

HILL COUNTY, TEXAS  
ANNUAL FINANCIAL REPORT  
For the Fiscal Year Ended  
September 30, 2019

Hill County, Texas  
Annual Financial Report  
For the Fiscal Year Ended September 30, 2019

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FINANCIAL SECTION

**BEYER & Co.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

Wayne R. Beyer, C.P.A.

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INDEPENDENT AUDITOR'S REPORT

To the County Judge and Commissioner's Court  
Hill County, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hill County, Texas, as of and for the year ended September 30, 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 accounting principles generally accepted in the United States of America; this includes 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 entity'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 entity'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 financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hill County, Texas, as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General fund and the Road and Bridge fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, employees' retirement system information, and the OPEB system information on pages 3–10, 84-87, and 88–95 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hill County, Texas's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate 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 combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



BEYER & COMPANY  
Certified Public Accountants  
June 19, 2020

## Management's Discussion and Analysis

### Financial Highlights

- . The assets of Hill County, Texas exceeded its liabilities at the close of the most recent fiscal year by \$32,274,857 (net assets). Of this amount, \$7,935,425 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- . The government's total net assets decreased by \$795,812. This decrease was precipitated by an increase in net pension debt of \$3,403,656 which exceeded an increase in GASB 68 Net difference between projected and actual earnings of \$1,802,331.
- . As of the close of the current fiscal year, Hill County, Texas' governmental funds reported combined ending fund balances of \$12,371,928 an increase of \$531,698 in comparison with the prior year. Approximately 52% of this total amount, \$6,466,425, is available for spending at the government's discretion (unreserved fund balance).
- . At the end of the current fiscal year, the unreserved fund balance for the general fund was \$6,466,425, or 50 percent of total general fund expenditures and the restricted fund balance for the road and bridge fund was \$1,563,547, or 23 percent of total road and bridge fund expenditures.

### Overview of the Financial Statements

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

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

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

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

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

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

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

*Governmental funds:*

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

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

Hill County, Texas maintains twenty-eight (28) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, and the road and bridge funds, all of which are considered to be major funds. Data from the other twenty-six (26) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Budgets for the 2019 fiscal year were adopted for the General Fund and the Road and Bridge Funds.

The basic governmental fund financial statements can be found on pages 13-19 of this report.

*Proprietary funds:*

Hill County, Texas maintains no type of proprietary fund.

Hill County, Texas also has five agency funds which are a fiduciary fund type; the total amounts can be found on page 20 of this report.

Notes to the financial statements:

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-83 of this report.

*Other information:*

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning Hill County, Texas' progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 84 of this report.

The combining statements referred to earlier in connection with major road and bridge funds, agency funds, and non-major governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 96-105 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Hill County, Texas, assets exceeded liabilities by \$32,274,857 at the close of the most recent fiscal year.

Fifty-nine percent of Hill County, Texas' net assets (\$19,301,649) reflect its investment in capital assets (e.g., land, buildings, machinery, infrastructure, and equipment); less any related debt used to acquire those assets that is still outstanding. Hill County, Texas uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Hill County, Texas' investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**HILL COUNTY, TEXAS  
NET ASSETS**

	Governmental Activities		Total	
	2019	2018	2019	2018
Current and Other Assets	\$16,223,232	\$15,502,848	\$16,223,232	\$15,502,848
Capital Assets:	23,978,166	24,223,648	23,978,166	24,223,648
Total Assets	40,201,398	39,726,496	40,201,398	39,726,496
Total Deferred Outflows of Resources	2,725,557	1,108,838	2,725,557	1,108,838
Long-Term Liabilities	8,741,637	5,616,695	8,741,637	5,616,695
Other Liabilities	1,401,401	1,034,105	1,401,401	1,034,105
Total Liabilities	10,143,038	6,650,800	10,143,038	6,650,800
Total Deferred Inflows of Resources	509,060	1,113,865	509,060	1,113,865
Invested in Capital Assets, Net of Related Debt	19,301,649	19,502,929	19,301,649	19,502,929
Restricted	5,037,783	5,715,042	5,037,783	5,715,042
Unrestricted	7,935,425	7,852,698	7,935,425	7,852,698
Total Net Assets	\$32,274,857	\$33,070,669	\$32,274,857	\$33,070,669

An additional portion of Hill County, Texas' net assets (17 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$7,935,425) may be used to meet the governments on going obligations to citizens and creditors. At the end of the current fiscal year, Hill County, Texas reported a positive balance in the governmental activities. For the prior fiscal year, Hill County, Texas reported positive balances in net assets, both for the government, as well as for its separate governmental activities.

Governmental activities:

Governmental activities decreased Hill County, Texas' net assets by \$795,812, thereby accounting for 100 percent of the total decrease in the net assets of Hill County, Texas.

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

	Governmental Activities		Total	
	2019	2018	2019	2018
Revenues:				
Program Revenues:				
Charges for Services	\$3,887,441	\$3,759,696	\$3,887,441	\$3,759,696
Operating Grants and Contributions	1,813,859	1,504,318	1,813,859	1,504,318
Capital Grants and Contributions	161,864	490,840	161,864	490,840
General Revenues:				
Maintenance and Operations Taxes	13,501,675	12,850,092	13,501,675	12,850,092
Sales Taxes	2,591,953	2,169,433	2,591,953	2,169,433
Other Taxes	32,371	28,056	32,371	28,056
Unrestricted Investment Earnings	317,988	194,580	317,988	194,580
Miscellaneous	553,372	567,452	553,372	567,452
Special Items				
Contributions and Donations	5,100	189,240	5,100	189,240
Sale of Capital Assets	197,410	253,152	197,410	253,152
Total Revenue	<u>23,063,033</u>	<u>22,006,859</u>	<u>23,063,033</u>	<u>22,006,859</u>
Expenses:				
General Administration	2,706,178	2,227,816	2,706,178	2,227,816
Legal	415,950	353,057	415,950	353,057
Judicial	2,767,021	2,396,800	2,767,021	2,396,800
Financial Administration	1,007,830	841,318	1,007,830	841,318
Public Facilities	994,947	638,243	994,947	638,243
Public Safety	8,635,047	7,680,199	8,635,047	7,680,199
Public Transportation	6,235,749	7,154,605	6,235,749	7,154,605
Culture and Recreation	1,414	100	1,414	100
Health and Welfare	760,237	963,030	760,237	963,030
Conservation - Agriculture	161,284	149,077	161,284	149,077
Interest and Fiscal Charges	173,188	171,235	173,188	171,235
Total Expenses	<u>23,858,845</u>	<u>22,575,480</u>	<u>23,858,845</u>	<u>22,575,480</u>
Increase in Net Assets	(795,812)	(568,621)	(795,812)	(568,621)
Net Assets at 09/30/2018 - Restated	<u>33,070,669</u>	<u>33,639,290</u>	<u>33,070,669</u>	<u>33,639,290</u>
Net Assets at 09/30/2019	<u>\$32,274,857</u>	<u>\$33,070,669</u>	<u>\$32,274,857</u>	<u>\$33,070,669</u>

This decrease was precipitated by an increase in net pension debt of \$3,403,656 which exceeded an increase in GASB 68 Net difference between projected and actual earnings of \$1,802,331.

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Government Activities:				
General Administration	\$2,706,178	\$517,814	\$169,310	
Legal	415,950	11,490	77,000	
Judicial	2,767,021	816,804	134,522	
Financial Administration	1,007,830	655,732		
Public Facilities	994,947			
Public Safety	8,635,047	807,253	1,163,636	
Public Transportation	6,235,749	1,003,429	253,643	161,864
Culture and Recreation	1,414			
Health and Welfare	760,237	74,919	15,748	
Conservation - Agriculture	161,284			
Interest and Fiscal Charges	173,188			
<b>Total Government Activities</b>	<b>\$23,858,845</b>	<b>\$3,887,441</b>	<b>\$1,813,859</b>	<b>\$161,864</b>

Revenues by Source - Governmental Activities

	REVENUES	%
Charges for Services	\$3,887,441	16.86%
Operating Grants and Contributions	1,813,859	7.86%
Capital Grants and Contributions	161,864	0.70%
Maintenance and Operations Taxes	13,501,675	58.54%
Sales Taxes	2,591,953	11.24%
Other Taxes	32,371	0.14%
Unrestricted Investment Earnings	317,988	1.38%
Miscellaneous	553,372	2.40%
Contributions and Donations	5,100	0.02%
Sale of Capital Assets	197,410	0.86%
	<b>\$23,063,033</b>	<b>100.00%</b>

The increase or decrease in expenses closely parallels a rise or fall in demand for services.

## Financial Analysis of the Government's Funds

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

### Governmental funds:

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

As of the end of the current fiscal year, Hill County, Texas' governmental funds reported combined ending fund balances of \$12,371,928, an increase of \$531,698 in comparison with the prior year. Approximately 52 percent of this total amount \$6,466,425 constitutes unreserved fund balance, which is available for spending at the government's discretion. The remaining restricted and assigned amounts of \$5,905,503 are to be used for the various functions of the County.

The general fund is the chief operating fund of Hill County, Texas. At the end of the current fiscal year, unreserved fund balance of the general fund was \$6,466,425, while total fund balance reached \$7,242,345. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 50 percent of total general fund expenditures, while total fund balance represents 56 percent of that same amount.

The fund balance of Hill County, Texas' general fund increased by \$1,129,204 during the current fiscal year. Key factors in this increase are as follows:

- . Ad valorem taxes increased by \$417,547 and sales taxes increased by \$354,917.

At the end of the current fiscal year, restricted fund balance of the road and bridge fund was \$1,563,547, while total fund balance reached \$1,655,347. As a measure of the road and bridge fund's liquidity, it may be useful to compare restricted fund balance to total fund expenditures. Restricted fund balance represents 23 percent of total road and bridge fund expenditures, while total fund balance represents 24 percent of that same amount.

The fund balance of Hill County, Texas' road and bridge fund decreased by \$1,304,889 during the current fiscal year. Key factors in this decrease are as follows:

- The County did a significant amount of road work in fiscal years 2018 and 2019 precipitating an increase in transportation expenditures of \$2,384,705 in 2018 from the year 2017 and \$1,309,803 in 2019 from the year 2017.

## Fund Budgetary Highlights

Differences between the original budget and the final amended budget for the general fund expenditures amounted to an increase of \$518,773. The largest components of the increase were attributable to the sheriff department, the jail department, and non-departmental which increased by \$164,120, \$120,814, and \$134,383, respectively. The increases were precipitated by capital purchases in the sheriff and jail departments and grant expenditures in non-departmental.

### Capital Asset and Debt Administration

#### Capital assets:

Hill County, Texas' investment in capital assets for its governmental activities as of September 30, 2019, amounts to \$23,978,166 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, and infrastructure items such as roads, highways, and bridges. The total decrease in Hill County, Texas' investment in capital assets for the current fiscal year was \$245,482 or 1.01 percent.

The County had major road repair, construction, and maintenance during the year.

#### **HILL COUNTY, TEXAS CAPITAL ASSETS (Net of Depreciation)**

	Governmental Activities		Total	
	2019	2018	2019	2018
Land	\$91,650	\$62,977	\$91,650	\$62,977
Building and Improvements	11,616,735	11,995,101	11,616,735	11,995,101
Machinery and Equipment	4,988,054	4,544,641	4,988,054	4,544,641
Infrastructure	7,281,727	7,620,929	7,281,727	7,620,929
<b>Total</b>	<b>\$23,978,166</b>	<b>\$24,223,648</b>	<b>\$23,978,166</b>	<b>\$24,223,648</b>

Additional information on Hill County, Texas' capital assets can be found in note IV C on page 33 of this report.

#### Long-term debt:

At the end of the current fiscal year, Hill County, Texas had total bonded debt outstanding of \$3,110,000. All of which comprises debt backed by the full faith and credit of Hill County, Texas.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due After One Year
<u>Governmental Activities:</u>						
Certificates of Obligation	\$3,610,000		\$500,000	\$3,110,000	\$515,000	\$2,595,000
<b>Grand Total</b>	<b>\$3,610,000</b>	<b>\$0</b>	<b>\$500,000</b>	<b>\$3,110,000</b>	<b>\$515,000</b>	<b>\$2,595,000</b>

Hill County, Texas' total bonded debt decreased by \$500,000 (13.85 percent) during the current fiscal year. The key factor in this decrease was the payment of certificates of obligation bonds of \$500,000.

Additional information on Hill County, Texas' long-term debt can be found in note IV F on pages 35 thru 37 of this report.

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

Hill County is benefitting from recent growth and investment in the County. The new shingle plant was added to the tax rolls in 2019 and the concrete plant continues with its contract for the Globe Life Park in Arlington. Property is under contract for a \$50 million manufacturing plant in Hillsboro. The County has been approached by 3 different green energy companies to locate solar energy farms in the County. Latest figures for the initial green energy project indicate that it will invest in excess of \$200 million in the County. The other two projects are expected to mirror that investment. According to information from 911 addressing, 2 to 3 new addresses are added to the unincorporated part of Hill County each day. New housing starts are up, and several developers have contacted the County about wanting to build new subdivisions in Hill County. One of those subdivisions would include 99 new homes in an area north of Hillsboro. These projected plans would represent the fastest rate of growth we have witnessed and should add considerably to our total tax base.

For 2019 and 2020, Hill County is making a conscious effort to budget some of its reserves for improvements to aging infrastructure. An architectural firm has been consulted regarding improvements and repairs at our Franklin Street Annex. Courthouse concerns include flooring and an aging chiller. Bids for asphaltting the parking lot at the Covington Street Annex are currently underway. Plans to renovate the old decommissioned jail into a storage facility are also on the list of improvements.

The County has been approached by a wind turbine company that plans to make a substantial investment in the southern part of the County.

Estimated general fund revenue for fiscal year 2019 is \$13,542,493 (including incoming transfers of \$609,000). Estimated expenditures for the General Fund are \$14,045,017 (including transfers out of \$289,000).

As a result of the spread of the COVID-19 coronavirus and the impact on the oil & gas industry, ranching, and farming, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the County. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

### Requests for Information

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

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

HILL COUNTY, TEXAS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2019

	Primary Government	
	Governmental Activities	Total
<b>ASSETS</b>		
Cash and Cash Equivalents	\$12,830,527	\$12,830,527
Receivables (net of allowance for uncollectibles)	2,255,251	2,255,251
Net Pension Receivable	36,954	36,954
Inventory	296,430	296,430
Prepaid Items	804,070	804,070
Capital assets not being depreciated:		
Land	91,650	91,650
Total Capital assets being depreciated, net		
Building and Improvements	11,616,735	11,616,735
Machinery and Equipment	4,988,054	4,988,054
Infrastructure	7,281,727	7,281,727
<b>Total Assets</b>	<b>\$40,201,398</b>	<b>\$40,201,398</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>GASB 68</b>		
Deferred Outflow of Resources-Contributions (after 12/31/18)	1,071,333	1,071,333
Net difference between projected and actual earnings	1,431,871	1,431,871
Changes of assumptions	121,157	121,157
<b>GASB 75</b>		
Changes of assumptions	1,141	1,141
Deferred Charge on Refunding	100,055	100,055
<b>Total Deferred Outflows of Resources</b>	<b>2,725,557</b>	<b>2,725,557</b>
<b>LIABILITIES</b>		
Accounts Payable	\$1,036,130	\$1,036,130
Accrued Wages Payable	270,224	270,224
Accrued Interest Payable	20,047	20,047
Deferred Revenue	75,000	75,000
Noncurrent Liabilities:		
Due within one year	1,108,666	1,108,666
Due in more than one year	7,632,971	7,632,971
<b>Total Liabilities</b>	<b>10,143,038</b>	<b>10,143,038</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
<b>GASB 68</b>		
Differences between expected and actual experience	422,512	422,512
<b>GASB 75</b>		
Differences between expected and actual experience	58,080	58,080
Changes of assumptions	28,468	28,468
<b>Total Deferred Inflows of Resources</b>	<b>509,060</b>	<b>509,060</b>
<b>Net Position</b>		
Invested in Capital Assets, Net of Related Debt	19,301,649	19,301,649
Restricted		
Administration	1,082,512	1,082,512
Construction	287,747	287,747
Culture and Recreation	6,287	6,287
Debt Service	140,458	140,458
Elections	28,774	28,774
Health and Welfare	593,869	593,869
Judicial	484,866	484,866
Legal	16,260	16,260
Public Safety	833,463	833,463
Public Transportation	1,563,547	1,563,547
Unrestricted	7,935,425	7,935,425
<b>Total Net Position</b>	<b>\$32,274,857</b>	<b>\$32,274,857</b>

The accompanying notes are an integral part of this statement.

