

COUNTY OF MILLS  
Annual Financial Report  
Year Ended September 30, 2018

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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, 2018, 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, 2018, 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 Texas County & District Retirement System on pages 3 through 7, 37 through 40, and 41 through 43, 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 January 21, 2019, 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 the effectiveness of the County of Mills' 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***

January 21, 2019

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, 2018, 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 \$9,995,501 (net position). Of this amount, \$2,385,773 (unrestricted) is available to meet the County's ongoing obligations.

The County's total net position decreased by \$159,803 or 2% from current year operations. The County's statement of activities shows total revenues of \$5,181,527 and total expenses of \$5,021,724.

The total fund balance of the General Fund is \$1,349,080, which is an increase of \$192,291 or 17% 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 Debt Service 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,	
	2018	2017
Current and Other Assets	\$ 2,444,907	\$ 2,063,197
Capital Assets	15,433,269	15,958,931
Total Assets	\$ 17,878,176	\$ 18,022,128
Long-Term Liabilities Outstanding	\$ 7,603,827	\$ 7,865,181
Other Liabilities	278,848	321,249
Total Liabilities	\$ 7,882,675	\$ 8,186,430
Net Position		
Net Investment in Capital Assets	\$ 7,577,642	\$ 7,800,250
Restricted for Debt Service	32,086	28,080
Unrestricted	2,385,773	2,007,368
Total Net Position	\$ 9,995,501	\$ 9,835,698

A portion of the County's net position resulting from modified cash basis transactions (\$7,577,642) 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 (\$32,086) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$2,385,773) 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 \$159,803 and decreased the County's net position resulting from modified cash basis transactions by \$161,843 for the fiscal years ended September 30, 2018 and 2017, respectively. Key elements of these increases (decreases) are as follows:

CHANGES IN NET POSITION - MODIFIED CASH BASIS

	Governmental Activities	
	Year Ended September 30,	
	2018	2017
Revenues		
Program Revenues		
Charges for Services	\$ 694,108	\$ 680,181
Operating Grants and Contributions	492,749	171,715
Capital Grants and Contributions	0	41,327
General Revenues		
Maintenance and Operations Taxes	3,252,055	3,206,216
Debt Service Taxes	528,416	514,900
Investment Earnings	24,008	16,370
Other Revenues	190,191	279,166
Total Revenues	\$ 5,181,527	\$ 4,909,875
Expenses		
General Government	\$ 1,175,997	\$ 1,103,535
Roads and Bridges	1,176,712	1,189,195
Justice System	461,150	464,843
Public Safety	1,825,731	1,934,754
Public Health and Welfare	81,174	62,033
Culture and Recreation	37,268	48,456
Debt Service	263,692	268,902
Total Expenses	\$ 5,021,724	\$ 5,071,718
Change in Net Position	\$ 159,803	\$ (161,843)
Net Position - Beginning	9,835,698	9,997,541
Net Position - Ending	\$ 9,995,501	\$ 9,835,698



## 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 \$2,417,859, a decrease of \$382,411 or 19% in comparison with the prior year. These fund balances are reported in various governmental funds as follows:

General Fund \$1,349,080. All of this balance is unassigned.

Special Revenue Funds \$1,036,693. All of this balance is committed to special programs.

Debt Service Fund \$32,086. This balance is restricted for payment of long-term debt principal and interest.

### General Fund Budget

The original budget for the General Fund was \$1,810,867, and the final amended budget was \$1,816,867, which represents a \$6,000 increase in appropriations. Variances between the original budget and the final amended budget are shown on page 37 in the other information section of the audit report.

The County has adopted a budget for the General Fund in the amount of \$2,181,685 for the fiscal year 2019, which is an increase of \$364,818 from the fiscal year 2018.

### 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, 2018.

**Long-Term Debt** - Financial statement footnote III., F. discloses the County's debt activity for the year ended September 30, 2018.

### 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: 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, 2018

	Primary Government
	Governmental Activities
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 2,398,269
Due from Fiduciary Funds	46,638
Capital Assets:	
Land	120,401
Buildings and Improvements, Net	14,584,448
Machinery and Equipment, Net	728,420
Total Assets	17,878,176
<b>LIABILITIES</b>	
TCDRS Payable	26,708
Other Payables	340
Short-Term Debt Payable	251,800
Noncurrent Liabilities:	
Debt Due Within One Year	260,000
Debt Due in More Than One Year	7,343,827
Total Liabilities	7,882,675
<b>NET POSITION</b>	
Net Investment in Capital Assets	7,577,642
Restricted for Debt Service	32,086
Unrestricted	2,385,773
Total Net Position	\$ 9,995,501

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

COUNTY OF MILLS  
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
<b>Primary Government:</b>				
GOVERNMENTAL ACTIVITIES:				
General Government	\$ 1,175,997	\$ 265,691	\$ 25,223	\$ (885,083)
Roads and Bridges	1,176,712	334,110	46,384	(796,218)
Justice System	461,150	75,175	82,253	(303,722)
Public Safety	1,825,731	16,524	338,889	(1,470,318)
Public Health and Welfare	81,174	2,608	-	(78,566)
Culture and Recreation	37,268	-	-	(37,268)
Interest on Debt	263,292	-	-	(263,292)
Fiscal Agent's Fees	400	-	-	(400)
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 5,021,724</u>	<u>\$ 694,108</u>	<u>\$ 492,749</u>	<u>(3,834,867)</u>

General Revenues:

