Long-Term Debt

The following is a summary of changes in long-term debt for the year ended September 30, 2015:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Limited Tax Refunding Bonds	\$ 1,135,000	\$ 0	\$ 150,000	\$ 985,000	\$ 155,000
Limited Tax Bonds	0	6,850,000	0	6,850,000	65,000
Bond Premium/Discount	0	519,621	1,732	517,889	0
Totals	\$ 1,135,000	\$ 7,369,621	\$ 151,732	\$ 8,352,889	\$ 220,000

The County's outstanding long-term debt is as follows:

Mills County, Texas, Limited Tax Refunding Bonds, Series 2012. Issued to currently refund \$1,495,000 of Mills County, Texas, Tax Notes, Series 2008. Due in variable installments through the fiscal year ending September 30, 2021, with an interest of 2.1%.	\$ 985,000
Mills County, Texas, Limited Tax Bonds, Series 2015. Issued to purchase, design, renovate, construct, reconstruct, improve, or equip a building or buildings for a law enforcement center, including purchasing technology; to purchase the necessary sites therefor; and to pay the costs of issuance related thereto in the original amount of \$6,850,000. Due in variable installments through February 15, 2040, with interest rates of 2% to 4.5%.	<u>6,850,000</u>
Total Bonds Payable	<u>\$ 7,835,000</u>

The combined annual debt service requirements are as follows:

Year Ending September 30,	Limited Tax Refunding Bonds		Limited Tax Bonds		Total
	Principal	Interest	Principal	Interest	
2016	\$ 155,000	\$ 19,057	\$ 65,000	\$ 261,621	\$ 500,678
2017	160,000	15,750	65,000	274,125	514,875
2018	160,000	12,390	80,000	272,275	524,665
2019	165,000	8,978	95,000	269,650	538,628
2020	170,000	5,460	110,000	266,575	552,035
2021-2025	175,000	1,838	1,070,000	1,242,850	2,489,688
2026-2030	0	0	1,435,000	988,475	2,423,475
2031-2035	0	0	1,755,000	670,475	2,425,475
2036-2040	0	0	2,175,000	253,688	2,428,688
Totals	<u>\$ 985,000</u>	<u>\$ 63,473</u>	<u>\$ 6,850,000</u>	<u>\$ 4,499,734</u>	<u>\$ 12,398,207</u>

COUNTY OF MILLS
Notes to the Financial Statements - Continued
September 30, 2015

IV. OTHER INFORMATION

A. Defined Benefit Pension 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 & 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 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. This report is available at www.tcdrs.org. TCDRS' CAFR may also be obtained by writing to the Texas County & District Retirement System, P.O. Box 2034, Austin, TX 78768-2034, or by calling 1-800-823-7782.

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 deposits in the plan to receive any employer-financed benefit. Members who withdraw their personal deposits 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 deposits 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 deposits 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 (Variable-Rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The employer contributed the actuarially determined rate of 12.12% for the months of the accounting year in 2014 and 11.94% for the months of the accounting year in 2015.

The deposit rate payable by the employee members for calendar year 2015 is 7% as adopted by the governing body of the employer. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

COUNTY OF MILLS
Notes to the Financial Statements - Continued
September 30, 2015

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Actuarial Assumptions - All actuarial methods and assumptions used for this GASB analysis were the same as those used in the December 31, 2014 funding valuation, except as noted below and throughout this report. Please see the employer summary actuarial valuation report as of December 31, 2014, for further details.

Following are the key assumptions and methods used in this GASB analysis.