HILL COUNTY, TEXAS  
STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2019

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Governmental Activities	Net (Expense)	Net (Expense)
		Charges for Services	Operating Grants and Contributions			Revenue and Changes in Net Position	Revenue and Changes in Net Position
							Total
<b>Primary Government</b>							
<b>Government Activities:</b>							
General Administration	\$2,706,178	\$517,814	\$169,310			(\$2,019,054)	(\$2,019,054)
Legal	415,950	11,490	77,000			(327,460)	(327,460)
Judicial	2,767,021	816,804	134,522			(1,815,695)	(1,815,695)
Financial Administration	1,007,830	655,732				(352,098)	(352,098)
Public Facilities	994,947					(994,947)	(994,947)
Public Safety	8,635,047	807,253	1,163,636			(6,664,158)	(6,664,158)
Public Transportation	6,235,749	1,003,429	253,643	161,864		(4,816,813)	(4,816,813)
Culture and Recreation	1,414					(1,414)	(1,414)
Health and Welfare	760,237	74,919	15,748			(669,570)	(669,570)
Conservation - Agriculture	161,284					(161,284)	(161,284)
Interest and Fiscal Charges	173,188					(173,188)	(173,188)
<b>Total Government Activities</b>	<b>23,858,845</b>	<b>3,887,441</b>	<b>1,813,859</b>	<b>161,864</b>		<b>(17,995,681)</b>	<b>(17,995,681)</b>
<b>Total Primary Government</b>	<b>\$23,858,845</b>	<b>\$3,887,441</b>	<b>\$1,813,859</b>	<b>\$161,864</b>		<b>(17,995,681)</b>	<b>(17,995,681)</b>
<b>General Revenues</b>							
Property Taxes, Levies for General Purposes						13,537,965	13,537,965
Sales Taxes						2,591,953	2,591,953
Other Taxes						32,371	32,371
Unrestricted Investment Earnings						281,698	281,698
Miscellaneous						553,372	553,372
Special items							
Contributions and Donations						5,100	5,100
Sale of Capital Assets (Gain)						197,410	197,410
<b>Total General Revenues and Transfers</b>						<b>17,199,869</b>	<b>17,199,869</b>
Change in Net Position						(795,812)	(795,812)
Net Position - Beginning - Restated						33,070,669	33,070,669
Net Position - Ending						<b>\$32,274,857</b>	<b>\$32,274,857</b>

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS

HILL COUNTY, TEXAS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2019

	General Fund	Road and Bridge	Other Governmental Funds	Total Governmental Funds
<i>ASSETS</i>				
Cash and Cash Equivalents	\$7,231,200	\$1,998,729	\$3,628,304	\$12,858,233
Receivables (net of allowance for uncollectibles)	1,150,540	426,509	231,993	1,809,042
Due from Others	216,512		2,208	218,720
Total Assets	<u>\$8,598,252</u>	<u>\$2,425,238</u>	<u>\$3,862,505</u>	<u>\$14,885,995</u>
<i>LIABILITIES AND FUND BALANCES:</i>				
<i>Liabilities</i>				
Accounts Payable	\$393,207	\$432,146	\$210,777	\$1,036,130
Accrued Wages Payable	210,944	33,832	25,448	270,224
Due to Others	5,000			5,000
Bank Overdraft			27,706	27,706
Deferred Revenues	746,756	303,913	124,338	1,175,007
Total Liabilities	<u>1,355,907</u>	<u>769,891</u>	<u>388,269</u>	<u>2,514,067</u>
<i>Fund Balances:</i>				
<i>Restricted</i>				
Administration			1,082,512	1,082,512
Construction			287,747	287,747
Culture and Recreation			6,287	6,287
Debt Service			140,458	140,458
Elections			28,774	28,774
Health and Welfare			593,869	593,869
Judicial			484,866	484,866
Legal			16,260	16,260
Public Safety			833,463	833,463
Public Transportation		1,563,547		1,563,547
<i>Assigned</i>				
Administration	775,920	91,800		867,720
Unassigned	6,466,425			6,466,425
Total Fund Balance	<u>7,242,345</u>	<u>1,655,347</u>	<u>3,474,236</u>	<u>12,371,928</u>
Total Liabilities and Fund Balances	<u>\$8,598,252</u>	<u>\$2,425,238</u>	<u>\$3,862,505</u>	<u>\$14,885,995</u>

The accompanying notes are an integral part of this statement.

HILL COUNTY, TEXAS  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET POSITION  
 SEPTEMBER 30, 2019

Total Fund Balances - governmental funds balance sheet	\$12,371,928
Amounts reported for governmental activities in the statement of Net Position ("SNA") are different because:	
Capital assets used in governmental activities are not reported in the funds.	23,978,166
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	2,485,940
Prepaid Items are expenditures in the funds but are recorded as assets in the governmental activities.	804,070
Inventory Costs are expenditures in the funds but are recorded as assets in the governmental activities.	296,430
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles).	1,100,007
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	(8,761,684)
Net Position of governmental activities - statement of Net Position	<u><u>\$32,274,857</u></u>

The accompanying notes are an integral part of this statement.

HILL COUNTY, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
YEAR ENDED SEPTEMBER 30, 2019

	General Fund	Road and Bridge	Other Governmental Funds	Total Governmental Funds
<i>REVENUES</i>				
Taxes				
Property	\$9,109,334	\$2,881,623	\$1,506,915	\$13,497,872
Sales	2,177,241	207,356	207,356	2,591,953
Other	32,371			32,371
Intergovernmental	419,065	415,507	1,141,151	1,975,723
Licenses and Permits		875,754		875,754
Charges for Services	1,575,653	127,675	1,183,700	2,887,028
Fines and Forfeitures	123,398			123,398
Interest	177,772	51,635	52,291	281,698
Contributions and Donations	100	4,500	500	5,100
Miscellaneous	233,531	14,377	305,464	553,372
Total Revenues	<u>13,848,465</u>	<u>4,578,427</u>	<u>4,397,377</u>	<u>22,824,269</u>
<i>EXPENDITURES</i>				
Current:				
General Administration	2,363,364		100,788	2,464,152
Legal	376,309		0	376,309
Judicial	1,872,283		726,146	2,598,429
Financial Administration	943,611			943,611
Public Facilities	393,486			393,486
Public Safety	6,337,298		1,642,026	7,979,324
Public Transportation		6,647,299		6,647,299
Culture and Recreation			250	250
Health and Welfare	264,749		496,411	761,160
Conservation - Agriculture	148,678			148,678
Debt Service				
Principal Retirement	165,951	120,691	500,000	786,642
Interest and Fiscal Charges	17,030	20,632	121,919	159,581
Total Expenditures	<u>12,882,759</u>	<u>6,788,622</u>	<u>3,587,540</u>	<u>23,258,921</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>965,706</u>	<u>(2,210,195)</u>	<u>809,837</u>	<u>(434,652)</u>
OTHER FINANCING SOURCES (USES):				
Sale of Capital Assets	10,233	186,616	561	197,410
Other Financing Sources - Capital Lease	118,250	650,690		768,940
Operating Transfers In	389,015	104,780	354,000	847,795
Operating Transfers Out	(354,000)	(36,780)	(457,015)	(847,795)
Total Other Financing Sources (Uses)	<u>163,498</u>	<u>905,306</u>	<u>(102,454)</u>	<u>966,350</u>
Net Changes in Fund Balances	1,129,204	(1,304,889)	707,383	531,698
Fund Balances - Beginning	6,113,141	2,960,236	2,766,853	11,840,230
Fund Balances - Ending	<u>\$7,242,345</u>	<u>\$1,655,347</u>	<u>\$3,474,236</u>	<u>\$12,371,928</u>

The accompanying notes are an integral part of this statement.

HILL COUNTY, TEXAS  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
SEPTEMBER 30, 2019

Net Changes in Fund Balances - total governmental funds	\$531,698
Amounts reported for governmental activities in the statement of Net Position ("SNA") are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(245,482)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. This is the change in these amounts this year.	1,261
(Increase) decrease in Compensated Absences from beginning of period to end of period.	(162,576)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	40,093
Increase (decrease) in Grants Receivable from beginning of period to end of period.	0
Increase (decrease) in Net Pension/OPEB Receivable from beginning of period to end of period.	(364,502)
Increase (decrease) in Deferred Charge on Refunding from beginning of period to end of period.	(16,676)
Increase (decrease) in Inventory from beginning of period to end of period.	186,951
Increase (decrease) in Prepaid Items from beginning of period to end of period.	(45,226)
(Increase) decrease in Accrued Interest Payable from beginning of period to end of period.	2,813
(Increase) decrease in Premium on bonds from beginning of period to end of period.	256
<b>GASB 68</b>	
Deferred Outflow of Resources-Contribution. This is the change in these amounts this year.	273,265
Deferred Inflow-Differences between expected and actual experience. This is the change in these amounts this year.	317,100
Deferred Outflow-Changes of assumptions. This is the change in these amounts this year.	(72,882)
Deferred Outflow-Net difference between projected and actual earnings. This is the change in these amounts this year.	1,802,331
<b>GASB 75</b>	
Deferred Inflow-Differences between expected and actual experience. This is the change in these amounts this year.	(54,287)
Deferred Outflow-Changes of assumptions. This is the change in these amounts this year.	(27,327)
(Increase) decrease in Net Pension Liability from beginning of period to end of period.	(3,002,200)
(Increase) decrease in OPEB Liability from beginning of period to end of period.	21,876
Repayment of loan principal is an expenditure in the funds but not an expense in the SOA.	786,642
Increase in loan principal are receipts in the funds but not revenue in the SOA.	(768,940)
Change in Net Position of governmental activities - statement of activities	<u><u>(\$795,812)</u></u>

The accompanying notes are an integral part of this statement.

HILL COUNTY, TEXAS  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
<i>REVENUES</i>				
Taxes				
Property	\$9,221,177	\$9,221,177	\$9,109,334	(\$111,843)
Sales	1,650,600	1,650,600	2,177,241	526,641
Other	28,000	28,000	32,371	4,371
Intergovernmental	266,560	392,451	419,065	26,614
Charges for Services	1,444,481	1,444,481	1,575,653	131,172
Fines and Forfeitures	71,275	71,275	123,398	52,123
Interest	95,000	95,000	177,772	82,772
Contributions		0	100	100
Miscellaneous	156,400	162,213	233,531	71,318
Total Revenues	12,933,493	13,065,197	13,848,465	783,268
<i>EXPENDITURES</i>				
Current:				
General Administration				
Computer	918,154	970,949	772,973	197,976
County Clerk	348,724	348,724	331,585	17,139
County Judge	191,193	191,193	188,278	2,915
Elections Administration	202,708	202,708	202,562	146
Non-Departmental	1,313,966	1,448,349	811,447	636,902
Veterans Service	56,493	56,494	56,519	(25)
Legal				
County Attorney	391,547	391,547	371,593	19,954
County Attorney Excess	19,255	19,255	4,716	14,539
Judicial				
County Court at Law	345,079	345,080	343,467	1,613
District Attorney	394,538	394,539	380,051	14,488
District Clerk	408,298	408,297	390,728	17,569
District Judge	237,212	237,213	224,439	12,774
Justices of the Peace	558,161	558,161	533,598	24,563
Financial Administration				
County Auditor	282,720	282,720	244,976	37,744
County Treasurer	220,241	220,241	214,180	6,061
Tax Assessor-Collector	487,687	487,687	484,455	3,232
Public Facilities				
Courthouse	466,279	466,279	393,486	72,793
Public Safety				
911 Dispatch	559,417	561,318	537,104	24,214
Animal Control	76,237	76,237	94,651	(18,414)
Constables	362,765	392,445	362,785	29,660
Courthouse Security	306,586	306,585	282,353	24,232
Crime Victims Assistance Coordinator	16,059	16,059	17,657	(1,598)
Emergency Management	131,050	146,127	139,351	6,776
Jail	2,531,468	2,652,282	2,545,910	106,372
Sheriff	2,275,131	2,439,251	2,357,487	81,764

(continued)

(continued)

Health and Welfare				
Public Assistance	226,886	226,886	193,022	33,864
Health and Safety	74,944	74,945	71,727	3,218
Conservation - Agriculture				
Agriculture Extension Service	170,235	170,235	148,678	21,557
Debt Service				
Principal Retirement	165,951	165,951	165,951	0
Interest Retirement	17,030	17,030	17,030	0
Total Expenditures	<u>13,756,014</u>	<u>14,274,787</u>	<u>12,882,759</u>	<u>1,392,028</u>
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	<u>(822,521)</u>	<u>(1,209,590)</u>	<u>965,706</u>	<u>2,175,296</u>
OTHER FINANCING SOURCES (USES):				
Sale of Capital Assets	0	118,250	10,233	(108,017)
Other Financing Sources - Miscellaneous Transfers			118,250	118,250
Operating Transfers In	609,000	609,000	389,015	(219,985)
Operating Transfers Out	<u>(289,000)</u>	<u>(354,000)</u>	<u>(354,000)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>320,000</u>	<u>373,250</u>	<u>163,498</u>	<u>(209,752)</u>
Net Changes in Fund Balances	<u>(502,521)</u>	<u>(836,340)</u>	<u>1,129,204</u>	<u>1,965,544</u>
Fund Balances - Beginning	<u>6,113,141</u>	<u>6,113,141</u>	<u>6,113,141</u>	
Fund Balances - Ending	<u>\$5,610,620</u>	<u>\$5,276,801</u>	<u>\$7,242,345</u>	<u>\$1,965,544</u>

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

HILL COUNTY, TEXAS  
ROAD AND BRIDGE FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes				
Property	\$2,907,683	\$2,907,683	\$2,881,623	(\$26,060)
Sales	157,200	157,200	207,356	50,156
Intergovernmental	51,522	51,522	415,507	363,985
Licenses and Permits	843,800	843,800	875,754	31,954
Charges for Services	75,265	75,265	127,675	52,410
Interest	28,186	28,184	51,635	23,451
Contributions and Donations		0	4,500	4,500
Miscellaneous		0	14,377	14,377
Total Revenues	4,063,656	4,063,654	4,578,427	514,773
<b>EXPENDITURES</b>				
Current				
Public Transportation				
Road and Bridge	7,541,767	7,795,748	6,647,299	1,148,449
Debt Service				
Principal Retirement	121,108	121,107	120,691	416
Interest Retirement	21,090	21,090	20,632	458
Total Expenditures	7,683,965	7,937,945	6,788,622	1,149,323
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,620,309)	(3,874,291)	(2,210,195)	1,664,096
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of Capital Assets	0	92,280	186,616	94,336
Other Financing Sources - Capital Lease	537,940	650,315	650,690	375
Transfers in	86,500	123,279	104,780	(18,499)
Transfers Out	(20,500)	(20,000)	(36,780)	(16,780)
Total Other Financing Sources (Uses)	603,940	845,874	905,306	59,432
Net Changes in Fund Balances	(3,016,369)	(3,028,417)	(1,304,889)	1,723,528
Fund Balances - Beginning	2,923,535	2,960,236	2,960,236	
Fund Balances - Ending	(\$92,834)	(\$68,181)	\$1,655,347	\$1,723,528

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

HILL COUNTY, TEXAS  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Agency Funds
<b>ASSETS</b>	
Cash and Cash Equivalents	\$2,114,171
Receivables (net of allowance for uncollectibles)	<u>0</u>
Total Assets	<u><u>\$2,114,171</u></u>
<b>LIABILITIES</b>	
Accounts Payable	\$1
Due to Others	<u>2,114,170</u>
Total Liabilities	<u><u>\$2,114,171</u></u>

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

HILL COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019

I. Summary of Significant Accounting Policies

A. Reporting entity

Hill County operates under a County Judge – Commissioners’ Court type of government and provides the following services throughout the County: public safety (fire, ambulance, and law enforcement), public transportation (highways and roads), health and welfare, culture and recreation, conservation (agriculture), public facilities, judicial and legal, election functions, and general and financial administrative services. The accounting policies of Hill County, Texas, (the County) conform to generally accepted accounting principles. The County also applies all relevant Government Accounting Standards Board (GASB) pronouncements. The following is a summary of the more significant policies.

The accounts of the County are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

B. Government-Wide and Fund Financial Statements

The County’s Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental Activities for the County accompanied by a total column.

These statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the County’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the County are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities, which are presented as internal balances and eliminated in the total primary government column. When both restricted and unrestricted resources are available for use, it is the County’s policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the Government-Wide financial statements. The County has presented all major funds that met those qualifications.

All governmental funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the County, are property tax, intergovernmental revenues and charges for services. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The government reports the following major governmental funds:

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

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

- C. Fiduciary fund financial statements include a Statement of Net Position. The County’s fiduciary funds are Agency Funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Agency funds are accounted for on a spending or “economic resources” measurement focus.

D. Assets, Liabilities, and Net position or Equity

1. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Government and the District to invest in obligations of the U.S. Treasury. Investments for the Government are reported at fair value.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All property tax receivables are shown net of an allowance for uncollectibles. The property tax receivable allowance is equal to a total of 1 percent of the current outstanding property taxes at September 30, 2019 and 10 percent of the delinquent outstanding property taxes at September 30, 2019.

Property is appraised and a lien on such property becomes enforceable as of January 1, subject to certain procedures for rendition, appraisal, appraisal review and judicial review. Traditionally, property taxes are levied October 1, of the year in which assessed or as soon thereafter as practicable. Taxes are due and payable when levied since that is when the County bills the taxpayers. The County begins to collect the taxes as soon as the taxpayers are billed.

3. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. The cost of such inventories is recorded as expenses when consumed rather than when purchased in the government-wide financial statements. In the governmental funds the purchasing method is used thus expenditures are recognized at the time of purchase.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide financial statements. The cost of prepaid items are recorded as expenses when consumed rather than when purchased in the government-wide financial statements. In the governmental funds the purchasing method is used thus expenditures are recognized at the time of purchase.

4. Restricted Assets

There were no restricted assets at September 30, 2019.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities' columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. The County had major road repair, construction, and maintenance during the year.

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

Permanent Buildings	50
Building Improvements/Towers	25
Bridges/Infrastructure	25
Air Conditioning/Heating/Wiring	15
Fire Suppression Systems	10
Temporary Structures	10
Counters/ Shelving/Cabinets	10
Heavy Trucks	10
Heavy Equipment/ Trailers	7
Kitchen Equipment/ Cameras	7
Radio/ Mobile Communications	7
Chip Sealing Roads	5
Vehicles	5
Computer Programming/Licenses	5
Computer Servers/ Drones	4

6. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused PTO benefits. All PTO pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in government-wide financial statements.

7. Long-Term Obligations

In the government-wide financial statements in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs and loss on refunding, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs and loss on refunding are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund Balances – Governmental Funds

As of September 30, 2019, fund balances of the governmental funds are classified as follows:

***Restricted*** — This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of the revenue note and are restricted through debt covenants. Infrastructure Projects are restricted by State Statute and County laws and are legally segregated for funding of infrastructure improvements.

***Assigned*** — Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Assigned fund balance includes all positive remaining amounts in governmental funds, other than the General Fund, that are not considered nonspendable, restricted, or committed.

***Unassigned*** — all other spendable amounts.

As of September 30, 2019, fund balances are composed of the following:

Fund Balances:	
Restricted	
Administration	\$1,082,512
Construction	287,747
Culture and Recreation	6,287
Debt Service	140,458
Elections	28,774
Health and Welfare	593,869
Judicial	484,866
Legal	16,260
Public Safety	833,463
Public Transportation	1,563,547
Assigned	
Administration	867,720
Unassigned	6,466,425
Total Fund Balance	<u>\$12,371,928</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is 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 Commissioners' Court or the finance committee has provided otherwise in its commitment or assignment actions.

In fiscal year 2011, the Commissioners' Court adopted a minimum fund balance policy for the General Fund. The policy requires the unassigned fund balance at fiscal year end to be at least equal to 25 percent of the subsequent year's budgeted General Fund expenditures.

9. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The government has three items that qualify for reporting in this category; GASB 68, GASB 75, and Deferred Charge on Refunding.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has two items that qualify for reporting in this category; GASB 68 and GASB 75.

The County reports unearned revenue on its fund financial statements. Unearned revenues arise when potential revenue does not meet both the "measureable" and "available" criteria for recognition in the current period (fund financial statements). Unearned revenues also arise when resources are unearned by the County and received before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures (fund financial statements and government-wide financial statements). In subsequent periods, when both revenue recognition criteria are met, or when the County has a legal claim to the resources, the liability for unearned revenue is removed from the applicable financial statement and revenue is recognized. The government has included the following in this category: 1. Deferred Ad Valorem Taxes pursuant to GASB 65.

10. Net position flow assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

## II. Reconciliation of Government-Wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$8,761,684 difference are as follows:

Bonds Payable	\$3,110,000
Bond Premium	1,539
Capital Leases Payable	1,566,517
Accrued Interest Payable	20,047
Compensated Absences	885,840
Net Pension Liability	3,002,200
Net OPEB Liability	<u>175,541</u>
	<u>\$8,761,684</u>

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds" report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this \$23,978,166 difference are as follows:

Capital Assets Not Being Depreciated	\$91,650
Capital Assets Being Depreciated	47,092,575
Accumulated Depreciation	(23,206,059)
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Assets of Governmental Activities	<u>\$23,978,166</u>

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position. (Continued)

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that "Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles)." The details of this \$1,100,007 difference are as follows:

Property Taxes Receivable	\$1,254,983
Allowance for Doubtful Accounts	<u>(154,976)</u>
Net	<u>\$1,100,007</u>

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "Justice of the Peace and Clerk fines and fees receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles.)" Other elements of that reconciliation includes GASB 68, Net Pension Receivable, Deferred Charge on Refunding, and GASB 75 deferrals. The details of this \$2,485,940 difference are as follows:

Fines Receivable	\$1,246,448
Allowance for Doubtful Accounts	(1,013,959)
<b>GASB 75</b>	
Differences between Expected and Actual Experience	(58,080)
Changes of Assumptions	(27,327)
<b>GASB 68</b>	
Deferred Outflow of Resources-Contributions (after 12/31/18)	1,071,333
Differences between Expected and Actual Experience	(422,512)
Changes of Assumptions	121,157
Net Difference between Projected and Actual Earnings	1,431,871
Net Pension Receivable	36,954
Deferred Charge on Refunding	<u>100,055</u>
Net	<u>\$2,485,940</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities. The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this (\$245,482) difference are as follows:

Capital Outlay - Additions - Not Being Depreciated	\$28,673
Capital Outlay - Additions - Being Depreciated	2,108,346
Capital Outlay - Deletions - Net	(37,477)
Depreciation Expense	(2,345,024)

Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net assets of Governmental Activities	<u><u>(\$245,482)</u></u>
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### III. Stewardship, Compliance, and Accountability

#### A. Budgetary Information

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

The final amended budget is used in this report.

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

The County Judge is, by statute, the Budget Officer of the County. He usually requests and relies on the assistance of the County Auditor to prepare the annual budget. After being furnished budget guidelines by the Commissioners' Court, the County Auditor prepares an estimate of revenues and a compilation of requested departmental expenditures and submits this data to the Commissioners' Court.

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

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

Budgets for all budgeted General and Road and Bridge funds are adopted on a budgetary basis which is in conformity with generally accepted accounting principles (GAAP).

#### B. Excess of Expenditures over Appropriations

Expenditures did not exceeded appropriations for the year ended September 30, 2019.

#### C. Deficit fund equity

The county had no deficit fund balances as of September 30, 2019 except for the crime victim assistance fund which had a deficit of \$1 and the road and bridge no. 1 fund which had a deficit fund balance of \$34,844. This deficit will be financed by future resources of the fund.

#### IV. Detailed Notes on All Funds

##### A. Deposits and Investments

###### Legal and Contractual Provisions Governing Deposits and Investments:

The Public Funds Investment Act (Government Code Chapter 2256) (the "Act") 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: safety of principal and liquidity, portfolio diversification, allowable investments, acceptable risk levels, expected rates of return, maximum allowable stated maturity of portfolio investments, maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, investment staff quality and capabilities, and bid solicitation preferences for certificates of deposit.

Statutes authorize the County to invest in: obligations of the U. S. Treasury, certain U.S. agencies, and the State of Texas, certificates of deposit, certain municipal securities, money market savings accounts, repurchase agreements, bankers' acceptances, mutual funds, investment pools, guaranteed investment contracts, and common trust funds. The Act also requires the County to have independent auditors perform test procedures related to investment practices as provided by the Act. The County is in compliance with the requirement of the Act and with local policies.

***Custodial Credit Risk - Deposits:*** In the case of deposits, this is the risk that in the event of bank failure, the County's deposits may not be returned to it. The County has a deposit policy for custodial credit risk. The County's investment policy requires funds on deposit at the depository bank to be collateralized by securities and FDIC insurance. As of September 30, 2019, pledged securities that are in the County's name and FDIC insurance exceeded bank balances.

The government's bank balance of \$10,910,785 with Citizens State Bank was not exposed to custodial credit risk because it was fully insured and/or collateralized with securities held by the pledging financial institution's trust department or agent, in the government's name; the total amount of the pledged securities was \$13,428,797 and the FDIC coverage is \$250,000.

The government's bank balance of \$4,513,345 with Wells Fargo Bank was not exposed to custodial credit risk because it was fully insured and/or collateralized with securities held by the pledging financial institution's trust department or agent, in the government's name; the total amount of the pledged securities was \$4,489,790 and the FDIC coverage is \$250,000.

The amount of \$100,553 with Citizens State Bank was covered by the FDIC.

B. Receivables

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

	General	Road and Bridge	Other Govern- mental	Total
<u>Receivables</u>				
Ad Valorem Taxes	\$850,622	\$262,728	\$141,633	\$1,254,983
Sales Taxes	349,579	33,293	33,293	416,165
Grants	14,271	104,271		118,542
Accounts	21,130	52,490	71,230	144,850
Fines	1,246,448			1,246,448
Other	213,720			213,720
Gross Receivables	<u>2,695,770</u>	<u>452,782</u>	<u>246,156</u>	<u>3,394,708</u>
Less: Allowance for Uncollectibles	1,099,021	26,273	14,163	1,139,457
Net Total Receivables	<u>\$1,596,749</u>	<u>\$426,509</u>	<u>\$231,993</u>	<u>\$2,255,251</u>

C. Capital Assets

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

Governmental Activities:	Beginning			Ending
Capital Assets Not Being Depreciated:	Balances	Increases	Decreases	Balances
Land	62,977	28,673		91,650
Construction in Progress	0			0
Total Capital Assets Not Being Depreciated:	<u>62,977</u>	<u>28,673</u>	<u>0</u>	<u>91,650</u>
Capital Assets Being Depreciated:				
Building and Improvements	21,595,853	210,222		21,806,075
Machinery and Equipment	12,479,909	1,638,944	473,451	13,645,402
Infrastructure	11,381,918	259,180		11,641,098
Total Capital Assets Being Depreciated:	<u>45,457,680</u>	<u>2,108,346</u>	<u>473,451</u>	<u>47,092,575</u>
Less: Accumulated Depreciation for:				
Building and Improvements	9,600,752	588,588		10,189,340
Machinery and Equipment	7,935,268	1,158,054	435,974	8,657,348
Infrastructure	3,760,989	598,382		4,359,371
Total Accumulated Depreciation	<u>21,297,009</u>	<u>2,345,024</u>	<u>435,974</u>	<u>23,206,059</u>
Total Capital Assets Depreciated, Net	<u>24,160,671</u>	<u>(236,678)</u>	<u>37,477</u>	<u>23,886,516</u>
Governmental Activities Capital Assets, Net	<u>24,223,648</u>	<u>(208,005)</u>	<u>37,477</u>	<u>23,978,166</u>

The County had major road repair, construction, and maintenance during the year.

Depreciation charged to the functions is as follows:

Governmental Activities	
General Administration	\$192,263
Financial Administration	2,057
Public Facilities	387,892
Public Safety	516,256
Public Transportation	<u>1,246,556</u>
Total Depreciation Expense - Governmental Activities	<u>\$2,345,024</u>

D. Interfund Receivables, Payables, and Transfers

There were no advances at September 30, 2019.

There were no due to/from other funds at September 30, 2019.

The transfers are as follows:

<b>TRANSFER OUT</b>	<b>TRANSFER IN</b>			<b>TOTAL</b>
	<b>GENERAL FUND</b>	<b>ROAD AND BRIDGE FUNDS</b>	<b>NON-MAJOR GOVERNMENTAL FUNDS</b>	
ROAD AND BRIDGE FUNDS		\$104,780		\$104,780
NON-MAJOR GOVERNMENTAL FUNDS	389,015		354,000	743,015
<b>TOTALS</b>	<b>\$389,015</b>	<b>\$104,780</b>	<b>\$354,000</b>	<b>\$847,795</b>

The above transfers were for operating capital and are non-recurring.

E. Leases

Operating Leases

The government leases equipment under non-cancelable operating leases. Total costs for such leases were \$295,707 for the year ended September 30, 2019. The future minimum lease payments for these leases are as follows:

Year Ending Sep. 30,	<u>Amount</u>
2020	\$310,588
2021	148,706
2022	47,508
2023	14,557
2024	<u>2,910</u>
Total	<u>\$524,269</u>

Rent expenditures were \$9,105 for the year ended September 30, 2019. Rental income was \$20,400 for the year ended September 30, 2019. Sublet rental income was \$0 for the year ended September 30, 2019.

F. Long-Term Debt

Capital Leases

Capital Leases: The government has entered several capital lease agreements as lessee for financing the acquisition of machinery and equipment; as set forth below. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. The security pledged for the capital leases is the equipment financed.

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

Asset:	Amount Financed	Cost	Accumulated Depreciation	Net
ODYSSEY - CAPITAL SOFTWARE	850,000	734,950	318,478	416,472
TRACTOR AND MOWER	142,777	142,027	45,651	96,376
2018 FREIGHTLINER GLIDER	104,000	124,400	34,062	90,338
2016 JOHN DEERE 75G EXCAVATOR 8310	88,669	104,000	17,333	86,667
2017 JOHN DEERE 410L BACKHOE	125,150	94,724	15,787	78,937
TRACTOR & MOWER	95,109	87,904	16,744	71,160
2019 MACK DUMP TRUCKS	380,000	383,950	23,360	360,590
2019 ASPHALT ZIPPER	270,690	269,940	19,281	250,659
PANASONIC TOUGHBOOKS & KEYBOARDS***	128,616	118,250	0	118,250
Total	<u>\$2,185,011</u>	<u>\$2,060,145</u>	<u>\$490,696</u>	<u>\$1,569,449</u>

\*\*TOUGHBOOKS IS NOT A DEPRECIABLE ASSET

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2019, were as follows:

ASSET	2020	2021	2022	2023	2024	2025	TOTAL	NET	INTEREST
ODYSSEY - CAPITAL SOFTWARE	182,981	182,981					365,962	348,562	17,400
TRACTOR AND MOWER	22,943	22,943	22,943	22,943	22,943		114,715	104,980	9,735
2018 FREIGHTLINER GLIDER	28,643	28,643	28,643				85,929	79,286	6,643
2016 JOHN DEERE 75G EXCAVATOR 8310	20,045	20,045	20,045	20,045			80,180	72,393	7,787
2017 JOHN DEERE 410L BACKHOE	20,129	20,129	20,129	20,129	20,129	20,129	120,774	109,098	11,676
TRACTOR & MOWER	16,055	16,055	16,055	16,055	16,055	16,055	96,330	83,258	13,072
2019 MACK DUMP TRUCKS	56,967	56,967	56,967	56,967	56,967	113,934	398,769	380,000	18,769
2019 ASPHALT ZIPPER	40,585	40,585	40,585	40,585	40,585	121,756	324,681	270,690	53,991
PANASONIC TOUGHBOOKS & KEYBOARDS	42,872	42,872	42,872				128,616	118,250	10,366
	<u>\$431,220</u>	<u>\$431,220</u>	<u>\$248,239</u>	<u>\$176,724</u>	<u>\$156,679</u>	<u>\$271,874</u>	<u>\$1,715,956</u>	<u>\$1,566,517</u>	<u>\$149,439</u>

In 2010, the County issued \$6,740,000 in limited tax refunding bonds with an interest rate ranging from 2.00% - 3.50%. The proceeds were used to refund \$6,560,000 of outstanding 1997 and 2001 certificates of obligations which had interest rates ranging from 4.25% to 5.50%. The net proceeds of \$6,970,502 (including a \$3,844 premium, a \$315,863 cash contribution and after payment of \$89,205 in issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the 1997 and 2001 certificates of obligations were considered partially defeased and the liability for those bonds has been removed from the statement of net position. As of September 30, 2019, the funds deposited into the irrevocable trust have been used to pay the bondholders thus the bonds are no longer defeased.

Bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Rates</u>	<u>Amount</u>
Limited Tax Refunding Bonds	2.00% to 3.50%	\$3,110,000

The following is a summary of debt service requirements to maturity.

Year Ending September 30,	Governmental Activities	
	<u>Principal</u>	<u>Interest</u>
2020	\$515,000	\$106,919
2021	535,000	90,825
2022	555,000	72,100
2023	575,000	52,675
2024	595,000	32,550
2025	335,000	11,725
TOTALS	<u>\$3,110,000</u>	<u>\$366,794</u>

Changes in long-term liabilities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>	<u>Due After One Year</u>
<u>Governmental Activities:</u>						
Certificates of Obligation	\$3,610,000		\$500,000	\$3,110,000	\$515,000	\$2,595,000
Premium on bonds	1,795		256	1,539		1,539
Total Bonds Payable	<u>3,611,795</u>	<u>0</u>	<u>500,256</u>	<u>3,111,539</u>	<u>515,000</u>	<u>2,596,539</u>
Capital Leases Payable	1,084,219	768,940	286,642	1,566,517	372,206	1,194,311
Compensated Absences	723,264	885,840	723,264	885,840	221,460	664,380
Net OPEB Liability	197,417		21,876	175,541		175,541
Net Pension Liability	0	3,002,200		3,002,200		3,002,200
Grand Total	<u>\$5,616,695</u>	<u>\$4,656,980</u>	<u>\$1,532,038</u>	<u>\$8,741,637</u>	<u>\$1,108,666</u>	<u>\$7,632,971</u>

The above is serviced by the debt service fund established for the purpose of servicing the bonded debt. The capital leases are serviced by general fund and the road and bridge funds. The compensated absences of \$885,840 are funded by the general and road and bridge funds. The total interest expense was \$173,188.

The government-wide statement of activities includes \$1,108,666 as "noncurrent liabilities, due within one year".