Taxes:	
Property Taxes, Levied for General Purposes	3,252,055
Property Taxes, Levied for Debt Service	528,416
Investment Earnings	24,008
Miscellaneous Revenue	190,191
<b>Total General Revenues</b>	<u>3,994,670</u>
Change in Net Position	159,803
Net Position-- Beginning	9,835,698
Net Position--Ending	<u>\$ 9,995,501</u>

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

COUNTY OF MILLS  
BALANCE SHEET - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2018

	General Fund	Road and Bridge	Law Enforcement
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,336,383	\$ 268,985	\$ 533,755
Due from Other Funds	20,668	3,998	18,337
Total Assets	<u>\$ 1,357,051</u>	<u>\$ 272,983</u>	<u>\$ 552,092</u>
<b>LIABILITIES</b>			
TCDRS Payable	\$ 7,961	\$ 5,949	\$ 12,446
Other Payables	10	-	30
Total Liabilities	<u>7,971</u>	<u>5,949</u>	<u>12,476</u>
<b>FUND BALANCES</b>			
Restricted Fund Balance:			
Retirement of Long-Term Debt	-	-	-
Committed Fund Balance:			
Special Revenue Funds	-	267,034	539,616
Unassigned Fund Balance	1,349,080	-	-
Total Fund Balances	<u>1,349,080</u>	<u>267,034</u>	<u>539,616</u>
Total Liabilities and Fund Balances	<u>\$ 1,357,051</u>	<u>\$ 272,983</u>	<u>\$ 552,092</u>

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

Debt Service	Other Funds	Total Governmental Funds
\$ 32,086	\$ 227,060	\$ 2,398,269
-	3,635	46,638
<u>\$ 32,086</u>	<u>\$ 230,695</u>	<u>\$ 2,444,907</u>
\$ -	\$ 352	\$ 26,708
-	300	340
<u>-</u>	<u>652</u>	<u>27,048</u>
32,086	-	32,086
-	230,043	1,036,693
-	-	1,349,080
<u>32,086</u>	<u>230,043</u>	<u>2,417,859</u>
<u>\$ 32,086</u>	<u>\$ 230,695</u>	<u>\$ 2,444,907</u>

COUNTY OF MILLS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
SEPTEMBER 30, 2018

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<b>Total Fund Balances - Governmental Funds</b>	\$	2,417,859
Capital assets net of accumulated depreciation used in governmental activities are not reported in governmental funds.		15,433,269
Short-term and long-term debt, including unamortized premiums, are not reported in governmental funds.		(7,855,627)
<b>Net Position of Governmental Activities</b>	<u>\$</u>	<u>9,995,501</u>

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

COUNTY OF MILLS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
MODIFIED CASH BASIS - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	General Fund	Road and Bridge	Law Enforcement
<b>REVENUES:</b>			
Taxes	\$ 1,428,663	\$ 531,496	\$ 1,291,896
Fees	115,134	334,110	-
Fines	181,690	-	-
Intergovernmental	95,223	29,935	338,889
Interest	16,576	1,761	4,364
Miscellaneous	104,853	3,326	56,362
Total Revenues	<u>1,942,139</u>	<u>900,628</u>	<u>1,691,511</u>
<b>EXPENDITURES:</b>			
Current:			
General Government	1,027,454	-	-
Roads and Bridges	-	1,032,547	-
Justice System	352,241	-	-
Public Safety	69,401	-	1,507,429
Public Health and Welfare	11,034	-	-
Culture and Recreation	-	-	-
Debt Service:			
Principal on Debt	-	-	-
Interest on Debt	-	-	-
Fiscal Agent's Fees	-	-	-
Total Expenditures	<u>1,460,130</u>	<u>1,032,547</u>	<u>1,507,429</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>482,009</u>	<u>(131,919)</u>	<u>184,082</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Sale of Real and Personal Property	32,282	14,075	-
Transfers In	-	110,000	-
Transfers Out	(322,000)	-	-
Total Other Financing Sources (Uses)	<u>(289,718)</u>	<u>124,075</u>	<u>-</u>
Net Change in Fund Balances	192,291	(7,844)	184,082
Fund Balance - October 1 (Beginning)	<u>1,156,789</u>	<u>274,878</u>	<u>355,534</u>
 Fund Balance - September 30 (Ending)	 <u>\$ 1,349,080</u>	 <u>\$ 267,034</u>	 <u>\$ 539,616</u>

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



Debt Service	Other Funds	Total Governmental Funds
\$ 528,416	\$ -	\$ 3,780,471
-	63,174	512,418
-	-	181,690
-	28,702	492,749
636	671	24,008
-	8,593	173,134
<u>529,052</u>	<u>101,140</u>	<u>5,164,470</u>
-	20,336	1,047,790
-	16,449	1,048,996
-	108,909	461,150
-	21,701	1,598,531
-	70,140	81,174
-	65,729	65,729
240,000	-	240,000
284,646	-	284,646
400	-	400
<u>525,046</u>	<u>303,264</u>	<u>4,828,416</u>
<u>4,006</u>	<u>(202,124)</u>	<u>336,054</u>
-	-	46,357
-	212,000	322,000
-	-	(322,000)
-	212,000	46,357
4,006	9,876	382,411
<u>28,080</u>	<u>220,167</u>	<u>2,035,448</u>
<u>\$ 32,086</u>	<u>\$ 230,043</u>	<u>\$ 2,417,859</u>

