

COUNTY OF MILLS  
Annual Financial Report  
Year Ended September 30, 2019

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## FINANCIAL SECTION

# **Eckert & Company**

**CERTIFIED PUBLIC ACCOUNTANTS**

## **A Limited Liability Partnership**

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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, 2019, 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, 2019, 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.

The Honorable County Judge  
and Commissioners' Court  
Page 2

### ***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, 35 through 37, and 38 through 41, 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 15, 2020, 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 15, 2020

Precinct 1 - Mike Wright  
Precinct 2 - Jed Garren  
Precinct 3 - Robert Hall  
Precinct 4 - Jason Williams

Office: 325/648-2222  
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**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, 2019, 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 \$10,458,569 (net position). Of this amount, \$2,795,436 (unrestricted) is available to meet the County's ongoing obligations.

The County's total net position increased by \$463,068 or 5% from current year operations. The County's statement of activities shows total revenues of \$5,925,399 and total expenses of \$5,462,331.

The total fund balance of the General Fund is \$1,568,963, which is an increase of \$219,883 or 16% 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, and the Law Enforcement 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
	2019	2018
Current and Other Assets	\$ 2,897,603	\$ 2,444,907
Capital Assets	<u>15,149,497</u>	<u>15,433,269</u>
 Total Assets	<u>\$ 18,047,100</u>	<u>\$ 17,878,176</u>
 Long-Term Liabilities Outstanding	\$ 7,322,473	\$ 7,603,827
Other Liabilities	<u>266,058</u>	<u>278,848</u>
 Total Liabilities	<u>\$ 7,588,531</u>	<u>\$ 7,882,675</u>
 Net Position		
Net Investment in Capital Assets	\$ 7,620,524	\$ 7,577,642
Restricted for Debt Service	42,609	32,086
Unrestricted	<u>2,795,436</u>	<u>2,385,773</u>
 Total Net Position	<u>\$ 10,458,569</u>	<u>\$ 9,995,501</u>

A portion of the County's net position resulting from modified cash basis transactions (\$7,620,524) 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 (\$42,609) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$2,795,436) 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 \$463,068 and \$159,803 for the fiscal years ended September 30, 2019 and 2018, respectively. Key elements of these increases are as follows:

#### CHANGES IN NET POSITION - MODIFIED CASH BASIS

	Governmental Activities	
	Year Ended September 30,	
	<u>2019</u>	<u>2018</u>
<b>Revenues</b>		
Program Revenues		
Charges for Services	\$ 685,648	\$ 694,108
Operating Grants and Contributions	485,577	492,749
General Revenues		
Maintenance and Operations Taxes	4,087,641	3,252,055
Debt Service Taxes	548,679	528,416
Investment Earnings	43,808	24,008
Other Revenues	<u>74,046</u>	<u>190,191</u>
Total Revenues	<u>\$ 5,925,399</u>	<u>\$ 5,181,527</u>
<b>Expenses</b>		
General Government	\$ 1,134,657	\$ 1,175,997
Roads and Bridges	1,435,295	1,176,712
Justice System	508,821	461,150
Public Safety	2,008,712	1,825,731
Public Health and Welfare	79,378	81,174
Culture and Recreation	37,814	37,268
Debt Service	<u>257,654</u>	<u>263,692</u>
Total Expenses	<u>\$ 5,462,331</u>	<u>\$ 5,021,724</u>
Change in Net Position	\$ 463,068	\$ 159,803
Net Position - Beginning	<u>9,995,501</u>	<u>9,835,698</u>
Net Position - Ending	<u>\$ 10,458,569</u>	<u>\$ 9,995,501</u>

## **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 \$2,838,045, an increase of \$420,186 or 17% in comparison with the prior year. These fund balances are reported in various governmental funds as follows:

General Fund \$1,568,963. All of this balance is unassigned.

Special Revenue Funds \$1,226,473. All of this balance is committed to special programs.

Debt Service Fund \$42,609. This balance is restricted for payment of long-term debt principal and interest.

### **General Fund Budget**

The original budget for the General Fund was \$2,181,684, and the final amended budget was \$2,184,684, which represents a \$3,000 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.

### **County Budget**

The County has adopted a budget for revenues (net of transfers) in the amount of \$5,312,906 for the fiscal year 2020, which is an increase of \$299,526 from the fiscal year 2019, and a budget for expenditures (net of transfers) in the amount of \$5,320,159 for the fiscal year 2020, which is an increase of \$308,099 from the fiscal year 2019.

### **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, 2019.

**Long-Term Debt** - Financial statement footnote III., F. discloses the County's debt activity for the year ended September 30, 2019.

### **Other Information**

The County does not necessarily agree with the assumptions used by the TCDRS related to its Defined Benefit Pension Plan but is merely incorporating and attributing these assumptions in the audit report for disclosure to readers of the financial statements.