V. Other Information

A. Risk Management

**The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.**

**Claim liabilities are estimated considering the effects of inflation, recent claim settlement trends (including frequency and amounts of payouts) and other economic and social factors (including the effects of specific, incremental claim adjustment expense, salvage and subrogation).**

**Changes in accrued liabilities for these claims follow:**

	<u>Year ended</u> <u>09/30/18</u>	<u>Year ended</u> <u>09/30/19</u>
<b>Unpaid Claims, Beginning of Fiscal Year</b>	\$ -0-	\$ -0-
<b>Incurred Claims (including IBNRs)</b>	-0-	-0-
<b>Claim Payments</b>	<u>-0-</u>	<u>-0-</u>
<b>Unpaid Claims, End of Fiscal Year</b>	<u>\$ -0-</u>	<u>\$ -0-</u>

1. General Liability Insurance

The County is insured for general, police officers and automobile liability.

The County has joined together with other governments in the Texas Association of Counties Risk Management Pool. The County pays an annual premium to Risk Management for auto vehicle insurance coverage. The agreement with Risk Management provides that Risk Management will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$100,000 to \$300,000 for each insurance event. The County anticipates no contingent losses.

Texas Association of Counties Risk Management Pool has published its own financial report that can be obtained from the Texas Association of Counties Risk Management Pool.

The County continues to carries commercial fidelity bonds for elected officials and for management.

2. Property and Casualty Insurance

Property, casualty, mobile equipment insurance is provided by Texas Association of Counties Risk Management Pool.

3. Workers' Compensation Insurance

The County insures against workers' compensation claims through Texas Association of Counties Risk Management Pool.

4. Group Health and Life Insurance

The County maintains a group health insurance plan for active employees and their eligible dependents. Costs are recorded in the fund from which the employees' compensation is paid.

5. Unemployment Compensation Insurance

The County insures for unemployment compensation claims through an agreement with the Texas Workforce Commission (TWC).

B. Related Party Transaction

The County Judge, Justin Lewis, owns interest in CEHA, LLC in which the limited liability corporation donated a piece of property for Pct. 2 barn. The property is valued at roughly \$2,100.00.

Commissioner Precinct 2, Larry Crumpton, owns a partial interest in Crumpton & Sons Construction, Inc. Crumpton & Sons was paid \$1,000.00 for dozer clearing work in Precinct 1 by the County.

The County paid \$46,630.00 in construction/demo/refinish costs to Eagle Maintenance & Construction, which is owned by Commissioner Martin Lake's Brother in Law, for various projects within the County.

The County paid \$173.89 for vehicle service/maintenance to Gene's Auto Service, which is owned by Rhonda Burkhart, the Treasurer.

The County paid Charles Jones, who is the Justice of the Peace Precinct #4, \$11,114.18 for rent, office expense, utilities, cell phone and travel. Charles Jones also owns Poteet Motors; however, the County did not pay for any services during the fiscal year.

The County paid Martis Ward, Justice of the Peace Precinct #1, and \$4,633.17 for fiscal year 2018-2019 for rent, utilities, phone, cell phone, travel, training, and postage. Martis Ward also owns Martis Ward Paint and Body; however, the County did not pay that vendor any monies in FY 2018-2019.

Martis Ward, JP Precinct #1's daughter is Laura Ward, who is a Sheriff's Office Dispatcher.

Scotty Hawkins, Commissioner Precinct #3's brother is Michael Cody Hawkins, who is a Road Hand for Precinct #3.

C. Subsequent Events

In November 2019, the Commissioners approved to finance with Government Capital (Contract #8912) for two (2) new semi-trucks (MACK CHU613), two (2) new Belly Dump Trailers and a John Deere 611M Tractor SN# 931228 with a Tiger New RT50D brush cutter, in the amount of \$446,086.52 with a 3% interest rate. The term is to be paid off in three annual payments beginning December 2, 2020 and ending December 2, 2022. Commissioners also approved a resolution regarding a finance agreement with Government Capital Corporation (Contract #8934) for the purpose of procuring an energy conservation project with a term of ten years with payments starting on December 15, 2020 thru December 15, 2029 with an interest rate of 2.64% and annual payments of \$115,123.83.

In January 2020, the Commissioners approved to allow County Attorney, David Holmes to negotiate with the Attorneys for ICE Construction LLC and enter into a Rule 11 Agreement and make an interim payment. Per Rule 11 Agreement, Hill County shall make a one-time lump sum payment to ICE in the amount of \$97,042.28 on or before February 8, 2020 for services rendered and materials delivered. ICE shall not complete further work on worksite until County can establish proper Request for Proposal to be complete.

In February 2020, Commissioners approved to accept a donation of \$40,000.00 for road improvements to Hill County Road 2200 from Monarch Mountain Minerals and Aggregates, LLC.

On February 25, 2020, the Commissioners Court approved a resolution regarding a financing agreement with Government Capital Corporation for the purpose of procuring three (3) 2019 John Deere 772 G motor graders, in the amount of \$886,161.93. The commissioners also approved a resolution on a Tax Abatement Agreement between Hill County and Johns Manville, a Delaware Corporation. The applicant will construct a manufacturing space for an estimated cost of \$40,000,000.00.

In May 2020, the Commissioners approved a \$10,000.00 donation to Hill County Precinct #2 from Barney and Lucy Pustejovsky for chip sealing HCR 3111. The Commissioners also approved a donation from Deep South Cargo, LLC for an enclosed trailer for the Constable's Office.

D. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial. The government was involved with the following lawsuits.

Pending case – *Sherry D. Hammer v. Hill County Sheriff's Office*; SOAH No. 407-19-6228.F5 - This matter involves the Petitioner, Sherry D. Hammer's Petition to Correct Separation of Licensee Report, seeking the correction on the separation report from dishonorable discharge to honorable discharge filed on June 25, 2019. The Texas Commission of Law Enforcement sent the matter to the State Office of Administrative Hearings. On November 26, 2019, the Petitioner filed an Agreed Motion to Abate. On December 4, 2019, the State Office of Administrative Hearing ordered the hearing that was scheduled for February 4, 2020 cancelled and suspended all prehearing deadlines. We continue to monitor this matter.

Threatened case – *Derrick Haddock v. Matt Crain*, Cause No. 6:19-cv-00615-ADA-JCM - Derrick El, Natural Person, ex. rel. Derrick Haddock has brought suit against the Hill County Attorney, an Assistant County Attorney, the Hill County Court at Law Judge, a Texas DPS Trooper and one unidentified Defendant claiming deprivation of rights under the color of law. Plaintiff raises multiple unsupported allegations of constitutional violations; however, there are no facts listed that reasonably assist with a determination for any claims and various elements associated for such claims. Defendants have not been formally served with citation. Defendants R. David Holmes and Michaela Alvarado received copies of the complaint via certified mail. Plaintiff has not served summons pursuant to FRCP 4 on any Defendant.

E. Prior Period Adjustments

The County has determined that certain transactions were recorded incorrectly in a prior year. The County had a prior period adjustment where by governmental activities' Net Position were restated upward by \$26,500 due to omitting a Pit Boss Trailer in the 2018 year.

The restatements had the corresponding effect on the beginning net Position, as follows:

	Net Position, as Previously Reported	Capital Asset Restatement	Net Position As Restated
<b>Governmental Activities:</b>			
Net Position	\$33,044,169	\$26,500	\$33,070,669
<b>Total Governmental Activities</b>	<b>\$33,044,169</b>	<b>\$26,500</b>	<b>\$33,070,669</b>

F. Tax Abatements

State law allows governments to enter into agreements for tax abatements which is anticipated to result in industry expansions and future revenues for the District. Under these agreements a company is exempt from paying a portion if not all property taxes to the District for a certain period. In return the company agrees to construct or expand new industry in the District and employ a certain number of workers.

In June 2012, the District entered into an Economic Development Program Agreement, pursuant to Section 381.004 of the Texas Local Government Code, with DYNAenergetics US, Inc. to manufacture and distribute systems for oil and gas wells and related operations for purposes of constructing and operating a factory producing charges used for perforating activities in the oil and gas industry.

The terms of the agreement are as follows:

1. The County agrees to annually reimburse DYNA the following percentages of taxes paid by DYNA for the specified tax year on the tax assessed value of real property, business personal property, equipment and inventory associated with such manufacturing facility and land, as follows:

Tax Year	Percentage
2019	25%
2020	25%

2. In consideration for the Abatement, Owner agrees to employ a minimum of seventeen (17) full time or equivalent employees at the manufacturing facility, for the purposes of operating and maintaining the improvements, by the Completion Date, and to maintain these employment positions throughout the remainder of the Abatement Period.

In April 2014, the District entered into an agreement pursuant to the requirements of Chapter 381 of the Texas Local Government Code and Chapter 312 of the Texas Tax Code, with IKO Southwest, Inc. to build a roofing products manufacturing facility which will create new jobs and provide economic benefits to the Hillsboro community. Each agreement provides for the recapturing of property tax revenue lost as a result of the agreement if the owner defaults.

The gross taxes abated during the 2019 year amounted to \$461,206.

The terms of the agreement are as follows:

3. The Abatement shall extend for a period of ten (10) tax years beginning on the Abatement Start Date (the "Abatement Period") and shall apply to all Eligible Property Value for each tax year in the Abatement Period.
4. The abatement is reduced to 90%.
5. In consideration for the Abatement, Owner agrees to create at least 40 permanent employment positions, for the purposes of operating and maintaining the improvements, by the Completion Date, and to maintain these 40 permanent employment positions throughout the remainder of the Abatement Period.
6. Owner agrees to make a capital investment of at least \$80 million.

On July 30, 2019, the District entered into an agreement pursuant to Chapter 312 of the Texas Tax Code, with Sun Valley Solar, LLC for the development and construction/installation of facilities and equipment for the operation of a minimum 250-megawatt solar electric generating system/facility, 410,959 photovoltaic panels, and 51 central inverters. Each agreement provides for the recapturing of property tax revenue lost as a result of the agreement if the owner defaults.

The gross taxes abated during the 2019 year amounted to \$0.00.

The terms of the agreement are as follows:

1. The Abatement shall extend for a period of ten (10) tax years beginning on the Abatement Start Date (the "Abatement Period") and shall apply to all Eligible Property Value for each tax year in the Abatement Period.
2. The abatement is a zero Base Year Value abatement where the only matter of importance is the Taxable Value from one Tax Year to the next.
3. In consideration for the Abatement, Owner agrees to create at least 2 permanent employment positions, for the purposes of operating and maintaining the improvements, by the Completion Date, and to maintain these 2 permanent employment positions throughout the remainder of the Abatement Period.
4. Owner agrees to make a capital investment of at least \$225 million.

On August 27, 2019, the District entered into an agreement pursuant to Chapter 312 of the Texas Tax Code, with BT Pitts Dudik Solar, LLC for the development and construction/installation of facilities and equipment for the operation of a minimum 80-megawatt solar electric generating system/facility, photovoltaic panels, and central inverters. Each agreement provides for the recapturing of property tax revenue lost as a result of the agreement if the owner defaults.

The gross taxes abated during the 2019 year amounted to \$0.00.

The terms of the agreement are as follows:

1. The Abatement shall extend for a period of ten (10) tax years beginning on the Abatement Start Date (the "Abatement Period") and shall apply to all Eligible Property Value for each tax year in the Abatement Period.
2. The abatement is a zero-Base Year Value abatement where the only matter of importance is the Taxable Value from one Tax Year to the next.
3. Owner agrees to make a capital investment of at least \$50 million.

On August 27, 2019, the District entered into an agreement pursuant to Chapter 312 of the Texas Tax Code, with BT Files Solar, LLC for the development and construction/installation of facilities and equipment for the operation of a minimum 140-megawatt solar electric generating system/facility, photovoltaic panels, and central inverters. Each agreement provides for the recapturing of property tax revenue lost as a result of the agreement if the owner defaults.

The gross taxes abated during the 2019 year amounted to \$0.00.

The terms of the agreement are as follows:

1. The Abatement shall extend for a period of ten (10) tax years beginning on the Abatement Start Date (the "Abatement Period") and shall apply to all Eligible Property Value for each tax year in the Abatement Period.
2. The abatement is a zero-Base Year Value abatement where the only matter of importance is the Taxable Value from one Tax Year to the next.
3. Owner agrees to make a capital investment of at least \$150 million.

## G. Summary of TCDRS Funding Policy

Net Pension Liability / (Asset)	Net Pension Liability / (Asset)	
	December 31, 2017	December 31, 2018
Total pension liability	\$23,614,080	\$26,326,816
Fiduciary net position	24,015,535	23,324,616
Net pension liability/(asset)	(401,456)	3,002,200
Fiduciary net position as a % of total pension liability	101.70%	88.60%
Pensionable covered payroll	\$7,741,686	\$8,163,936
Net Pension liability as a % of covered payroll	(5.19%)	36.77%

The total pension liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below.

*Note: Rounding differences may exit above or in other tables in this report.*

### Discount Rate

Discount rate	8.10%	8.10%
Long-term expected rate of return, net of investment expense	8.10%	8.10%
Municipal bond rate	Does not apply	Does not apply

### Other Key Actuarial Assumptions

All actuarial assumptions that determined the total pension liability as of December 31, 2018 were based on the results of an actuarial experience study for the period January 1, 2013 - December 31, 2016, except where required to be different by GASB 68.

See Appendix B of this report (Actuarial Methods and Assumptions Used for GASB Calculations) for a listing of key assumptions used in the calculation of the total pension liability and other GASB 68 metrics.

See Appendix C (Actuarial Methods and Assumptions Used for Funding Valuation) of this report for a full description of the actuarial assumptions used in the funding valuation.

	Beginning Date	Ending Date
Valuation date	December 31, 2017	December 31, 2018
Measurement date	December 31, 2017	December 31, 2018
Employer's fiscal year	October 1, 2018	September 30, 2019

## 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 that 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. See Milliman's TCDRS Investigation of Experience report for the period January 1, 2013 -December 31, 2016 for more details.

Asset Class	Benchmark	Target Allocation	Geometric Real Rate of Return
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%
Int'l Equities - Developed Markets	MSCI World Ex USA (net) Index	10.00%	5.40%
Int'l 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 Equity REITs Index + 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 <sup>(S)</sup>	6.00%	6.30%
	Hedge Fund Research, Inc. (HFRI) Fund of Funds		
Hedge Funds	Composite Index	13.00%	3.90%

## 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.

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

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. Therefore, we have used a discount rate of 8.10%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8.00%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

As additional documentation for auditing purposes, we have shown the projection of the Fiduciary Net Position in the following exhibit ("Projection of Fiduciary Net Position").

**Projection of Fiduciary Net Position**

Calendar Year Ending	Projected Beginning Fiduciary Net Position (a)	Projected Total Contributions (b)	Projected Benefit Payments (c)	Projected Administrative Expenses (d)	Projected Investment Earnings (e)	Projected Ending Fiduciary Net Position (a)+(b)-(c)-(d)+(e)
2019	\$23,324,616	\$1,293,022	\$1,781,398	\$23,325	\$1,868,974	\$24,681,889
2020	24,681,889	1,268,092	1,542,352	24,682	1,987,362	26,370,308
2021	26,370,308	1,279,458	1,619,387	26,370	2,121,449	28,125,458
2022	28,125,458	1,295,229	1,696,806	28,125	2,261,098	29,956,853
2023	29,956,853	1,308,442	1,817,057	29,957	2,405,118	31,823,399
2024	31,823,399	1,323,967	1,952,864	31,823	2,551,457	33,714,136
2025	33,714,136	1,273,050	2,074,485	33,714	2,697,680	35,576,668
2026	35,576,668	1,249,863	2,181,518	35,577	2,843,300	37,452,735
2027	37,452,735	1,231,793	2,303,203	37,453	2,989,637	39,333,509
2028	39,333,509	1,213,378	2,445,630	39,334	3,135,518	41,197,441
2038	53,774,747	700,638	3,729,355	53,775	4,233,344	54,925,600
2048	61,341,930	174,985	4,697,170	61,342	4,786,678	61,545,081
2058	61,670,861	42,118	4,753,261	61,671	4,805,804	61,703,851
2068	67,235,139	3,132	3,630,024	67,235	5,299,347	68,840,359
2078	99,300,254	0	2,094,142	99,300	7,956,216	105,063,028
2088	191,091,953	0	756,264	191,092	15,440,827	205,585,425
2098	405,719,388	0	110,147	405,719	32,842,785	438,046,307

**Changes in Net Pension Liability / (Asset)**

<b>Changes in Net Pension Liability / (Asset)</b>	<b>Total Pension Liability (a)</b>	<b>Fiduciary Net Position (b)</b>	<b>Net Pension Liability / (Asset) (a) - (b)</b>
Balances as of December 31, 2017	\$23,614,080	\$24,015,535	(\$401,455)
Changes of the year:			
Service cost	796,750		\$796,750
Interest on total pension liability	1,927,436		\$1,927,436
Effect of plan changes	1,256,874		\$1,256,874
Effect of economic/demographic gains or losses	(13,252)		(\$13,252)
Effect of assumptions changes or inputs	0		\$0
Refund of contributions	(84,757)	(84,757)	\$0
Benefit payments	(1,170,315)	(1,170,315)	\$0
Administrative expenses		(18,734)	\$18,734
Member contributions		489,836	(\$489,836)
Net investment income		(449,842)	\$449,842
Employer contributions		546,983	(\$546,983)
Other	0	(4,090)	\$4,090
Balances as of December 31, 2018	\$26,326,816	\$23,324,616	\$3,002,200

**Sensitivity Analysis**

The following presents the net pension liability of the employer, calculated using the discount rate of 8.10%, as well as what the Hill County net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.10%) or 1 percentage point higher (9.10%) than the current rate.