COUNTY OF MILLS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
& CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	382,411
Capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements.		74,544
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources.		(570,906)
Short-term and long-term debt principal payments are expenditures in governmental funds but are shown as reductions in long-term debt in the government-wide financial statements.		281,700
Amortization of bond premium is not recorded in the governmental funds but is shown as a reduction in long-term debt in the government-wide financial statements.		21,354
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.		(29,300)
 <b>Change in Net Position of Governmental Activities</b>	 \$	 <u>159,803</u>

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

COUNTY OF MILLS  
STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
FIDUCIARY FUNDS  
SEPTEMBER 30, 2018

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	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 233,679
Total Assets	<u>\$ 233,679</u>
LIABILITIES	
Due to Other Funds	\$ 46,638
Due to State	75,348
Due to Others	111,693
Total Liabilities	<u>\$ 233,679</u>

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

COUNTY OF MILLS  
Notes to the Financial Statements  
September 30, 2018

**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, 2018

**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.

Debt Service Fund - This Fund used to account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

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, 2018

**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, 2018

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**J. Fund Balances**

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

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.

**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.

COUNTY OF MILLS  
Notes to the Financial Statements - Continued  
September 30, 2018

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - Continued**

**A. Budget - Continued**

Budgets for the General Fund, Special Revenue Funds, and Debt Service Fund are adopted on a modified cash basis and cover a one-year period. 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.

**Custodial Credit Risk - Deposits:** 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 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. The County is not exposed to this risk as described in the preceding paragraph.

**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, 2018, the County was not significantly exposed to credit risk.

**Interest Rate Risk:** Not applicable

**Foreign Currency Risk:** Not applicable



COUNTY OF MILLS  
Notes to the Financial Statements - Continued  
September 30, 2018

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**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>\$ 20,668</u>	<u>\$ 0</u>	Unremitted Fees
Road and Bridge Fund			
Fiduciary Funds	<u>\$ 3,998</u>	<u>\$ 0</u>	Unremitted Fees
Law Enforcement Fund			
Fiduciary Funds	<u>\$ 18,337</u>	<u>\$ 0</u>	Unremitted Fees
Nonmajor Governmental Funds			
Fiduciary Funds	<u>\$ 3,635</u>	<u>\$ 0</u>	Unremitted Fees
Fiduciary Funds			
General Fund	\$ 0	\$ 20,668	Unremitted Fees
Road and Bridge Fund	0	3,998	Unremitted Fees
Law Enforcement Fund	0	18,337	Unremitted Fees
Nonmajor Governmental Funds	<u>0</u>	<u>3,635</u>	Unremitted Fees
	<u>\$ 0</u>	<u>\$ 46,638</u>	
Totals	<u>\$ 46,638</u>	<u>\$ 46,638</u>	

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

2. Interfund transfers consist of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Road and Bridge Fund	\$ 110,000	To Cover Fund Deficit
General Fund	Nonmajor Governmental Funds	<u>212,000</u>	To Cover Fund Deficit
Total		<u>\$ 322,000</u>	

COUNTY OF MILLS  
Notes to the Financial Statements - Continued  
September 30, 2018

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**C. Capital Assets**

Capital asset activity for the year ended September 30, 2018, was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassifications</u>	<u>Ending Balance</u>
Capital Assets					
Land	\$ 149,701	\$ 0	\$ 29,300	\$ 0	\$ 120,401
Buildings and Improvements	17,352,554	30,719	0	0	17,383,273
Machinery and Equipment	2,651,516	36,288	190,000	29,119	2,526,923
Construction in Progress	<u>21,582</u>	<u>7,537</u>	<u>0</u>	<u>(29,119)</u>	<u>0</u>
Total Capital Assets	<u>\$ 20,175,353</u>	<u>\$ 74,544</u>	<u>\$ 219,300</u>	<u>\$ 0</u>	<u>\$ 20,030,597</u>
Less Accumulated Depreciation					
Buildings and Improvements	\$ (2,370,601)	\$ (428,224)	\$ 0	\$ 0	\$ (2,798,825)
Machinery and Equipment	<u>(1,845,821)</u>	<u>(142,682)</u>	<u>(190,000)</u>	<u>0</u>	<u>(1,798,503)</u>
Total Accumulated Depreciation	<u>\$ (4,216,422)</u>	<u>\$ (570,906)</u>	<u>\$ (190,000)</u>	<u>\$ 0</u>	<u>\$ (4,597,328)</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 15,958,931</u></u>	<u><u>\$ (496,362)</u></u>	<u><u>\$ 29,300</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 15,433,269</u></u>

Depreciation expense was charged to governmental activities functions as follows:

General Government	\$ 158,926
Roads and Bridges	135,253
Public Safety	263,488
Culture and Recreation	<u>13,239</u>
Total	<u><u>\$ 570,906</u></u>

COUNTY OF MILLS  
Notes to the Financial Statements - Continued  
September 30, 2018

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**D. Capital Leases/Government Obligation Contract**

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%.

The County entered into lease agreements to finance the acquisition of equipment for the Road and Bridge Department. These lease agreements qualify as capital leases for accounting purposes and are payable from the Road and Bridge Fund. The effective interest rate is 3.9% for each.

The County entered into a contract to finance the acquisition of equipment for the Road and Bridge Department. This agreement qualifies as a government obligation contract for accounting purposes and is payable from the Road and Bridge Fund. The effective interest rate is 3.32%.