### **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: Ed Smith, 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, 2019**

	<u>Primary Government</u>
	Governmental Activities
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 2,840,445
Due from Fiduciary Funds	57,158
Capital Assets:	
Land	102,869
Buildings and Improvements, Net	14,139,628
Machinery and Equipment, Net	907,000
Total Assets	<u>18,047,100</u>
<b>LIABILITIES</b>	
TCDRS Payable	59,558
Short-Term Debt Payable	206,500
Noncurrent Liabilities:	
Debt Due Within One Year	280,000
Debt Due in More Than One Year	7,042,473
Total Liabilities	<u>7,588,531</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	7,620,524
Restricted for Debt Service	42,609
Unrestricted	2,795,436
Total Net Position	<u>\$ 10,458,569</u>

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, 2019**

	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>					
<b>GOVERNMENTAL ACTIVITIES:</b>					
General Government	\$ 1,134,657	\$ 244,857	\$ 8,468	\$ (881,332)	
Roads and Bridges	1,435,295	334,661	47,115	(1,053,519)	
Justice System	508,821	87,093	47,141	(374,587)	
Public Safety	2,008,712	16,450	382,853	(1,609,409)	
Public Health and Welfare	79,378	2,587	-	(76,791)	
Culture and Recreation	37,814	-	-	(37,814)	
Interest on Debt	257,254	-	-	(257,254)	
Fiscal Agent's Fees	400	-	-	(400)	
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 5,462,331</b>	<b>\$ 685,648</b>	<b>\$ 485,577</b>	<b>(4,291,106)</b>	

General Revenues:

Taxes:	
Property Taxes, Levied for General Purposes	4,087,641
Property Taxes, Levied for Debt Service	548,679
Investment Earnings	43,808
Miscellaneous Revenue	74,046
<b>Total General Revenues</b>	<b>4,754,174</b>
Change in Net Position	463,068
Net Position - Beginning	9,995,501
<b>Net Position - Ending</b>	<b>\$ 10,458,569</b>

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, 2019**

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	General Fund	Road and Bridge	Law Enforcement
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,571,552	\$ 263,726	\$ 704,696
Due from Other Funds	33,529	6,894	20,681
Total Assets	<u>\$ 1,605,081</u>	<u>\$ 270,620</u>	<u>\$ 725,377</u>
<b>LIABILITIES</b>			
TCDRS Other Payable	\$ 28,023	\$ 9,579	\$ 20,523
Due to Other Funds	8,095	-	-
Total Liabilities	<u>36,118</u>	<u>9,579</u>	<u>20,523</u>
<b>FUND BALANCES</b>			
Restricted Fund Balance:			
Retirement of Long-Term Debt	-	-	-
Committed Fund Balance:			
Special Revenue Funds	-	261,041	704,854
Unassigned Fund Balance	1,568,963	-	-
Total Fund Balances	<u>1,568,963</u>	<u>261,041</u>	<u>704,854</u>
Total Liabilities and Fund Balances	<u><u>\$ 1,605,081</u></u>	<u><u>\$ 270,620</u></u>	<u><u>\$ 725,377</u></u>

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

Other Funds	Total Governmental Funds
\$ 300,471	\$ 2,840,445
4,149	65,253
<u>\$ 304,620</u>	<u>\$ 2,905,698</u>
\$ 1,433	\$ 59,558
-	8,095
<u>1,433</u>	<u>67,653</u>
42,609	42,609
260,578	1,226,473
-	1,568,963
<u>303,187</u>	<u>2,838,045</u>
<u>\$ 304,620</u>	<u>\$ 2,905,698</u>

COUNTY OF MILLS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
SEPTEMBER 30, 2019

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<b>Total Fund Balances - Governmental Funds</b>	\$ 2,838,045
Capital assets net of accumulated depreciation used in governmental activities are not reported in governmental funds.	15,149,497
Short-term and long-term debt, including unamortized premiums, are not reported in governmental funds.	(7,528,973)
<b>Net Position of Governmental Activities</b>	<hr/> <u>\$ 10,458,569</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, 2019**