	<b>1% Decrease 7.10%</b>	<b>Current Discount Rate 8.10%</b>	<b>1% Increase 9.10%</b>
Total pension liability	\$29,695,464	\$26,326,816	\$23,501,784
Fiduciary net position	23,324,616	23,324,616	23,324,616
Net pension liability/(asset)	\$6,370,848	\$3,002,200	\$177,168

**Pension Expense / (Income)**

<b>Pension Expense / (Income)</b>	<b>January 1, 2018 to December 31, 2018</b>
Service cost	\$796,750
Interest on total pension liability	1,927,436
Effect of plan changes	1,256,874
Administrative expenses	18,734
Member contributions	(489,836)
Expected investment return net of investment expenses	(1,935,685)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	(330,351)
Recognition of assumption changes or inputs	72,882
Recognition of investment gains or losses	583,197
Other	4,090
Pension expense	\$1,904,092

As of December 31, 2018, the deferred inflows and outflows of resources are as follows:

<b>Deferred Inflows/Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>
Differences between expected and actual experience	\$422,512	\$0
Changes of assumptions	0	121,157
Net difference between projected and actual earnings	0	1,431,871
Contributions made subsequent to measurement date	N/A	Employer determined

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 December 31:	
2019	\$274,479
2020	202,404
2021	176,526
2022	477,107
2023	0
Thereafter	0

**Schedule of Deferred Inflows and Outflows of Resources**

Expense / (Income) Calculation				Balances of Deferred Inflows and Outflows as of 12/31/2018	
Original Amount (a)	Date Established (b)	Original Recognition Period (c)	Amount Recognized for 2018 (a) / (c)	Inflows	Outflows
<b>Investment (gains) or losses</b>					
\$2,385,527	12/31/2018	5.0	\$477,105	\$0	\$1,908,422
(1,393,193)	12/31/2017	5.0	(278,639)	835,915	0
129,409	12/31/2016	5.0	25,882	0	51,763
1,538,002	12/31/2015	5.0	307,600	0	307,601
256,243	12/31/2014	5.0	51,249	0	0
<b>Economic/demographic (gains) or losses</b>					
(13,252)	12/31/2018	4.0	(3,313)	9,939	0
(213,836)	12/31/2017	5.0	(42,767)	128,302	0
(653,505)	12/31/2016	4.0	(163,376)	163,376	0
(604,476)	12/31/2015	5.0	(120,895)	120,895	0
(213,147)	12/31/2014	4.0	0	0	0
<b>Assumption changes or inputs</b>					
0	12/31/2018	4.0	0	0	0
120,687	12/31/2017	5.0	24,137	0	72,413
0	12/31/2016	4.0	0	0	0
243,723	12/31/2015	5.0	48,745	0	48,744
0	12/31/2014	4.0	0	0	0

**Schedule of Changes in Net Pension Liability and Related Ratios**

	Year Ended December 31					2013 - 2009
	2018	2017	2016	2015	2014	
<b>Total Pension Liability</b>						
Service cost	\$796,750	\$758,112	\$803,410	\$741,781	\$736,319	N/A
Interest on total pension liability	1,927,436	1,828,219	1,751,847	1,696,658	1,618,264	N/A
Effect of plan changes	1,256,874	0	0	(128,791)	0	N/A
Effect of assumption changes or inputs	0	120,687	0	243,723	0	N/A
Effect of economic/demographic (gains) or losses	(13,252)	(213,836)	(653,505)	(604,476)	(213,147)	N/A
Benefit payments/refunds of contributions	<u>(1,255,072)</u>	<u>(1,356,766)</u>	<u>(1,290,764)</u>	<u>(1,193,954)</u>	<u>(1,269,827)</u>	<u>N/A</u>
Net change in total pension liability	2,712,736	1,136,415	610,988	754,942	871,609	<u>N/A</u>
Total pension liability, beginning	<u>23,614,080</u>	<u>22,477,665</u>	<u>21,866,676</u>	<u>21,111,735</u>	<u>20,240,126</u>	<u>N/A</u>
Total pension liability, ending (a)	<u>\$26,326,816</u>	<u>\$23,614,080</u>	<u>\$22,477,665</u>	<u>\$21,866,676</u>	<u>\$21,111,735</u>	<u>N/A</u>
<b>Fiduciary Net Position</b>						
Employer contributions	\$546,983	\$526,404	\$571,008	\$580,880	\$582,857	N/A
Member contributions	489,836	464,501	450,797	444,556	432,819	N/A
Investment income net of investment expenses	(449,842)	3,103,076	1,493,867	124,531	1,323,214	N/A
Benefit payments/refunds of contributions	(1,255,072)	(1,356,766)	(1,290,764)	(1,193,954)	(1,269,827)	N/A
Administrative expenses	(18,734)	(15,971)	(16,280)	(14,664)	(15,369)	N/A
Other	<u>(4,090)</u>	<u>5,054</u>	<u>(175,716)</u>	<u>(213,411)</u>	<u>84,215</u>	<u>N/A</u>
Net change in fiduciary net position	(690,920)	2,716,191	1,032,912	(272,062)	1,137,910	N/A
Fiduciary net position, beginning	<u>24,015,535</u>	<u>21,299,345</u>	<u>20,266,433</u>	<u>20,538,495</u>	<u>19,400,585</u>	<u>N/A</u>
Fiduciary net position, ending (b)	<u>\$23,324,616</u>	<u>\$24,015,535</u>	<u>\$21,299,345</u>	<u>\$20,266,433</u>	<u>\$20,538,495</u>	<u>N/A</u>
Net pension liability / (asset), ending = (a) - (b)	<u>\$3,002,200</u>	<u>(\$401,456)</u>	<u>\$1,178,320</u>	<u>\$1,600,244</u>	<u>\$573,240</u>	<u>N/A</u>
Fiduciary net position as a % of total pension liability	88.60%	101.70%	94.76%	92.68%	97.28%	N/A
Pensionable covered payroll	\$8,163,936	\$7,741,686	\$7,513,289	\$7,409,269	\$7,213,645	N/A
Net pension liability/(asset) as % of covered payroll	36.77%	-5.19%	15.68%	21.60%	7.95%	N/A

### Schedule of Employer Contributions

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Year Ending December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2009	\$472,428	\$472,428	\$0	\$7,234,734	6.5%
2010	513,489	513,489	0	7,441,865	6.9%
2011	485,343	486,713	(1,370)	6,983,352	7.0%
2012	491,604	491,754	(150)	6,837,328	7.2%
2013	534,961	535,078	(116)	7,113,846	7.5%
2014	582,857	582,857	0	7,213,645	8.1%
2015	580,880	580,880	0	7,409,269	7.8%
2016	571,008	571,008	0	7,513,289	7.6%
2017	526,404	526,404	0	7,741,686	6.8%
2018	546,983	546,983	0	8,163,936	6.7%

## Notes to Schedule

Valuation Date: Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which contributions are reported.

### Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	9.7 years (based on contribution rate calculated in 12/31/2018 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.75%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.00%, net of administrative and investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions	2015: New inflation, mortality and other assumptions were reflected.
	2017: New mortality assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions	2015: No changes in plan provisions were reflected in the Schedule.
	2016: No changes in plan provisions were reflected in the Schedule.
	2017: New Annuity Purchase Rates were reflected for benefits earned after 2017.
	2018: No changes in plan provisions were reflected in the Schedule.

## Appendix A— GASB 68 Plan Description for Hill County

A description of the pension plan pursuant to Paragraph 40 of GASB Statement No. 68 is as follows:

- a. Hill County participates in the Texas County & District Retirement System (TCDRS), which is a statewide, agent multiple-employer, public employee retirement system.
- b. A brief description of benefit terms:
  - 1) All full- and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.
  - 2) The plan provides retirement, disability and survivor benefits.
  - 3) TCDRS is a savings-based plan. For the county's plan, 7% of each employee's pay is deposited into his or her TCDRS account. By law, employee accounts earn 7% interest on beginning of year balances annually. At retirement, the account is matched at an employer set percentage (current match is 150%) and is then converted to an annuity.
  - 4) There are no automatic COLAs. Each year, the county may elect an ad hoc COLA for its retirees (if any). There are two COLA types, each limited by actual inflation.
  - 5) Benefit terms are established under the TCDRS Act. They may be amended as of Jan. 1 each year, but must remain in conformity with the Act.
- c. Membership information is shown in the chart below.
- d. The county's contribution rate is calculated annually on an actuarial basis, although the employer may elect to contribute at a higher rate. The Hill County contribution rate is based on the TCDRS funding policy adopted by the TCDRS Board of Trustees and must conform with the TCDRS Act. The employee contribution rates are set by the county and are currently 7%. Contributions to the pension plan from the county for 2018 are shown in the Schedule of Employer Contributions.
- e. The most recent comprehensive annual financial report for TCDRS can be found at the following link, [www.tcdrs.org](http://www.tcdrs.org).

### Membership Information

Members	Dec. 31, 2017	Dec. 31, 2018
Number of inactive employees entitled to but not yet receiving benefits:	148	166
Number of active employees:	214	206
Average monthly salary:	\$3,085	\$3,172
Average age:	46.24	47.53
Average length of service in years:	8.42	9.09
<hr/>		
<b>Inactive Employees (or their Beneficiaries) Receiving Benefits</b>		
Number of benefit recipients:	123	128
Average monthly benefit:	\$767	\$785

## **Appendix B—Actuarial Methods and Assumptions Used for GASB Calculations**

All actuarial methods and assumptions used for this GASB analysis were the same as those used in the December 31, 2018 funding valuation (see Appendix C, following, for details), except as noted below and throughout this report. Please see the Hill County December 31, 2018 Summary Valuation Report for further details.

The 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	5 years
Smoothing period	Non-asymptotic
Recognition	None
method Corridor	Same as funding valuation: See Appendix C
Inflation	Same as funding valuation: See Appendix C
Salary Increases	8.10% (Gross of administrative expenses)
Investment Rate of Return	
Cost-of-Living Adjustments	Cost-of-Living Adjustments for Hill 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	Same as funding valuation: See Appendix C
Turnover	Same as funding valuation: See Appendix C
Mortality	Same as funding valuation: See Appendix C

## Appendix C—Actuarial Methods and Assumptions Used for Funding Valuation

Except where indicated in the section of this GASB 68 report entitled "Actuarial Methods and Assumptions Used for GASB Calculations", the assumptions used in this analysis for the December 31, 2018 financial reporting metrics are the same as those used in the December 31, 2018 actuarial valuation analysis for Hill County.

The following is a description of the assumptions used in the December 31, 2018 actuarial valuation analysis for Hill County. This information may also be found in the Hill County December 31, 2018 Summary Valuation Report.

### Economic Assumptions

TCDRS system-wide economic assumptions:

Real rate of return	5.25%
Inflation	2.75%
Long-term investment return	8.00%

The assumed long-term investment return of 8% is net after investment and administrative expenses. It is assumed returns will equal the nominal annual rate of 8% for calculating the actuarial accrued liability and the normal cost contribution rate for the retirement plan of each participating employer.

The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.25% (made up of 2.75% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.6% per year for a career employee. (See Table 1 for Merit Salary Increases.)

Employer-specific economic assumptions:

Growth in membership	0.00%
Payroll growth for funding calculations	3.25%

The payroll growth assumption is for the aggregate covered payroll of an employer.

**Table 1**  
**Merit Salary Increase**

Years of Service	Entry Age			
	Before 30	Ages 30- 39	Ages 40- 49	50 and later
0	5.00%	4.50%	4.00%	3.50%
1	4.25	3.75	3.25	2.75
2	3.85	3.35	2.85	2.35
3	3.50	3.00	2.50	2.00
4	3.15	2.65	2.25	1.85
5	2.90	2.55	2.15	1.70
6	2.65	2.30	1.95	1.55
7	2.45	2.10	1.75	1.40
8	2.30	1.95	1.60	1.25
9	2.15	1.80	1.45	1.10
10	2.00	1.70	1.40	1.05
11	1.90	1.50	1.25	1.00
12	1.80	1.50	1.15	0.95
13	1.70	1.40	1.05	0.90
14	1.60	1.30	0.95	0.85
15	1.50	1.23	0.90	0.80
16	1.40	1.15	0.85	0.75
17	1.30	1.05	0.80	0.70
18	1.23	0.97	0.75	0.65
19	1.15	0.90	0.70	0.60
20	1.10	0.85	0.65	0.55
21	1.05	0.80	0.60	0.50
22	1.00	0.75	0.55	0.50
23	0.95	0.70	0.50	0.50
24	0.90	0.65	0.50	0.50
25	0.85	0.60	0.50	0.50
26	0.80	0.60	0.50	0.50
27	0.75	0.60	0.50	0.50
28	0.70	0.60	0.50	0.50
29	0.65	0.60	0.50	0.50
30 & up	0.60	0.60	0.50	0.50

## Demographic Assumptions

TCDRS system-wide demographic assumptions:

Replacement of Terminated Members — New employees are assumed to replace any terminated members and have similar entry ages.

Disability — The rates of disability used in this valuation are illustrated in Table 2. Members who become disabled are eligible to commence benefit payments regardless of age. Rates of disability are in a custom table based on TCDRS experience.

**Table 2**  
**Annual Rates of Disability**

Age	Work Related Male and Female	All Other Causes Male and Female	Age	Work Related Male and Female	All Other Causes Male and Female
less than			43	0.004%	0.058%
25	0.000%	0.000%	44	0.004	0.063
25	0.000	0.000	45	0.004	0.069
26	0.000	0.000	46	0.005	0.076
27	0.000	0.000	47	0.006	0.084
28	0.000	0.008	48	0.007	0.095
29	0.000	0.008	49	0.009	0.109
30	0.000	0.009	50	0.010	0.125
31	0.000	0.010	51	0.012	0.142
32	0.000	0.010	52	0.013	0.162
33	0.000	0.011	53	0.015	0.183
34	0.000	0.014	54	0.018	0.203
35	0.001	0.018	55	0.018	0.222
36	0.001	0.022	56	0.018	0.238
37	0.002	0.028	57	0.018	0.250
38	0.002	0.033	58	0.018	0.259
39	0.002	0.038	59	0.018	0.270
40	0.002	0.042	60 & Above	0.018	0.000
41	0.003	0.047			
42	0.003	0.053			

## Mortality

Depositing members	90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014.
Service retirees, beneficiaries and non-depositing members	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Disabled retirees	130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

**Family Composition** — For current retirees, beneficiary information is supplied by TCDRS. For purposes of calculating the Survivor Benefit for current depositing and non-depositing members, male members are assumed to have a female beneficiary who is three years younger. Female members are assumed to have a male beneficiary who is three years older.

**Service Retirement** — Members eligible for service retirement are assumed to retire at the rates shown in Table 3.

**Table 3**  
**Annual Rates of Service Retirement**

Age	Male	Female	Age	Male	Female
40-44	4.5%	4.5%	62	20.0%	20.0%
45-49	9.0	9.0	63	15.0	15.0
50	10.0	10.0	64	15.0	15.0
51	9.0	9.0	65	25.0	25.0
52	9.0	9.0	66	25.0	25.0
53	9.0	9.0	67	22.0	22.0
54	10.0	10.0	68	20.0	20.0
55	10.0	10.0	69	20.0	20.0
56	10.0	10.0	70	22.0	22.0
57	10.0	10.0	71	22.0	22.0
58	12.0	12.0	72	22.0	22.0
59	12.0	12.0	73	22.0	22.0
60	12.0	12.0	74	22.0	22.0
61	12.0	12.0			

**Employer-specific demographic assumptions:**

**Other Terminations of Employment** — The rate of assumed future termination from active participation in the plan for reasons other than death, disability or retirement are illustrated in Table 4. The rates vary by length of service, entry-age group (age at hire) and gender. No termination after eligibility for retirement is assumed.