The County entered into a contract to finance the acquisition of equipment for the Road and Bridge Department. This agreement qualifies as a government obligation contract for accounting purposes and is payable from the Road and Bridge Fund. The effective interest rate is 3.2%.

Future minimum lease payments are as follows:

Year Ending September 30,	Capital Leases		Government Obligation Contract		Total
	Principal	Interest	Principal	Interest	
2019	\$ 139,487	\$ 10,487	\$ 40,636	\$ 4,184	\$ 194,794
2020	144,636	5,338	41,986	2,834	194,794
2021	<u>0</u>	<u>0</u>	<u>43,380</u>	<u>1,440</u>	<u>44,820</u>
Totals	<u>\$ 284,123</u>	<u>\$ 15,825</u>	<u>\$ 126,002</u>	<u>\$ 8,458</u>	<u>\$ 434,408</u>

The following is a summary of the changes in capital leases for the year ended September 30, 2018:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital Leases	\$ 461,455	\$ 0	\$ 177,332	\$ 284,123
Government Obligation Contract	<u>165,333</u>	<u>0</u>	<u>39,331</u>	<u>126,002</u>
Totals	<u>\$ 626,788</u>	<u>\$ 0</u>	<u>\$ 216,663</u>	<u>\$ 410,125</u>

COUNTY OF MILLS  
Notes to the Financial Statements - Continued  
September 30, 2018

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**E. Short-Term Debt**

A loan of \$332,500 was issued on September 15, 2016, to construct a Senior Center building for use by the residents of Mills County that qualifies for services provided by the Center. The first draw on the construction loan occurred on October 6, 2016. The loan was liquidated on September 15, 2017, and renewed on September 15, 2017, for \$293,500. This loan bears interest at 2.76%, is to be liquidated on September 15, 2018, and is payable from the Senior Citizens Fund. The unpaid balance on the note is \$251,800.

The following is a summary of changes in short-term debt for the year ended September 30, 2018:

	Beginning Balance	Additions	Reductions	Ending Balance
Loan - Senior Center Building	\$ 293,500	\$ 0	\$ 41,700	\$ 251,800

**F. Long-Term Debt**

The following is a summary of changes in long-term debt for the year ended September 30, 2018:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Limited Tax Refunding Bonds	\$ 670,000	\$ 0	\$ 160,000	\$ 510,000	\$ 165,000
Limited Tax Bonds	6,720,000	0	80,000	6,640,000	95,000
Bond Premium/Discount	475,181	0	21,354	453,827	0
Totals	\$ 7,865,181	\$ 0	\$ 261,354	\$ 7,603,827	\$ 260,000

COUNTY OF MILLS  
Notes to the Financial Statements - Continued  
September 30, 2018

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**F. Long-Term Debt - Continued**

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%.	\$ 510,000
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>6,640,000</u>
Total Bonds Payable	<u><u>\$ 7,150,000</u></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	
2019	\$ 165,000	\$ 8,978	\$ 95,000	\$ 269,650	\$ 538,628
2020	170,000	5,460	110,000	266,575	552,035
2021	175,000	1,837	110,000	263,275	550,112
2022	0	0	225,000	258,250	483,250
2023	0	0	235,000	250,175	485,175
2024-2028	0	0	1,325,000	1,098,875	2,423,875
2029-2033	0	0	1,620,000	805,375	2,425,375
2034-2038	0	0	1,990,000	437,238	2,427,238
2039-2040	0	0	930,000	42,300	972,300
Totals	\$ 510,000	\$ 16,275	\$ 6,640,000	\$ 3,691,713	\$ 10,857,988

COUNTY OF MILLS  
Notes to the Financial Statements - Continued  
September 30, 2018

**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](http://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 12.79% for the months of the accounting year in 2017 and 11.63% for the months of the accounting year in 2018.

The deposit rate payable by the employee members for calendar year 2018 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.

**Actuarial Assumptions** - All actuarial methods and assumptions used for this GASB analysis were the same as those used in the December 31, 2017 funding valuation, except as noted below and throughout this report. Please see the County's December 31, 2017 Summary Valuation Report for further details.

COUNTY OF MILLS  
Notes to the Financial Statements - Continued  
September 30, 2018

**IV. OTHER INFORMATION - Continued**

**A. Defined Benefit Pension Plan - Continued**

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

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar year basis 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 <sup>(1)</sup>
Amortization Method	
Recognition of Economic/Demographic Gains or Losses	Straight-Line Amortization Over Expected Working Life
Recognition of Assumptions Changes or Inputs	Straight-Line Amortization Over Expected Working Life
Asset Valuation Method	
Smoothing Period	5 Years
Recognition Method	Non-Asymptotic
Corridor	None
Inflation	2.75%
Salary Increases	4.85%
Investment Rate of Return	8.10%
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. Deferred members are assumed to retire (100% probability) at the later of age 60 or earliest retirement eligibility. For all eligible members ages 75 and later, retirement is assumed to occur immediately.
Turnover	New employees are assumed to replace any terminated members and have similar entry ages.
Mortality	Mortality rates for depositing members are based on 90% of the gender-distinct RP-2014 Active Employee Mortality Table. Service retirees, beneficiaries, and non-depositing members are based on 130% for males and 110% for females of the RP-2014 Healthy Annuitant Mortality Table. Disabled retirees are based on 130% for males and 115% for females of the RP-2014 Disabled Annuitant Mortality Table. All of the rates are projected with 110% of the MP-2014 Ultimate scale after 2014.