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	General Fund	Road and Bridge	Law Enforcement
<b>REVENUES:</b>			
Taxes	\$ 1,946,800	\$ 668,131	\$ 1,472,710
Fees	105,859	334,661	-
Fines	174,823	-	-
Intergovernmental	46,968	30,703	382,853
Interest	30,514	371	11,413
Miscellaneous	68,020	959	14,937
Total Revenues	<u>2,372,984</u>	<u>1,034,825</u>	<u>1,881,913</u>
<b>EXPENDITURES:</b>			
Current:			
General Government	959,896	-	-
Roads and Bridges	-	1,493,966	-
Justice System	390,591	-	-
Public Safety	135,069	-	1,716,675
Public Health and Welfare	11,545	-	-
Culture and Recreation	-	-	-
Debt Service:			
Principal on Debt	-	-	-
Interest on Debt	-	-	-
Fiscal Agent's Fees	-	-	-
Total Expenditures	<u>1,497,101</u>	<u>1,493,966</u>	<u>1,716,675</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>875,883</u>	<u>(459,141)</u>	<u>165,238</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Sale of Real and Personal Property	-	43,148	-
Transfers In	-	410,000	-
Transfers Out	<u>(656,000)</u>	-	-
Total Other Financing Sources (Uses)	<u>(656,000)</u>	<u>453,148</u>	<u>-</u>
Net Change in Fund Balances	219,883	(5,993)	165,238
Fund Balance - October 1 (Beginning)	<u>1,349,080</u>	<u>267,034</u>	<u>539,616</u>
Fund Balance - September 30 (Ending)	<u>\$ 1,568,963</u>	<u>\$ 261,041</u>	<u>\$ 704,854</u>

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

	Total
Other Funds	Governmental Funds
\$ 548,679	\$ 4,636,320
70,305	510,825
-	174,823
25,053	485,577
1,510	43,808
2,791	<u>86,707</u>
<u>648,338</u>	<u>5,938,060</u>

15,835	975,731
16,412	1,510,378
118,230	508,821
28,075	1,879,819
67,833	79,378
69,875	69,875
<u>260,000</u>	<u>260,000</u>
278,608	278,608
400	<u>400</u>
<u>855,268</u>	<u>5,563,010</u>
<u>(206,930)</u>	<u>375,050</u>

1,988	45,136
246,000	656,000
-	<u>(656,000)</u>
<u>247,988</u>	<u>45,136</u>
41,058	420,186
262,129	2,417,859

\$ 303,187    \$ 2,838,045

**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, 2019**

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<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$ 420,186
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.	340,916
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources.	(566,891)
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.	305,300
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.	(57,797)
<b>Change in Net Position of Governmental Activities</b>	<hr/> <hr/> <hr/> \$ 463,068

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

COUNTY OF MILLS  
STATEMENT OF FIDUCIARY NET POSITION - MODIFIED CASH BASIS  
FIDUCIARY FUNDS  
SEPTEMBER 30, 2019

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	Agency Funds
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 293,741
Total Assets	<u>\$ 293,741</u>
<b>LIAABILITIES</b>	
Due to Other Funds	\$ 57,158
Due to State	78,153
Due to Others	<u>158,430</u>
Total Liabilities	<u><u>\$ 293,741</u></u>

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

COUNTY OF MILLS  
Notes to the Financial Statements  
September 30, 2019

## **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, 2019

**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.

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. 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.

COUNTY OF MILLS  
Notes to the Financial Statements - Continued  
September 30, 2019

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

**E. Capital Assets - Continued**

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.

**F. 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.

**G. 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.

**H. 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, 2019

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

### I. 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.

### J. 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.

### K. 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, 2019

## **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, 2019, 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, 2019

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

**A. Deposits and Investments – Continued**

At September 30, 2019, the County's investments with respective maturities and credit ratings consisted of the following:

<u>Investments</u>	<u>Fair Value</u>	<u>Percent</u>	<u>Weighted Average Maturity</u>	<u>Credit Rating</u>
U.S. Treasury Bills	<u>\$ 1,794,469</u>	<u>100%</u>	108 Days	-

At September 30, 2019, the County had the following investments subject to the fair value measurement:

<u>Investment by Fair Value Level</u>	Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	
	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Debt Securities				
U.S. Treasury Bills	<u>\$ 1,794,469</u>	<u>\$ 1,794,469</u>	<u>\$ -</u>	<u>\$ -</u>

The County categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of assets. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Debt securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for identical securities.

**COUNTY OF MILLS**  
 Notes to the Financial Statements - Continued  
 September 30, 2019

**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			
Road and Bridge Fund	\$     0	\$ 3,134	Reimbursements
Law Enforcement Fund	0	4,961	Reimbursements
Fiduciary Funds	<u>33,529</u>	0	Unremitted Fees
	<u>\$ 33,529</u>	<u>\$ 8,095</u>	
Road and Bridge Fund			
General Fund	\$ 3,134	\$     0	Reimbursements
Fiduciary Funds	<u>3,760</u>	0	Unremitted Fees
	<u>\$ 6,894</u>	<u>\$     0</u>	
Law Enforcement Fund			
General Fund	\$ 4,961	\$     0	Reimbursements
Fiduciary Funds	<u>15,720</u>	0	Unremitted Fees
	<u>\$ 20,681</u>	<u>\$     0</u>	
Nonmajor Governmental Funds			
Fiduciary Funds	<u>4,149</u>	\$     0	Unremitted Fees
Fiduciary Funds			
General Fund	\$     0	\$ 33,529	Unremitted Fees
Road and Bridge Fund	0	3,760	Unremitted Fees
Law Enforcement Fund	0	15,720	Unremitted Fees
Nonmajor Governmental Funds	0	<u>4,149</u>	Unremitted Fees
	<u>\$     0</u>	<u>\$ 57,158</u>	
Totals	<u>\$ 65,253</u>	<u>\$ 65,253</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	\$ 410,000	To Cover Fund Deficit
General Fund	Nonmajor Governmental Funds	<u>246,000</u>	To Cover Fund Deficit
Total		<u>\$ 656,000</u>	