**Table 4**  
**Annual Rates of Termination**

Years of Service	Entry Age 20		Entry Age 30		Entry Age 40		Entry Age 50	
	Male	Female	Male	Female	Male	Female	Male	Female
0	30.1%	32.6%	25.0%	27.2%	21.3%	23.0%	20.1%	21.7%
1	20.5	22.3	17.3	18.7	14.7	15.9	13.9	14.9
2	15.3	16.6	13.0	14.0	11.0	12.0	10.4	11.3
3	12.2	13.1	10.4	11.3	8.8	9.5	8.3	9.0
4	10.0	10.9	8.6	9.4	7.4	7.9	6.9	7.5
5	8.9	9.7	7.7	8.5	6.6	7.2	6.2	6.8
6	7.9	8.6	6.9	7.5	5.9	6.4	5.5	6.0
7	7.0	7.7	6.2	6.8	5.3	5.8	5.0	5.4
8	5.9	6.3	5.2	5.6	4.4	4.8	4.1	4.5
9	5.6	6.0	5.0	5.4	4.2	4.6	4.1	4.3
10	5.0	5.3	4.5	4.9	3.8	4.1	3.6	3.9
11	4.3	4.7	4.0	4.3	3.4	3.7	3.2	3.4
12	4.0	4.2	3.6	4.0	3.1	3.3	2.9	3.2
13	3.5	3.8	3.2	3.6	2.8	3.1	2.6	2.9
14	3.2	3.3	3.0	3.2	2.5	2.7	2.3	2.5
15	2.7	3.0	2.6	2.8	2.2	2.4	2.1	2.3
16	2.3	2.5	2.3	2.4	1.9	2.1	1.8	2.0
17	2.1	2.3	2.0	2.2	1.7	1.8	1.6	1.7
18	1.8	1.9	1.7	1.9	1.4	1.6	1.4	1.5
19	1.5	1.7	1.5	1.7	1.4	1.4	1.3	1.4
20	1.4	1.6	1.4	1.6	1.2	1.3	1.2	1.3
21	1.3	1.5	1.3	1.5	1.1	1.2	1.1	1.2
22	1.2	1.4	1.2	1.4	1.0	1.1	1.0	1.1
23	1.1	1.3	1.1	1.3	0.9	1.0	0.9	1.0
24	1.1	1.2	1.1	1.2	0.9	1.0	0.9	0.9
25	1.0	1.1	1.0	1.1	0.8	0.9	0.8	0.9
26	1.0	1.0	1.0	1.0	0.8	0.9	0.8	0.8
27	0.9	0.9	0.9	0.9	0.7	0.8	0.7	0.7
28	0.9	0.8	0.9	0.8	0.7	0.8	0.7	0.7
29	0.8	0.7	0.8	0.7	0.6	0.7	0.6	0.6
30 & Later	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Withdrawals — Members who terminate may either elect to leave their account with TCDRS or withdraw their funds. The probability that a member elects a withdrawal varies by length of service and vesting schedule. Rates applied to your plan are shown in Table 5. For non-depositing members who are not vested, 100% are assumed to elect a withdrawal.

**Table 5**  
**Probability of Withdrawal**

<b>Years of Service</b>	<b>Probability</b>	<b>Years of Service</b>	<b>Probability</b>
0	100%	15	40
1	100	16	38
2	100	17	36
3	100	18	33
4	100	19	30
5	100	20	28
6	100	21	26
7	100	22	24
8	47	23	22
9	46	24	20
10	45	25	18
11	44	26	16
12	43	27	14
13	42	28	12
14	41	29	10

HILL COUNTY  
RETIREE HEALTH VALUATION UNDER GASB #75

Changes in Net OPEB Liability FYE 2018

Discount Rate (Proj.) 3.58% FYE 9/30/2019  
Investment Return Rate (Proj.) N/A; Index will apply

	Total OPEB <u>Liability</u>	Plan Fiduciary <u>Net Position</u>	Net OPEB <u>Liability</u>
Balances at 10/1/2018	197,417	0	197,417
Change	(6,570)	0	(6,570)
Balances at 9/30/2019	190,847	0	190,847

**Total GASB #75 Expense for FYE 2019**

A) GASB #75 Regular Expense

Service Cost	26,934
Interest Cost	7,171
Experience & Assumption (Gain)/Loss Amort	(3,684)
Investment (Gain)/Loss Amort	0
 GASB #75 Annual OPEB Cost Expense	 30,421

HILL COUNTY  
RETIREE HEALTH VALUATION UNDER GASB #75

Sensitivity - Discount Rate

	1% Decrease 2.58%	Discount Rate 3.58%	1% INCREASE 4.58%
Net OPEB Liability 9/30/2019	211,588	190,847	170,107
GASB #75 Expense for FYE 2019	40,000	30,421	30,000

Sensitivity - Health Care Trend Rate

	1% Decrease <u>(7.0%</u> <u>decreasing</u> <u>to 4.0%)</u>	Healthcare Trend Rates <u>(8.0%</u> <u>decreasing</u> <u>to 5.0%)</u>	1% INCREASE <u>(9.0%</u> <u>decreasing</u> <u>to 6.0%)</u>
Net OPEB Liability 9/30/2019	161,353	190,847	226,407
Projected Expense for FYE 2019	30,000	30,421	40,000

NOTES

Have used a 3.58% discount rate, with sensitivity at 2.58% and 4.58%.

The S&P 20 AA Municipal Bond Index (an appropriate index for GASB #75 purposes was 3.58% on 9/30/2019, the Measurement Date.

Due to the small OPEB Trust level (ZERO) vs. Liabilities, the plan is not projected to have a Plan Fiduciary Net position in excess of benefit payments for any year, so the 3.58% Municipal Bond Rate will apply.

Net OPEB Liability is the GASB #75 term now used for Unfunded Accrued Liability.

Membership Counts (at 9/30/2019)

	<u>Active</u>	<u>Retired</u>	<u>Total</u>
Total	168	1	169

HILL COUNTY  
RETIREE HEALTH VALUATION UNDER GASB #75  
Schedule of OPEB Related Deferred Outflows/(Inflows) of Resources

FYE 9/30/2019

Initial Setup Year	Description	Original Deferred	Original Deferred	Amortization		Current Deferred	Current Deferred
		Outflow	Inflow	Period	Amortization	Outflow	Inflow
9/30/2018	Experience		4,334	12	(361)		3,612
9/30/2019	Experience		41,120	12	(3,427)		37,693
9/30/2019	Assumption Change	1,245		12	104	1,141	
	<b>Totals</b>	<b>1,245</b>	<b>45,454</b>	<b>36</b>	<b>(3,684)</b>	<b>1,141</b>	<b>41,305</b>

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$0	\$41,305
Changes of assumptions	1,141	0
Net difference between projected and actual earnings of OPEB plan investments	0	0
<b>Total</b>	<b>\$1,141</b>	<b>\$41,305</b>

**Amounts Recognized in OPEB Expense as Follows:**

Year ended SEPT 30:	
2020	(3684)
2021	(3684)
2022	(3684)
2023	(3684)
2024	(3684)
2025-2029 (5 yrs)	(3684)
2030 (1 yr)	(3323)

Hill County  
Retiree Health Valuation Under GASB #75  
Results and Disclosures  
Development of Changes in OPEB Liability, Plan Fiduciary  
Net Position, and Related Ratios  
(The Last Four Years Illustrated)

<u>Year</u> <u>Ended</u>	<u>GASB #75</u> <u>Net OPEB</u> <u>Liability</u>	<u>Regular</u> <u>Expense</u>	<u>Contributions</u> <u>plus, Earnings</u>	<u>Change in</u> <u>Net OPEB</u> <u>Liability</u>
9/30/2016		\$27,389	\$5,000	\$22,389
9/30/2017		\$30,081	\$5,000	\$25,081
9/30/2018	\$197,417	\$20,079	\$800	\$15,306
9/30/2019	\$190,847	\$30,421	\$800	(\$6,570)

Hill County  
Retiree Health Valuation Under GASB #75  
Results and Disclosures  
Development of Changes in OPEB Liability, Plan Fiduciary  
Net Position, and Related Ratios

Actuarial Valuation Date	Fiduciary Net Position	Total OPEB Liability	Net OPEB Liability	Fiduciary Net Position as a % of Total OPEB Liability	Covered Payroll	Net OPEB Liability as a % of Covered Payroll
10/1/2015	\$0	154,319	154,319	0.0%	5,978,702	3%
10/1/2017	\$0	197,417	197,417	0.0%	6,022,996	3%

Hill County  
Retiree Health Valuation Under GASB #75  
Summary of Plan Provisions

The following is a summary of the current major provisions of the retiree medical program. All coverage is for pre-medicare eligible periods only.

1. MEDICAL BENEFITS

The Plan is a fully insured plan. Current retiree premium rates (2018) provided to us by the County include:

- |                    |   |
|--------------------|---|
| a) Medical-Single: | Generally, \$808 per month.               |
| b) Dental          | Generally, \$26/mo. Single; 51/mo. double |
| c) Life Ins.       | Generally, \$0.50 per month.              |

Adjustments to these premium equivalents to reflect the difference between the active/retiree group (for which the current premium rates were based on) and the retiree-only group, were required, in accordance with ASOP 6.

2. MEDICAL PART B PREMIUMS - Not applicable.

3. LIFE INSURANCE

Generally, \$5,000; 100% paid by the retiree.

Hill County  
Retiree Health Valuation Under GASB #75  
Summary of Plan Provisions

4. ELIGIBILITY (various pension plan provisions)

- a) The earlier of (i) Age 60 and completion of 8 years of vesting service, (ii) Rule of 75 years of total age + service, and (iii) completion of 30 years of service.

5. COUNTY SUBSIDY/FUDING POLICY

Retirees and Spouses may purchase medical coverage by paying 100% of the blended rate. Retirees and Spouses may also purchase dental and vision and life insurance coverage by paying 100% of the blended rate. As a result, the County's only "contribution" is the "implied subsidy." No pre-funding is performed.

Hill County  
Retiree Health Valuation Under GASB #75  
Actuarial Basis

ACTUARIAL FUNDING METHOD: Entry Age Normal, level % pay

ACTUARIAL ASSUMPTIONS

1. Valuation Date: 10/1/2018 (9/30/2019 disclosures)
2. Discount Rate: 3.64% per annum (for FY19 Expense)  
3.58% per annum (disclosures)  
(2.58% and 4.58% are illustrated for sensitivity)
3. Salary Scale: 3% per annum (for EAN)
4. Mortality: RP-2014 mortality table with MP 2016 projection.
5. Withdrawal: Sarasson T-5 Table.
6. Disability: N/A
7. Retirement Rates: 100% at age 60 and satisfaction of 8 year vesting requirement.

Hill County  
Retiree Health Valuation Under GASB #75  
Actuarial Basis

8. Health Care Cost Trend Rate:      The following table illustrates the assumed health care trend rate for each future year:

<u>Year</u>	<u>Assumed Increase</u>
1	8.0%
2	7.5%
3	7.0%
4	6.5%
5	6.0%
6	5.5%
7+	5.0%

9. Marital-Actives:      Wife is assumed to be same age as the husband. 70% of males and 50% of females are assumed married.
10. Participation Rate:      15% to elect to pay full premium for coverage.
11. Inflation Rate:      3% per annum.

ASSET VALUATION METHOD:      Market value.

AMORTIZATION BASIS:      For experience gains/losses, over the average expected future working lifetime of the whole group. For assumption change gains/losses, over the average expected future working lifetime of the whole group.

## **H. Summary of GASB 75 Group-Term Funding Policy**

### Overview of GASB 74 and GASB 75

The Governmental Accounting Standards Board (GASB) released new accounting standards for public postemployment benefit plans other than pension (OPEB) and participating employers in 2016. These standards, GASB Statements No. 74 and 75, have substantially revised the accounting requirements previously mandated under GASB Statements No. 43 and 45.

For the Texas County & District Retirement System (TCDRS), the retiree death benefit paid from the Group Term Life (GTL) program is an OPEB benefit. The OPEB program is treated as an unfunded trust, because the GTL trust covers both actives and retirees and is not segregated.

GASB 74 applies to financial reporting for the TCDRS and does not impact participating employers. GASB 75 governs the specifics of reporting public OPEB plan obligations for employers. Note that in general the requirements of GASB 75 are parallel to those of GASB 68 which relates to pensions.

GASB 75 governs the specifics of accounting for public OPEB plan obligations for participating employers and is required to be implemented for employer fiscal years beginning after June 15, 2017. GASB 75 requires a liability for OPEB obligations, known as the Net OPEB Liability (Total OPEB Liability for unfunded plans), to be recognized on the balance sheets of participating employers. Changes in the Net OPEB Liability (Total OPEB Liability for unfunded plans) will be immediately recognized as OPEB Expense on the income statement or reported as deferred inflows/outflows of resources depending on the nature of the change.

The TCDRS Group Term Life program has been determined to be an unfunded OPEB plan as the GTL fund does not meet the requirements of a trust under Paragraph 4b of GASB 75, because the assets of the GTL fund can be used to pay active GTL benefits which are not part of the OPEB plan. For GASB 75 purposes, the OPEB plan is not a cost sharing plan, so the annual benefit payments are treated as being equal to the employer's actual retiree GTL contributions for the year.

Please refer to the Glossary shown in Appendix D of this report for more information on the relevant accounting terminology.

## Total OPEB Liability

<b>Total OPEB Liability</b>	<u>December 31, 2017</u>	<u>December 31, 2018</u>
-----------------------------	--------------------------	--------------------------

Total OPEB liability	\$476,726	\$439,772
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The total OPEB liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below.

### Discount Rate

Discount rate	3.44%	4.10%
Long-term expected rate of return, net of investment expense	Does not apply	Does not apply
Municipal bond rate	3.44%	4.10%

The OPEB plan has been determined to be an unfunded OPEB plan; therefore, only the municipal bond rate applies.

### Other Key Actuarial Assumptions

All actuarial assumptions that determined the total OPEB liability as of December 31, 2018 were based on the results of an actuarial experience study for the period January 1, 2013 - December 31, 2016, except where required to be different by GASB 75.

See Appendix B of this report (Actuarial Methods and Assumptions Used for GASB Calculations) for a listing of key assumptions used in the calculation of the total OPEB liability and other GASB 75 metrics.

	Beginning Date	Ending Date
Valuation date	December 31, 2017	December 31, 2018
Measurement date	December 31, 2017	December 31, 2018
Employer's fiscal year	October 1, 2018	September 30, 2019

## GASB Discount Rate

The TCDRS GTL program is treated as unfunded OPEB plan because the GTL trust covers both actives and retirees and the assets are not segregated for these groups. Under GASB 75 (paragraph 155), the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate of 4.10% based on the 20 Year Bond GO Index published by bondbuyer.com is used as of the measurement date of December 31, 2018.

## Employer OPEB Contributions to the Plan

For GASB 75 purposes, the OPEB plan is not a cost sharing plan as the employer's benefit payments for the year are treated as being equal to its annual retiree GTL contributions. Employers in the TCDRS Group Term Life (GTL) Program make a combined contribution for both the active and retiree coverage; however, only the retiree coverage is considered an OPEB plan and therefore only the contributions associated with retiree covered are included under GASB 75.

### 2017 Employer OPEB Contributions and Benefit Payments

The following shows a breakdown of the employer's contributions to the GTL program for the calendar year 2017. The contributions for retiree GTL coverage are assigned to the OPEB plan under GASB 75 and are used to determine the benefit payments shown on the exhibit on the next page. The contributions for active coverage are not considered an OPEB benefit under GASB 75, so there should be no change in how these amounts are reported.

Coverage Type	2018 GTL Rate	Amount	Financial Reporting
Active Member GTL Benefit	0.24%	\$19,593	No change from prior year
Retiree GTL Benefit	0.17%	13,879	GASB 75

### Employer OPEB Contributions made Subsequent to Measurement Date

Employer OPEB contributions made in the fiscal year, but subsequent to the measurement date of December 31, 2018 should be reflected as a deferred outflow as outlined in Appendix C of this report. As previously noted, only contributions to the GTL program for retiree coverage should be included under GASB 75. Therefore, once the total GTL contributions made subsequent to the measurement date have been determined, this amount should be multiplied by the portion attributable to retiree coverage to determine the OPEB contributions made subsequent to the measurement date that should be reported under GASB 75. This proportion is 42.10526%, allocated as follows:

Coverage Type	2019 GTL Rate	Proportion	Financial Reporting
Active Member GTL Benefit	0.22%	57.89474%	No change from prior year
Retiree GTL Benefit	0.16%	42.10526%	GASB 75

## Changes in Total OPEB Liability

	Changes in Total OPEB Liability
Balances as of December 31, 2017	\$476,726
Changes for the year:	
Service Cost	17,245
Interest on total OPEB liability	16,756
Changes of benefit terms	0
Effect of economic/demographic experience	(6,669)
Effect of assumptions changes or inputs	(50,407)
Benefit payments	(13,879)
Other	0
Balance as of December 31, 2018	\$439,772

### Sensitivity Analysis

The following presents the Total OPEB Liability of the employer, calculated using the discount rate of 4.10%, as well as what the Hill County Total OPEB Liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.10%) or 1 percentage point higher (5.10%) than the current rate. Note that the healthcare cost trend rate does not affect the Total OPEB Liability, so sensitivity to the healthcare cost trend rate is not shown.