<sup>(1)</sup> 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.

COUNTY OF MILLS  
Notes to the Financial Statements - Continued  
September 30, 2018

**IV. OTHER INFORMATION - Continued**

**A. Defined Benefit Pension Plan - Continued**

**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 2018 information for a 10-year time horizon.

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 2017.

Asset Class	Benchmark	Target Allocation <sup>(1)</sup>	Geometric Real Rate of Return (Expected Minus Inflation) <sup>(2)</sup>
U.S. Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.55%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index <sup>(3)</sup>	16.00%	7.55%
Global Equities	MSCI World (Net) Index	1.50%	4.85%
International Equities - Developed Markets	MSCI World Ex USA (Net) Index	11.00%	4.55%
International Equities - Emerging Markets	MSCI Emerging Markets (Net) Index	8.00%	5.55%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	0.75%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	8.00%	4.12%
Direct Lending	S&P/LSTA Leveraged Loan Index	10.00%	8.06%
Distressed Debt	Cambridge Associates Distressed Securities Index <sup>(4)</sup>	2.00%	6.30%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (Net) Index	2.00%	4.05%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	6.00%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index <sup>(5)</sup>	6.00%	6.25%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	18.00%	4.10%

<sup>(1)</sup> Target asset allocation adopted at the April 2018 TCDRS Board meeting.

<sup>(2)</sup> Geometric real rates of return equal the expected return minus the assumed inflation of 1.95% per 2018 capital market assumptions.

<sup>(3)</sup> Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

<sup>(4)</sup> Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

<sup>(5)</sup> Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.



COUNTY OF MILLS  
Notes to the Financial Statements - Continued  
September 30, 2018

**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, 2018

**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 benefits 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>		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balance as of December 31, 2016	<u>\$ 5,929,614</u>	<u>\$ 5,199,604</u>	<u>\$ 730,010</u>
Changes for the Year:			
Service Cost	\$ 252,747	\$ 0	\$ 252,747
Interest on Total Pension Liability <sup>(1)</sup>	488,747	0	488,747
Effect of Plan Changes <sup>(2)</sup>	0	0	0
Effect of Economic/Demographic Gains or Losses	10,003	0	10,003
Effect of Assumptions Changes or Inputs	40,966	0	40,966
Refund of Contributions	(16,754)	(16,754)	0
Benefit Payments	(286,026)	(286,026)	0
Administrative Expenses	0	(3,997)	3,997
Member Contributions	0	125,994	(125,994)
Net Investment Income	0	759,828	(759,828)
Employer Contributions	0	230,209	(230,209)
Other <sup>(3)</sup>	0	1,197	(1,197)
Net Changes	<u>\$ 489,683</u>	<u>\$ 810,451</u>	<u>\$ (320,768)</u>
Balance as of December 31, 2017	<u>\$ 6,419,297</u>	<u>\$ 6,010,055</u>	<u>\$ 409,242</u>

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

<sup>(2)</sup> No plan changes valued.

<sup>(3)</sup> Relates to allocation of system-wide items.

COUNTY OF MILLS  
Notes to the Financial Statements - Continued  
September 30, 2018

**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's 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	\$ 7,181,815	\$ 6,419,297	\$ 5,772,084
Fiduciary Net Position	<u>6,010,055</u>	<u>6,010,055</u>	<u>6,010,055</u>
Net Pension Liability/(Asset)	<u>\$ 1,171,760</u>	<u>\$ 409,242</u>	<u>\$ (237,971)</u>

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

<u>Pension Expense (Income)</u>	<u>January 1, 2017 to December 31, 2017</u>
Service Cost	\$ 252,747
Interest on Total Pension Liability <sup>(1)</sup>	488,747
Effect of Plan Changes	0
Administrative Expenses	3,997
Member Contributions	(125,994)
Expected Investment Return Net of Investment Expenses	(423,178)
Recognition of Deferred Inflows/Outflows of Resources:	
Recognition of Economic/Demographic Gains or Losses	(89,685)
Recognition of Assumption Changes or Inputs	32,427
Recognition of Investment Gains or Losses	31,496
Other <sup>(2)</sup>	<u>(1,197)</u>
Total Pension Expense (Income)	<u>\$ 169,360</u>

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

<sup>(2)</sup> Relates to allocation of system-wide items.

COUNTY OF MILLS  
Notes to the Financial Statements - Continued  
September 30, 2018

**IV. OTHER INFORMATION - Continued**

**A. Defined Benefit Pension Plan - Continued**

**Deferred Inflows/Deferred Outflows of Resources** - As of September 30, 2018, 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	\$ 37,999	\$ 7,503
Changes in Assumptions	-	30,724
Net Differences Between Projected and Actual Earnings	76,628	-
Contributions Made Subsequent to Measurement Date <sup>(3)</sup>	<u>-</u>	<u>156,212</u>
Totals	<u>\$ 114,627</u>	<u>\$ 194,439</u>

<sup>(3)</sup> Any eligible employer contributions made subsequent to the measurement date through the employer's fiscal year-end should be reflected as outlined in Appendix D of the TCDRS GASB 68 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>Measurement Period Ending December 31,</u>	<u>Pension Expense Amount</u>
2018	\$ 6,239
2019	32,430
2020	(47,740)
2021	(67,329)
2022	0
Thereafter <sup>(4)</sup>	0