**COUNTY OF MILLS**  
 Notes to the Financial Statements - Continued  
 September 30, 2019

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

**C. Capital Assets**

Capital asset activity for the year ended September 30, 2019, was as follows:

Governmental Activities	Beginning Balance	Additions	Deletions	Reclassifications	Ending Balance
<b>Capital Assets</b>					
Land	\$ 120,401	\$ 0	\$ 17,532	\$ 0	\$ 102,869
Buildings and Improvements	17,383,273	0	33,707	0	17,349,566
Machinery and Equipment	<u>2,526,923</u>	<u>340,916</u>	<u>326,903</u>	<u>0</u>	<u>2,540,936</u>
<b>Total Capital Assets</b>	<b>\$ 20,030,597</b>	<b>\$ 340,916</b>	<b>\$ 378,142</b>	<b>\$ 0</b>	<b>\$ 19,993,371</b>
<b>Less Accumulated Depreciation</b>					
Buildings and Improvements	\$ (2,798,825)	\$ (430,005)	\$ (18,892)	\$ 0	\$ (3,209,938)
Machinery and Equipment	<u>(1,798,503)</u>	<u>(136,886)</u>	<u>(301,453)</u>	<u>0</u>	<u>(1,633,936)</u>
<b>Total Accumulated Depreciation</b>	<b>\$ (4,597,328)</b>	<b>\$ (566,891)</b>	<b>\$ (320,345)</b>	<b>\$ 0</b>	<b>\$ (4,843,874)</b>
<b>Governmental Activities Capital Assets, Net</b>	<b><u>\$ 15,433,269</u></b>	<b><u>\$ (225,975)</u></b>	<b><u>\$ 57,797</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 15,149,497</u></b>

Depreciation expense was charged to governmental activities functions as follows:

General Government	\$ 158,926
Roads and Bridges	129,079
Public Safety	265,647
Culture and Recreation	<u>13,239</u>
<b>Total</b>	<b><u>\$ 566,891</u></b>

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

The County entered into a lease agreement to finance the acquisition of equipment for the Road and Bridge Department. This lease agreement qualifies as a capital lease for accounting purposes and is payable from the Road and Bridge Fund. The effective interest rate is 3.9%.

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 lease agreement 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%.

**COUNTY OF MILLS**  
 Notes to the Financial Statements - Continued  
 September 30, 2019

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

**D. Capital Leases/Government Obligation Contracts - Continued**

The County entered into a lease agreement to finance the acquisition of equipment for the Road and Bridge Department. This lease agreement qualifies as a capital lease for accounting purposes and is payable from the Road and Bridge Fund. The effective interest rate is 6.00%.

Future minimum lease payments are as follows:

Year Ending September 30,	Capital Leases		Government Obligation Contracts		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2020	\$ 160,245	\$ 3,962	\$ 0	\$ 0	\$ 164,207
2021	<u>15,846</u>	<u>3,546</u>	<u>43,380</u>	<u>1,440</u>	<u>64,212</u>
Totals	<u>\$ 176,091</u>	<u>\$ 7,508</u>	<u>\$ 43,380</u>	<u>\$ 1,440</u>	<u>\$ 228,419</u>

The following is a summary of the changes in capital leases and government obligation contracts for the year ended September 30, 2019:

	<u>Beginning Balance</u>			<u>Ending Balance</u>
		<u>Additions</u>	<u>Reductions</u>	
Capital Leases	\$ 284,123	\$ 173,000	\$ 281,032	\$ 176,091
Government Obligation Contracts	<u>126,002</u>	<u>0</u>	<u>82,622</u>	<u>43,380</u>
Totals	<u>\$ 410,125</u>	<u>\$ 173,000</u>	<u>\$ 363,654</u>	<u>\$ 219,471</u>

**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 was renewed on September 15, 2017, for \$293,500. That loan was liquidated on September 15, 2018, and was renewed on September 15, 2018, for \$251,800. That loan was liquidated on September 15, 2019, and was renewed on September 15, 2019, for \$210,500. Subsequent to the renewal a \$4,000 principal payment was made on September 23, 2019. The current loan bears interest at 3.41%, is to be liquidated on September 15, 2020, and is payable from the Senior Citizens Fund. The unpaid balance on the note is \$206,500.