Valuation Timing	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal ⁽¹⁾
Asset Valuation Method	
Smoothing Period	5 Years
Recognition Method	Non-Asymptotic
Corridor	None
Inflation	3.0%
Salary Increases	4.9% ⁽²⁾
Investment Rate of Return	8.1%
Cost-of-Living Adjustments	Cost-of-Living Adjustments for the County are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	Members eligible for service retirement are assumed to retire at various rates based upon age and gender.
Turnover	New employees are assumed to replace any terminated members and have similar entry ages.
Mortality	Mortality rates for depositing members are based on the gender-distinct RP-2000 Active Employee Mortality Table with a two-year set-forward for males and a four-year setback for females. Service retirees, beneficiaries, and non-depositing members are based on the RP-2000 Combined Mortality Table with a one-year set-forward for males and no age adjustment for females. Disabled retirees are based on the gender-distinct RP-2000 Disabled Mortality Table with no age adjustment for males and a two-year set-forward for females. The rates are projected with scale AA.

⁽¹⁾ Individual entry age normal cost method, as required by GASB 68, used for GASB calculations. Note that a slightly different version of the entry age normal cost method is used for the funding actuarial valuation.

⁽²⁾ Includes inflation of 3%.

Long-Term Expected Rate of Return - The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2015 information for a 7-10 year time horizon.

COUNTY OF MILLS
Notes to the Financial Statements - Continued
September 30, 2015

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Note the valuation assumption for long-term expected return is re-assessed at a minimum of every four years and is set based on a 30-year time horizon; the most recent analysis was performed in 2013.

<u>Asset Class</u>	<u>Benchmark</u>	<u>Target Allocation⁽¹⁾</u>	<u>Geometric Real Rate of Return (Expected) Minus Inflation⁽²⁾</u>
U.S. Equities	Dow Jones U.S. Total Stock Market Index	16.50%	5.35%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽³⁾	12.00%	8.35%
Global Equities	MSCI World (Net) Index	1.50%	5.65%
International Equities - Developed	50% MSCI World Ex USA (Net) + 50% MSCI World Ex USA 100% Hedged to USD (Net) Index	11.00%	5.35%
International Equities - Emerging	50% MSCI World EM Standard (Net) Index + 50% MSCI EM 100% Hedged to USD (Net) Index	9.00%	6.35%
Investment-Grade Bonds	Barclays Capital Aggregate Bond Index	3.00%	0.55%
High-Yield Bonds	Citigroup High-Yield Cash-Pay Capped Index	3.00%	3.75%
Opportunistic Credit	Citigroup High-Yield Cash-Pay Capped Index	5.00%	5.54%
Direct Lending	Citigroup High-Yield Cash-Pay Capped Index	2.00%	5.80%
Distressed Debt	Citigroup High-Yield Cash-Pay Capped Index	3.00%	6.75%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FRSE EPRA/NAREIT Global Real Estate Index	2.00%	4.00%
Commodities	Bloomberg Commodities Index	2.00%	-0.20%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	5.30%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁴⁾	3.00%	7.20%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	25.00%	5.15%

⁽¹⁾ Target asset allocation adopted at the April 2015 TCDRS Board meeting.

⁽²⁾ Geometric real rates of return in addition to assumed inflation of 1.7% per 2015 capital market assumptions.

⁽³⁾ Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

⁽⁴⁾ Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

COUNTY OF MILLS
Notes to the Financial Statements - Continued
September 30, 2015

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Depletion of Plan Assets/GASB Discount Rate - The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on pension plan investments.
2. The actuarial present value of projected benefit payments not included in 1, calculated using the municipal bond rate.

Therefore, if plan investments in a given future year are greater than projected benefit payments in that year and are invested such that they are expected to earn the long-term rate of return, the discount rate applied to projected benefit payments in that year should be the long-term expected rate of return on plan investments. If future years exist where this is not the case, then an index rate reflecting the yield on a 20-year, tax-exempt municipal bond should be used to discount the projected benefit payments for those years.

The determination of a future date when plan investments are not sufficient to pay projected benefit payments is often referred to as a depletion date projection. A depletion date projection compares projections of the pension plan's fiduciary net position to projected benefit payments and aims to determine a future date, if one exists, when the fiduciary net position is projected to be less than projected benefit payments. If an evaluation of the sufficiency of the projected fiduciary net position compared to projected benefit payments can be made with sufficient reliability without performing a depletion date projection, alternative methods to determine sufficiency may be applied.