<sup>(4)</sup> 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, 2018

**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 <sup>(1)</sup>	Amount Recognized in 12/31/17 Expense <sup>(1)</sup>	Balance of Deferred Inflows 12/31/17	Balance of Deferred Outflows 12/31/17
<b>Investment (Gains) or Losses</b>						
	\$ (336,650)	12/31/17	5	\$ (67,330)	\$ 269,320	\$ -
	34,240	12/31/16	5	6,848	-	20,544
	400,847	12/31/15	5	80,169	-	160,339
	59,045	12/31/14	5	11,809	-	11,809
<b>Economic/Demographic (Gains) or Losses</b>						
	10,003	12/31/17	4	2,501	-	7,503
	(113,997)	12/31/16	3	(37,999)	37,999	-
	(215,193)	12/31/15	3	(71,731)	-	-
	70,178	12/31/14	4	17,544	-	-
<b>Assumption Changes or Inputs</b>						
	40,966	12/31/17	4	10,241	-	30,724
	-	12/31/16	3	-	-	-
	66,557	12/31/15	3	22,186	-	-
	-	12/31/14	4	-	-	-
<b>Employer Contributions Made Subsequent to Measurement Date<sup>(2)</sup></b>						156,212

<sup>(1)</sup> 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.

<sup>(2)</sup> Any eligible employer contributions made subsequent to the measurement date through the employer's fiscal year end should be reflected as deferred outflows as outlined in Appendix D of the TCDRS GASB 68 Report.

COUNTY OF MILLS  
Notes to the Financial Statements - Continued  
September 30, 2018

**IV. OTHER INFORMATION - Continued**

**B. Other 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 plan provides group term life insurance coverage to current eligible employees and, if elected by employees, to retired employees. The County has not elected to cover retired 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](http://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's contributions to the GTLF for the years ended September 30, 2018, 2017, and 2016, were \$5,393, \$5,319 and \$4,620, respectively, which equaled the contractually required contributions each year.

**C. Self-Insurance**

The County has coverage through Travelers Insurance Company for workers' compensation and employer's liability.

The County is in an interlocal purchase agreement that is nonassessable for property and casualty coverage with Texas Public Entity Group, a named group formed by Travelers Insurance Company.

**D. Tax Abatements**

The County has entered into a contractual agreement with a property owner in which the County has agreed to reduce the amount of ad valorem taxes payable on certain improvements constructed after the date the agreement was reached in accordance with Chapter 312 of the State of Texas Tax Code. The terms of the agreement are limited by the guidelines and criteria established by the County Commissioners. At September 30, 2018, the County had established an abatement agreement with the following property owner:

Property Owner	Date of Abatement Agreement	First Year of Abatement	Final Year of Abatement	2017 Appraised Values	2017 Taxable Values	2017 Abated Values	2017 Taxes Levied	2017 Taxes Abated
Goldthwaite Wind Energy, LLC	12/11	2014	2023	\$ 180,737,120	\$ 72,294,848	\$ 108,442,272	\$ 578,070	\$ 867,104

During fiscal year 2018, the total amount of abated property value was \$108,442,272. Based on the county tax rate of \$0.7996 per \$100 of value, the foregone tax levy due to abatement agreements was \$867,104.

The County has entered into contractual agreements with McCasland Family Partnership, LP/Pecans.com and Flat Top Wind I, LLC, in which the County has agreed to reduce the amount of ad valorem taxes payable on certain improvements constructed after the dates the agreements were reached in accordance with Chapter 312 of the State of Texas Tax Code. The terms of the agreements are limited by the guidelines and criteria established by the County Commissioners. The first year of abatement will be the tax year 2019.

COUNTY OF MILLS  
Notes to the Financial Statements - Continued  
September 30, 2018

**IV. OTHER INFORMATION - Continued**

**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. During the fiscal year ended September 30, 2018, \$50,000 was recorded as an expenditure.

**F. Subsequent Events**

Effective January 1, 2015, Mills County entered into an interlocal agreement with The Hamilton Hospital District to provide emergency medical services. The agreement had an initial term of three years at a rate of \$50,000 per year with provisions for annual extensions and repricing with 120 days' prior notice to the County. In August 2018 the County received a repricing notice changing the annual pricing to \$250,000 effective January 1, 2019. The new price is not included in the County's 2018-2019 budget. The matter is currently under consideration by the County.

The County's management has evaluated subsequent events through January 21, 2019, the date which the financial statements were available for issue.

Other Information



COUNTY OF MILLS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
MODIFIED CASH BASIS - BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 1,389,754	\$ 1,389,754	\$ 1,428,663	\$ 38,909
Fees	102,800	102,800	115,134	12,334
Fines	142,000	142,000	181,690	39,690
Intergovernmental	60,200	60,200	95,223	35,023
Interest	10,000	10,000	16,576	6,576
Miscellaneous	53,000	59,000	104,853	45,853
Total Revenues	1,757,754	1,763,754	1,942,139	178,385
<b>EXPENDITURES:</b>				
Current:				
General Government	1,045,992	1,048,692	1,027,454	21,238
Justice System	358,525	358,525	352,241	6,284
Public Safety	72,500	75,800	69,401	6,399
Public Health and Welfare	11,850	11,850	11,034	816
Total Expenditures	1,488,867	1,494,867	1,460,130	34,737
Excess (Deficiency) of Revenues Over (Under) Expenditures	268,887	268,887	482,009	213,122
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of Real and Personal Property	-	-	32,282	32,282
Transfers Out	(322,000)	(322,000)	(322,000)	-
Total Other Financing Sources (Uses)	(322,000)	(322,000)	(289,718)	32,282
Net Change	(53,113)	(53,113)	192,291	245,404
Fund Balance - October 1 (Beginning)	1,156,789	1,156,789	1,156,789	-
Fund Balance - September 30 (Ending)	\$ 1,103,676	\$ 1,103,676	\$ 1,349,080	\$ 245,404