The following is a summary of changes in short-term debt for the year ended September 30, 2019:

	<u>Beginning Balance</u>			<u>Ending Balance</u>
		<u>Additions</u>	<u>Reductions</u>	
Loan - Senior Center Building	<u>\$ 251,800</u>	<u>\$ 0</u>	<u>\$ 45,300</u>	<u>\$ 206,500</u>

COUNTY OF MILLS  
Notes to the Financial Statements - Continued  
September 30, 2019

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

**F. Long-Term Debt**

The County's long-term liabilities consist of bonded indebtedness and bond premium/discount. The current requirements for general obligation bonds principal and interest are accounted for in the Interest and Sinking Fund.

The following is a summary of changes in long-term debt for the year ended September 30, 2019:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Limited Tax Refunding Bonds	\$ 510,000	\$ 0	\$ 165,000	\$ 345,000	\$ 170,000
Limited Tax Bonds	6,640,000	0	95,000	6,545,000	110,000
Bond Premium (Net)	<u>453,827</u>	<u>0</u>	<u>21,354</u>	<u>432,473</u>	<u>0</u>
Totals	<u><u>\$ 7,603,827</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 281,354</u></u>	<u><u>\$ 7,322,473</u></u>	<u><u>\$ 280,000</u></u>

The County's outstanding bond issues, which are payable from the Interest and Sinking Fund are 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%.<sup>1</sup> \$ 345,000

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%.<sup>1</sup>

6,545,000

Total Bonds Payable \$ 6,890,000

<sup>1</sup> During each year while bonds are outstanding, the County is required to levy and collect sufficient ad valorem taxes, within the limits prescribed by law on all taxable property within the County as provided in the Order, to provide for the payment of principal and interest as it becomes due. If the County defaults in the payment of principal, interest, or redemption price on the bonds when due, or if it fails to make payments into any fund or funds created in the Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set for in the Order, the registered owners may seek a writ of mandamus to compel County officials to carry out their legally imposed duties with respect to the bonds, if there is no other available remedy at law to compel performance of the bonds or Order and the County's obligations are not uncertain or disputed.

COUNTY OF MILLS  
 Notes to the Financial Statements - Continued  
 September 30, 2019

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

#### F. Long-Term Debt - Continued

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	
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	0	0	245,000	240,575	485,575
2025-2029	0	0	1,380,000	1,044,775	2,424,775
2030-2034	0	0	1,685,000	739,275	2,424,275
2035-2039	0	0	2,080,000	348,475	2,428,475
2040	0	0	475,000	10,688	485,688
Totals	<u>\$ 345,000</u>	<u>\$ 7,297</u>	<u>\$ 6,545,000</u>	<u>\$ 3,422,063</u>	<u>\$ 10,319,360</u>

### 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 11.63% for the months of the accounting year in 2018 and 11.50% for the months of the accounting year in 2019.

COUNTY OF MILLS  
Notes to the Financial Statements - Continued  
September 30, 2019

**IV. OTHER INFORMATION - Continued**

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

The deposit rate payable by the employee members for calendar year 2019 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, 2018 funding valuation, except as noted below and throughout this report. Please see the County's December 31, 2018 Summary Valuation Report for further details.

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
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.

**COUNTY OF MILLS**  
 Notes to the Financial Statements - Continued  
 September 30, 2019

**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 2019 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	Geometric Real Rate of Return (Expected)	Minus Inflation)
U.S. Equities	Dow Jones U.S. Total Stock Market Index	10.50%	5.40%	
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index	18.00%	8.40%	
Global Equities	MSCI World (Net) Index	2.50%	5.70%	
International Equities - Developed Markets	MSCI World Ex USA (Net) Index	10.00%	5.40%	
International Equities - Emerging Markets	MSCI Emerging Markets (Net) Index	7.00%	5.90%	
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	1.60%	
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	12.00%	4.39%	
Direct Lending	S&P/LSTA Leveraged Loan Index	11.00%	7.95%	
Distressed Debt	Cambridge Associates Distressed Securities Index	2.00%	7.20%	
REIT Equities	67% FTSE NAREIT All Equity REITs Index + 33% S&P Global REIT (Net) Index	2.00%	4.15%	
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	5.35%	
Private Real Estate Partnerships	Cambridge Associates Real Estate Index	6.00%	6.30%	
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	13.00%	3.90%	

COUNTY OF MILLS  
Notes to the Financial Statements - Continued  
September 30, 2019