In order to determine the discount rate to be used by the employer we have used an alternative method to determine the sufficiency of the fiduciary net position in all future years. Our alternative method reflects the funding requirements under the employer's funding policy and the legal requirements under the TCDRS Act.

1. TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.
2. Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.
3. The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.
4. Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

COUNTY OF MILLS
Notes to the Financial Statements - Continued
September 30, 2015

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. Therefore, we have used a discount rate of 8.1%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8%, net of all expenses, increased by 0.1% to be gross of administrative expenses.

Changes in Net Pension Liability/(Asset) - The following presents the increases/(decreases) in net pension liability/(asset):

<u>Changes in the Net Pension Liability/Asset</u>	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Fiduciary Net Position (b)</u>	<u>Net Pension Liability/Asset (a) - (b)</u>
Balance as of December 31, 2013	<u>\$ 5,057,705</u>	<u>\$ 4,544,287</u>	<u>\$ 513,418</u>
Changes for the Year:			
Service Cost	\$ 224,001	\$ 0	\$ 224,001
Interest on Total Pension Liability ⁽¹⁾	408,005	0	408,005
Effect of Plan Changes	0	0	0
Effect of Economic/Demographic Losses	70,178	0	70,178
Effect of Assumptions Changes or Inputs	0	0	0
Refund of Contributions	(2,613)	(2,613)	0
Benefit Payments	(263,414)	(263,414)	0
Administrative Expenses	0	(3,646)	3,646
Member Contributions	0	113,012	(113,012)
Net Investment Income	0	315,301	(315,301)
Employer Contributions	0	195,672	(195,672)
Other ⁽²⁾	0	26,767	(26,767)
Net Changes	<u>\$ 436,157</u>	<u>\$ 381,079</u>	<u>\$ 55,078</u>
Balance as of December 31, 2014	<u>\$ 5,493,862</u>	<u>\$ 4,925,366</u>	<u>\$ 568,496</u>

⁽¹⁾ Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

⁽²⁾ Relates to allocation of system-wide items.

COUNTY OF MILLS
Notes to the Financial Statements - Continued
September 30, 2015

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Sensitivity Analysis - The following presents the net pension liability/(asset) of the County, calculated using the discount rate of 8.1%, as well as what the County of Gaines net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (7.1%) or 1 percentage point higher (9.1%) than the current rate.

	<u>1% Decrease in Discount Rate (7.1%)</u>	<u>Current Discount Rate (8.1%)</u>	<u>1% Increase in Discount Rate (9.1%)</u>
Total Pension Liability	\$ 6,138,160	\$ 5,493,861	\$ 4,958,977
Fiduciary Net Position	<u>4,925,365</u>	<u>4,925,365</u>	<u>4,925,365</u>
Net Pension Liability/(Asset)	<u>\$ 1,212,795</u>	<u>\$ 568,496</u>	<u>\$ 33,612</u>

Pension Expense/Income - The following presents the components of pension expense/income:

<u>Pension Expense (Income)</u>	<u>January 1, 2014 to December 31, 2014</u>
Service Cost	\$ 224,001
Interest on Total Pension Liability ⁽¹⁾	408,005
Effect of Plan Changes	0
Administrative Expenses	3,646
Member Contributions	(113,012)
Expected Investment Return Net of Investment Expenses	(374,345)
Recognition of Deferred Inflows/Outflows of Resources:	
Recognition of Economic/Demographic Gains or Losses	17,544
Recognition of Assumption Changes or Inputs	0
Recognition of Investment Gains or Losses	11,809
Other ⁽²⁾	<u>(26,767)</u>
Total Pension Expense (Income)	<u>\$ 150,881</u>

⁽¹⁾ Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

⁽²⁾ Relates to allocation of system-wide items.