COUNTY OF MILLS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
MODIFIED CASH BASIS - BUDGET AND ACTUAL - ROAD AND BRIDGE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 517,280	\$ 517,280	\$ 531,496	\$ 14,216
Fees	326,000	326,000	334,110	8,110
Intergovernmental	30,000	30,000	29,935	(65)
Interest	1,000	1,000	1,761	761
Miscellaneous	-	-	3,326	3,326
Total Revenues	<u>874,280</u>	<u>874,280</u>	<u>900,628</u>	<u>26,348</u>
<b>EXPENDITURES:</b>				
Roads and Bridges:				
Precinct Number One	269,378	269,378	251,347	18,031
Precinct Number Two	274,879	274,879	250,450	24,429
Precinct Number Three	273,603	273,603	239,858	33,745
Precinct Number Four	231,607	231,607	208,743	22,864
Road and Bridge Special	95,820	99,820	82,149	17,671
Total Expenditures	<u>1,145,287</u>	<u>1,149,287</u>	<u>1,032,547</u>	<u>116,740</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(271,007)</u>	<u>(275,007)</u>	<u>(131,919)</u>	<u>143,088</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of Real and Personal Property	-	-	14,075	14,075
Transfers In	110,000	110,000	110,000	-
Total Other Financing Sources (Uses)	<u>110,000</u>	<u>110,000</u>	<u>124,075</u>	<u>14,075</u>
Change in Fund Balance	(161,007)	(165,007)	(7,844)	157,163
Fund Balance - October 1 (Beginning)	<u>274,878</u>	<u>274,878</u>	<u>274,878</u>	<u>-</u>
 Fund Balance - September 30 (Ending)	 <u>\$ 113,871</u>	 <u>\$ 109,871</u>	 <u>\$ 267,034</u>	 <u>\$ 157,163</u>

COUNTY OF MILLS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
MODIFIED CASH BASIS - BUDGET AND ACTUAL - LAW ENFORCEMENT FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 1,257,396	\$ 1,257,396	\$ 1,291,896	\$ 34,500
Intergovernmental	226,347	249,292	338,889	89,597
Interest	400	400	4,364	3,964
Miscellaneous	15,000	45,615	56,362	10,747
Total Revenues	1,499,143	1,552,703	1,691,511	138,808
<b>EXPENDITURES:</b>				
Public Safety	1,477,745	1,521,990	965,390	556,600
Public Safety	-	-	542,039	(542,039)
Total Expenditures	1,477,745	1,521,990	1,507,429	14,561
Change in Fund Balance	21,398	30,713	184,082	153,369
Fund Balance - October 1 (Beginning)	355,534	355,534	355,534	-
Fund Balance - September 30 (Ending)	\$ 376,932	\$ 386,247	\$ 539,616	\$ 153,369

COUNTY OF MILLS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
MODIFIED CASH BASIS - BUDGET AND ACTUAL - DEBT SERVICE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 515,439	\$ 515,439	\$ 528,416	\$ 12,977
Interest	200	200	636	436
Total Revenues	515,639	515,639	529,052	13,413
<b>EXPENDITURES:</b>				
Debt Service:				
Principal on Debt	240,000	240,000	240,000	-
Interest on Debt	284,665	284,665	284,646	19
Fiscal Agent's Fees	400	400	400	-
Total Expenditures	525,065	525,065	525,046	19
Change in Fund Balance	(9,426)	(9,426)	4,006	13,432
Fund Balance - October 1 (Beginning)	28,080	28,080	28,080	-
Fund Balance - September 30 (Ending)	\$ 18,654	\$ 18,654	\$ 32,086	\$ 13,432

COUNTY OF MILLS  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
<b>A. Total Pension Liability</b>				
Service Cost	\$ 252,747	\$ 223,432	\$ 230,066	\$ 224,001
Interest (on the Total Pension Liability)	488,747	455,587	442,558	408,005
Changes of Benefit Terms	-0-	25,648	(30,437)	-0-
Difference between Expected and Actual Experience	10,003	(113,998)	(215,193)	70,178
Changes of Assumptions	40,966	-0-	66,557	-0-
Benefit Payments, including refunds of employee contributions	(302,780)	(320,705)	(327,762)	(266,028)
Net change in Total Pension Liability	\$ 489,683	\$ 269,964	\$ 165,789	\$ 436,156
Total Pension Liability - Beginning	5,929,614	5,659,650	5,493,861	5,057,705
Total Pension Liability - Ending	\$ 6,419,297	\$ 5,929,614	\$ 5,659,650	\$ 5,493,861
<b>B. Total Fiduciary Net Position</b>				
Contributions - Employer	\$ 230,209	\$ 222,275	\$ 171,946	\$ 195,672
Contributions - Employee	125,994	113,280	100,806	113,012
Net Investment Income	759,828	358,262	(1,323)	315,301
Benefit Payments, including refunds of employee contributions	(302,780)	(320,705)	(327,762)	(266,027)
Administrative Expense	(3,997)	(3,897)	(3,515)	(3,646)
Other	1,197	(19,498)	(15,631)	26,767
Net Change in Plan Fiduciary Net Position	\$ 810,451	\$ 349,717	\$ (75,479)	\$ 381,079
Plan Fiduciary Net Position - Beginning	5,199,604	4,849,887	4,925,366	4,544,287
Plan Fiduciary Net Position - Ending	\$ 6,010,055	\$ 5,199,604	\$ 4,849,887	\$ 4,925,366
<b>C. Net Pension Liability</b>	\$ 409,242	\$ 730,010	\$ 809,763	\$ 568,495
<b>D. Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	93.62%	87.69%	85.69%	89.65%
<b>E. Covered Payroll</b>	\$ 1,799,913	\$ 1,618,287	\$ 1,440,086	\$ 1,614,455
<b>F. Net Pension Liability as a Percentage of Covered Payroll</b>	22.74%	45.11%	56.23%	35.21%