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
	<b>3.10%</b>	<b>4.10%</b>	<b>5.10%</b>
Total OPEB Liability	\$519,620	\$439,772	\$377,253

## OPEB Expense / (Income)

OPEB Expense / (Income)	January 1, 2017 to December 31, 2018
Service cost	\$17,245
Interest on total OPEB liability	16,756
Effect of plan changes	0
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	(3,917)
Recognition of assumption changes or inputs	(5,016)
Other	0
OPEB expense / (income)	\$25,068

As of December 31, 2018, the deferred inflows and outflows of resources are as follows:

<b>Deferred Inflows / Outflows of Resources</b>	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$16,775	\$0
Changes of assumptions	42,006	13,538
Contributions made subsequent to measurement date	N/A	Employer determined

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

Year ended December 31:	
2019	\$(8,933)
2020	(8,933)
2021	(8,933)
2022	(8,933)
2023	(9,511)
Thereafter	0

**Schedule of Deferred Inflows and Outflows of Resources**

<b>Expense / (Income) Calculation</b>				<b>Balances of Deferred Inflows and Outflows as of 12/31/2018</b>	
Original Amount	Date Established	Original Recognition Period	Amount Recognized for 2017	Inflows	Outflows
(a)	(b)	(c)	(a) / (c)		
<i>Economic/demographic (gains) or losses</i>					
(6,669)	12/31/2018	6.0	(1,112)	5,557	0
(16,828)	12/31/2017	6.0	(2,805)	11,218	0
<i>Assumption changes or inputs</i>					
(50,407)	12/31/2018	6.0	(\$8,401)	42,006	0
20,307	12/31/2017	6.0	3,385	0	13,538

**Schedule of Changes in Total OPEB Liability and Related Ratios**

	Year Ended December 31		
	2018	2017	2016 - 2009
Total OPEB Liability			
Service cost	\$17,245	\$16,344	N/A
Interest on total OPEB liability	16,756	17,451	N/A
Effect of plan changes	0	0	N/A
Effect of assumption changes or inputs	(50,407)	20,307	N/A
Effect of economic/demographic (gains) or losses	(6,669)	(16,828)	N/A
Benefit payments	<u>(13,879)</u>	<u>(11,613)</u>	<u>N/A</u>
Net change in total OPEB liability	(36,954)	25,661	<u>N/A</u>
Total OPEB liability, beginning	<u>476,726</u>	<u>451,065</u>	<u>N/A</u>
Total OPEB liability, ending (a)	<u>\$439,772</u>	<u>\$476,726</u>	<u>N/A</u>
Pensionable covered payroll	\$8,163,936	\$7,741,686	N/A
Net OPEB liability/(asset) as % of covered payroll	5.39%	6.16%	N/A

## Appendix A— GASB 75 Plan Description for Hill County

A description of the OPEB plan pursuant to Paragraph 50 of GASB Statement No. 75 is as follows:

- a. Hill County participates in the retiree Group Term Life program for the Texas County & District Retirement System (TCDRS), which is a statewide, multiple-employer, public employee retirement system.
- b. A brief description of benefit terms:
  - 1) All full- and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year and are eligible for the TCDRS pension plan. Only employers that have elected participation in the retiree Group Term Life program are included in the OPEB plan.
  - 2) The plan provides a \$5,000 post-retirement death benefit to beneficiaries of service retirees and disability retirees of employers that have elected participation in the retiree GTL program.
  - 3) The OPEB benefit is a fixed \$5,000 lump-sum benefit.
  - 4) No future increases are assumed in the \$5,000 benefit amount.
  - 5) Benefit terms are established under the TCDRS Act. Participation in the retiree GTL program is optional and the employer may elect to opt out of (or opt into) coverage as of Jan. 1 each year.
- c. Membership information is shown in the chart below.
- d. Contributions made to the retiree GTL Program are held in the GTL Fund. The GTL fund does not meet the requirements of a trust under Paragraph 4b of GASB 75, as the assets of the GTL fund can be used to pay active GTL benefits which are not part of the OPEB plan.
- e. Benefit terms are established under the TCDRS Act. Participation in the retiree GTL program is optional and the employer may elect to opt out of (or opt into) coverage as of Jan. 1 each year. The county's contribution rate for the retiree GTL program is calculated annually on an actuarial basis, and is equal to the cost of providing a one-year death benefit equal to \$5,000.

### Membership Information

Members	Dec. 31, 2017	Dec. 31, 2018
Number of inactive employees entitled to but not yet receiving benefits:	46	46
Number of active employees:	214	206
Average age of active employees:	46.24	47.53
Average length of service in years for active employees:	8.42	9.09
<hr/>		
<b>Inactive Employees Receiving Benefits</b>		
Number of benefit recipients:	98	101

## **Appendix B—Actuarial Methods and Assumptions Used for GASB Calculations**

All actuarial assumptions and methods that determined the total OPEB liability as of December 31, 2018 were based on the results of an actuarial experience study for the period January 1, 2013 - December 31, 2016, except where required to be different by GASB 75.

<b>Valuation Timing</b>	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.
<b>Actuarial Cost Method</b>	Entry Age Normal
<b>Amortization Method</b>	
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
<b>Asset Valuation Method</b>	Does not apply
<b>Inflation</b>	Does not apply
<b>Salary Increases</b>	Does not apply
<b>Investment Rate of Return (Discount Rate)</b>	4.10%
	20 Year Bond GO Index published by bondbuyer.com as of December 28,2018.
<b>Cost-of-Living Adjustment</b>	Does not apply
<b>Disability</b>	See Table 1
<b>Mortality</b>	See Table 2
<b>Retirement</b>	See Table 3
<b>Other Termination of Employment</b>	See Table 4

## Appendix C—Contributions Made Subsequent to Measurement Date

GASB Statement No. 75 requires employer contributions made between the measurement date, which is the date used to determine an employer's Total OPEB Liability (TOL) and the employer's fiscal year end be reported as a deferred outflow of resources ("DOoR"). The statement requires a beginning deferred outflow of resources for "amounts paid by the employer for OPEB as the benefits come due subsequent to the measurement date of the total OPEB liability and before the end of the reporting period."

For GASB valuation purposes, TCDRS' consulting actuary will compute each participating employer's TOL as of Dec. 31 of each year. Employers will need to account for OPEB contributions made between the measurement date and the employer's fiscal year end as a DOoR. These contributions will not be reported to you as part of this GASB report; employers can access their monthly employer activity statements, which display employer contributions to the GTL plan via the TCDRS Employer Portal. Note that only contributions for the retiree GTL benefit should be included in reporting under GASB 75. There should be no change in the financial reporting for the active GTL benefit. To determine the portion of the contribution related to retiree coverage, refer to the section of this report titled "Employer OPEB Contributions to the Plan."

REQUIRED SUPPLEMENTARY INFORMATION

**Schedule of Changes in Net Pension Liability and Related Ratios**

	Year Ended December 31					2013 - 2009
	2018	2017	2016	2015	2014	
<b>Total Pension Liability</b>						
Service cost	\$796,750	\$758,112	\$803,410	\$741,781	\$736,319	N/A
Interest on total pension liability	1,927,436	1,828,219	1,751,847	1,696,658	1,618,264	N/A
Effect of plan changes	1,256,874	0	0	(128,791)	0	N/A
Effect of assumption changes or inputs	0	120,687	0	243,723	0	N/A
Effect of economic/demographic (gains) or losses	(13,252)	(213,836)	(653,505)	(604,476)	(213,147)	N/A
Benefit payments/refunds of contributions	<u>(1,255,072)</u>	<u>(1,356,766)</u>	<u>(1,290,764)</u>	<u>(1,193,954)</u>	<u>(1,269,827)</u>	<u>N/A</u>
Net change in total pension liability	2,712,736	1,136,415	610,988	754,942	871,609	<u>N/A</u>
Total pension liability, beginning	<u>23,614,080</u>	<u>22,477,665</u>	<u>21,866,676</u>	<u>21,111,735</u>	<u>20,240,126</u>	<u>N/A</u>
Total pension liability, ending (a)	<u>\$26,326,816</u>	<u>\$23,614,080</u>	<u>\$22,477,665</u>	<u>\$21,866,676</u>	<u>\$21,111,735</u>	<u>N/A</u>
<b>Fiduciary Net Position</b>						
Employer contributions	\$546,983	\$526,404	\$571,008	\$580,880	\$582,857	N/A
Member contributions	489,836	464,501	450,797	444,556	432,819	N/A
Investment income net of investment expenses	(449,842)	3,103,076	1,493,867	124,531	1,323,214	N/A
Benefit payments/refunds of contributions	(1,255,072)	(1,356,766)	(1,290,764)	(1,193,954)	(1,269,827)	N/A
Administrative expenses	(18,734)	(15,971)	(16,280)	(14,664)	(15,369)	N/A
Other	<u>(4,090)</u>	<u>5,054</u>	<u>(175,716)</u>	<u>(213,411)</u>	<u>84,215</u>	<u>N/A</u>
Net change in fiduciary net position	(690,920)	2,716,191	1,032,912	(272,062)	1,137,910	N/A
Fiduciary net position, beginning	<u>24,015,535</u>	<u>21,299,345</u>	<u>20,266,433</u>	<u>20,538,495</u>	<u>19,400,585</u>	<u>N/A</u>
Fiduciary net position, ending (b)	<u>\$23,324,616</u>	<u>\$24,015,535</u>	<u>\$21,299,345</u>	<u>\$20,266,433</u>	<u>\$20,538,495</u>	<u>N/A</u>
Net pension liability / (asset), ending = (a) - (b)	<u>\$3,002,200</u>	<u>(\$401,456)</u>	<u>\$1,178,320</u>	<u>\$1,600,244</u>	<u>\$573,240</u>	<u>N/A</u>
Fiduciary net position as a % of total pension liability	88.60%	101.70%	94.76%	92.68%	97.28%	N/A
Pensionable covered payroll	\$8,163,936	\$7,741,686	\$7,513,289	\$7,409,269	\$7,213,645	N/A
Net pension liability/(asset) as % of covered payroll	36.77%	-5.19%	15.68%	21.60%	7.95%	N/A

**Schedule of Employer Contributions**

Year Ending December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2009	\$472,428	\$472,428	\$0	\$7,234,734	6.5%
2010	513,489	513,489	0	7,441,865	6.9%
2011	485,343	486,713	(1,370)	6,983,352	7.0%
2012	491,604	491,754	(150)	6,837,328	7.2%
2013	534,961	535,078	(116)	7,113,846	7.5%
2014	582,857	582,857	0	7,213,645	8.1%
2015	580,880	580,880	0	7,409,269	7.8%
2016	571,008	571,008	0	7,513,289	7.6%
2017	526,404	526,404	0	7,741,686	6.8%
2018	546,983	546,983	0	8,163,936	6.7%

## Notes to Schedule

Valuation Date: Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which contributions are reported.

### Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	9.7 years (based on contribution rate calculated in 12/31/2018 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.75%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.00%, net of administrative and investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions	2015: No changes in plan provisions were reflected in the Schedule. 2016: No changes in plan provisions were reflected in the Schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: No changes in plan provisions were reflected in the Schedule.

## **Appendix B—Actuarial Methods and Assumptions Used for GASB Calculations**

All actuarial methods and assumptions used for this GASB analysis were the same as those used in the December 31, 2018 funding valuation (see Appendix C, following, for details), except as noted below and throughout this report. Please see the Hill County December 31, 2018 Summary Valuation Report for further details.

The 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	5 years
Smoothing period	Non-asymptotic
Recognition	None
method Corridor	Same as funding valuation: See Appendix C
Inflation	Same as funding valuation: See Appendix C
Salary Increases	8.10% (Gross of administrative expenses)
Investment Rate of Return	
Cost-of-Living Adjustments	Cost-of-Living Adjustments for Hill 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	Same as funding valuation: See Appendix C
Turnover	Same as funding valuation: See Appendix C
Mortality	Same as funding valuation: See Appendix C

Hill County  
Required Supplementary Information  
Schedule of Changes in the Net OPEB Liability and Related Ratios  
FYE 9/30/2019

	2019	2018
<b>Total OPEB Liability</b>		
Service Cost	\$26,934	\$13,826
Interest	7,171	6,614
Changes of benefit terms	0	0
Difference between expected and actual experience	(41,120)	(4,334)
Changes in assumptions	1,245	0
Benefit payments -	(800)	(800)
<b>Net change in total OPEB liability</b>	<b>(6,570)</b>	<b>15,306</b>
<b>Total OPEB liability - beginning</b>	<b>197,417</b>	<b>182,111</b>
<b>Total OPEB liability - ending (a)</b>	<b>\$190,847</b>	<b>\$197,417</b>
<b>Plan Fiduciary net position</b>		
Contributions - employer	800	800
Net investment income		
Benefit payments	(800)	(800)
Administrative expense	0	0
<b>Net change in plan fiduciary net position</b>	<b>0</b>	<b>0</b>
<b>Plan fiduciary net position - beginning</b>	<b>0</b>	<b>0</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$0</b>	<b>\$0</b>
<b>District's net OPEB liability - ending (a) - (b)</b>	<b>\$190,847</b>	<b>\$197,417</b>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Covered-employee payroll</b>	<b>\$8,456,291</b>	<b>\$8,251,280</b>
<b>District's net OPEB liability as a percentage of covered - employee payroll</b>	<b>2.26%</b>	<b>2.39%</b>
<b>Notes to schedule:</b>		
<i>Benefit changes - None</i>		
<i>Participation at Retirement</i>		15% Medical

Hill County  
Required Supplementary Information  
Schedule of Contributions and Assumptions  
FYE 9/30/2019

	2019	2018
Actuarial determined contribution	\$41,001	\$20,079
Contributions in relating to the actuarially determined contribution	800	800
Contribution Excess/(deficiency)	(\$40,201)	(\$19,279)
Covered-employee payroll	\$8,456,291	\$6,022,996
Contributions as a percentage of covered-employee payroll	0.01%	0.01%

**Notes to Schedule:**

Valuation date:	10/1/2018	10/1/2018
Census date:	9/30/2018	9/30/2018

**Methods and assumptions used to determine contribution rates:**

Actuarial cost method	Entry	Age	Normal
Amortization method	N/A		
Amortization period	N/A		
Asset valuation method	Market		
Inflation	3.00%		
Healthcare cost trend rates	8 % decreasing to 5% ultimate		
Salary increases	3.00%		
Retirement age	100% at age 60		
Mortality	RP 2014 w/ MP2016 projection		
Investment rate of return	3.58%		3.64%
Other information:			

Hill County  
Required Supplementary Information  
Schedule of Investment Returns  
FYE 9/30/2019

	<u>2019</u>	<u>2018</u>
Annual money-weighted rate of return, net of investment expense	N/A	N/A

No OPEB Trust  
Index will apply for discount rate  
purposes

Hill County  
Required Supplementary Information  
Long-Term Expected REAL Rate of Return  
FYE 9/30/2019

<u>Asset Class</u>	<u>Target Allocation</u>
N/A, no OPEB Trust	

Hill County  
Required Supplementary Information  
Investment Rate of Return Assumption  
FYE 9/30/2019

To value the 9/30/2019 Total OPEB Liability under GASB 75 the S&P Municipal Bond 20 year High Grade Bond index rate of 3.58% (9/30/2019) was utilized.  
For 2018-19 Expense, the index rate of 3.64% (9/30/2018) was utilized.  
There is no OPEB Trust.

Hill County  
Required Supplementary Information  
Long-Term Expected REAL Rate of Return  
FYE 9/30/2019

<u>Asset Class</u>	<u>Long-Term Expected REAL Rate of Return</u>
N/A, no OPEB Trust	

**Schedule of Changes in Total OPEB Liability and Related Ratios**

	Year Ended December 31		
	2018	2017	2016 - 2009
Total OPEB Liability			
Service cost	\$17,245	\$16,344	N/A
Interest on total OPEB liability	16,756	17,451	N/A
Effect of plan changes	0	0	N/A
Effect of assumption changes or inputs	(50,407)	20,307	N/A
Effect of economic/demographic (gains) or losses	(6,669)	(16,828)	N/A
Benefit payments	<u>(13,879)</u>	<u>(11,613)</u>	<u>N/A</u>
Net change in total OPEB liability	(36,954)	25,661	<u>N/A</u>
Total OPEB liability, beginning	<u>476,726</u>	<u>451,065</u>	<u>N/A</u>
Total OPEB liability, ending	<u>\$439,772</u>	<u>\$476,726</u>	<u>N/A</u>
Pensionable covered payroll	\$8,163,936	\$7,741,686	N/A
Net OPEB liability/(asset) as % of covered payroll	5.39%	6.16%	N/A

## Appendix B—Actuarial Methods and Assumptions Used for GASB Calculations

All actuarial assumptions and methods that determined the total OPEB liability as of December 31, 2018 were based on the results of an actuarial experience study for the period January 1, 2013 - December 31, 2016, except where required to be different by GASB 75.