**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, 2019

**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) of the County of Mills:

	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
<b>Changes in Net Pension Liability (Asset)</b>			
Balance as of December 31, 2017	<u>\$ 6,419,297</u>	<u>\$ 6,010,055</u>	<u>\$ 409,242</u>
<b>Changes for the Year:</b>			
Service Cost	\$ 255,083	\$ 0	\$ 255,083
Interest on Total Pension Liability	527,092	0	527,092
Effect of Plan Changes	0	0	0
Effect of Economic/Demographic Gains or Losses	27,698	0	27,698
Effect of Assumptions Changes or Inputs	0	0	0
Refund of Contributions	(12,575)	(12,575)	0
Benefit Payments	(328,208)	(328,208)	0
Administrative Expenses	0	(4,739)	4,739
Member Contributions	0	130,339	(130,339)
Net Investment Loss	0	(111,898)	111,898
Employer Contributions	0	216,549	(216,549)
Other	0	786	(786)
<b>Net Changes</b>	<u>\$ 469,090</u>	<u>\$ (109,746)</u>	<u>\$ 578,836</u>
Balance as of December 31, 2018	<u>\$ 6,888,387</u>	<u>\$ 5,900,309</u>	<u>\$ 988,078</u>

COUNTY OF MILLS  
 Notes to the Financial Statements - Continued  
 September 30, 2019

**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.

	1% Decrease in Discount Rate (7.1%)	Current Discount Rate (8.1%)	1% Increase in Discount Rate (9.1%)
Total Pension Liability	\$ 7,710,999	\$ 6,888,387	\$ 6,193,929
Fiduciary Net Position	<u>5,900,309</u>	<u>5,900,309</u>	<u>5,900,309</u>
Net Pension Liability (Asset)	<u><u>\$ 1,810,690</u></u>	<u><u>\$ 988,078</u></u>	<u><u>\$ 293,620</u></u>

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

	Pension Expense (Income)	January 1, 2018 to December 31, 2018
Service Cost	\$ 255,083	
Interest on Total Pension Liability	527,092	
Effect of Plan Changes	0	
Administrative Expenses	4,739	
Member Contributions	(130,339)	
Expected Investment Return Net of Investment Expenses	(486,900)	
Recognition of Deferred Inflows/Outflows of Resources:		
Recognition of Economic/Demographic Gains or Losses	(26,265)	
Recognition of Assumption Changes or Inputs	10,241	
Recognition of Investment Gains or Losses	151,257	
Other	<u>(786)</u>	
 Total Pension Expense (Income)	<u><u>\$ 304,122</u></u>	

**COUNTY OF MILLS**  
 Notes to the Financial Statements - Continued  
 September 30, 2019

**IV. OTHER INFORMATION - Continued**

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

**Deferred Outflows/Deferred Inflows of Resources** - As of September 30, 2019, the deferred outflows and inflows of resources are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 23,467	\$ -
Changes in Assumptions	20,483	-
Net Differences Between Projected and Actual Earnings	370,914	-
Contributions Made Subsequent to Measurement Date	<u>158,976</u>	<u>-</u>
 Totals	 <u>\$ 573,840</u>	 <u>\$ -</u>

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:

Year Ending <u>September 30,</u>	Pension Expense <u>Amount</u>
2019	\$ 161,423
2020	81,253
2021	52,430
2022	119,758
2023	0
Thereafter	0

**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 employers, 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, 2019, 2018, and 2017, were \$4,822, \$5,393 and \$5,319, respectively, which equaled the contractually required contributions each year.

COUNTY OF MILLS  
Notes to the Financial Statements - Continued  
September 30, 2019

**IV. OTHER INFORMATION - Continued**

**C. Self-Insurance**

The County has coverage through the Texas Association of Counties Risk Management Pool for workers' compensation, employer's liability, and property and casualty coverage.

**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, 2019, 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	2018 Appraised Values	2018 Taxable Values	2018 Abated Values	2018 Taxes Levied	2018 Taxes Abated
Goldthwaite Wind Energy, LLC	12/11	2014	2023	\$ 142,918,930	\$ 57,167,572	\$ 85,751,358	\$ 408,234	\$ 612,350

During fiscal year 2019, the total amount of abated property value was \$85,751,358. Based on the county tax rate of \$0.7141 per \$100 of value, the foregone tax levy due to abatement agreements was \$612,350.

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 roll year 2019.

**E. Emergency Medical Services Agreement**

On February 19, 2019, 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 fifty-seven months beginning January 1, 2019. The interlocal agreement's fee schedule is as follows:

Year Ending <u>September 30,</u>	Fee <u>Schedule</u>
2019	\$ 116,000
2020	225,000
2021	250,000
2022	250,000
2023	250,000

During the fiscal year ended September 30, 2019, \$116,000 was recorded as an expenditure.

**F. Subsequent Events**

Management has evaluated the impact of all subsequent events on the County through January 15, 2020, the date of the financial statements issuance and has determined that there were no subsequent events requiring recognition or disclosure in the financial statements.