Note: GASB 68, Paragraph 46, a and b requires that the data in this schedule be presented for the time period covered by the measurement date rather than the governmental entity's current fiscal year.

Note: Only four years of data are presented in accordance with GASBS #68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

COUNTY OF MILLS  
SCHEDULE OF CONTRIBUTIONS  
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM  
FOR THE FISCAL YEAR 2018

	2018	2017	2016
Actuarially Determined Contribution	\$ 220,056	\$ 223,763	\$ 187,916
Contributions in Relation to the Actuarially Determined Contributions	(220,056)	(223,763)	(187,916)
Contribution Deficiency (Excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Covered Employee Payroll	\$ 1,842,349	\$ 1,773,152	\$ 1,553,636
Contributions as a Percentage of Covered Employee Payroll	11.94%	12.62%	12.10%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the governmental entity's respective fiscal years as opposed to the time periods covered by the measurement dates ending December 31 for the respective fiscal years.

Note: In accordance with GASB 68, Paragraph 138, the years of data presented this reporting period are those for which data is available. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

	2015	2014
\$	179,507	\$ 189,526
	(179,507)	(189,526)
\$	-0-	\$ -0-
\$	1,496,408	\$ 1,580,431
	12.00%	12.00%

COUNTY OF MILLS  
Notes to the Other Information  
September 30, 2018

Note A - Net Pension Liability

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

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar year basis 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 <sup>(1)</sup>
Amortization Method	
Recognition of Economic/Demographic Gains or Losses	Straight-Line Amortization Over Expected Working Life
Recognition of Assumptions Changes or Inputs	Straight-Line Amortization Over Expected Working Life
Asset Valuation Method	
Smoothing Period	5 Years
Recognition Method	Non-Asymptotic
Corridor	None
Inflation	2.75%
Salary Increases	4.85%
Investment Rate of Return	8.10%
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. Deferred members are assumed to retire (100% probability) at the later of age 60 or earliest retirement eligibility. For all eligible members ages 75 and later, retirement is assumed to occur immediately.
Turnover	New employees are assumed to replace any terminated members and have similar entry ages.
Mortality	Mortality rates for depositing members are based on 90% of the gender-distinct RP-2014 Active Employee Mortality Table. Service retirees, beneficiaries, and non-depositing members are based on 130% for males and 110% for females of the RP-2014 Healthy Annuitant Mortality Table. Disabled retirees are based on 130% for males and 115% for females of the RP-2014 Disabled Annuitant Mortality Table. All of the rates are projected with 110% of the MP-2014 Ultimate scale after 2014.

<sup>(1)</sup> 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.



Supplementary Information

COUNTY OF MILLS  
SCHEDULE OF CERTIFICATES OF DEPOSIT  
SEPTEMBER 30, 2018

Description	Identifying Number	Interest Rate %	Maturity Date	Amount
<u>GOVERNMENTAL FUNDS</u>				
General Fund				
Mills County State Bank	164408	1.10	1/31/19	\$ 115,628
Mills County State Bank	164422	1.10	2/23/19	150,819
Mills County State Bank	164423	1.10	4/22/19	150,819
Mills County State Bank	164449	1.10	3/17/19	205,807
Mills County State Bank	164510	1.00	12/13/18	152,576
Mills County State Bank	164577	0.70	11/8/18	101,256
Mills County State Bank	164581	0.70	11/15/18	203,104
				<u>\$ 1,080,009</u>
Law Enforcement Fund				
Mills County State Bank	164378	1.10	11/15/18	\$ 152,205
Mills County State Bank	164490	1.00	11/23/18	105,446
Mills County State Bank	164599	1.00	3/23/19	105,611
				<u>\$ 363,262</u>
Records Archive Fund				
Mills County State Bank	164597	1.05	9/17/19	\$ 33,351
Courthouse Security Fund				
Mills County State Bank	164596	0.95	3/12/19	\$ 30,144
Interest and Sinking Fund				
Mills County State Bank	164579	0.95	2/10/19	\$ 25,000
Total Governmental Funds				<u><u>\$ 1,531,766</u></u>
<u>FIDUCIARY FUNDS</u>				
County and District Clerk				
Mills County State Bank	162377	0.52	11/23/18	\$ 13,026
Mills County State Bank	163485	0.68	8/4/20	3,255
Mills County State Bank	164256	0.52	4/21/19	29,081
Mills County State Bank	164257	0.52	4/21/19	22,969
Total Fiduciary Funds				<u><u>\$ 68,331</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 the County of Mills, Texas, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated January 21, 2019.

**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*

January 21, 2019