<b>Valuation Timing</b>	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.
<b>Actuarial Cost Method</b>	Entry Age Normal
<b>Amortization Method</b>	
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
<b>Asset Valuation Method</b>	Does not apply
<b>Inflation</b>	Does not apply
<b>Salary Increases</b>	Does not apply
<b>Investment Rate of Return (Discount Rate)</b>	4.10%
	20 Year Bond GO Index published by bondbuyer.com as of December 27, 2018.
<b>Cost-of-Living Adjustment</b>	Does not apply
<b>Disability</b>	See Table 1
<b>Mortality</b>	See Table 2
<b>Retirement</b>	See Table 3
<b>Other Termination of Employment</b>	See Table 4

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

HILL COUNTY, TEXAS  
 COMBINING BALANCE SHEET - ROAD AND BRIDGE FUND  
 SEPTEMBER 30, 2019

	Road and Bridge General	Road and Bridge No. 1	Road and Bridge No. 2	Road and Bridge No. 3	Road and Bridge No. 4	Lateral Road No. 1	Lateral Road No. 2	Lateral Road No. 3	Lateral Road No. 4	Total Road and Bridge
<i>ASSETS</i>										
Cash and Cash Equivalents	\$110,658	\$189,083	\$170,921	\$399,238	\$130,231	\$23,739	\$136,139	\$701,255	\$137,465	\$1,998,729
Receivables (net of allowance for uncollectibles)	0	100,141	106,664	29,596	26,564	39,987	39,741	45,383	38,433	426,509
Total Assets	<u>\$110,658</u>	<u>\$289,224</u>	<u>\$277,585</u>	<u>\$428,834</u>	<u>\$156,795</u>	<u>\$63,726</u>	<u>\$175,880</u>	<u>\$746,638</u>	<u>\$175,898</u>	<u>\$2,425,238</u>
<i>LIABILITIES AND FUND BALANCES:</i>										
<i>Liabilities:</i>										
Accounts Payable	\$9,722	\$222,540	\$21,031	\$2,032	\$103,945	\$17,299	\$32,022	\$23,388	\$167	\$432,146
Accrued Wages Payable	1,584	9,139	7,465	7,587	8,057					33,832
Deferred Revenues		92,389	17,282	19,736	16,713	38,581	38,343	43,788	37,081	303,913
Total Liabilities	<u>11,306</u>	<u>324,068</u>	<u>45,778</u>	<u>29,355</u>	<u>128,715</u>	<u>55,880</u>	<u>70,365</u>	<u>67,176</u>	<u>37,248</u>	<u>769,891</u>
<i>Fund Balances:</i>										
<i>Restricted</i>										
Public Transportation	99,352	(34,844)	140,007	399,479	28,080	7,846	105,515	679,462	138,650	1,563,547
<i>Assigned</i>										
Public Transportation			91,800							91,800
Total Fund Balance	<u>99,352</u>	<u>(34,844)</u>	<u>231,807</u>	<u>399,479</u>	<u>28,080</u>	<u>7,846</u>	<u>105,515</u>	<u>679,462</u>	<u>138,650</u>	<u>1,655,347</u>
Total Liabilities and Fund Balances	<u>\$110,658</u>	<u>\$289,224</u>	<u>\$277,585</u>	<u>\$428,834</u>	<u>\$156,795</u>	<u>\$63,726</u>	<u>\$175,880</u>	<u>\$746,638</u>	<u>\$175,898</u>	<u>\$2,425,238</u>

The accompanying notes are an integral part of this statement.

HILL COUNTY, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES - ROAD AND BRIDGE FUNDS  
 YEAR ENDED SEPTEMBER 30, 2019

	Road and Bridge General	Road and Bridge No. 1	Road and Bridge No. 2	Road and Bridge No. 3	Road and Bridge No. 4	Lateral Road No. 1	Lateral Road No. 2	Lateral Road No. 3	Lateral Road No. 4	Total Road and Bridge
<i>REVENUES</i>										
Taxes										
Property		\$214,342	\$213,032	\$243,275	\$206,018	\$490,212	\$487,205	\$556,374	\$471,165	\$2,881,623
Sales		50,804	50,282	57,541	48,729					207,356
Other										0
Intergovernmental	161,864	131,206	92,151	19,258	11,028					415,507
Licenses and Permits		214,122	212,808	243,022	205,802					875,754
Charges for Services	127,675									127,675
Fines and Forfeitures										0
Interest	71	8,124	9,031	24,619	9,790					51,635
Contributions and Donations			4,500							4,500
Miscellaneous		4,239	2,535	2,087	5,516					14,377
Total Revenues	289,610	622,837	584,339	589,802	486,883	490,212	487,205	556,374	471,165	4,578,427
<i>EXPENDITURES</i>										
Current:										
Public Transportation										
Road and Bridge	317,658	880,770	596,125	839,439	1,437,247	644,756	649,405	606,272	675,627	6,647,299
Debt Service										
Principal Retirement		48,893	24,714						47,084	120,691
Interest and Fiscal Charges		4,661	3,929						12,042	20,632
Total Expenditures	317,658	934,324	624,768	839,439	1,437,247	644,756	649,405	606,272	734,753	6,788,622
Excess (Deficiency) of Revenues Over (Under)										
Expenditures	(28,048)	(311,487)	(40,429)	(249,637)	(950,364)	(154,544)	(162,200)	(49,898)	(263,588)	(2,210,195)
<i>OTHER FINANCING SOURCES (USES):</i>										
Sale of Capital Assets		48,500	12,571	44,946	80,599					186,616
Other Financing Sources - Capital Lease				135,345	515,345					650,690
Operating Transfers In	68,000	31,580				5,200				104,780
Operating Transfers Out		(36,780)								(36,780)
Total Other Financing Sources (Uses)	68,000	43,300	12,571	180,291	595,944	5,200	0	0	0	905,306
Net Changes in Fund Balances	39,952	(268,187)	(27,858)	(69,346)	(354,420)	(149,344)	(162,200)	(49,898)	(263,588)	(1,304,889)
Fund Balances - Beginning	59,400	233,343	259,665	468,825	382,500	157,190	267,715	729,360	402,238	2,960,236
Fund Balances - Ending	\$99,352	(\$34,844)	\$231,807	\$399,479	\$28,080	\$7,846	\$105,515	\$679,462	\$138,650	\$1,655,347

The accompanying notes are an integral part of this statement.

HILL COUNTY, TEXAS  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2019

	SPECIAL REVENUE						
		COUNTY	CHILD		COUNTY	COUNTY	
	ADULT	ATTORNEY	WELFARE	COUNTY	CLERK	HISTORICAL	COURTHOUSE
PROBATION	HOT CHECK	BOARD	CLERK	COURT	COMMISSION	SECURITY	
	FUND			PRESERVATION			
<b>ASSETS</b>							
Cash and Cash Equivalents	\$610,406	\$16,260	\$555	\$766,123	\$3,002	\$6,287	\$15,873
Receivables (net of allowance for uncollectibles)							
Due from Other Funds							958
<b>TOTAL ASSETS</b>	<b>\$610,406</b>	<b>\$16,260</b>	<b>\$555</b>	<b>\$766,123</b>	<b>\$3,002</b>	<b>\$6,287</b>	<b>\$16,831</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities</b>							
Accounts Payable	\$7,507		\$555	\$2,771			
Bank Overdraft							
Accrued Wages Payable	15,021			356			
Deferred Revenues							
<b>Total Liabilities</b>	<b>22,528</b>	<b>0</b>	<b>555</b>	<b>3,127</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fund Balances:</b>							
<b>Restricted</b>							
Administration				762,996	3,002		
Construction							
Culture and Recreation						6,287	
Debt Service							
Elections							
Health and Welfare							
Judicial							16,831
Legal		16,260					
Public Safety	587,878						
<b>Total Fund Balances</b>	<b>587,878</b>	<b>16,260</b>	<b>0</b>	<b>762,996</b>	<b>3,002</b>	<b>6,287</b>	<b>16,831</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$610,406</b>	<b>\$16,260</b>	<b>\$555</b>	<b>\$766,123</b>	<b>\$3,002</b>	<b>\$6,287</b>	<b>\$16,831</b>

(continued)

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

SPECIAL REVENUE

CRIME VICTIM ASSISTANCE	DISTRICT ATTORNEY FORFEITED PROPERTY	DISTRICT CLERK ARCHIVE FUND	ECONOMIC DEVELOPMENT FUND	ELECTION CHAPTER 19 FUNDS	ELECTION CONTRACT FUND	ELECTION MACHINE LEASE	HILL COUNTY TOURISM	HOT CHECK RESTITUTION	INDIGENT HEALTH CARE
	\$310,561	\$12,448	\$147,462	\$205	\$11,769	\$10,229	\$83,142	\$8,654	\$619,190
4,714					3,833	4,800			106,204
\$4,714	\$310,561	\$12,448	\$147,462	\$205	\$15,602	\$15,029	\$83,142	\$8,654	\$725,394
3,625				\$180	\$1,882				\$59,351
1,090	755								1,055
									71,119
4,715	755	0	0	180	1,882	0	0	0	131,525
		12,448	147,462				83,142		
				25	13,720	15,029			593,869
	309,806							8,654	
(1)									
(1)	309,806	12,448	147,462	25	13,720	15,029	83,142	8,654	593,869
\$4,714	\$310,561	\$12,448	\$147,462	\$205	\$15,602	\$15,029	\$83,142	\$8,654	\$725,394

HILL COUNTY, TEXAS  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2019  
 (continued)

	SPECIAL REVENUE						
	JURY	JUSTICE COURT TECH- NOLOGY	JUVENILE PROBATION	LAW LIBRARY	PROBATE RECORDS MANAGEMENT	RECORDS PRESERVATION AND MANAGEMENT	SHERIFF DEPARTMENT
<b>ASSETS</b>							
Cash and Cash Equivalents	\$143,673	\$28,893	\$157,665	\$43,732	\$24,804	\$48,959	\$132,169
Receivables (net of allowance for uncollectibles)	11,538		46,345				
Due from Other Funds			628				0
<b>TOTAL ASSETS</b>	<b>\$155,211</b>	<b>\$28,893</b>	<b>\$204,638</b>	<b>\$43,732</b>	<b>\$24,804</b>	<b>\$48,959</b>	<b>\$132,169</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities</b>							
Accounts Payable	77,274		\$58,523	\$987		\$8	\$1,739
Bank Overdraft			24,081				
Accrued Wages Payable			6,878			293	
Deferred Revenues							
<b>Total Liabilities</b>	<b>77,274</b>	<b>0</b>	<b>89,482</b>	<b>987</b>	<b>0</b>	<b>301</b>	<b>1,739</b>
<b>Fund Balances:</b>							
<b>Restricted</b>							
Administration					24,804	48,658	
Construction							
Culture and Recreation							
Debt Service							
Elections							
Health and Welfare							
Judicial	77,937	28,893		42,745			
Legal							
Public Safety			115,156				130,430
<b>Total Fund Balances</b>	<b>77,937</b>	<b>28,893</b>	<b>115,156</b>	<b>42,745</b>	<b>24,804</b>	<b>48,658</b>	<b>130,430</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$155,211</b>	<b>\$28,893</b>	<b>\$204,638</b>	<b>\$43,732</b>	<b>\$24,804</b>	<b>\$48,959</b>	<b>\$132,169</b>

(continued)

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

DEBT SERVICE FUND	CAPITAL PROJECTS FUND	NON-MAJOR GOVERN- MENTAL FUNDS
\$139,118	\$287,125	\$3,628,304
54,559		231,993
	622	2,208
<u>\$193,677</u>	<u>\$287,747</u>	<u>\$3,862,505</u>
		\$210,777
		27,706
		25,448
53,219		124,338
<u>53,219</u>	<u>0</u>	<u>388,269</u>
		1,082,512
	287,747	287,747
		6,287
140,458		140,458
		28,774
		593,869
		484,866
		16,260
		833,463
<u>140,458</u>	<u>287,747</u>	<u>3,474,236</u>
<u>\$193,677</u>	<u>\$287,747</u>	<u>\$3,862,505</u>

HILL COUNTY, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2019  
 (continued)

	SPECIAL REVENUE						
	ADULT PROBATION	C.A. HOT CHECK FUND	CHILD WELFARE BOARD	COUNTY CLERK	CC COURT PRESERVATION	COUNTY HISTORICAL COMMISSION	COURTHOUSE SECURITY
<i>REVENUES</i>							
Taxes							
Property							
Sales							
Intergovernmental	370,304						
Charges for Services	467,501	94		162,455	1,650		24,787
Interest	6,015			11,723	2	16	151
Contributions						500	
Miscellaneous	30		2,494				
Total Revenues	843,850	94	2,494	174,178	1,652	516	24,938
<i>EXPENDITURES</i>							
Current:							
General Administration				63,889			
Legal							
Judicial							
Public Safety	796,651						
Culture and Recreation						250	
Health and Welfare			2,494				
Debt Service							
Principal Retirement							
Interest and Fiscal Charges							
Total Expenditures	796,651	0	2,494	63,889	0	250	0
Excess (Deficiency) of Revenues Over (Under)							
Expenditures	47,199	94	0	110,289	1,652	266	24,938
<i>OTHER FINANCING SOURCES (USES):</i>							
Sale of Capital Assets							
Operating Transfers In							
Operating Transfers Out							(25,000)
Total Other Financing Sources (Uses)	0	0	0	0	0	0	(25,000)
Net Changes in Fund Balances	47,199	94	0	110,289	1,652	266	(62)
Fund Balances - Beginning	540,679	16,166	0	652,707	1,350	6,021	16,893
Fund Balances - Ending	\$587,878	\$16,260	\$0	\$762,996	\$3,002	\$6,287	\$16,831

(continued)

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

SPECIAL REVENUE

CRIME VICTIM ASSISTANCE	D.A. FORFEITED PROPERTY	DISTRICT CLERK ARCHIVE FUND	ECONOMIC DEVELOPMENT FUND	ELECTION CHAPTER 19 FUNDS	ELECTION CONTRACT FUND	ELECTION MACHINE LEASE	HILL COUNTY TOURISM	HOT CHECK RESTITUTION	INDIGENT HEALTH CARE
									\$858,446
40,227		4,063							207,356
	3,324	26	47	1	19	31	20,076 374	1,773	15,141
	155,440		90,639		11,245	11,880			13,085
40,227	158,764	4,089	90,686	1	11,264	11,911	20,450	1,773	1,094,028
					11,245	6,000	19,654		
41,088	134,402								493,917
41,088	134,402	0	0	0	11,245	6,000	19,654	0	493,917
(861)	24,362	4,089	90,686	1	19	5,911	796	1,773	600,111
	112								
									(392,000)
0	112	0	0	0	0	0	0	0	(392,000)
(861)	24,474	4,089	90,686	1	19	5,911	796	1,773	208,111
860	285,332	8,359	56,776	24	13,701	9,118	82,346	6,881	385,758
(\$1)	\$309,806	\$12,448	\$147,462	\$25	\$13,720	\$15,029	\$83,142	\$8,654	\$593,869

HILL COUNTY, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2019  
 (continued)

	SPECIAL REVENUE						
		JUSTICE			PROBATE	RECORDS	
	JURY	COURT TECH- NOLOGY	JUVENILE PROBATION	LAW LIBRARY	RECORDS MANAGEMENT	PRESERVATION AND MANAGEMENT	SHERIFF DEPARTMENT
<i>REVENUES</i>							
Taxes							
Property							
Sales							
Intergovernmental	37,153		682,451				6,953
Charges for Services	323,733	20,495	105,739	26,532	825	28,040	
Interest	261	113	404	241	139	366	489
Contributions							
Miscellaneous	16,089		4,562				
<b>Total Revenues</b>	<b>377,236</b>	<b>20,608</b>	<b>793,156</b>	<b>26,773</b>	<b>964</b>	<b>28,406</b>	<b>7,442</b>
<i>EXPENDITURES</i>							
Current:							
General Administration							
Legal							
Judicial	571,762			17,532		2,450	
Public Safety			794,117				10,170
Culture and Recreation							
Health and Welfare							
Debt Service							
Principal Retirement							
Interest and Fiscal Charges							
<b>Total Expenditures</b>	<b>571,762</b>	<b>0</b>	<b>794,117</b>	<b>17,532</b>	<b>0</b>	<b>2,450</b>	<b>10,170</b>
Excess (Deficiency) of Revenues Over (Under)							
Expenditures	(194,526)	20,608	(961)	9,241	964	25,956	(2,728)
<i>OTHER FINANCING SOURCES (USES):</i>							
Sale of Capital Assets							449
Operating Transfers In	275,000		79,000				
Operating Transfers Out		(10,000)	0				
<b>Total Other Financing Sources (Uses)</b>	<b>275,000</b>	<b>(10,000)</b>	<b>79,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>449</b>
<b>Net Changes in Fund Balances</b>	<b>80,474</b>	<b>10,608</b>	<b>78,039</b>	<b>9,241</b>	<b>964</b>	<b>25,956</b>	<b>(2,279)</b>
Fund Balances - Beginning	(2,537)	18,285	37,117	33,504	23,840	22,702	132,709
<b>Fund Balances - Ending</b>	<b>\$77,937</b>	<b>\$28,893</b>	<b>\$115,156</b>	<b>\$42,745</b>	<b>\$24,804</b>	<b>\$48,658</b>	<b>\$130,430</b>

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

DEBT SERVICE FUND	CAPITAL PROJECTS FUND	NON-MAJOR GOVERN- MENTAL FUNDS
\$648,469		\$1,506,915
		207,356
		1,141,151
		1,183,700
6,305	7,103	52,291
		500
		305,464
654,774	7,103	4,397,377
		100,788
		0
		726,146
		1,642,026
		250
		496,411
500,000		500,000
121,919		121,919
621,919	0	3,587,540
32,855	7,103	809,837
		561
		354,000
	(30,015)	(457,015)
0	(30,015)	(102,454)
32,855	(22,912)	707,383
107,603	310,659	2,766,853
\$140,458	\$287,747	\$3,474,236