COUNTY OF MILLS
Notes to the Financial Statements - Continued
September 30, 2015

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Deferred Inflows/Deferred Outflows of Resources -As of December 31, 2014, the deferred inflows and outflows of resources are as follows:

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences Between Expected and Actual Experience	\$ -	\$ 52,633
Changes in Assumptions	-	-
Net Differences Between Projected and Actual Earnings	-	47,236
Contributions Subsequent to Measurement Date ⁽³⁾	<u>-</u>	<u>123,259</u>
Totals	<u><u>\$ -</u></u>	<u><u>\$ 223,128</u></u>

⁽³⁾ If eligible employer contributions were made subsequent to the measurement date through the employer's fiscal year-end, the employer should reflect these contributions, adjusted as outlined in Appendix C of the TCDRS report.

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2015	\$ 29,353
2016	29,353
2017	29,353
2018	11,809
2019	0
Thereafter ⁽⁴⁾	0

⁽⁴⁾ Total remaining balance to be recognized in future years, if any. Note that additional future deferred inflows and outflows of resources may impact these numbers.

COUNTY OF MILLS
Notes to the Financial Statements - Continued
September 30, 2015

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Schedule of Deferred Inflows and Outflows of Resources - The following presents the components of deferred inflows and outflows of resources:

	Original Amount	Date Established	Original Recognition Period ⁽¹⁾	Amount Recognized in 12/31/14 Expense ⁽¹⁾	Balance of Deferred Inflows 12/31/14	Balance of Deferred Outflows 12/31/14
Investment (Gains) or Losses	\$ 59,045	12/31/14	5	\$ 11,809	\$ -	\$ 47,236
Economic/Demographic (Gains) or Losses	70,178	12/31/14	4	17,544	-	52,634
Assumption Changes or Inputs	-	12/31/14	4	-	-	-
Employer Contributions Made Subsequent to Measurement Date ⁽²⁾	-	-	-	-	-	123,259

⁽¹⁾ Investment (gains)/losses are recognized in pension expense over a period of five years; economic/ demographic (gains)/losses and assumption changes or inputs are recognized over the average remaining service life for all active, inactive, and retired members.

⁽²⁾ If eligible employer contributions were made subsequent to the measurement date, the employer should reflect these contributions, adjusted as outlined in Appendix C of the TCDRS report.

B. Other Postemployment Benefits

Plan Description - The County participates in a cost-sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas County & District Retirement System (TCDRS). This plan is referred to as the Group Term Life Fund (GTLF). This optional plan provides group term life insurance coverage to current eligible employees.

The GTLF is a separate trust administered by the TCDRS' Board of Trustees. TCDRS issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the GTLF. This report is available at www.tcdrs.org. TCDRS' CAFR may also be obtained by writing to the Texas County & District Retirement System, P.O. Box 2034, Austin, TX 78768-2034, or by calling 1-800-823-7782.

Funding Policy - Each participating employer contributes to the GTLF at a contractually required rate. An annual actuarial valuation is performed and the contractual rate is determined using the unit credit method for providing one-year term life insurance. The County contributions to the GTLF for the years ended September 30, 2015, 2014, and 2013, were \$4,432, \$4,684 and \$4,720, respectively, which equaled the contractually required contributions each year.

COUNTY OF MILLS
Notes to the Financial Statements - Continued
September 30, 2015

IV. OTHER INFORMATION - Continued

C. Self-Insurance

The County has entered into an interlocal participation agreement with the Texas Political Subdivision Joint Self-Insurance Fund (TPS). The TPS is a nonassessable risk sharing pool comprised of school districts, municipalities, hospital districts, counties, junior colleges, cities, housing authorities, appraisal districts, port authorities, municipal water districts and other political subdivisions formed in accordance with the terms of interlocal agreements among members. TPS was organized on September 22, 1983, under the authority of the Texas Workers' Compensation and State Interlocal Cooperation Acts, as the Texas Political Subdivisions Workers' Compensation Joint Self-Insurance Fund (WC Fund) to provide a vehicle for workers' compensation coverage. The purpose of TPS is to provide the membership with a program of self-insurance, lower costs for insurance coverage, and a comprehensive safety program.