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, 2019**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 1,884,901	\$ 1,884,901	\$ 1,946,800	\$ 61,899
Fees	100,300	100,300	105,859	5,559
Fines	143,500	143,500	174,823	31,323
Intergovernmental	41,300	41,300	46,968	5,668
Interest	12,500	12,500	30,514	18,014
Miscellaneous	53,000	53,000	68,020	15,020
Total Revenues	<u>2,235,501</u>	<u>2,235,501</u>	<u>2,372,984</u>	<u>137,483</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	995,770	976,275	959,896	16,379
Justice System	375,314	398,809	390,591	8,218
Public Safety	142,500	141,500	135,069	6,431
Public Health and Welfare	12,100	12,100	11,545	555
Total Expenditures	<u>1,525,684</u>	<u>1,528,684</u>	<u>1,497,101</u>	<u>31,583</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>709,817</u>	<u>706,817</u>	<u>875,883</u>	<u>169,066</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers Out	(656,000)	(656,000)	(656,000)	-
Total Other Financing Sources (Uses)	<u>(656,000)</u>	<u>(656,000)</u>	<u>(656,000)</u>	<u>-</u>
Net Change	53,817	50,817	219,883	169,066
Fund Balance - October 1 (Beginning)	<u>1,349,080</u>	<u>1,349,080</u>	<u>1,349,080</u>	<u>-</u>
Fund Balance - September 30 (Ending)	<u>\$ 1,402,897</u>	<u>\$ 1,399,897</u>	<u>\$ 1,568,963</u>	<u>\$ 169,066</u>

**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, 2019**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 646,172	\$ 646,172	\$ 668,131	\$ 21,959
Fees	326,000	326,000	334,661	8,661
Intergovernmental	30,000	30,000	30,703	703
Interest	1,000	1,000	371	(629)
Miscellaneous	-	-	959	959
<b>Total Revenues</b>	<b>1,003,172</b>	<b>1,003,172</b>	<b>1,034,825</b>	<b>31,653</b>
<b>EXPENDITURES:</b>				
Roads and Bridges:				
Precinct Number One	369,193	369,193	362,604	6,589
Precinct Number Two	287,089	287,089	279,324	7,765
Precinct Number Three	395,891	409,011	404,142	4,869
Precinct Number Four	367,908	367,908	358,067	9,841
Road and Bridge Special	59,820	89,847	89,829	18
<b>Total Expenditures</b>	<b>1,479,901</b>	<b>1,523,048</b>	<b>1,493,966</b>	<b>29,082</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(476,729)	(519,876)	(459,141)	60,735
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of Real and Personal Property	-	43,148	43,148	-
Transfers In	410,000	410,000	410,000	-
<b>Total Other Financing Sources (Uses)</b>	<b>410,000</b>	<b>453,148</b>	<b>453,148</b>	<b>-</b>
Change in Fund Balance	(66,729)	(66,728)	(5,993)	60,735
Fund Balance - October 1 (Beginning)	267,034	267,034	267,034	-
<b>Fund Balance - September 30 (Ending)</b>	<b>\$ 200,305</b>	<b>\$ 200,306</b>	<b>\$ 261,041</b>	<b>\$ 60,735</b>

**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, 2019**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 1,421,943	\$ 1,421,943	\$ 1,472,710	\$ 50,767
Intergovernmental	258,762	377,493	382,853	5,360
Interest	2,000	2,000	11,413	9,413
Miscellaneous	14,000	17,100	14,937	(2,163)
<b>Total Revenues</b>	<b>1,696,705</b>	<b>1,818,536</b>	<b>1,881,913</b>	<b>63,377</b>
<b>EXPENDITURES:</b>				
Public Safety	1,676,262	1,777,922	1,716,675	61,247
<b>Total Expenditures</b>	<b>1,676,262</b>	<b>1,777,922</b>	<b>1,716,675</b>	<b>61,247</b>
Change in Fund Balance	20,443	40,614	165,238	124,624
Fund Balance - October 1 (Beginning)	539,616	539,616	539,616	-
<b>Fund Balance - September 30 (Ending)</b>	<b>\$ 560,059</b>	<b>\$ 580,230</b>	<b>\$ 704,854</b>	<b>\$ 124,624</b>

**COUNTY OF MILLS**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
<b>A. Total Pension Liability</b>		
Service Cost	\$ 255,083	\$ 252,747
Interest (on the Total Pension Liability)	527,092	488,747
Changes of Benefit Terms	-	-
Difference between Expected and Actual Experience	27,698	10,003
Changes of Assumptions	-	40,966
Benefit Payments, Including Refunds of Employee Contributions	(340,783)	(302,780)
Net Change in Total Pension Liability	\$ 469,090	\$ 489,683
Total Pension Liability - Beginning	6,419,297	5,929,614
Total Pension Liability - Ending	<u>\$ 6,888,387</u>	<u>\$ 6,419,297</u>
<b>B. Total Fiduciary Net Position</b>		
Contributions - Employer	\$ 216,549	\$ 230,209
Contributions - Employee	130,339	125,994
Net Investment Income (Loss)	(111,898)	759,828
Benefit Payments, Including Refunds of Employee Contributions	(340,783)	(302,780)
Administrative Expense	(4,739)	(3,997)
Other	786	1,197
Net Change in Plan Fiduciary Net Position	\$ (109,746)	\$ 810,451
Plan Fiduciary Net Position - Beginning	6,010,055	5,199,604
Plan Fiduciary Net Position - Ending	<u>\$ 5,900,309</u>	<u>\$ 6,010,055</u>
<b>C. Net Pension Liability</b>		
	<u>\$ 988,078</u>	<u>\$ 409,242</u>
<b>D. Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	85.66%	93.62%
<b>E. Covered Payroll</b>	\$ 1,861,990	\$ 1,799,913
<b>F. Net Pension Liability as a Percentage of Covered Payroll</b>	53.07%	22.74%

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 five 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."