Members participate in the workers' compensation fund through a guaranteed-cost plan. Guaranteed-cost members, who are nonassessable, combine their contributions to cover pooled losses and expenses. The required contribution for each guaranteed-cost member is based upon the members' expenses and the rated manual contribution affected by a factor for individual loss experience. As required by interlocal agreement, TPS obtains specific excess of loss coverage over and above the self-insured retention stated in the interlocal agreement so that members will not have joint or several liability other than their required contribution.

TPS Members own and control the Funds. The Members elect a Board of Trustees from its membership to govern the Fund. The Board adopts bylaws and policies to operate the Funds and has created Sub-Committees to provide guidance in Claims/Loss Control, Underwriting/Member Relations and Finance/MIS. The Board continuously monitors the financial integrity of the Funds and commissions an independent audit firm to perform an annual audit, using generally accepted accounting principles that fully comply with the General Accounting Standards Board Statement Number Ten. The Board also commissions an annual independent actuarial review of reserves to ensure funding of all outstanding claims.

D. Commitments

The taxpayers of the County passed a bond election during the 2015 fiscal year for the purpose of acquiring, constructing, and equipping a Law Enforcement Center in the original amount of \$6,850,000. The County still had \$6,607,783 to be expended as of September 30, 2015. This balance is to be paid from the Law Enforcement Center Construction Fund.

E. Discontinued Operations

On December 12, 2014, the County Commissioners approved an interlocal government contract with The Hamilton County Hospital District whereby said Hospital District will provide emergency medical services for the residents of Mills County for a period of three years beginning January 1, 2015. A subsidy of \$4,167 per month will be paid to the Hospital District to supplement its emergency medical services in the County. All equipment, supplies, furniture, and ambulances were sold to the Hospital District for \$59,438. The Emergency Medical Services furnished by the County ceased operations on January 1, 2015. During the fiscal year ended September 30, 2015, \$50,000 was remitted to the Hospital District representing twelve months of payments at \$4,167 per month. A prepaid expenditure in the amount of \$12,500 was recorded to reflect three months of payments on the contract, resulting in \$37,500 being recorded as an expenditure.

COUNTY OF MILLS
Notes to the Financial Statements - Continued
September 30, 2015

IV. OTHER INFORMATION - Continued

F. Subsequent Events

On November 23, 2015, the County entered into a capital lease agreement to purchase a motor grader. The lease amount of \$228,500 is payable over five years with the first payment due January 18, 2016, to be paid from the Road and Bridge Fund. On November 23, 2015, the County entered into a capital lease agreement to purchase a crawler loader. The lease amount of \$215,500 is payable over five years with the first payment due January 18, 2016, to be paid from the Road and Bridge Fund. On December 28, 2015, the County entered into a capital lease agreement to purchase a tractor and rock crusher. The County paid \$22,600 as a down payment, with the lease amount of \$203,400 being payable over five years with the first payment due December 28, 2016, to be paid from the Road and Bridge Fund.

The County approved a motion to construct a Senior Center building for use by the residents of Mills County that qualifies for services provided by the Center. The amount allocated for the construction project is not to exceed \$500,000, and it is anticipated that the project will be financed via a loan with Mills County State Bank. Financing and construction is anticipated to begin after January 1, 2016. A grant of \$50,000 was received on October 23, 2015, to assist with the construction project.

The County's management has evaluated subsequent events through February 8, 2016, the date which the financial statements were available for issue.

Other Information

COUNTY OF MILLS
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Modified Cash Basis - Budget and Actual
General Fund
Year Ended September 30, 2015

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Taxes	\$ 1,510,899	\$ 1,510,899	\$ 1,549,121	\$ 38,222
Fees	109,000	109,000	99,665	(9,335)
Fines	142,000	142,000	149,076	7,076
Intergovernmental	50,000	52,124	52,184	60
Interest	3,500	3,500	9,149	5,649
Miscellaneous	59,200	59,200	56,168	(3,032)
Total Revenues	<u>1,874,599</u>	<u>\$ 1,876,723</u>	<u>\$ 1,915,363</u>	<u>\$ 38,640</u>
<u>EXPENDITURES</u>				
Current:				
General Government	\$ 956,548	\$ 955,441	\$ 945,076	\$ 10,365
Justice System	238,388	315,119	304,374	10,745
Public Safety	13,600	13,600	14,295	(695)
Public Health and Welfare	11,850	11,850	7,740	4,110
Total Expenditures	<u>\$ 1,220,386</u>	<u>\$ 1,296,010</u>	<u>\$ 1,271,485</u>	<u>\$ 24,525</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 654,213	\$ 580,713	\$ 643,878	\$ 63,165
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In (Out)	<u>(332,000)</u>	<u>(332,000)</u>	<u>(176,000)</u>	<u>156,000</u>
Net Change in Fund Balances	\$ 322,213	\$ 248,713	\$ 467,878	\$ 219,165
Fund Balances - Beginning	<u>656,406</u>	<u>656,406</u>	<u>656,406</u>	<u>0</u>
Fund Balances - Ending	<u><u>\$ 978,619</u></u>	<u><u>\$ 905,119</u></u>	<u><u>\$ 1,124,284</u></u>	<u><u>\$ 219,165</u></u>

COUNTY OF MILLS
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Modified Cash Basis - Budget and Actual
Road and Bridge Fund
Year Ended September 30, 2015

	Budget Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		Positive (Negative)
<u>REVENUES</u>				
Taxes	\$ 490,795	\$ 490,795	\$ 503,370	\$ 12,575
Fees	334,000	334,000	323,378	(10,622)
Intergovernmental	18,000	18,000	35,309	17,309
Interest	4,000	4,000	4,271	271
Miscellaneous	0	0	13,642	13,642
	<u>0</u>	<u>0</u>	<u>13,642</u>	<u>13,642</u>
Total Revenues	<u>\$ 846,795</u>	<u>\$ 846,795</u>	<u>\$ 879,970</u>	<u>\$ 33,175</u>
<u>EXPENDITURES</u>				
Roads and Bridges				
Precinct Employees	\$ 419,704	\$ 419,704	\$ 398,789	\$ 20,915
Medical Expense	110,113	110,113	102,156	7,957
Social Security	32,530	32,530	29,491	3,039
Retirement	52,681	52,681	49,317	3,364
Parts and Repairs	62,000	84,182	77,752	6,430
Fuel	71,500	71,500	58,042	13,458
Tires and Batteries	14,500	14,500	10,879	3,621
Office	650	650	0	650
Utilities	5,800	6,800	6,051	749
Conference	3,900	3,900	2,617	1,283
Road Material	22,000	17,600	10,221	7,379
Equipment Purchase	304,000	312,600	199,655	112,945
Miscellaneous	7,000	7,000	2,431	4,569
Right of Way Acquisition	0	36,319	36,319	0
	<u>0</u>	<u>36,319</u>	<u>36,319</u>	<u>0</u>
Total Expenditures	<u>\$ 1,106,378</u>	<u>\$ 1,170,079</u>	<u>\$ 983,720</u>	<u>\$ 186,359</u>
Net Change in Fund Balance	\$ (259,583)	\$ (323,284)	\$ (103,750)	\$ 219,534
Fund Balance - Beginning	<u>676,284</u>	<u>676,284</u>	<u>676,284</u>	<u>0</u>
Fund Balance - Ending	<u>\$ 416,701</u>	<u>\$ 353,000</u>	<u>\$ 572,534</u>	<u>\$ 219,534</u>