	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
\$	223,432 \$	230,066 \$	224,001
	455,587	442,558	408,005
	25,648	(30,437)	-
	(113,998)	(215,193)	70,178
	-	66,557	-
	(320,705)	(327,762)	(266,028)
\$	269,964 \$	165,789 \$	436,156
	5,659,650	5,493,861	5,057,705
\$	5,929,614 \$	5,659,650 \$	5,493,861
\$	222,275 \$	171,946 \$	195,672
	113,280	100,806	113,012
	358,262	(1,323)	315,301
	(320,705)	(327,762)	(266,027)
	(3,897)	(3,515)	(3,646)
	(19,498)	(15,631)	26,767
\$	349,717 \$	(75,479) \$	381,079
	4,849,887	4,925,366	4,544,287
\$	5,199,604 \$	4,849,887 \$	4,925,366
\$	730,010 \$	809,763 \$	568,495
	87.69%	85.69%	89.65%
\$	1,618,287 \$	1,440,086 \$	1,614,455
	45.11%	56.23%	35.21%

**COUNTY OF MILLS**  
**SCHEDULE OF CONTRIBUTIONS**  
**TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM**  
**FOR THE FISCAL YEAR 2019**

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	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially Determined Contribution	\$ 219,314	\$ 220,056	\$ 223,763
Contributions in Relation to the Actuarially Determined Contributions	(219,314)	(220,056)	(223,763)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 1,901,211	\$ 1,842,349	\$ 1,773,152
Contributions as a Percentage of Covered Payroll	11.54%	11.94%	12.62%

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."

	2016	2015	2014
\$	187,916	\$ 179,507	\$ 189,526
	(187,916)	(179,507)	(189,526)
\$	-	\$ -	\$ -
\$	1,553,636	\$ 1,496,408	\$ 1,580,431
	12.10%	12.00%	12.00%

COUNTY OF MILLS  
Notes to the Other Information  
September 30, 2019

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
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.

Supplementary Information

COUNTY OF MILLS  
SCHEDULE OF CERTIFICATES OF DEPOSIT AND U.S. TREASURY NOTES  
SEPTEMBER 30, 2019

Description	Identifying Number	Interest Rate %	Maturity Date	Amount
<b><u>GOVERNMENTAL FUNDS</u></b>				
Certificates of Deposit				
Law Enforcement Fund				
Mills County State Bank	164374	1.00	11/23/19	\$ 106,237
Records Archive Fund				
Mills County State Bank	164783	1.05	9/17/20	33,702
Courthouse Security Fund				
Mills County State Bank	164779	0.95	3/11/20	30,430
Indigent Health Fund				
Mills County State Bank	164773	0.95	2/22/20	<u>50,000</u>
Total Certificates of Deposit				\$ <u>220,369</u>
U.S. Treasury Notes				
General Fund				
Mills County State Bank	912796RY7	2.45	1/30/20	\$ 497,009
Mills County State Bank	912796RF8	2.40	10/10/19	403,821
Mills County State Bank	912796SD2	1.80	2/27/20	<u>496,301</u>
Total				\$ 1,397,131
Law Enforcement Fund				
Mills County State Bank	912796TF6	1.80	2/13/20	<u>397,338</u>
Total U.S. Treasury Notes				\$ <u>1,794,469</u>
Total Governmental Funds				\$ <u>2,014,838</u>
<b><u>FIDUCIARY FUNDS</u></b>				
Certificates of Deposit				
County and District Clerk				
Mills County State Bank	162377	0.52	11/23/19	\$ 13,118
Mills County State Bank	163485	0.68	8/4/20	3,277
Mills County State Bank	164256	0.52	4/21/20	29,251
Mills County State Bank	164257	0.52	4/21/20	<u>23,103</u>
Total Fiduciary Funds				\$ <u>68,749</u>

**COMPLIANCE AND INTERNAL CONTROLS SECTION**

# **Eckert & Company**

**CERTIFIED PUBLIC ACCOUNTANTS**

## **A Limited Liability Partnership**

Michael E. Oliphant, CPA  
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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, 2019, 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 15, 2020.

#### **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*.

The Honorable County Judge  
and Commissioners' Court  
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**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 15, 2020