COUNTY OF MILLS
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Modified Cash Basis - Budget and Actual
Law Enforcement Fund
Year Ended September 30, 2015

	Budget Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		Positive (Negative)
<u>REVENUES</u>				
Taxes	\$ 1,007,266	\$ 1,007,266	\$ 1,033,955	\$ 26,689
Intergovernmental	101,395	150,395	148,676	(1,719)
Interest	400	400	1,638	1,238
Miscellaneous	3,600	15,094	14,757	(337)
Total Revenues	\$ 1,112,661	\$ 1,173,155	\$ 1,199,026	\$ 25,871
<u>EXPENDITURES</u>				
Salaries	\$ 550,781	\$ 552,381	\$ 548,765	\$ 3,616
Social Security and Retirement	109,389	109,389	109,450	(61)
Repairs and Supplies	17,000	29,195	29,414	(219)
Utilities and Telephone	32,600	32,600	32,151	449
Inmate Expense	22,000	27,000	29,529	(2,529)
Medical Expense	128,466	118,466	115,668	2,798
Fuel	30,000	28,900	25,761	3,139
Office Expense	13,000	13,500	12,491	1,009
Bonds and Dues	900	700	536	164
New Equipment	36,000	84,200	82,818	1,382
Conventions	3,000	3,000	3,010	(10)
Radio Communications	4,000	4,000	0	4,000
Schools and Training	4,000	4,000	4,012	(12)
Boarding Prisoners	100,000	115,500	124,064	(8,564)
Sheriff Expense	3,800	6,200	5,884	316
Impound Expense	3,000	3,000	2,683	317
DPS Expense	500	200	133	67
Records Management	5,100	0	0	0
Miscellaneous	1,900	2,400	2,743	(343)
Capital Lease	44,655	44,655	44,572	83
Total Expenditures	\$ 1,110,091	\$ 1,179,286	\$ 1,173,684	\$ 5,602
Net Change in Fund Balance	\$ 2,570	\$ (6,131)	\$ 25,342	\$ 31,473
Fund Balance - Beginning	88,743	88,743	88,743	0
Fund Balance - Ending	\$ 91,313	\$ 82,612	\$ 114,085	\$ 31,473

COUNTY OF MILLS
Schedule of Changes in Net Pension Liability and Related Ratios -
Texas County & District Retirement System
Year Ended September 30, 2015

	Year Ended December 31, 2014
Total Pension Liability	
Service Cost	\$ 224,001
Interest on Total Pension Liability	408,005
Effect of Plan Changes	0
Effect of Assumptions Changes or Inputs	0
Effect of Economic/Demographic (Gains) or Losses	70,178
Benefit Payments/Refunds of Contributions	<u>(266,027)</u>
Net Change in Total Pension Liability	\$ 436,157
Total Pension Liability, Beginning	<u>5,057,705</u>
Total Pension Liability, Ending	<u>\$ 5,493,862</u>
Fiduciary Net Position	
Employer Contributions	\$ 195,672
Member Contributions	113,012
Investment Income Net of Investment Expenses	315,301
Benefit Payments/Refunds of Contributions	(266,027)
Administrative Expenses	(3,646)
Other	<u>26,767</u>
Net Change in Fiduciary Net Position	\$ 381,079
Fiduciary Net Position, Beginning	<u>4,544,287</u>
Fiduciary Net Position, Ending	<u>\$ 4,925,366</u>
Net Pension Liability/(Asset), Ending	<u>\$ 568,496</u>
Fiduciary Net Position as a % of Total Pension Liability	89.65%
Pensionable Covered Payroll	\$ 1,614,455
Net Pension Liability as a % of Covered Payroll	35.21%

This schedule is presented to illustrate the requirement to show information for ten years. However, recalculations of prior years are not required; therefore, only the years for which the new GASB statements have been implemented are shown.

COUNTY OF MILLS
Schedule of Employer Contributions -
Texas County & District Retirement System
Year Ended September 30, 2015

<u>Year Ending December 31,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Pensionable Covered Payroll⁽¹⁾</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2005	Not Available	Not Available	Not Available	Not Available	Not Available
2006	\$ 106,643	\$ 106,643	\$ 0	\$ 1,135,707	9.4%
2007	118,105	118,105	0	1,182,231	10.0%
2008	136,491	136,491	0	1,330,322	10.3%
2009	145,642	145,642	0	1,422,281	10.2%
2010	149,291	149,291	0	1,403,111	10.6%
2011	156,482	156,482	0	1,392,189	11.2%
2012	160,044	160,044	0	1,449,672	11.0%
2013	176,060	176,060	0	1,511,248	11.6%
2014	195,672	195,672	0	1,614,455	12.1%

⁽¹⁾ Payroll is calculated based on contributions as reported to TCDRS.

COUNTY OF MILLS
Notes to the Other Information for the TCDRS Retirement Plan
September 30, 2015

Note A - Net Pension Liability

Changes in Benefit Terms

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Changes of Assumptions

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

Supplementary Information

COUNTY OF MILLS
Schedule of Certificates of Deposit
September 30, 2015

Description	Identifying Number	Interest Rate %	Maturity Date	Amount
<u>GOVERNMENTAL FUNDS</u>				
General Fund				
Mills County State Bank	163628	1.10	2/29/16	\$ 201,092
Mills County State Bank	163666	1.10	5/2/16	151,829
Mills County State Bank	163734	1.10	8/29/16	251,240
Mills County State Bank	163768	1.10	9/13/16	200,000
Mills County State Bank	163769	0.30	11/12/15	105,000
Mills County State Bank	163770	0.65	12/11/15	105,000
				<u>\$ 1,014,161</u>
Road and Bridge Fund				
Mills County State Bank	163749	1.10	9/16/16	<u>\$ 200,000</u>
Law Enforcement Construction Fund				
Mills County State Bank	163750	0.25	10/6/15	\$ 405,000
Mills County State Bank	163752	0.30	11/6/15	420,000
Mills County State Bank	163753	0.65	12/7/15	500,000
Mills County State Bank	163754	0.65	1/6/16	600,000
Mills County State Bank	163755	0.65	2/8/16	600,000
Mills County State Bank	163756	1.00	3/7/16	625,000
Mills County State Bank	163757	1.00	4/7/16	600,000
Mills County State Bank	163758	1.00	5/9/16	600,000
Mills County State Bank	163759	1.00	6/7/16	600,000
Mills County State Bank	163760	1.00	7/7/16	600,000
Mills County State Bank	163761	1.00	8/8/16	500,000
Mills County State Bank	163762	1.10	9/7/16	500,000
				<u>\$ 6,550,000</u>
Indigent Health Fund				
Mills County State Bank	163779	0.60	12/28/15	<u>\$ 75,000</u>
Courthouse Security Fund				
Mills County State Bank	163831	1.05	9/12/16	<u>\$ 30,000</u>
Total Governmental Funds				<u><u>\$ 7,869,161</u></u>
<u>FIDUCIARY FUNDS</u>				
County and District Clerk				
Mills County State Bank	162662	0.37	8/17/16	\$ 11,800
Mills County State Bank	162377	0.37	11/23/15	12,861
Mills County State Bank	163485	0.48	8/4/16	3,202
Total Fiduciary Funds				<u><u>\$ 27,863</u></u>

COMPLIANCE AND INTERNAL CONTROLS SECTION



A Limited Liability Partnership

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

The Honorable County Judge
and Commissioners' Court
County of Mills
P.O. Box 483
Goldthwaite, TX 76844-0483

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of County of Mills, Texas, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated February 8, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County of Mills' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Mills' internal control. Accordingly, we do not express an opinion on the effectiveness of the County of Mills' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during the audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eckert & Company, LLP

February 8, 2016